INDEPENDENT AUDITORS' REPORT ON THE STATEMENT OF ACCOUNTABILITY FOR TROPICAL FOREST CONSERVATION ACT ("TFCA AGREEMENT") RESOURCES MANAGED BY BRAZILIAN FUND FOR BIODIVERSITY – FUNBIO

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

PERIOD FROM JANUARY 1 TO DECEMBER 31, 2014 (A free translation of the original, in Portuguese)

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Executive summary

TFCA Agreement - Tropical Forest Conservation Act

The Tropical Forest Conservation Act (TFCA) results from a bilateral agreement between Brazil and the United States aimed at replacing debts obtained by countries from the United States Government with investments in the conservation and sustainable use of forests. More than ten countries from all over the world have entered into similar agreements with the US. Funbio serves as executive secretary to the TFCA Account, which receives and allocates the funds to projects in areas with remnants of the Mata Atlântica, Cerrado and Caatinga biomes that, together, account for approximately 50% of the Brazilian territory. Total debt replaced was US\$ 20.9 million.

Since 2011, TFCA has issued five calls for projects, with the resulting support to 82 projects. By the end of 2014, 71 had their results monitored by FUNBIO. The theme lines supported are: Protected Areas, Landscape Management, Skill Building, Species Management, Community Projects, Network Strengthening, and Skill Building to Raise Financial Funds.

During 2014, four new projects that were classified in the last call started to be supported. Additionally, the extension of 16 of the 82 projects directly related with the development of new public policies was approved.

The execution of six projects was completed by December. All of them achieved the proposed targets and anticipated results. In addition to the monitoring through regular technical and financial reports submitted by individual projects, the project activities are also subject to on-site monitoring. This enables FUNBIO to determine, via direct contact with the direction team, the project progress and the status of each planned objective.

During 2014, the TFCA Operating Account received tranches of R\$ 2.4 million (2013: R\$ 9.2 million) and made disbursements of approximately R\$ 9.9 million (2013: R\$ 10.3 million). At the end of the period, available funds amounted to R\$ 9.8 million (2013: R\$ 17.3 million).

Introduction - About FUNBIO

"The mission of FUNBIO is to provide strategic resources for biodiversity conservation."

Our vision is "To be reference in enabling strategic resources and solutions for biodiversity conservation."

Fundo Brasileiro para a Biodiversidade, or FUNBIO, is a non-profit civil association that started operations in 1996. It is an innovative, private financial vehicle intended to develop strategies to promote the implementation of the Convention on Biological Diversity (CDB) in Brazil.

FUNBIO forms strategic partnerships with private sector entities, state and federal government agencies and organized civil society bodies. Such partnerships enable the companies' social and environmental investments and the reduction and mitigation of the related impacts, as well as the compliance with their legal obligations. With respect to the public sector, these partnerships aim at strengthening conservation policies and enabling environmental financing programs.

In 2014, financial resources under FUNBIO's management exceeded the USD half billion level over its 18 years of existence. In this connection, the organization supported 207 projects and 282 protected areas in Brazil. Also in 2014, following three years of rigorous assessment and investments in institutional strengthening, FUNBIO became the first Latin American national agency to be accredited under GEF – Global Environment Facility, therefore becoming part of a select group of GEF agencies in the world.

At the end of 2014, FUNBIO's assets under management totaled R\$ 464 million (2013: R\$ 369 million), of which R\$ 446 million are third-party resources linked to projects (2013: 353 million) and R\$ 15 million represents own resources (2013: R\$ 14.5 million). During the same period, total projects executed amounted to R\$ 55 million (2013: R\$ 58 million), as detailed in Note 12. Operating expenses increased by 6% during the year to reach R\$ 11.8 million (2013: R\$ 11.1 million).



The governance of FUNBIO is captained by the Deliberative Council (CD), composed of 16 representatives of the business, environmental, governmental and academic sectors. The CD is responsible for establishing FUNBIO's strategy and overall direction. It meets three times a year, assesses the strategic direction and the entity's management. The Advisory Council (CC), comprised of 34 former members of the CD and invited leaders, provides the entity with technical advices. It meets once a year and its members may be part of project technical committees. The Finance and Audit Committee (CFA), comprised of CD and CC members, assists the Deliberative Council on management matters, approval of budgets and investment plans. The Asset Management Committee is made up of CFA members and invited financial market experts. It supports the decision making process regarding investment policies and the Entity's financial investments.

II. Objectives of the audit

Objectives:

Our services were performed in order to audit the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement") managed by the Fundo Brasileiro para Biodiversividade - FUNBIO relating to "Technical Cooperation Agreement - FUNBIO" as determined by the SDP Invitation Letter 001/2012, issued on October 23, 2012 at FUNBIO.

Our audit was focused on expenses incurred for activities performed by FUNBIO from January 1 to December 31, 2014, under the "Tropical Forest Conservation Act – TFCA" Project, in order to meet the government auditing standards generally accepted in the United States of America (USGAGAS), which are issued by the United States Government Accountability Office and are presented in Chapter 4 of "GAO's Yellow book", effective for auditing and assurance engagements for periods ended on or after December 14, 2012.

The specific objectives of the audit of project funds are:

- To conclude whether the statement of accountability for the resources of the Tropical Forest Conservation Act
 ("TFCA Agreement") presents fairly, in all material respects, the revenues, costs and commodities (goods for
 use and consumption) relating to the period under audit, in accordance with the terms of the agreements and
 generally accepted accounting principles, or other comprehensive accounting basis (including the cash basis
 and its variations).
- To evaluate the effectiveness of FUNBIO internal controls relating to projects approved in calls, estimate the risk control and identify significant deficiencies and material weaknesses.
- To assess whether FUNBIO complies, in all material respects, with the terms of the agreement and the laws and regulations governing programs similar to TFCA in nature.
- To conduct an audit of overhead rates, if FUNBIO is authorized to charge indirect costs to the account of the TFCA using contingency (provisional) fees, in the event that definitive rates are yet to be negotiated by TFCA and FUNBIO.

III. Scope of the audit

We performed the following procedures as a basis to develop our audit program and review. They were not considered in full, or are restrictive in nature and do are not a substitute for professional care and judgment.



A. Pre-audit procedures:

- 1. We examined the documents considered necessary to carry out the audit:
- (a) "TFCA Agreement"
- (b) Contracts with, and subcontracting of, other partner organizations, regarding disbursements to projects approved under the calls.
- (c) Budgets, terms of implementation and procedures drafted and approved by the Committee of the TFCA Program.
- (d) OMB Circular A-122 "Cost Principles for Nonprofit Organizations".
- (e) All financial reports and periodic project reports; charts of accounts and organizational plans; descriptions of accounting systems; policies and procedures for acquisitions; and receipts, procedures for storage and distribution of materials when necessary for the full implementation of services demanded.

B. Statement of accountability for resources of the Tropical Forest Conservation Act ("TFCA Agreement").

We audited the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement") and the "Technical Cooperation Agreement - FUNBIO", including the amounts budgeted by category and key items; revenues received in the TFCA bank account for the period under audit and disbursements and costs declared by FUNBIO and incurred during the period from January 1 to December 31, 2014.

Our audit tests of financial transactions occurring from January 1 to December 31, 2014 included the following procedures:

- 1. We confirmed the direct costs (disbursements to projects and management expenditures), identifying and quantifying questionable costs. All costs that are not supported by adequate documentation or are not in accordance with the terms of the contract were questioned and reported.
- 2. We audited the balance sheets and managerial reports to determine whether the costs incurred had been appropriately recorded. We confirmed whether direct costs states had been reconciled with the balance sheets and managerial reports.
- 3. We audited the internal control procedures used to manage the funds received in the TFCA account. We also evaluated the bank accounts and the controls over such accounts. We confirmed bank balances.
- 4. We audited the financial advances and documents that support such transactions in order to ensure that all monies received in the TFCA account have been properly recorded in the accounting records of FUNBIO and that these records were properly reconciled
- 5. We confirmed that the amounts received in relation to the program were used for eligible expenditures in accordance with program objectives or deducted from the cost of the program, according to the regulations, terms and conditions of contract.
- 6. We evaluated the processes and internal controls related to the flow of purchases to determine if commercial competitive practices, reasonable prices and quality were used, and the controls over the amounts received and completed services rendered are appropriate.
- 7. Direct salary costs were reviewed to determine if wage rates are in accordance with rates approved by the TFCA Account Committee, where applicable, and are adequately supported by payroll records. We analyzed whether the overtime, allowances and benefits of the program were charged in accordance with the cooperation agreement, applicable laws and regulations.



- 8. We examined the costs of travel and transport to determine whether these were properly approved and are adequately supported.
- 9. We evaluated the processes and internal controls related to the flow of fixed aiming to secure control of commodities (goods for use and consumption) acquired by FUNBIO and if such goods were used for specific purposes in accordance with the terms of the cooperation agreement.
- 10. We evaluated the service contracts signed by FUNBIO for use in the program in order to confirm that they were used for the purposes specified pursuant to the cooperation agreement.

C. Contributions To Counterpart expenses

The "TFCA Agreement" does not provide for cost-sharing (Counterpart) for the TFCA project to be supplied by the Brazilian Biodiversity Fund - FUNBIO thus was not the object of our work to check sources and uses of counterpart funds.

D. Internal control

As part of our audit procedures, we evaluated the internal control structure of FUNBIO, where we performed an evaluation of the susceptibility to operational risks and operating effectiveness of controls deemed relevant by FUNBIO as relevant to reduce operational risks to an acceptable level, within the policies and relevant to the "TFCA Agreement" procedures, with the goal of:

- 1. Obtain a sufficient understanding of internal control structure to plan the audit and determine the nature, timing and extent of tests to be performed.
- 2. Evaluate control risk and audit risk.
- 3. Evaluate the control environment, the adequacy of accounting systems and control procedures. Highlight the policies and procedures that relate to the ability of FUNBIO to record, process, summarize and report financial data consistent with the assertions contained in each statement of accountability TFCA Account.

Our review of the control systems included, but was not limited to, the following aspects:

- (a) Ensure that charges to the program are appropriate and supported;
- (b) Management of cash on hand and in bank accounts (bank reconciliations);
- (c) Purchase of goods and services;
- (d) Inventory management and absorption functions;
- (e) Personnel management, such as controls over hours, salaries and benefits;
- (f) Management of goods for use and consumption (such as vehicles, equipment, etc.) acquired by FUNBIO or directly by TFCA; and
- (g) Ensure compliance with the terms of the contract, applicable laws and regulations that, collectively, have a material impact on the statement of accountability for the project.
- 4. We included in the review the evaluation of other policies and procedures that may be relevant if they are relevant to the data used by the auditor in the performance of work.



E. Conformity with the terms of the Agreement, applicable laws and regulations

The purpose of our procedures is to conclude if the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement") prepared by FUNBIO for the period from January 1 to December 31, 2014 complies, in all material respects, with the terms of the TFCA agreement and applicable laws and regulations that may have a material impact on our assessment of the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement").

Our analysis included, among other procedures:

- 1. We identified the terms of the cooperation agreement, as well as relevant laws and regulations, and determined which of these, if not complied with, would have a significant direct effect on the statement of accountability for the fund. In this regard:
- (a) We listed all standard determinations of specific programs and those contained in the agreements that cumulatively, if not complied with, could have a direct and material effect on the statement of accountability for the Fund.
- (b) We estimated the inherent risk and control risk of occurrence of significant deviations from each compliance requirement listed in paragraph 1.a. above.
- (c) We determined the nature, timing and extent of the steps and procedures to be adopted for a reasonably reliable detection of the presence of errors, fraud and illegal acts, both intentional and unintentional, regarding noncompliance with the terms of the agreement, applicable laws and regulations, which may have a material effect on the statement of accountability for the TFCA. These are based on the risk estimation mentioned in paragraph 1.b. above.
- (d) We prepared a summary together with the audit documentation that identified each specific compliance requirement included in the review, the results of the estimates of inherent risk, control risk and detection risk for each compliance requirement.
- 2. We considered whether the payments were made pursuant to the terms of the agreement, applicable laws and regulations.
- 3. We considered whether the funds were used for unauthorized purposes or in violation of the terms of agreement.
- 4. We identified all irregular expenditures, classifying and explaining the reasons for questioning them.
- 5. We considered whether the purchases of goods for use and consumption, directly acquired by FUNBIO or by the TFCA account to be used by FUNBIO, exist and were used for their intended purposes, in conformity with the agreement terms.
- 6. We considered whether technical support and services obtained by FUNBIO were used for their intended purposes, in conformity with the agreement.
- 7. We considered whether the recipients of services and benefits were eligible to them.
- 8. We considered whether FUNBIO financial reports and requests of advances and reimbursements include information that is supported by the related books and records.
- 9. We confirmed whether FUNBIO maintained advances received by the TFCA Account in interest-bearing accounts and whether this income was included in the account balances to be used for the purposes of the TFCA Agreement.



F. Follow-up on recommendations from prior audits

On April 17, 2015, se issued a report on recommendations about internal controls of Fundo Brasileiro para a Biodiversidade – FUNBIO setting out our recommendations for the improvement of the accounting and internal control systems, as a result of our findings arising in the course of our audit work. Our recommendations concerning audits of prior years are presented in that report.

IV. Results of the audit

i. Statement of accountability for the resources of Tropical Forest Conservation Act ("TFCA Agreement")

In our opinion, the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement"), managed by the Brazilian Fund for Biodiversity - FUNBIO presents fairly, in all material respects, the revenues from the program and expenses incurred in the period from January 1 to December 31, 2014, in accordance with the terms of the "TFCA Agreement" and the accounting policies mentioned in note 1 to this report.

ii. Conformity with the terms of the Agreement, applicable laws and regulations

In order to obtain reasonable assurance that the statement of accountability for the Fund is free from material misstatements, we performed analyses and tests to determine the conformity with the terms of the Agreement, as well as laws and regulations.

Instances of non-conformity with the terms of the Agreement, applicable laws or regulations, are considered material weaknesses, which lead us to conclude that the aggregation of misstatements resulting from such weaknesses are significant for the statement of accountability for the Fund.

Our tests and analyses did not identify instances of relevant non-compliance to be set out in this report, in accordance with auditing standards of the United States Government, for the period from January 1 to December 31. 2014.

iii. Internal control

In connection with the audit work of the financial statements of Fundo Brasileiro para a Biodiversidade – FUNBIO at December 31, 2014, conducted in accordance with auditing standards applicable in Brazil pursuant to professional and technical standards issued by the Brazilian Federal Accounting Council – CFC, we considered and assessed the accounting and internal control systems in order to determine the nature, scope and extent of the audit procedures required, to express an opinion on the financial statements. Thus, although we do not express an opinion or conclusion on FUNBIO accounting and internal control systems, we present recommendations for the improvement of these systems, as a result of our findings in the course of our audit work.

Our analyses and evaluation of internal controls did not reveal any material deficiencies that should be included in this report.

Our recommendations for the improvement of accounting and internal control systems were included in our report on recommendations arising from the review of internal controls.

Audit report on the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")

To Fundo Brasileiro para a Biodiversidade - FUNBIO Rio de Janeiro - RJ

We have audited the statement of accountability for the resources of Tropical Forest Conservation Act ("TFCA Agreement TFCA") managed by Fundo Brasileiro para a Biodiversidade – FUNBIO for the period from January 1 to December 31, 2014. FUNBIO is responsible for the preparation of the statement of accountability for the resources managed. Our responsibility is to express an opinion on the statement of accountability for such resources, based on our audit.

Our audit of the statement of accountability of managed resources was conducted in accordance with government auditing standards generally accepted in the United States of America (USGAGAS), which are issued by the United States Government Accountability Office. Those standards require planning and performing audit procedures to obtain reasonable assurance that the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") is free from material misstatement. An audit includes examining, on a test basis, the support for amounts disclosed in the statement of accountability for the Fund. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement"). We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO, for the period from January 1 to December 31, 2014, is fairly presented, in all material respects, as well as project revenues and expenditures incurred from the period from January 1 to December 31, 2014, in accordance with the terms of the TFCA Agreement and in conformity with the accounting basis described in note 1.

In connection with the audit of the financial statements of Fundo Brasileiro para a Biodiversidade – Funbio, on April 17, 2015 we issued a report on recommendations on internal controls of Fundo Brasileiro para a Biodiversidade – FUNBIO, setting out our recommendations for the improvement of accounting and internal control systems arising from our findings from the audit. The report is an integral part of an audit performed in accordance with government auditing standards generally accepted in the United States of America and should be read in conjunction with the present report of independent auditors on the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement"), considering the results of our audit.

This report is intended for the information of the Fundo Brasileiro para a Biodiversividade - FUNBIO and the Committee of the TFCA Account. However, after the release of the TFCA Account Committee, this report is a public record and its distribution is not limited.

Rio de Janeiro, April 17, 2015

Mazars Auditores Independentes CRC 2SP023701/0-8 "F" RJ

Dominique Joseph Marcel Nezan Contador CRC 1SP220825/0-0 "S" RJ



Statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")

(Amounts in R\$)									
	Budgeted 2011	Budgeted 2012	Budgeted 2013	Budgeted 2014	2011	2012	2013	2014	Accumulated
Resources received									
Cooperation agreement	13.387.090	12.450.607	8.586.534	2.341.269	14.067.107	12.727.122	9.223.787	2.402.351	38.420.366
Interest received	669.355	997.676	1.000.000	942.849	654.238	1.030.168	1.175.131	1.196.355	4.055.892
Total revenues	13.448.283	13.448.283	9.586.534	3.284.118	14.721.345	13.757.290	10.398.918	3.598.705	42.476.258
Personnel expenses									
Contracted services (Administrative fee + Audit)	95000	1.550.887	2.219.142	887.260	100.733	948.191	1.213.115	1.228.920	3.490.959
Total personnel expenses	95.000	1.550.887	2.219.142	887.260	100.733	948.191	1.213.115	1.228.920	3.490.959
Other expenses									
Disbursement - Call Note 1	-	11.107.474	9.157.581	3.551.539	-	7.455.185	5.056.916	4.734.914	17.247.015
Disbursement - Call Notice 2	-	520.000	1.900.265	679.789	-	462.189	669.077	827.426	1.958.692
Disbursement - Call Notice 3	-	1.056.000	1.535.007	734.621	-	823.665	831.198	924.116	2.578.978
Disbursement - Call Notice 4	-	-	4.400.000	2.022.145	-	-	3.285.224	3.238.087	6.523.310
Travel and lodging - Committee	65.000	145.000	61.800	42.900	53.900	39.989	32.542	40.970	167.401
Travel and lodging - Technical Chamber	-	108.000	-	-	18.183	115.999	1.385	-	135.567
Travel and lodging - Project monitoring	-	100.000	100.800	-	-	1.109	84.337	73.734	159.180
Seminais	-	-	981.920	168.000	-	-	365.195	8.131	373.326
Mail	-	8.001	3.000	1.500	-	2.461	878	1.357	4.696
Communications and reports	-	-	-	-	-	-	-	-	-
Financial expenses (fees)	900	3.000	2.000	2.000	21.443	873	1.136	1.224	24.676
Sundry expenses		1.000	1.000	1.500		344	-	401	745
Total other expenses	65.900	13.048.475	18.143.373	7.203.994	93.526	8.901.813	10.327.888	9.850.360	29.173.586
TOTAL EXPENSES	160.900	14.599.362	20.362.515	8.091,254	194,259	9.850.004	11.541.002	11.079.280	32.664.545

Notes to the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")
Period from January 1 to December 31, 2014

1 General information and summary of accounting policies

The statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement") has been prepared in compliance with government audit requirements issued by the Comptroller General of the United States of America. The accounting policies adopted by the Directors are set out below:

- (a) Statement o Responsibility for the Fund because FUNBIO uses its own financial and accounting management system to report on project operations and the chart of accounts used classifies accounting entries. The statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement"), management by Fundo Brasileiro para a Biodiversidade FUNBIO, was prepared using the cash basis, which consists of accounting for revenues only upon they are actually received, and accounting for costs and expenses only when they are actually paid for. This basis does not violate the accounting principles.
- (b) Revenues: Revenues are recorded on the date when funds are transferred by the Brazilian Government to FUNBIO and made available in FUNBIO's current account.
- (c) Exchange rate. The program financial records are maintained in reais, which is the legal tender in Brazil. At December 31, 2014, the exchange rate of the real against the U.S. dollar was R\$ 2.6562 : USD 1.00. The statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement") was prepared in reais.

2 Transfer of funds

Fund transfers during the period from January 1 to December 31, 2014 by deposits in the "TFCA" Project bank account, totaled R\$ 2,402,351. When added to those sums that were transferred during 2011 and 2012, financial contributions to the "TCA Agreement" account amount to R\$ 38,420,366, as shown below:

Notes to the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")

Period from January 1 to December 31, 2014

Date	Amount (in R\$)
Listing of contributions to the specific account	
Received in 2011	14.067.107
Received in 2012	12.727.122
Received in 2013	9.223.787
January February	-
	1.634.947
March April	-
May	-
June	181.944
July	-
August	585.459
September	-
October	_
November	-
December	-
Total de 2014	2.402.351
Total financial contributions made	38.420.366

Notes to the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")
Period from January 1 to December 31, 2014

3 Reconciliation of available funds

The reconciliation of excess revenues and costs incurred with amounts available in bank accounts and related financial investments at December 31, 2014 is summarized below:

Adjusted

	In R\$			
Project balance available at December 31, 2014:	R\$	9.811.713,26		
Cash and banks at December 31, 2014	R\$	9.811.713,26		
Analysis of cash and cash equivalents: Operative account	R\$	9.811.713,26		
Banco do Brasil - C/C 22206-2	R\$	12.808,78		
Banco do Brasil - C/Aplic CDB 22206-2	R\$	6.243.245,08		
Banco do Brasil - C/Aplic RF 22206-2	R\$	3.555.659,40		
Book reconciliation adjustments	R\$	5.949,93		
Project balance per books	R\$	9.805.763,33		

Project-linked available funds are held in a specific current account (TFCA Account) and financial investments in investment funds and Bank Deposit Certificates (CBDs), which mature in less than 90 days and have immaterial risk of reduction in value. Financial investments consist of CBDs that are remunerated at the CDI (Interbank Deposit Certificate) rates and other investments in investment funds held with first tier financial institutions.

Notes to the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")
Period from January 1 to December 31, 2014

Review report on the compliance with standards, laws and regulations of the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")

To Fundo Brasileiro para a Biodiversidade - FUNBIO Rio de Janeiro - RJ

We have audited the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement") managed by Fundo Brasileiro para a Biodiversidade - FUNBIO, for the period between January 1 to December 31, 2014. We issued an audit report thereon dated April 17, 2015.

Our examination of the statement of accountability for managed resources was conducted in accordance with government auditing standards generally accepted in the United States of America (USGAGAS), which are issued by the "United States Government Accountability Office". These standards require planning and performing audit procedures to obtain reasonable assurance that the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement") is free from material misstatement. An audit includes examining, on a test basis, the support of the amounts and information disclosed in the statement of accountability for the fund. An audit also includes assessing the accounting principles used and significant estimates made by management in the preparation of the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement").

As part of obtaining reasonable assurance that the Brazilian Fund for Biodiversity, as manager of the amounts made available under the TFCA Agreement, is in accordance with the applicable terms of the aspects of the TFCA Agreement and other agreements signed between the parties, laws and other existing legal provisions under Brazilian law, we performed adhesion tests for compliance with the terms of the Agreement, as described in "E". However, our objective was not to express an opinion on the compliance with contract covenants. Accordingly, we express no such opinion.

Based on the procedures performed, we are not aware of any facts that would lead us to believe that the Brazilian Fund for Biodiversity - FUNBIO is in violation of the terms of the TFCA Agreement and other agreements signed between the parties, other existing laws and legal provisions under Brazilian law, in all material respects, that could significantly affect the presentation of the report.

Immaterial instances of noncompliance, if any, were discussed in the report on recommendations from the review of internal controls, which sets out our recommendations for the improvement of internal controls and safeguarding of assets.

Rio de Janeiro, April 17, 2015

Mazars Auditores Independentes CRC 2SP023701/0-8 "F" RJ

Dominique Joseph Marcel Nezan Contador CRC 1SP220825/0-0 "S" RJ

Notes to the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")
Period from January 1 to December 31, 2014

Review report on internal controls over the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")

To Fundo Brasileiro para a Biodiversidade - FUNBIO Rio de Janeiro - RJ

We have audited the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement") managed by Fundo Brasileiro para a Biodiversidade - FUNBIO, for the period from January 1 to December 31, 2014. We issued an audit report thereon dated April 17, 2015.

Our examination of the statement of accountability for managed resources was conducted in accordance with government auditing standards generally accepted in the United States of America (USGAGAS), which are issued by the United States Government Accountability Office. These standards require planning and performing of audit procedures to obtain reasonable assurance that the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement") is free from materially relevant distortions. An audit includes examining, on a test basis, the support of the amounts and information disclosed in the statement of accountability for the fund. An audit also includes assessing the accounting principles used and significant estimates made by management in the preparation of the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement").

In connection with that examination, we evaluated the accounting and internal control systems with the purpose of determining the nature, scope and extent of the audit procedures to be applied, in order to express an opinion on the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement"). Thus, although we do not express an opinion or conclusion on the accounting systems and internal controls of FUNBIO, we presented recommendations for the improvement of these systems resulting from findings made in the course of our audit. The scope of the work did not include an external review of internal control procedures of FUNBIO. We believe that the control points mentioned in our report recommendation arising from the review of internal controls are not material so as to affect the "TFCA Agreement".

A deficiency in internal controls exists when its operation does not allow the Board or other employees to prevent, detect or correct errors in a timely manner so that the Fund maintains the normal course of its activities. Our approach to internal control was based on a limited proposal as described in the first paragraph and was not intended to identify other deficiencies in internal control that were significant.

Notes to the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement")
Period from January 1 to December 31, 2014

Based on our review, we are not aware of any facts that would lead us to conclude that there are significant deficiencies in internal controls, which in our judgment could affect the ability to record, process, summarize and report financial data consistent with management assertions in the statement of accountability for the resources of the Tropical Forest Conservation Act ("TFCA Agreement").

Instances of deficiencies in internal controls, if any, were discussed in the report on recommendations arising from our review of internal controls, which includes recommendations for the improvement of internal controls and safeguarding of assets.

Rio de Janeiro, April 17, 2015

Mazars Auditores Independentes CRC 2SP023701/0-8 "F" RJ

Thum!

Dominique Joseph Marcel Nezan Contador CRC 1SP220825/0-0 "S" RJ