Fundo Brasileiro para Biodiversidade - FUNBIO

April 2013

INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT OF FUNDS MANAGED BY FUNDO BRASILEIRO PARA BIODIVERSIDADE – FUNBIO.

TFCA - Tropical Forest Conservation Act

PERIOD FROM JANUARY 1, 2011 TO DECEMBER 31, 2012

(FREE TRANSLATION)

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I. EXECUTIVE SUMMARY

TFCA (Tropical Forest Conversation Act) Agreement

FUNBIO serves as the executive secretary to the TFCA Account, which receives monies under the bilateral agreement known as Tropical Forest Conservation Act (TFCA), entered into between Brazil and the United States, in order to exchange debts owed by other countries to the United States for investments in the conservation and sustainable use of forests where remnants of the Atlantic Forest, Cerrado (Tropical Savannah) or Caatinga (Tropical Dry Forest) (Mata Atlântica, Cerrado or Caatinga) biomes are found. Total exchanges of debts amounted to USD 20.8 million.

In early 2012, the 46 projects approved under the first tender notice (Jan/2011) were launched. Approximately 80 representatives attended a skill building workshop to share information and receive training in TFCA's rules and operational tools. The workshop was held in Brasília in April 2012.

During the year, four further calls for projects were launched, two of them in April and two other in August. The 2/2012 call, which was originally launched in April and then re-launched in August, supports the strengthening of ONG Networks so as to enhance the civil society, synergies and sharing of information among environment entities relating to the Caatinga (Tropical Dry Forest) and Atlantic Forest areas. The 3/2012 call selected skill building projects to raise public or private funds to be allocated to the Atlantic Forest, Cerrado (Tropical Savannah) and Caatinga (Tropical Dry Forest) biomes, thus triggering new actions to preserve and restore the biomes. The 4/2012 call, targeted at biodiversity conservation projects, initially made R\$ 7 million available for projects with a maximum term of 24 months.

Introduction – About FUNBIO

"FUNBIO's mission is to contribute strategic resources for the preservation of biodiversity."

FUNBIO - Fundo Brasileiro para a Biodiversidade (Brazilian Fund for Diversity) is a non-profit civil entity with the status of Public Interest Civil Partnership Organization (Organização da Sociedade Civil de Interesse Público - OSCIP). FUNBIO originated from international agreements arising from Rio 92, the Convention on Biological Diversity (Convenção sobre a Diversidade Biológica - CDB). Now a little over 16 years old, FUNBIO is considered the main institution dedicated to promote partnerships between the public and private sectors in order to accomplish CDB's objectives.

FUNBIO was originally formed with a US\$ 20 million donation made by the Global Environment Facility (GEF) and since its inception has driven agreements totaling approximately US\$ 390 million, which was used in 181 projects and 195 supported Conservation Units.



FUNBIO presently manages assets amounting to R\$ 323, of which R\$ 159 million are held in long-term, endowment-type funds, and R\$ 150 million correspond to resources used in projects underway with a number of partners and beneficiaries. It also has its own resource funds, which is currently worth R\$ 14 million and is intended to ensure its financial sustainability.

Thanks to its abilities in Project development and asset management, FUNBIO has been increasingly sought after by the private sector to develop conservation strategies. Its activities are in line with the strategic vision of leading companies and institutions which aim to preserve the environment while maintaining their profitability, by undertaking conservation processes in diverse production scenarios.

FUNBIO's governance is led by the Deliberative Council (Conselho Deliberativo – CD) which is comprised of representatives from the business, environmental, governmental and academic sectors, for a total of 16 members (4 from each segment). The Deliberative Council is responsible for establishing an overall policy and setting up the Fund's targets and priorities, to be then translated into actions by the Executive Secretary. The group approves annual operating plans, investment policies and projects undertaken. The members' contribution – i.e., their experience and knowledge – is made on a voluntary basis. The Deliberative Council is structured in Commissions which address specific matters, such as Executive, Project Technical, finance, Audit, and Asset Management commissions. Former members and guest leaders comprise the Fund Advisory Board, which provides the entity with technical advice and meets annually. Members of the Advisory Board may be regular members of technical commissions.

During 2012, FUNBIO expanded the number of its initiatives, as well as the number of contracts under management. As a result, the value of projects performed increased by 64% to reach R\$ 50.8 million. In the same period, the entity's operating expenses grew by 6%, attesting to the strong executional ability of a team that is clearly committed to FUNBIO's objectives and mission. The FUNBIO's team accomplishment is to be shared with our donators and partners who have provided us with ongoing support.

FUNBIO is guided by a set of core values: Transparency, Ethics, Effectiveness, Receptivity, Intellectual Independence, and Innovation in all dimensions of its activities.

II. AUDIT OBJECTIVES

Objectives:

The objective of our service was to carry out an audit of those funds comprising the TFCA Account managed by Fundo Brasileiro para Biodiversidade – FUNBIO under the "TFCA Agreement" and the "Technical Cooperation Agreement – FUNBIO", as set forth in the SDP 001/2012 letter issued by FUNBIO on October 23, 2012.

Our audit addressed those expenses arising from activities performed by FUNBIO from January 1, 2011 to December 31, 2012, under the "Tropical Forest Conservation Act – TCFA" Project. We conducted our audit in conformity with the United States Government Auditing Standards ("The Yellow Book'), as prescribed in the 01/2012 letter.

The specific objectives of the Project fund audit include:

- Expressing an opinion on whether the Fund Accountability Statement relating to programs on TFCA resources presents fairly, in all material respects, the revenues, income and commodities (supplies and consumables) for the period under audit, in accordance with generally accepted accounting principles or other comprehensive accounting basis (including the cash basis and modifications thereof).
- Assessing FUNBIO's internal control over those projects approved in public notices, estimating the control risk, and identifying significant deficiencies and material weaknesses.
- Assessing whether FUNBIO is compliant, in all material aspects, with the agreement terms and those laws and regulations applicable to programs using funds in the same nature of TFCA.
- Examining indirect cost rate(s), in the event that FUNBIO is authorized to charge indirect costs to TFCA using contingency (provisional) rates yet to be agreed upon by the parties.

We conducted our engagement in accordance with the audit stages and procedures set out in the U.S. Government Auditing Standards, Chapter 4, to ensure the ability to detect potential instances of fraud or illegal acts or indicators of fraud or illegal acts.



III. AUDIT SCOPE

The procedures described below were used as a basis to prepare our audit and review programs. They are not all inclusive and do not replace the appropriate performance of duties, professional zeal and judgment.

A. Pre-audit procedures:

- 1. We reviewed those documents deemed necessary to carry out our audit:
 - a. "TFCA Agreement"
 - b. Contracts and subcontracts entered into with partner organizations relating to the disbursement of monies for approved projects.
 - c. Budgets, execution guidelines and procedures prepared and approved by TFCA's Program Committee.
 - d. OMB Circular A-122 "Cost Principles for Nonprofit Organizations".
 - e. All financial reports and project progress reports; charts of accounts and organization plans; description of accounting systems, acquisition policies and procedures; receipts and storage and distribution of supplies, when required for the appropriate performance of the related services.

B. Fund Accountability Statement – TFCA Agreement

We have examined the Fund Accountability Statement of "TFCA Agreement" and "Technical Cooperation Agreement – FUNBIO", managed by Fundo Brasileiro para Biodiversidade – FUNBIO, including budget amounts by category and the most relevant items, revenues received in the TFCA account during the audit period, and disbursements and costs stated by FUNBIO as incurred during this period.

Our auditing tests of financial movements during the period from January 1, 2011 to December 31, 2012 included but were not limited to the following procedures:

1. Reviewing indirect costs incurred (disbursement to projects and management expenses); challengeable costs were identified and quantified. All costs without appropriate supporting



documentation or that were not in accordance with the agreement terms were challenged and reported.

- 2. Analyzing balance sheets and managerial reports to determine that incurred costs were duly recorded. We determined whether stated direct costs had been reconciled with balance sheets and managerial reports.
- 3. Reviewing the internal control procedures used to manage funds received in the TFCA account. Reviewing bank accounts and controls over such accounts. Obtaining positive confirmation of bank account balances.
- 4. Verifying that advanced funds have appropriate supporting documentation, including the reconciliation of disbursed, received and available funds, to obtain comfort that all funds received in the TCA account were appropriately recorded on FUNBIO's accounting records and such records were regularly reconciled.
- 5. Assessing whether amounts received under the program were allocated to eligible expenses in accordance with the program goals or deducted from program costs, in accordance with the agreement regulations, terms and conditions.
- 6. Reviewing the purchasing procedures for the use of good business practices, reasonable pricing and quality, and adequacy of controls over quantities received.
- 7. Reviewing direct charges on salaries for conformity of salary rates with those rates approved by the Committee for the TFCA account, when applicable, and for adequate payroll supporting records. Assessing overtime, bonuses and benefits charged to the program for conformity with the cooperation agreement and applicable laws and regulations.
- 8. Reviewing travel and transportation expenses for approval and adequate supporting documentation.
- 9. Reviewing those controls in place to ensure the safety and control over commodities (supplies and consumables) that were acquired by FUNBIO and to confirm that such goods were used for the intended purposes as set out in the cooperation agreement terms.
- 10. Reviewing technical support and service agreements entered into by FUNBIO on behalf of the program to confirm that they were used for the intended purposes as set out in the cooperation agreement.

C. Contributions to matching funds

The "TFCA Agreement" does not stipulate that FUNBIO is required to provide matching funds (sharing of expenses) to the TFCA Project. Accordingly, the verification of sources and uses of matching funds was outside the scope of our work.

D. Internal control

We have reviewed and assessed FUNBIO's internal control structure in order to obtain an understanding of those control policies and procedures relevant to the "TFCA Agreement" and to obtain evidence that such policies and procedures are in place. Our procedures included:

- 1. Obtaining an understanding of the internal control structure sufficient to plan the audit and determine the nature, timing and extent of our tests
- 2. Assessing inherent risk and control risk, and determining the composite risk.
- 3. Summarizing the risk assessments for each assertion in the working papers.
- 4. Assessing the control environment, adequacy of accounting systems and control procedures. Identify those policies and procedures which relate to FUNBIO's ability to record, process, summarize and report financial information that is consistent with assertions included in each Fund Accountability Statement of the TFCA Account.

We have verified, among others, the control systems designed to:

- a. Ensure that charges to the program are appropriate and have supporting documentation;
- b. Manage cash on hand and in bank accounts (bank reconciliations);
- c. Purchase goods and services;
- d. Manage inventories and allocation to functions;
- e. Manage personnel, such as time control, salaries and benefits;
- f. Manage supplies and consumables (such as vehicles, equipment, etc.) that were acquired by FUNBIO or directly by TFCA; and



- g. Ensure the compliance with the agreement terms and the applicable laws and regulations which, in the aggregate, have a material impact on the project's Fund Accountability Statement.
- 5. Our review also included an assessment of other policies and procedures that may be significant inasmuch as they relate to information used by the auditor to carry out his work.

E. Compliance with the agreement terms and applicable laws and regulations

We have performed procedures to determine the compliance with the agreement terms, as well as the applicable laws and regulations, which in our view could have a material impact on the statement of changes in the financial position of the TFCA program.

Our review included the following procedures, among others:

- 1. Identifying the terms of the cooperation agreement, as well as the related laws and regulations, and determining which ones of hem, when not complied with, would have a direct, significant impact on the Fund Accountability Statement. In this sense:
 - a. We listed all standard provisions and program-specific provisions which collectively, when not complied with, could have a direct, significant impact on the fund's Fund Accountability Statement.
 - b. We estimated the inherent risk and control risk of any event of significant noncompliance for all compliance requirements listed in paragraph 1.a. above.
 - c. We determined the nature, timing and extent of stages and procedures to be applied to obtain reasonable assurance that any errors, fraud and illegal actions, both deliberate and non-deliberate, will be detected with respect to non-compliance with the agreement terms and applicable laws and regulations, which might have a material impact on TFCA' Fund Accountability Statement. This procedure must be based on the risk estimate mentioned in paragraph 1.b. above.



- d. We prepared a summary, together with the audit documentation, which identified each specific compliance requirement included in the review, the results of the inherent risk, control risk and detection risk estimates for each compliance requirement.
- 2. Confirming that payments were made in accordance with the agreement terms and the applicable laws and regulations.
- 3. Determining whether funds were used for unauthorized purposes or not in accordance with the agreement terms.
- 4. Identifying all irregular expenses, classifying them and explaining why they have been challenged.
- 5. Ascertaining the authenticity of purchases of supplies and consumables, whether directly by FUNBIO on by TFCA to be used by FUNBIO, and the use of such purchases for their intended purposes in accordance with the agreement terms.
- 6. Verifying that technical support and services obtained by FUNBIO were used for their intended purposes in accordance with the agreement.
- 7. Assessing whether the service recipients were eligible to receive them.
- 8. Verifying that FUNBIO's financial reports and the requests for advances and reimbursements include information that is supported by the related books and records.
- 9. Verifying whether FUNBIO held fund advances received in the TFCA Account in interestbearing accounts and such income are part of the account balances to be used as provided for in the TFCA agreement.

F. Follow-up on recommendations from prior audits

The audit of funds granted to FUNBIO is the first year of audit of the "TFCA Agreement"; accordingly, no corrective actions were recommended in prior audits of this specific project.

IV. RESULTS OF THE AUDIT

i. Fund Accountability Statement of the fund

In our opinion, the Fund Accountability Statement of the "TFCA Agreement" managed by Fundo Brasileiro Para Biodiversidade – FUNBIO presents fairly, in all material respects, revenues received from the Program and expenses incurred, for the period from January 1, 2011 to December 31, 2012, in conformity with the agreement terms and the accounting policies described in Note 1.

ii. Compliance with the agreement terms and applicable laws and regulations

In order to obtain reasonable assurance of whether the Fund Accountability Statement of the fund is free from material misstatements, we performed analyses and tests to determine the compliance with the agreement terms, as well as laws and regulations.

Instances of noncompliance with the agreement terms and the applicable laws or regulations are considered significant failures that lead us to conclude that the aggregation of misstatements resulting from such failures are material to the Fund Accountability Statement of the fund.

In the course of our tests and analyses, we did not identify instances of significant noncompliance to be included in this report, in accordance with the auditing standards of the U.S. Government, for the period from January 1, 2011 to December 31, 2012;

iii. Internal control

We considered FUNBIO's internal controls when planning the audit procedures to be performed with the specific purpose of expressing our opinion on the Fund Accountability Statement of the fund and not to provide any assurances regarding internal controls.

Our analyses and assessments of internal controls did not reveal any significant deviations that would warrant inclusion in this report or deficiencies in internal controls which, in our judgment, would impact the ability to record, process, summarize and report financial information that are consistent with management's assertions on the Fund Accountability Statement of the project were reported in our report recommendation due to review of internal controls.



AUDIT OF THE FUND ACCOUNTABILITY STATEMENT OF TFCA RESOURCES MANAGED BY FUNDO BRASILEIRO PARA BIODIVERSIDADE – FUNBIO. Tropical Forest Conservation Act – TFCA Project Period from January 1, 2011 to December 31, 2012.

AUDIT REPORT ON THE FUND ACCOUNTABILITIY STATEMENT OF THE TFCA ACCOUNT

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

We have audited the Fund Accountability Statement of TFCA - Tropical Forest Conservation Act, managed by Fundo Brasileiro para Biodiversidade - FUNBIO, hereinafter "TFCA Agreement", for the period from January 1, 2011 to December 31, 2012. The Fund Accountability Statement of the Project is the responsibility of FUNBIO's management. Our responsibility is to express an opinion on the Fund Accountability Statement of the TFCA Agreement based on our audit.

We conducted our audit of the Fund Accountability Statement of TFCA in accordance with the U.S. Government Auditing Standards issued by the U.S. Comptroller General.

These standards require that we plan and perform audit procedures to obtain reasonable assurance of whether the Fund Accountability Statement of the fund is free from material misstatements. An audit includes the examination, on a test basis, of documents supporting the amounts and disclosures made in the Fund Accountability Statement. An audit also includes the assessment of significant accounting principles adopted and key estimates made by management, as well as evaluating the overall presentation of the Fund Accountability Statement of TTFCA. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Fund Accountability Statement of the TFCA Account - Tropical Forest Conservation Act, managed by Fundo Brasileiro para Biodiversidade - FUNBIO, the "TFCA Agreement", for the period from January 1, 2011 to December 31, 2012, presents fairly, in all material respects, the Project revenues and expenses for the period from January 1, 2011 to December 31, 2012, in accordance with the agreement terms and in conformity with the accounting method described in Note Nota 1.

In compliance with the U.S. Auditing Standards, we also issued a report on recommendations on the Fund's internal controls, dated March 28, 2013, considering that nothing has come to our attention relating to significant deficiencies in internal controls identified, stating our considerations and testing of FUNBIO's internal controls over financial reports and in accordance with the provisions of the applicable laws and regulations. Such report is an integral part of an audit performed in accordance with the U.S. Government Auditing Standards and should be read in conjunction with the present independent auditor's report on the Fund Accountability Statement of TFCA, taking into accounts the results of our audit.

This report is intended to provide information to Fundo Brasileiro para Biodiversidade – FUNBIO and the TFCA Account Committee. Following authorization by the TFCA Account Committee, however, this report is a public document which may be circulated without restrictions.

Rio de Janeiro, March 28, 2013.

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Carlos Aragaki Contador

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FUND ACCOUNTABILITY STATEMENT OF THE PROJECT UNDER AUDIT

(In R\$)	2011 2012 (Un- (Un-	Budgeted	Accumulated	2011	2012	Accumulated	Challengeable costs		
		2012 (Un- audited)					Not eligible	Without support documentation	Note
Resources received									
Cooperation agreement	13,387,090	12,450,607	25,837,697	14,067,107	12,727,122	26,794,229			Note 2
Interest received	669,355	997,676	1,667,031	654,238	1,030,168	1,684,406			
Total revenues	14,056,445	13,448,283	27,504,728	14,721,345	13,757,290	28,478,635			
Personnel expenses									
Contracted services (Administrative fee + Audit)	95,000	1,550,887	1,645,887	100,733	948,191	1,048,924			
Total personnel expenses	95,000	1,550,887	1,645,887	100,733	948,191	1,048,924			
Other expenses									
Disbursement – Call notice 1	-	11,107,474	11,107,474	-	7,455,185	7,455,185			
Disbursement – Call notice 2	-	520,000	520,000	-	462,189	462,189			
Disbursement – Call notice 3	-	1.056,000	1,056,000	-	823,665	823,665			
Travel and lodging – Committee	65,000	145,000	210,000	53,900	39,989	93,888			
Travel and lodging — Technical Chamber	-	108,000	108,000	18,183	115,999	134,182			
Travel and lodging – Project monitoring	_	100,000	100,000	_	1,109	1,109			
Mail	_	8,001	8,001	_	2,461	2,461			
Financial expenses (fees)	900	3,000	3,900	21,443	873	22,316			
Sundry expenses	-	1,000	1,000	· –	344	344			
Total other expenses	65,900	13,048,475	13,114,375	93,525	8,901,813	8,995,338			
TOTAL EXPENSES	160,900	14,599,362	14,760,262	194,258	9,850,004	10,044,262			

NOTES TO THE FUND ACCOUNTABILITY STATEMENT OF THE TFCA ACCOUNT

NOTE 1: GENERAL INFORMATION AND SUMMARY ACCOUNTING POLICIES

The Fund Accountability Statement of the TFCA Account was prepared in accordance with the U.S. government auditing requirements issued by the U.S. Comptroller General. Management adopted the following accounting policies:

- (a) Statement of the Fund Responsibility: As FUNBIO uses its own financial and accounting management system to report on the Project operations, the chart of accounts provides a classification of accounting lines. The Fund Accountability Statement of TFCA on the "TFCA Agreement" managed by Fundo Brasileiro para Biodiversidade FUNBIO were prepared using the cash method, under which revenues are accounted for when actually received, while costs and expenses are accounted for when actually paid in legal tender. This basis is not in disagreement with accounting principles.
- (b) Revenues: Revenues are recognized on the date when the related funds are transferred by the Brazilian Government to FUNBIO and are available in the latter's current account.
- (c) Foreign exchange rate: the Program financial records are expressed in Real, which is Brazil's legal tender. As at December 31, 2012, the value of the real against the U.S. dollar was R\$ 1.00/ USD 2.0435. The Fund Accountability Statement of the project was prepared in Real.



NOTE 2: TRANSFER OF RESOURCES

During the period from January 1, 2011 to December 31, 2012, the following funds were transferred to the "TFCA Agreement" bank accounts:

(In R\$)

Date 04/2011 05/2011 06/2011 07/2011 08/2011 10/2011 12/2011	Amount 7,489,802 67,379 1,040,704 380,153 1,899,263 2,308,878 880,928
Total 2011	14,067,107
01/2012 02/2012 04/2012 06/2012 07/2012 08/2012 10/2012 11/2012 12/2012 Total 2012	585,298 2,014,372 2,421,934 1,103,685 487,645 2,375,117 2,607,572 962,783 168,717
Accumulated from January 1, 2011 to December 31, 2012	26,794,229

NOTE 3: RECONCILIATION OF FUNDS AVAILABLE

The reconciliation of excess revenues and costs incurred with amounts available in bank accounts and related financial investments as at December 31, 2012 is summarized below:

	In R\$
Project balance available as at December 31, 2012:	18,434,373
Adjustments:	
Rounding up	(2)
Cash and Banks as at December 31, 2012	18,434,371
Analysis of cash and cash equivalents Bank account	
Banco do Brasil – C/C 22206-2	187,983
Banco do Brasil – C/Aplic CDB 22206-2	17,331,752
Banco do Brasil — C/Aplic RF 22206-2	914,636
	18,434,371

Funds received for the TFCA Project were maintained in a bank account which bears interest from investments in Bank Deposit Certificates and fixed-income fund with Banco do Brasil.

AUDIT OF THE FUND ACCOUNTABILITY STATEMENT OF TFCA RESOURCES

MANAGED BY FUNDO BRASILEIRO PARA BIODIVERSIDADE – FUNBIO.

Tropical Forest Conservation Act – TFCA Project

For the period from January 1, 2011 to December 31, 2012.

REPORT ON THE COMPLIANCE WITH STANDARDS, LAWS AND REGULATIONS

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

We have audited the Fund Accountability Statement of the TFCA Account - Tropical Forest Conservation Act, managed by Fundo Brasileiro de Biodiversidade, the "TFCA Agreement", for the period from January 1, 20-11 to December 31, 2012, and we issued a report thereon dated March 28, 2013.

We conducted our audit of the Fund Accountability Statement of the Fund in accordance with the U.S. Government Auditing Standards issued by the U.S. Comptroller General.

These standards require that we plan and perform audit procedures to obtain reasonable assurance of whether the Fund Accountability Statement of the Fund is free from material misstatements. An audit includes the examination, on a test basis, of documents supporting the amounts and disclosures in the Fund Accountability Statement of TFCA. An audit also includes the assessment of significant accounting principles used and estimates made by management, as well as the evaluation of the overall presentation of the Fund Accountability Statement of the fund.

Under the "TFCA Agreement" and the applicable Brazilian legislation, the Fundo Brasileiro para Biodiversidade - FUNBIO serves as executive secretary to the TFCA Account. As part of obtaining reasonable assurance of whether the applicable aspects of compliance with the agreement terms, laws and TFCA rules are free from material misstatements, we performed adherence testing of compliance with the Agreement provisions. Our purpose, however, was not to issue an opinion on the compliance with the contractual agreements. Accordingly, we do not express such opinion.

Based on our review, nothing came to our attention that would lead us to conclude that Fundo Brasileiro para Biodiversidade – FUNBIO is not in compliance with the agreement terms, laws and regulations, in all material respects, which could impact the presentation of this report.



Noncompliance instances, if any, were included in a recommendation report arising from the review of internal controls, dated March 28, 2013.

Rio de Janeiro, March 28, 2013.

Mazars Auditores Independentes CRC 2SP023701/0-8

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Carlos Aragaki

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AUDIT OF FUND ACCOUNTABILITY STATEMENT OF TFCA RESOURCES

MANAGED BY FUNDO BRASILEIRO PARA BIODIVERSIDADE – FUNBIO.

Tropical Forest Conservation Act – TFCA Project

For the period from January 1, 2011 to December 31, 2012.

REPORT ON THE REVIEW OF INTERNAL CONTROLS

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

We have audited the Fund Accountability Statement of the TFCA Account - Tropical Forest Conservation Act for the "TFCA Agreement" managed by Fundo Brasileiro de Biodiversidade for the period from January 1, 2011 to December 2012, and issued a report thereon dated March 28, 2013.

A full review of FUNBIO's internal control procedures was outside the scope of our work. We believe that the control points mentioned in our recommendation report arising from the review of internal controls are not material enough to have an impact on the "TFCA Agreement".

We conducted our work in accordance with the U.S. Government auditing Standards issued by the U.S. Comptroller General. When planning and performing our audit work, we considered the internal controls in place at TFCA as a basis to design our auditing procedures in order to express an opinion on the Fund Accountability Statement of the fund, but not in order to express an opinion on the effectiveness of TFCA's internal control. Accordingly, we do not issue an opinion on the effectiveness of TFCA's internal control.



An internal control deficiency exists when its operation does not enable management or other employees to prevent, detect or correct errors in a timely manner so as not to interfere with the normal course of the Fund's activities. Our approach to internal control was based on a limited proposal, as described in the first paragraph above, and was not designed to identify further internal control deficiencies which may be significant.

Based on our review, nothing came to our attention that would lead us to identify significant deviations that would warrant inclusion in this report or deficiencies in internal controls which, in our judgment, would impact the ability to record, process, summarize and report financial information that are consistent with management's assertions on the Fund Accountability Statement of the "Acordo TFCA".

This report is intended to provide information to the TFCa Account Committee and management of Fundo Brasileiro para a Biodiversidade – FUNBIO.

Rio de Janeiro, March 28, 2013.

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