



GUANACASTE
DRY FOREST CONSERVATION FUND

**GUANACASTE
DRY FOREST
CONSERVATION FUND**

Financial Statements

FOR THE YEAR ENDED
DECEMBER 31, 2016

GUANACASTE DRY FOREST CONSERVATION FUND

(A California Not-For-Profit Corporation)
December 31, 2016

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GUANACASTE DRY FOREST CONSERVATION FUND

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees Guanacaste Dry Forest Conservation Fund

We have audited the accompanying financial statements of Guanacaste Dry Forest Conservation Fund (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guanacaste Dry Forest Conservation Fund as of December 31, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of Guanacaste Dry Forest Conservation Fund as of December 31, 2015 were audited by another auditor whose report dated October 7, 2016 expressed an unmodified audit opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California
October 31, 2017

GUANACASTE DRY FOREST CONSERVATION FUND

Statements of Financial Position December 31, 2016 and 2015

ASSETS

	2016	2015 (As Restated)
Current assets:		
Cash and cash equivalents	\$ 1,320,964	\$ 1,293,942
Agency cash funds held	112,925	93,498
Grants and pledges receivable, current portion	1,236,000	1,340,000
Other receivables, net	3,045	256
Prepaid expenses and deposits	107,296	50,798
Total current assets	2,780,230	2,778,494
Property and equipment, net	150,323	161,722
Other assets:		
Investments	6,120,712	5,793,809
Beneficial interest in trust	1,519,853	1,406,788
Grants and pledges receivable-long-term, net of discount	1,498,595	2,419,597
Collections	-	-
Total other assets	9,139,160	9,620,194
	\$ 12,069,713	\$ 12,560,410

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and other accrued expenses	\$ 82,260	\$ 132,707
Agency funds payable	112,925	93,498
Grants payable	40,176	-
Deposits held	6,750	-
Notes payable	188,542	-
Total current liabilities	430,653	226,205
Total liabilities	430,653	226,205
Net assets:		
Unrestricted	4,301,498	4,205,262
Temporarily restricted	3,205,709	4,115,521
Permanently restricted	4,131,853	4,013,422
Total net assets	11,639,060	12,334,205
	\$ 12,069,713	\$ 12,560,410

GUANACASTE DRY FOREST CONSERVATION FUND

Statement of Activities and Changes in Net Assets Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

<i>Changes in net assets:</i>	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2016 Total	2015 Total
Revenue and support:					
Contributions and grants	\$ 490,427	\$ 896,393	\$ 6,228	\$ 1,393,048	\$ 1,468,584
Investment income (loss), net	253,246	-	161,857	415,103	(123,052)
Change in value of interest in trust	-	-	113,065	113,065	(81,858)
Environmental services payments	99,938	-	-	99,938	75,599
Easement and mitigation income	107,929	-	-	107,929	107,779
Other income	4,771	-	-	4,771	600
Net assets released from restrictions	1,968,924	(1,806,205)	(162,719)	-	-
Total revenue and support	2,925,235	(909,812)	118,431	2,133,854	1,447,652
Expenses:					
Program services:					
Biodiversity inventory and development	1,822,807	-	-	1,822,807	1,340,230
Forest acquisition and management	49,489	-	-	49,489	65,249
ACG operational support	191,528	-	-	191,528	39,828
Education and outreach	122,232	-	-	122,232	-
Total program services	2,186,056	-	-	2,186,056	1,445,307
Supporting services:					
General and administrative	174,765	-	-	174,765	383,949
Fundraising	97,577	-	-	97,577	82,818
Total supporting service	272,342	-	-	272,342	466,767
Total expenses	2,458,398	-	-	2,458,398	1,912,074
Increase (decrease) in net assets before acquisition of collection items	466,837	(909,812)	118,431	(324,544)	(464,422)
Collection items (land acquisition costs)	370,601	-	-	370,601	532,169
Increase (decrease) in net assets	96,236	(909,812)	118,431	(695,145)	(996,591)
Prior period adjustment	-	-	-	-	49,630
Net assets at beginning of year (restated)	4,205,262	4,115,521	4,013,422	12,334,205	13,281,166
Net assets at end of year	\$ 4,301,498	\$ 3,205,709	\$ 4,131,853	\$ 11,639,060	\$ 12,334,205

GUANACASTE DRY FOREST CONSERVATION FUND

Statements of Cash Flows Years Ended December 31, 2016 and 2015

	2016	2015 (As Restated)
<i>Operating activities:</i>		
Decrease in net assets	\$ (695,145)	\$ (946,961)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	35,422	24,784
Loss on disposal of property and equipment	-	1,182
Allowance for uncollectible note receivable	-	175,000
Realized gains on sales of investments	(22,153)	(67,051)
(Increase) decrease in value of beneficial interest in trust	(113,180)	82,913
Unrealized (gains) losses on investments	(259,626)	346,145
Permanently restricted contributions for endowment	(6,228)	(515,821)
(Gain) loss on foreign currency translation	115	(1,055)
Changes in:		
Agency cash funds held	(19,427)	(11,227)
Grants and pledges receivable	1,025,002	1,312,543
Other receivables	(2,789)	91,142
Prepaid expenses and deposits	(56,498)	(49,857)
Agency funds payable	19,427	11,227
Grants payable	40,176	(50,000)
Accounts payable and other accrued expenses	(50,447)	58,679
Cash provided by (used for) operating activities	(105,351)	461,643
<i>Investing activities:</i>		
Acquisition of property and equipment	(24,023)	(89,912)
Payments received under other receivables	-	15,211
Proceeds from notes payable	188,542	-
Proceeds from deposits held	6,750	-
Proceeds from disposition of investments	2,058,764	1,137,545
Acquisition of investments	(2,103,888)	(1,475,952)
Cash provided by (used for) investing activities	126,145	(413,108)
<i>Financing activities:</i>		
Permanently restricted contributions for endowment	6,228	515,821
Cash provided by financing activities	6,228	515,821
Increase in cash and cash equivalents	27,022	564,356
Cash and cash equivalents at beginning of year	1,293,942	729,586
Cash and cash equivalents at end of year	\$ 1,320,964	\$ 1,293,942

GUANACASTE DRY FOREST CONSERVATION FUND

Statement of Functional Expenses

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	Program Services							Totals 2016	Totals 2015
	Biodiversity Inventory and Development	Forest Acqui- sition and Management	ACG Operational Support	Education and Outreach	Total Program	General and Admin- istrative	Fund- raising		
Salaries and wages	\$ 444,453	\$ -	\$ -	\$ -	\$ 444,453	\$ 56,886	\$ 52,308	\$ 553,647	\$ 505,971
Payroll taxes	102,208	-	-	-	102,208	6,115	3,661	111,984	103,762
Employee benefits	55,475	-	-	-	55,475	11,514	13,159	80,148	96,407
Total salaries and related expenses	602,136	-	-	-	602,136	74,515	69,128	745,779	706,140
Bad debt expense	-	-	-	-	-	-	-	-	231,854
Barcoding fees	596,500	-	-	-	596,500	-	-	596,500	115,284
Contract labor	294,623	14,230	-	29,931	338,784	19,704	-	358,488	356,538
Fuel	39,360	-	-	-	39,360	-	-	39,360	43,231
Grants	-	-	191,528	92,301	283,829	-	-	283,829	48,063
Insurance	-	-	-	-	-	2,986	-	2,986	2,890
Internet, telephone and other utilities	8,595	-	-	-	8,595	1,977	2,259	12,831	12,709
Legal fees	605	2,328	-	-	2,933	1,600	7,500	12,033	23,523
Licenses, permits and fees	64	-	-	-	64	-	3,740	3,804	3,750
Miscellaneous	854	-	-	-	854	-	-	854	11,789
Office expense	1,499	116	-	-	1,615	1,957	1,822	5,394	4,660
Professional services	8,000	-	-	-	8,000	59,431	-	67,431	63,168
Property taxes	-	32,163	-	-	32,163	-	-	32,163	34,428
Publishing costs	-	-	-	-	-	-	-	-	2,445
Supplies and other PT program costs	94,195	-	-	-	94,195	-	-	94,195	73,210
Travel and meals	41,380	652	-	-	42,032	12,595	13,128	67,755	68,226
Vehicle costs	82,796	-	-	-	82,796	-	-	82,796	81,705
Workshop costs	16,778	-	-	-	16,778	-	-	16,778	3,677
Total expenses before depreciation	1,787,385	49,489	191,528	122,232	2,150,634	174,765	97,577	2,422,976	1,887,290
Depreciation	35,422	-	-	-	35,422	-	-	35,422	24,784
Total expenses	\$ 1,822,807	\$ 49,489	\$ 191,528	\$ 122,232	\$ 2,186,056	\$ 174,765	\$ 97,577	\$ 2,458,398	\$ 1,912,074

Notes to Financial Statements December 31, 2016 and 2015

1. Organization and Activities

Guanacaste Dry Forest Conservation Fund (“GDFCF”) is a nonprofit organization incorporated under the laws of California in 1997. Its mission is to promote the long-term survival of the ecosystems and biodiversity of Costa Rica’s Area de Conservacion Guanacaste (“ACG”), one of the most biologically-rich places on earth. Designated as a UNESCO World Heritage Site in 1998, ACG is home to an estimated 2.4% of the planet’s species.

GDFCF works as a nonprofit partner with the Costa Rican government to provide funding and science-based management for the conservation of ACG. Its primary program services are:

Land Acquisition, Restoration, and Protection

Since 1971, ACG’s protected area has grown from less than 100 square miles to over 630 square miles today, encompassing dry forest, cloud forest, rainforest, and marine ecosystems. This was accomplished through a land purchase and restoration initiative in which GDFCF’s founders, Drs. Daniel Janzen and Winifred Hallwachs played a major role. GDFCF has participated in this effort since its formation in 1997, acquiring some 35,000 acres of land which it holds for incorporation into the ACG protected area.

Biodiversity Inventory and Development

To promote the long-term survival of ACG through productive use of the protected areas, GDFCF manages major science research projects in ACG, with the ambitious long-term goal of fully inventorying the biodiversity of the area by collecting and identifying all of its species. GDFCF currently employs some 50 Costa Ricans in this effort, including 35 “parataxonomists” –local residents from ACG communities who have been trained to work as skilled taxonomists collecting, identifying, and cataloging species. GDFCF’s work is an important contributor to the International Bar Code of Life initiative, and its working project the Planetary Biodiversity Mission, a global project which is using DNA analysis to identify and catalogue all of the planet’s multi-cellular life.

Bioliteracy Education

GDFCF promotes and funds educational programs with the goal of instilling in residents living in and around ACG a knowledge of and pride in the rich biodiversity of their home. In addition to a highly successful program that serves some 2,000 elementary school children each year, GDFCF is seeking to promote educational outreach to older students and adults, in order to create a local constituency who will become advocates for, and participants in, the future conservation of ACG.

ACG Operational Support

GDFCF provides ongoing financial support to supplement government funding of ACG operations, including a “rapid response fund” to address critical needs as they arise.

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of GDFCF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, GDFCF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. GDFCF has also adopted the provisions of ASC 958.205.55.31 thru 958.205.55.53, *Presentation of Financial Statements – Endowment Disclosures*.

Revenue Recognition

GDFCF records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

GDFCF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. GDFCF maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. GDFCF has not experienced any losses in such accounts.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Accordingly, GDFCF recognized \$135,000 in each of the years ended December 31, 2016 and 2015 for in-kind accounting and science advisory services received. These amounts are included with contributions and grants on the Statement of Activities and Changes in Net Assets.

(continued)

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Investments and Endowment

GDFCF follows the provisions of ASC 958.320, *Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that GDFCF could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2016. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments include cash, stocks, bonds, mutual funds, exchange-traded funds, real estate investment trusts, loan funds, and partnerships. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

GDFCF's endowment consists of a diverse mixture of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by ASC 958.320, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. GDFCF has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, GDFCF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted net assets or unrestricted net assets until those amounts are appropriated for expenditure by GDFCF in a manner consistent with the standard of prudence prescribed by UPMIFA.

Property, Equipment, and Improvements

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. The cost of property and equipment which benefit future periods is capitalized and depreciated over the estimated useful life of each class of depreciable asset.

(continued)

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Collections

GDFCF scientists and parataxonomists have discovered, catalogued, and preserved hundreds of thousands of biological specimens collected on lands owned by the government of Costa Rica and GDFCF. These specimens are formally the property of Costa Rica, but are collected and studied under research permits from the Costa Rican government. Nearly all have been exported from ACG with formal government export permits, with the consent of the Costa Rican government, for donation to various national or international biodiversity institutions for use in research, education, and exhibitions. None have been sold or are destined for sale.

The approximately 35,000 acres of land acquired by GDFCF are held as a collection intended for public exhibition, education, and/or research in furtherance of public service. The lands are protected, kept unencumbered, cared for, and preserved. They are subject to GDFCF's and related organizations' policy that requires the proceeds of land sales, should any ever occur, to be used to acquire other land for collections.

Not-for-profit accounting principles state that an organization that holds items that meet the definition of a collection has the option not to capitalize such collection items. In conformity with GAAP, none of the land received through donation or by purchase has been capitalized; cash or related assets held for future land purchases are reflected in the temporarily restricted net asset portion of the accompanying Statement of Financial Position. GDFCF received no donated land during 2016 and 2015.

Income Taxes

GDFCF has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that GDFCF continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. GDFCF may periodically receive unrelated business income (such as program advertising income) requiring GDFCF to file separate tax returns under federal and state statutes. Under such conditions, GDFCF calculates and accrues the applicable taxes.

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, GDFCF is required to report information regarding its exposure to various tax positions taken by GDFCF and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that GDFCF has adequately evaluated its current tax positions and has concluded that as of December 31, 2016 and 2015, GDFCF does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

(continued)

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Net Assets

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets.

GDFCF reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions (see Note 12). The investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, the income from such investments is not restricted and is included in unrestricted net assets.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect to set aside certain unrestricted funds as Board designated funds, which may not be spent without approval by the Board.

Foreign Operations

For Costa Rican operations whose functional currency is the local foreign currency, balance sheet accounts are translated at exchange rates in effect on the day of transfer of funds to the foreign bank accounts. This process results in certain gains and losses on currency conversion which are included in program expenses. GDFCF recognized currency exchange gains (losses) of \$115 and (\$1,055) for the years ended December 31, 2016 and 2015, respectively.

Functional Allocation of Expenses

The costs of providing GDFCF's various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order to conform to the presentation used in 2016.

GUANACASTE DRY FOREST CONSERVATION FUND

Notes to Financial Statements

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking, savings, and certificates of deposit) at the time of purchase that have a maturity date of three months or less. The components of cash and cash equivalents are as follows at December 31:

	2016	2015
Checking and cash accounts	\$ 118,425	\$ 308,341
Money market accounts	1,202,539	985,601
Total cash and cash equivalents	\$ 1,320,964	\$ 1,293,942

GDFCF attempts to limit its credit risk associated with cash equivalents by utilizing highly rated financial institutions. Cash balances in money market accounts earned interest at rates averaging 0.01% per annum as of December 31, 2016.

4. Grants and Pledges Receivable

Grants and pledges receivable are expected to be collected as follows at December 31, 2016:

Less than one year	\$ 1,236,000
One to five years	1,549,443
Over five years	19,977
Subtotal	2,805,420
Less: Unamortized discount	(70,825)
Subtotal	2,734,595
Total amounts due within one year (net of allowance)	(1,236,000)
Total grants and pledges receivable long-term (net)	\$ 1,498,595

Grants and pledges receivable represent amounts due from various sources, including foundations, individuals, and others. Pledges receivable are recorded in the period in which the pledge is received at its estimated current collectable amount. Pledges receivable are discounted to present value using a discount rate based upon U.S. Treasury bill rates at the date of the pledge. Management periodically evaluates all pledges receivable for collectability and records an allowance for any amounts estimated to be uncollectable. At December 31, 2016 and 2015, there were no allowances for uncollectable pledges as management believes the balances to be fully collectable.

5. Property and Equipment

Property and equipment consist of the following at December 31:

	2016	2015
Buildings and improvements	\$ 63,842	\$ 63,842
Vehicles and transportation equipment	75,600	96,252
Other equipment	131,489	139,428
Less accumulated depreciation	(120,608)	(137,800)
Total property and equipment and improvements (net)	\$ 150,323	\$ 161,722

(continued)

GUANACASTE DRY FOREST CONSERVATION FUND

Notes to Financial Statements

5. Property and Equipment *(continued)*

Total depreciation expense for the years ended December 31, 2016 and 2015 amounted to \$35,422 and \$24,784, respectively, and is reported on the Statement of Functional Expenses. During the year ended December 31, 2016, GDFCF disposed of \$52,614 in fully depreciated property and equipment. During the year ended December 31, 2015, GDFCF disposed of partially depreciated property and equipment resulting in a loss of \$1,182.

6. Investments

Investments are stated at market value, based primarily on quoted market prices for those or similar instruments. GDFCF invests predominantly in three types of investment funds: mutual funds (MFs), closed-end funds (CEFs), and exchange-traded funds (ETFs). GDFCF also invests in equities, bonds, real estate investment trusts (REITs) and partnerships. The cost and market value of investments are as follows as of December 31, 2016 and 2015:

	As of December 31, 2016		As of December 31, 2015	
	Cost	Fair Value	Cost	Fair Value
MFs, CEFs, ETFs:				
Equity funds	\$ 3,752,034	\$ 4,387,872	\$ 3,410,751	\$ 3,790,266
Bond funds	585,089	575,608	1,349,437	1,266,492
U.S. Treasury funds	453,604	444,157	431,979	416,541
Commodity funds	186,099	164,720	-	-
Equities	346,343	320,572	212,001	222,000
Bonds	89,151	89,262	-	-
REITs	62,574	32,541	62,575	43,244
Partnership interests	114,897	105,980	34,056	28,590
Loan funds	-	-	153,362	26,676
	\$ 5,589,791	\$ 6,120,712	\$ 5,654,161	\$ 5,793,809
Unrealized gain at end of year		\$ 530,920		\$ 139,648
Change in unrealized gain from prior year		\$ 391,272		\$ (346,146)

The investments are not held for trading purposes. Market values for fund investments and equities as of December 31, 2016 and 2015 are from quoted prices provided by third party sources. Market values for real estate investment trusts and other investments are from other third party sources as explained in Note 8. These estimates are not necessarily indicative of the amounts that GDFCF could realize in a current market exchange. Investment income is summarized as follows for the years ended December 31:

	2016	2015
Investment income	\$ 176,286	\$ 194,022
Net realized gains (losses)	(115,126)	67,051
Net change in unrealized gains (losses)	391,272	(346,146)
Investment expenses	(37,329)	(37,979)
Total investment income (loss), net	\$ 415,103	\$ (123,052)

(continued)

Notes to Financial Statements

6. Investments *(continued)*

GDFCF has directed its Finance Committee to be responsible for oversight of the investment portfolio. This committee sets the investment policies, including the appropriate risk exposures within the context of GDFCF's endowment policies and needs. (See Note 13).

7. Beneficial Interest in Trust

GDFCF is named as a beneficiary of funds held in trust by the International Conservation Fund of Canada (ICFC). ICFC has set up a fund named the "Parataxonomist Trust Fund" (the Trust). The agreement between ICFC and GDFCF regarding the Trust specifies that the corpus and investment earnings are restricted for distribution and use for GDFCF's biodiversity inventory and development program - specifically for funding parataxonomist program costs. ICFC maintains variance power over the use and beneficiaries of funds held in the Trust, as well as investment management of Trust funds.

The Trust provides that the amount of distributions in any year shall be limited to the prior year income plus undisbursed income from the second prior year, unless extraordinary circumstances have occurred. No distributions have been made since inception of the Trust through December 31, 2016. GDFCF and ICFC intend to allow the Trust's permanently restricted corpus to grow through reinvestment of earnings until such future time as funds in the Trust are needed to fund the parataxonomist program.

The Trust has been presented in the financial statements at its estimated fair value of \$1,519,853 and \$1,406,788 as of December 31, 2016 and 2015, respectively.

Any change in value of net assets held in the Trust is recorded in the Statement of Activities and Changes in Net Assets as change in the value of beneficial interest in trust. The increase (decrease) in value of beneficial interest in trust amounted to \$113,065 and (\$81,858) for the years ended December 31, 2016 and 2015, respectively. Foreign currency exchange gain or loss adjustments due to changes in the relative values of the Canadian dollar and the United States dollar have been included in the change in value totals for the years ended December 31, 2016 and 2015.

8. Fair Value Measurement

GDFCF has adopted a framework for measuring and disclosing the fair value of assets and liabilities. Accounting principles define fair value as the price that would be received to sell an asset or be paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy that prioritizes valuation measures ("inputs") into three broad levels to ensure consistency and comparability. The valuation hierarchy gives the highest priority to quoted prices in active markets ("Level 1 inputs") and the lowest priority to "unobservable inputs" ("Level 3 inputs").

(continued)

Notes to Financial Statements

8. Fair Value Measurement *(continued)*

These three levels of inputs are defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In determining fair value, GDFCF utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

The following is a description of the general classification of such instruments pursuant to this valuation hierarchy:

Mutual funds - Investments in mutual funds are valued at the net asset value (NAV) of shares held at December 31, 2016 and 2015, based on quoted prices for the funds in active markets.

Exchange-Traded and Closed-End Funds - Holdings of exchange-traded and closed-end funds are valued at intraday value (an estimate of the fund's NAV), based on quoted prices in active markets of the underlying securities held at December 31, 2016 and 2015.

Equities - Investments in common and preferred stock are valued at quoted prices in active markets.

Bonds - Fair market value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rates and credit risk.

REITs - Holdings of real estate investment trust shares are valued based upon the trust manager's estimate of per-share value at year-end, as published in the trust's Form 8-K filed with the SEC each December.

Partnership Interests and Loan Funds - Investments in partnerships are valued based on estimates provided by the general partner in its annual report to partners. Investments in units of participation in master loans to equipment leasing partnerships are valued based upon the annual estimate of the year-end loan value provided by the partnership manager in a letter to investors.

(continued)

GUANACASTE DRY FOREST CONSERVATION FUND

Notes to Financial Statements

8. Fair Value Measurement *(continued)*

Beneficial interest in trust - Investments in Canadian and U.S. securities valued at quoted prices in active Canadian and U.S. markets. Canadian securities prices are translated to U.S. dollars based upon the exchange rate for Canadian and U.S. dollars at the end of the year.

Financial instruments carried at fair value as of December 31, 2016, are classified as follows:

	Totals	Level 1	Level 2	Level 3
MFs, CEFs, ETFs:				
Equity funds	\$ 4,387,872	\$ 4,387,872	\$ -	\$ -
Bond funds	575,608	575,608	-	-
U.S. Treasury funds	444,157	444,157	-	-
Commodities funds	164,720	164,720	-	-
Equities	320,572	320,572	-	-
Bonds	89,262	-	89,262	-
REITs	32,541	-	-	32,541
Partnerships and loan funds	105,980	-	-	105,980
Beneficial interest in trust	1,519,853	-	1,519,853	-
	\$ 7,640,565	\$ 5,892,929	\$ 1,609,115	\$ 138,521

Financial instruments carried at fair value as of December 31, 2015, are classified as follows:

	Totals	Level 1	Level 2	Level 3
MFs, CEFs, ETFs:				
Equity funds	\$ 3,790,266	\$ 3,790,266	\$ -	\$ -
Bond funds	1,266,492	1,266,492	-	-
U.S. Treasury funds	416,541	416,541	-	-
Equities	222,000	222,000	-	-
REITs	43,244	-	-	43,244
Partnerships and loan funds	55,266	-	-	55,266
Beneficial interest in trust	1,406,788	-	1,406,788	-
	\$ 7,200,597	\$ 5,695,299	\$ 1,406,788	\$ 98,510

The change in Level 3 financial instruments is as follows:

Balance at December 31, 2014	\$ 172,087
Loan fund principal repayments	(53,282)
Investment liquidations	(11,801)
Investment gains (losses), net	(8,494)
Balance at December 31, 2015	98,510
Loan fund principal repayments	(6,955)
Partnership distributions	(13,526)
Investment in partnership	100,000
Investment gains (losses), net	(39,509)
Balance at December 31, 2016	\$ 138,520

Notes to Financial Statements

9. Agency Funds

GDFCF serves as an agent for certain donors wishing to contribute funds for the support of ACG and related programs. Agency funds held at the end of 2016 and 2015 were as follows:

- Funds received for use by the ACG “Programa de Educacion Biologica” (Biological Education Program). Agency funds held at December 31, 2016 and 2015 amounted to \$62,271 and \$71,971, respectively.
- Funds received from the University of Pennsylvania for use by National Biodiversity Institute of Costa Rica (in transitioning its collection of biological specimens to the Museo Nacional of Costa Rica) amounted to \$20,778 and \$21,527 at December 31, 2016 and 2015, respectively.
- Funds received from the American Entomological Institute to be held for expenditure in connection with its work on Costa Rican wasps amounted to \$29,877 at December 31, 2016. There were no such funds held at December 31, 2015.

10. Financial Commitments

During the year ended December 31, 2016, GDFCF entered into a Memorandum of Understanding with the School of Arts and Sciences at the University of Pennsylvania pursuant to which GDFCF will make contributions of \$50,000 per year for two years in support of an employee’s salary and benefits (This employee will provide taxonomy and other services to GDFCF). The first payment was made during the year ended December 31, 2016 and is included in prepaid expenses and deposits on the Statements of Financial Position. A second and final payment of \$50,000 will be due in December 2017.

11. Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts related to ongoing operational activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate GDFCF to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond GDFCF’s control, such as general economic conditions, (c) Employment contracts and service agreements with outside contractors, and (d) Financial risks associated with funds on deposit in accounts at domestic and foreign financial institutions. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

GUANACASTE DRY FOREST CONSERVATION FUND

Notes to Financial Statements

12. Net Assets

GDFCF's net assets include the following:

Unrestricted and Board-Designated Net Assets - Unrestricted net assets and unrestricted net assets designated by the Board for special purposes consist of the following at December 31:

	2016	2015
Unrestricted cumulative net assets from operating activities	\$ 535,268	\$ 914,176
Deficit of endowment assets below original gift amount	-	(52,560)
Board-designated net assets for:		
General Endowment Fund	1,419,894	1,307,449
Parataxonomist Program Fund	919,444	798,891
Parataxonomist Program Science Advisor Fund	1,426,892	1,237,306
Total unrestricted net assets	<u>\$ 4,301,498</u>	<u>\$ 4,205,262</u>

Temporarily Restricted Net Assets - Net assets restricted by donors to a particular use and/or for use at a particular time or period consist of the following at December 31:

	2016	2015
Future operations and programs	\$ 2,734,595	\$ 3,565,825
Biological inventory programs	344,529	365,419
Land acquisitions	46,331	72,856
Education programs	11,699	61,000
ACG operations support	20,470	50,421
Science Advisor position	48,085	-
Total temporarily restricted net assets	<u>\$ 3,205,709</u>	<u>\$ 4,115,521</u>

Permanently Restricted Net Assets - Donor restricted net assets where use of the principal (corpus) is restricted into perpetuity (collectively "endowments") consist of the following at December 31:

	2016	2015
General Endowment	\$ 1,000,000	\$ 1,000,000
Parataxonomist Program Science Advisor Endowment	612,000	612,862
Parataxonomist Program Endowment	1,000,000	993,772
Parataxonomist Program Endowment - ICFC Trust	1,519,853	1,406,788
Total permanently restricted net assets	<u>\$ 4,131,853</u>	<u>\$ 4,013,422</u>

Notes to Financial Statements

13. Endowments

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. GDFCF has three board-designated endowments and four permanently restricted endowments.

Investment Return Objectives, Risk Parameters, and Strategies

GDFCF has adopted investment and spending policies for endowment assets, established by the Finance Committee and approved by the Board of Directors, that attempt to maintain the corpus and the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return that includes investment income as well as capital appreciation with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that maintains and grows the corpus of the funds.

Actual returns in any given year may vary. Investment risk is measured in terms of the total restricted fund balance. Investment of assets is managed with the goal of not exposing the assets to unacceptable levels of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with SPMIFA, GDFCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of GDFCF, and (7) GDFCF's investment policies.

GDFCF did not spend the corpus of any of its permanently restricted net assets during the years ended December 31, 2016 and 2015. GDFCF had net investment earnings on endowments of \$161,857 and (\$52,560) for the years ended December 31, 2016 and 2015, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted funds may fall below the level that current law requires GDFCF to retain for a fund of perpetual duration. In accordance with ASC 958.205.55.31, these deficiencies are reported in the financial statements as a reduction in unrestricted net assets. As of December 31, 2015, GDFCF had a fund deficiency of \$52,560. This deficiency was restored with investment earnings in 2016.

(continued)

GUANACASTE DRY FOREST CONSERVATION FUND

Notes to Financial Statements

13. Endowments *(continued)*

Changes in endowment net assets for the fiscal years ended December 31, 2015 and 2016 were as follows:

	Board- Designated	Permanently Restricted	Total
Balance at December 31, 2014	\$ 3,126,604	\$ 3,579,459	\$ 6,706,063
Contributions	225,950	515,821	741,771
Net investment income	(36,617)	(52,560)	(89,177)
Transfer of unrestricted funds	27,709	52,560	80,269
Change in value of interest in trust	-	(81,858)	(81,858)
Balance at December 31, 2015	3,343,646	4,013,422	7,357,068
Contributions	-	6,228	6,228
Net investment income	193,625	161,857	355,482
Transfer of unrestricted funds	228,959	(162,719)	66,240
Change in value of interest in trust	-	113,065	113,065
Balance at December 31, 2016	\$ 3,766,230	\$ 4,131,853	\$ 7,898,083

14. Concentration of Risk

Approximately 60% and 54% of GDFCF's donations received came from six funders in 2016 and 2015, respectively. These sources of support are not guaranteed in the future.

From time to time, GDFCF's cash deposits exceed the U.S. federally insured limit of \$250,000. Certain of GDFCF's investments and cash and cash equivalents are held at a broker-dealer and are protected under the Securities Investor Protection Corporation (SIPC). In the event of broker-dealer failure, SIPC provides up to \$500,000 of protection for brokerage accounts, with a limit of \$250,000 for uninvested cash balances. GDFCF attempts to limit its credit risk associated with cash balances and investments by utilizing financial institutions and broker-dealers that are well capitalized and highly rated. GDFCF had approximately \$68,000 in funds on deposit in Costa Rican financial institutions at December 31, 2016 which were not covered by deposit insurance.

15. Related Party Transactions

A GDFCF Board member was also a Vice President of Programs for a major funding foundation (the Foundation) for GDFCF until May 2015. While she was a member of the Foundation's grant-making committee, she was not a voting trustee of the committee, and she recused herself from voting decisions related to funding GDFCF.

(continued)

Notes to Financial Statements

15. Related Party Transactions *(continued)*

GDFCF's Costa Rican operations are located on land and in buildings owned by ACG. Under a program administered by FONAFIFO (Costa Rica's national forestry financing agency), GDFCF receives "environmental service payments" for conservation of forestland that it owns within ACG. GDFCF received \$99,938 and \$75,599 of such payments during the years ended December 31, 2016 and 2015, respectively,

One of the co-founders of GDFCF was involved with the creation of the Fundacion Parques Nacionales (FPN), a special Costa Rican endowment fund used as a source of funding for the national park system. While FPN is now managed largely by the government, GDFCF conducts research on lands within ACG that are technically owned by FPN.

Two of GDFCF's board members are married.

Members of the Board of Directors made cash or security donations to GDFCF of \$325,690 and \$320,650, respectively, during the years ended December 31, 2016 and 2015. In addition, two Board members contributed \$100,000 of science advisory services in each of those two years.

Included in grants and pledges receivable at December 31, 2016 and 2015 are \$503,705 and \$628,723, respectively, of donations made by current and/or former members of the Board of Directors.

16. Prior Period Adjustment

During the year ended December 31, 2016, management determined that previously recorded balances for prepaid expenses were understated. Accordingly, this account was adjusted and restated to the correct value as of December 31, 2015. As a result, a prior period adjustment was made to record the net impact of the correction, resulting in an increase of \$49,630 to unrestricted net assets. GDFCF's net assets as of December 31, 2015 have been restated from \$12,284,575 to \$12,334,205.

17. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, GDFCF has evaluated subsequent events through October 31, 2017, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.