

Auditor's report

Foundation for the Conservation of Natural
Resources (Natura Foundation)

Darien National Park Conservation Fund
(Darién Fund))

(Panama, Republic of Panama)

January 1 to December 31, 2007

Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)
(Panama, Republic of Panama)

Contents

	<u>Page</u>
Presentation letter and summary	
Background	1
Objectives and scope of the audit	2 - 3
Results of the audit	4 - 5
Fund accountability statement	
Independent auditors' report	6 - 7
Fund accountability statement	8
Notes to the fund accountability statement	9 - 12
Internal control structure	
Independent auditors' report on the internal control structure	13 - 14
Compliance with the relevant terms of the agreement, laws and regulations	
Independent auditors' compliance report	15 - 16
Independent auditors' report on follow-up to prior audit recommendations	17 - 18
Report on visits to the projects	19 - 20



Grant Thornton

Cheng y Asociados

To the Board of Trustees / the Oversight Committee
**Foundation for the Conservation of Natural Resources
(Natura Foundation)
Darien National Park Conservation Fund
(Darien Fund)**
P. O. Box 08 16-06822
Panama, Republic of Panama

Grant Thornton Cheng y Asociados
Apartado 0823-01314
Avenida 1ª C Norte, El Carmen, Nº 111
Panamá
República de Panamá
T +507 264 9511
F +507 263 8441
www.gt.com.pa

April 18, 2008

This report shows the result of our audit for the year ended December 31, 2007 of the resources resulting from the **Darien National Park Conservation Fund (Darien Fund)**, managed by the **Foundation for the Conservation of Natural Resources (Natura Foundation)**, as of this date.

Background

The **Foundation for the Conservation of Natural Resources (Natura Foundation)** is a non-profit organization, legally established on March 28, 1991. Its mission is to enhance the quality of life by promoting environmental conservation and sustainable development through the management of resources.

The **Natura Foundation** has entered into an agreement, known as the “Forest Conservation Agreement,” with The Nature Conservancy (TNC) and the Panamanian government, from August 19, 2004 of 12 years duration to develop a project called the **Darien National Park Conservation Fund (Darien Fund)**.

The **Darien Fund** derived from the second Debt-for-Environment Agreement (Swap) signed between the Government of Panama and the Government of the United States of America, under the Tropical Forest Conservation Law, enacted by the United States in 1998. Under this exchange a Trust was established for the Conservation of Tropical Forests, whereby for a period of twelve (12) years, the Government of the Republic of Panama will disburse the total sum of **ten million nine hundred thirty thousand three hundred twelve dollars (US\$10,930,312.00)** in annual installments. These disbursements will be distributed according to the procedure established in the agreement, so that upon termination of the twelve (12) years period, fifty percent (50%) of the aggregate amount will constitute the Trust fund and the remaining fifty percent (50%) will be invested in the maintenance, conservation and protection of the Darien National Park and its buffer zone.

Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)
(Panama, Republic of Panama)

The objective of this Trust is the conservation, maintenance and restoration of forest areas of the **Darien National Park** and its 5 kilometer buffer zone, adjacent to the Park boundaries. The **Darien Fund** will finance Park management programs and environmental initiatives carried out by non-profit organizations that promote conservation in the Park and help to diminish and to lower the main identified threats to the area, according to the Park Management Plan and other technical documents approved by ANAM and the Oversight Committee.

The activities carried out by **Natura Foundation** include processing, revision, technical assistance, supervision and administrative functions necessary as part of the Donation Program, including the processing of requests for reimbursement by Operating Units that receive and administer the financial resources provided by this Fund for the development of the projects approved by the Oversight Committee. Additionally, the Foundation acts as Secretary of the Fund's Oversight Committee. Financial information with regard to the Projects funded is based on disbursement requests and is prepared by the Operating Unit for coordinating the activities of the Project in accordance with policies and procedures set out by the Foundation for the Conservation of Natural Resources (**Natura Foundation**).

Objectives of the Darien Fund

The resources generated by the **Darien National Park Conservation Fund (Darien Fund)** may only be used for purposes related to the conservation, maintenance and restoration of Tropical Forests in Panama, specifically those located in the Darien National Park and its buffer zone. The principal objectives of the Fund are:

- The establishment, restoration, protection and maintenance of National Parks, protected areas and local reserves.
- The development and activation of natural resource management systems on a scientific basis, including the management of land and ecosystems.
- Training programs to enhance the scientific, technical and management capabilities of the individuals and organizations involved in conservation efforts.
- Restoration, protection or sustainable use of plant and animal species.
- Research and identification with respect to the medicinal uses of plants from the Tropical Forest, for the treatment of human diseases, as well as other uses related to human health.
- Development and support aimed at ensuring that the lifestyles of the communities located in or near the Tropical Forests are compatible with the protection of such Tropical Forests.

Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)
(Panama, Republic of Panama)

Objectives and Scope of the Audit

The main objective is to conduct a financial review of the resources originating from the **Darien National Park Conservation Fund (Darien Fund)** managed by the **Foundation for the Conservation of Natural Resources (Natura Foundation)** for the period from January 1 to December 31, 2007.

The specific objectives of the audit are:

- a. To express an opinion as to whether the **Darien National Park Conservation Fund (Darien Fund)** accountability statement presents fairly, in all material aspects, the funds received, the costs incurred and the products and technical assistance provided directly by **Darien National Park Conservation Fund (Darien Fund)** for the period from January 1 to December 31, 2007, in accordance with the terms of the agreements and with International Financial Reporting Standards and other accounting basis (including income and cash disbursements and the modifications to cash basis).
- b. To evaluate and obtain sufficient understanding of the fund management's internal control structure in order to evaluate the control risk and to identify conditions to be reported, including material deficiencies of the internal control structure. This evaluation should include the internal controls related to the required contributions of shared costs.
- c. To conduct tests to determine whether or not the fund administrator has complied, in all material aspects, with the terms of the agreement (including shared costs) and with the relevant laws and regulations of the programs financed by **Darien National Park Conservation Fund (Darien Fund)**. All material instances of non-compliance and all indications of illegal acts should be identified.
- d. To determine if the fund administrator has taken proper corrective measures based on recommendations of previous audit reports.

We conducted our audit in accordance with international auditing standards, and thus included tests of the accounting records, according to circumstances.

The scope of our work was as follows:

1. To audit the accountability statement of the **Darien Fund** in order to:
 - a) To determine whether the fund accountability statement, including the amounts budgeted for the project by importance of category and heading; the costs reported as incurred during the period covered by the audit and the revenues received by **Darien National Park Conservation Fund (Darien Fund)**, show the true current situation.

**Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)**

(Panama, Republic of Panama)

- b) To determine whether the fund accountability statement included a separate identification of those revenues and costs pertinent to the Project and to a review of purchasing procedures in order to determine whether sound commercial practices were applied, including competition, fair prices and adequate controls over the quality and quantity of goods received.
 - c) To review the Agreement's general ledger and the books of account to determine if the costs incurred were recorded properly. Reconcile the direct costs paid by the **Darien National Park Conservation Fund (Darien Fund)** with the program's books of account and the general ledger.
 - d) To determine whether the assets acquired were recorded, if control procedures to safeguard these assets exist and if the assets have been used for the stated purposes.
 - e) To examine the performance of the **Darien Fund** and achievement of objectives in order to determine whether the costs incurred are permissible, necessary and reasonable under the terms of the Agreement and to identify areas where fraud, waste, abuse or mismanagement exists or may exist as a result of inadequate controls.
2. To review and to evaluate the internal control structure set up by **Natura Foundation** with respect to the operations of the Project in order to obtain sufficient understanding of the design used for relevant control policies and procedures and if these policies and procedures are having results.
 3. To determine whether **Natura Foundation** has complied in all important aspects of the terms of the agreement and other pertinent laws and regulations, and to identify those aspects of non-compliance that could have direct and important effect on the fund accountability statement.
 4. To determine whether the beneficiary used the services supplied for the purposes prescribed in the Agreement and whether they were properly documented and accounted for.

Result of the Audit

Accountability statement report

The results of our audit of the accountability statement of the **Darien National Park Conservation Fund (Darien Fund)** for the year ended December 31, 2007 managed by the **Foundation for the Conservation of Natural Resources (Natura Foundation)** show that the attached accountability statement reasonably reflect, in all important aspects, the funds received and the costs incurred by the **Darien National Park Conservation Fund (Darien Fund)** for the period from January 1 to December 31, 2007.



Grant Thornton

Cheng y Asociados

**Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)**
(Panama, Republic of Panama)

Internal Control Structure

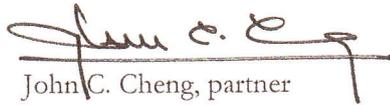
Our review and evaluation of the current internal control structure showed satisfactory procedures in the recording, processing, summarizing and reporting of financial information in accordance with management's statements in the accountability statement.

Compliance with the terms of the Agreement and with pertinent laws and regulations

In the course of obtaining a reasonable assurance that the accountability statement contained no significant errors and with the purpose of forming an opinion of compliance with the terms, laws and regulations pertinent to the Agreement, we performed tests to assure ourselves that in all significant aspects, the terms of the Agreement and the provisions of the pertinent laws and regulations that might affect the **Darien National Park Conservation Fund (Darien Fund)** have been complied with.

Very truly yours,

Grant Thornton Cheng y Asociados



John C. Cheng, partner

JCCE/gm



Grant Thornton

Cheng y Asociados

Fund accountability statement independent auditors' report

Grant Thornton Cheng y Asociados

Apartado 0823-01314

Avenida 1° C Norte, El Carmen, N° 111

Panamá

República de Panamá

T +507 264 9511

F +507 263 8441

www.gt.com.pa

To the Board of Trustees / the Oversight Committee
Foundation for the Conservation of Natural Resources
(Natura Foudantion)
Darien National Park Conservation Fund
(Darien Fund)
P. O. Box 08 16-06822
Panama, Republic of Panama

We have audited the accompanying accountability statement of the **Darien National Park Conservation Fund (Darien Fund)** managed by the **Foundation for the Conservation of Natural Resources (Natura Foundation)** for the period from January 1 to December 31, 2007, and a summary of the most significant policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this fund accountability statement in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the accountability statement so as to ensure that they are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on this fund accountability statement based on our audit. We conducted our audit in accordance with International Auditing Standards, issued by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the fund accountability statement is free from material misstatements.



Grant Thornton

Cheng y Asociados

Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)
(Panama, Republic of Panama)

An audit involves performing procedures to obtain audit evidence with respect to the amounts and disclosures in the fund accountability statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the fund accountability statement, due to either fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the Darien Fund's accountability statement 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 **Darien Fund's** internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the fund accountability statement.

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 fund accountability statement referred to above presents fairly, in all material aspects, program revenues, costs incurred and expenditure for the period from January 1 to December 31, 2007 in accordance with the terms of the Agreement and pursuant to the accounting basis described in Note 2.

This report is intended for the information of the **Natura Foundation** and the donors of the **Darien National Park Conservation Fund (Darien Fund)** and the Oversight Committee of Darien Fund. However, upon release by the Oversight Committee, this report is a matter of public interest.

Grant Thornton Cheng y Asociados

April 18, 2008

(Except for Note 1 to the fund accountability statement, dated April 24, 2008)

Panama, Republic of Panama

FOUNDATION FOR THE PRESERVATION OF NATURAL RESOURCES (NATURA)
PARQUE NACIONAL DARIEN PRESERVATION FUND
(Panama, Republic of Panama)

Fund accountability statement

Year ended December 31, 2007

(Expressed in United States dollars)

		Accumulated previous period 12/31/2006	Completed 01/1/2007 to 12/31/2007	Accumulated 12/31/2007	Balance of budget 12/31/2007	Questioned costs		Notes
	Budget					Ineligibles	Not documented	
Total budget of the fund for investments								
Initial balance as of August 19, of 2004	US\$ <u>5,465,156</u>				<u>4,638,725</u>			
REVENUES:								
Donations received		505,041	321,390	826,431	-	-	-	4
Other income		<u>8,022</u>	<u>4,547</u>	<u>12,569</u>	-	-	-	5
Total revenues		<u>513,063</u>	<u>325,937</u>	<u>839,000</u>	-	-	-	
EXPENSES:								
Program of administration and qualification of the Park		190,327	251,422	441,749	-	-	-	6
Program for strengthening Darien organizations		24,868	100,852	125,720	-	-	-	7
Program of support (small donations) to projects		10,228	25,315	35,543	-	-	-	8
Fund administration		<u>84,045</u>	<u>73,610</u>	<u>157,655</u>	-	-	-	10
Total expenses		<u>309,468</u>	<u>451,199</u>	<u>760,667</u>	-	-	-	
Excess of expenses over income	US\$	<u>203,595</u>	<u>(125,262)</u>	<u>78,333</u>	-	-	-	
Cash at the end of the year	US\$	<u>203,595</u>	<u>(125,262)</u>	<u>78,333</u>	-	-	-	11

See accompanying notes to the fund accountability statement.

Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)
(Panama, Republic of Panama)

Notes to the fund accountability statement
For the period from January 1 to December 31, 2007

1 General information

The **Foundation for the Conservation of Natural Resources (Natura Foundation)** is a non-profit organization, legally constituted on March 28, 1991. Its mission is to enhance the quality of life by promoting environmental conservation and sustainable development through the management of resources.

The **Natura Foundation** has entered into an agreement, known as the “Forest Conservation Agreement” with The Nature Conservancy (TNC) and the Panamanian government, from August 19, 2004 of 12 year duration to develop a project called the **Darien National Park Conservation Fund (Darien Fund)**.

The **Darien Fund** derived from the second Debt-for-Environment Agreement (Swap) signed between the Government of Panama and the Government of the United States of America, under the Tropical Forest Conservation Law, enacted by the United States in 1998. Under this exchange a Trust was established for the Conservation of Tropical Forests, whereby for a period of twelve (12) years, the Government of the Republic of Panama will disburse the total sum of **ten million nine hundred thirty thousand three hundred twelve dollars (US\$10,930,312)** in annual installments. These disbursements will be distributed according to the procedure established in the Agreement, so that upon termination of the twelve (12) years period, fifty percent (50%) of the aggregate amount will constitute the Trust fund and the remaining fifty percent (50%) will be invested in the maintenance, conservation and protection of the Darien National Park and its buffer zone.

The objective of this Trust is conservation, maintenance and restoration of forest areas of the **Darien National Park** and its 5 kilometer buffer zone, adjacent to the Park boundaries. The Darien Fund will finance Park management programs and environmental initiatives carried out by non-profit organizations that promote conservation in the park and help to diminish and to lower the main identified threats to the area, according to the Park Management Plan and other technical documents approved by the ANAM and the Oversight Committee.

**Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)**

(Panama, Republic of Panama)

The activities carried out by the **Natura Foundation** include processing, revision, technical assistance, supervision and administrative functions necessary as part of the Donation Program, including the processing of requests for reimbursement by Operating Units that receive and administer the financial resources provided by this Fund to carry out the projects which are approved by the Oversight Committee. Additionally, the Foundation acts as Secretary of the Fund's Oversight Committee. Financial information with regard to the Projects funded is based on disbursement requests and is prepared by the Operating Unit for coordinating the activities of the Project in accordance with policies and procedures set out by the Foundation for the Conservation of Natural Resources (**Natura Foundation**).

The accountability statement of **Natura Foundation / Darien National Park Conservation Fund (Darien Fund)** as of December 31, 2007, were issued under the authorization of the Executive Director - Zuleika Pinzon, on April 24, 2008.

2 Summary of the most significant accounting policies

A summary of the most significant accounting policies is presented as follows:

Basis for the presentation of the fund accountability statement

The **Natura Foundation** prepares its fund accountability statement using a cash system to record its operations, thus income and costs are accounted for when received or disbursed, and income not received and costs not disbursed are not accounted for.

Preparation basis

The Program fund accountability statement have been prepared according to the standards issued by the International Financial Reporting Standards.

Monetary unit

The fund accountability statement is shown in United States Dollars (US\$), which are of equal value and freely exchangeable with the Balboa (B/.), the monetary unit of the Republic of Panama.

3 Darien fund budget

The budget for the year ended December 31, 2007 was US\$470,074 consisting of disbursements pending from the previous period and those corresponding to the estimates for the 2007 period.

<u>Activity description</u>		<u>Budget</u>
Park management and training program	US\$	252,345
Program for strengthening Darién organizations		104,569
Project support program (small donations)		29,508
Monitoring program		10,000
Fund administration body		<u>73,652</u>
	US\$	<u><u>470,074</u></u>

Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)
(Panama, Republic of Panama)

The Program Budget shown in the fund accountability statement presents the contributions received in accordance with the Forest Conservation Agreement and the disbursements made with the approval of the Oversight Committee in order to carry out the program of the **Darien National Park Conservation Fund (Darien Fund)** during the operating period.

4 Trust Fund

During the period ended December 31, 2007, the **Foundation for the Conservation of Natural Resources (Natura Foundation)** received US\$321,390, as Trust funds for the financial support of the entities designed by the Oversight Committee in the management, conservation and protection of the natural resources duly disclosed in the Trust Agreement.

Disbursements received in prior periods	US\$ <u>229,564</u>
--	---------------------

Disbursements received as of December 31, 2006

March 13, 2006	US\$ 137,739
August 31, 2006	<u>137,738</u>
	US\$ <u>275,477</u>

Disbursements received from January 1 to December 31, 2007

March 13, 2007	160,695
September 5, 2007	<u>160,695</u>
Total received as of December 31, 2007	<u>321,390</u>

Total	US\$ <u>826,431</u>
-------	---------------------

5 Other revenues

Correspond to interest earned on savings accounts and funds returned by the Administrator to the Fund's bank account on account of administration expenses discounted from available cash that should have been absorbed by the Administration. During the period from January 1 to December 31, 2007, the amount of US\$4,547 was generated as interest earned on the savings account.

6 Park management and training program

The Foundation for National Parks and Environment (**Fundación PA.NA.MA.** for its Spanish initials) has been contracted to support the implementation of the **Darien National Park's (PND)** management program, administered by the **National Environmental Authority (ANAM)** in the acquisition of goods and services and the hiring of Park personnel, to put into operation the protected area management plan with resources provided by the Darien Fund. During 2007, the disbursements made by the Park Management and Training Program amounted to US\$251,422.

**Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)**

(Panama, Republic of Panama)

7 Program for strengthening Darien organizations

This component is directed toward the promotion, identification, orientation and reinforcement of these organizations, providing them with the elements of organization and institutional development, not only in the legal and administrative areas but also in the development of planning and resource management capabilities. It is hoped that these reinforced community organizations will become the managers of the resources provided by the **Darien Fund** and other sources of financing. This program received a total of US\$100,852 in 2007.

8 Project support program (small donations) to projects

Comprises technical assistance to Darien community organizations in the preparation of projects and proposals.

The communities located in the watersheds of the Tuira and Balsas rivers, within the Darien Park and up to 5 km. into its buffer zone, receive technical assistance in the preparation of projects and proposals for presentation to the Darien Fund. The logistics of the Project Planning Workshop are coordinated, starting with projects chosen for financing by the **Darien Fund**, training is provided in Program Logic and groups are assisted in the preparation of Project documentation during the Workshop. The aim of this component is to encourage initiatives outside the ANAM which are compatible with the endeavors of this and other institutions in improving the management of the Darien National Park. The amount invested in the Project Support Program (small donations) during 2007 was US\$25,315.

9 Monitoring program

Monitoring includes that of wildlife species in the **Darien National Park** as well as verification of compliance with the various management objectives, through scientific methodology and its accompanying documentation. The establishment of a baseline showing the condition of the resources in the **Darien National Park**, as well as the development of process and management indicators form parts of this component.

10 Fund administration body

This includes disbursements made to Fund administrator (**Natura Foundation**) for the performance of the functions set forth in the Tropical Forest Conservation Agreement, Article IV, subsection 4.1 and Article VII, paragraph (g). The total amount disbursed to the Fund Administration Body in 2007 was US\$73,610.

11 Reconciliation of available cash

As of December 31, 2007, the available cash was as follow:

As per fund accountability statement at December 31, 2006	US\$	203,595
Add: Revenue received as of December 31, 2007		325,937
Less: Costs incurred (disbursements)		<u>451,199</u>
Available cash at December 31, 2007	US\$	<u><u>78,333</u></u>

As of December 31, 2007 the balance presented on the bank statement of Banco Continental de Panama, S.A. amounts to US\$78,333.



Grant Thornton

Cheng y Asociados

Independent auditors report on the internal control structure

Grant Thornton Cheng y Asociados

Apartado 0823-01314

Avenida 1° C Norte, El Carmen, N° 111

Panamá

República de Panamá

T +507 264 9511

F +507 263 8441

www.gt.com.pa

To the Board of Trustees / the Oversight Committee
Foundation for the Conservation of Natural Resources
(Natura Foudantion)
Darien National Park Conservation Fund
(Darien Fund)
P. O. Box 08 16-06822
Panama, Republic of Panama

We have audited the accountability statement of the **Darien National Park Conservation Fund (Darien Fund)**, managed by the **Foundation for the Conservation of Natural Resources (Natura Foundation)** for the period from January 1 to December 31, 2007 and have issued our corresponding report on April 18, 2008.

We conducted our audit in accordance with International Auditing Standards issued by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit in order to obtain reasonable assurance that the fund accountability statement is free of material misstatement.

The management of the **Darien National Park Conservation Fund (Darien Fund)** is responsible for establishing and maintaining internal control structures. In fulfilling this responsibility, estimates and judgments by management are required in order to assess the expected benefits and related costs of internal control policies and procedures. The objectives of the internal control structures are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; that transactions are executed in accordance with management's authorization and with the terms of the agreements and that transactions are recorded properly so as to permit the preparation of the fund accountability statement in conformity with the accounting basis described in Note 2. Because of inherent limitations in internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, the projection of any evaluation of the structure into future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)
(Panama, Republic of Panama)

In planning and performing our audit of the fund accountability statement of the **Darien National Park Conservation Fund (Darien Fund)** for the period from January 1 to December 31, 2007, we gained an understanding of the internal control structure. With respect to internal control, we obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to decide on our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance with regard to internal control structures. Accordingly, we do not offer such assurance.

We noted no matters involving internal control structures and their operation that we considered to be a reportable conditions under the standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control structures that, in our judgment, could adversely affect the recipient's ability to record, process, summarize and report financial data consistent with the assertion of management in the fund accountability statement.

A material weakness is a reportable condition in which the design or operation of one or more elements of the internal control structure does not reduce to a relatively low level the risk that error of irregularities in amounts that would be material in relation to the fund accountability statement may occur and not be readily detected by employees in the normal course of their duties.

Our examination of the internal control structures would not necessarily disclose all aspects of the same that might be a reportable condition and therefore would not necessarily disclose all reportable conditions which would also be considered significant as defined above.

This report is intended for the information of the **Natura Foundation** and the donors to the **Darien National Park Conservation Fund (Darien Fund)** and the Oversight Committee of the **Darien Fund**. However, upon release by the Oversight Committee, this report is a matter of public record.

Grant Thornton Cheng y Asociados

April 18, 2008

(Except for Note 1 to the fund accountability statement, dated April 24, 2008)

Panama, Republic of Panama

Independent auditors compliance report

Grant Thornton Cheng y Asociados
Apartado 0823-01314
Avenida 1ª C Norte, El Carmen, N° 111
Panamá
República de Panamá
T +507 264 9511
F +507 263 8441
www.gt.com.pa

To the Board of Trustees / the Oversight Committee
Foundation for the Conservation of Natural Resources
(Natura Foudantion)
Darien National Park Conservation Fund
(Darien Fund)
P. O. Box 08 16-06822
Panama, Republic of Panama

We have audited the accountability statement of the **Darien National Park Conservation Fund (Darien Fund)**, managed by the **Foundation for the Conservation of Natural Resources (Natura Foundation)**, for the period from January 1 to December 31, 2007 and issued our corresponding on April 18, 2008.

We conducted our audit in accordance with International Auditing Standards, issued by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit in order to obtain reasonable assurance that the fund accountability statement is free of material misstatement.

Compliance with the terms of the Agreement and with the laws and regulations applicable to the **Darien National Park Conservation Fund (Darien Fund)** is the responsibility of the executive management of the **Foundation for the Conservation of Natural Resources (Natura Foundation)**. In the course of obtaining a reasonable assurance as to whether the fund accountability statement is free of material misstatement, we applied compliance tests to the **Foundation for the Conservation of Natural Resources (Natura Foundation)**, with respect to certain terms of the Agreement, and the applicable laws and regulations. However, our objective was not to issue an opinion as to the general compliance with such provisions. Accordingly, we do not express such opinion.



**Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)**
(Panama, Republic of Panama)

The results of our compliance tests indicate that with respect to the tested items, the **Foundation for the Conservation of Natural Resources (Natura Foundation) / Darien National Park Conservation Fund (Darien Fund)** has complied, in all significant aspects, with the terms of the Agreement and with the applicable laws and regulations. With regard to the items not tested, we have not found any noteworthy situation that would lead us to believe that the **Foundation for the Conservation of Natural Resources (Natura Foundation) / Darien National Park Conservation Fund (Darien Fund)** has not complied, in all important aspect, with such regulations.

This report is intended for the information of **Natura Foundation**, the donors of the **Darien National Park Conservation Fund (Darien Fund)** and the Oversight Committee of Darien Fund. However, upon release by the Oversight Committee, this report becomes a public document.

Grant Thornton Cheng y Asociados

April 18, 2008

(Except for Note 1 to the fund accountability statement, dated April 24, 2008)

Panama, Republic of Panama

Independent auditors report on follow-up to prior audit
recommendation

Grant Thornton Cheng y Asociados
Apartado 0823-01314
Avenida 1ª C Norte, El Carmen, N° 111
Panamá
República de Panamá
T +507 264 9511
F +507 263 8441
www.gt.com.pa

To the Board of Trustees / the Oversight Committee
Foundation for the Conservation of Natural Resources
(Natura Foundation)
Darien National Park Conservation Fund
(Darien Fund)
P. O. Box 08 16-06822
Panama, Republic of Panama

We have audited the accountability statement of **Darien National Park Conservation Fund (Darien Fund)**, managed by the **Foundation for the Conservation of Natural Resources (Natura Foundation)**, for the period from January 1 to December 31, 2007 and have issued our corresponding report on April 18, 2008.

We conducted our audit in accordance with International Auditing Standards, issued by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit in order to obtain reasonable assurance that the fund accountability statement is free of material misstatement.

The follow-up to the recommendations from the previous audit on the **Darien National Park Conservation Fund (Darien Fund)**, is the responsibility of the management of the **Foundation for the Conservation of Natural Resources (Natura Foundation)**. In the course of obtaining reasonable assurance that the fund accountability statement was free of material misstatement, we followed up on the recommendations of the previous audit.

This follow-up on the recommendations of the previous audit performed on the management of the **Darien National Park Conservation Fund (Darien Fund)** has shown that no applicable material discoveries were found therein which would require follow-up.



Grant Thornton

Cheng y Asociados

**Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)**
(Panama, Republic of Panama)

This report is intended for the information of **Natura Foundation** and for the donors to the **Darien National Park Conservation Fund (Darien Fund)** and the Oversight Committee of the Darien Fund. However, upon its release by the Oversight Committee, this report is a matter of public interest.

Grant Thornton Cheng y Asociados

April 18, 2008

(Except for Note 1 to the fund accountability statement, dated April 24, 2008)

Panama, Republic of Panama



Grant Thornton

Cheng y Asociados

Report on visits to the projects

Grant Thornton Cheng y Asociados

Apartado 0823-01314

Avenida 1ª C Norte, El Carmen, N° 111

Panamá

República de Panamá

T +507 264 9511

F +507 263 8441

www.gt.com.pa

To the Board of Trustees / Oversight Committee
Foundation for the Conservation of Natural Resources
(Natura Foundation)
Darien National Park Conservation Fund
(Darien Fund)
P. O. Box 0816-06822
Panama, Republic de Panama

We have visited the protected areas, projects in progress and in the final stages, for the purpose of verifying the proper management of the funds for the conservation of the Darien National Park, provided to the Foundation for National Parks and Environment (Fundación P.A.N.A. MA. for its Spanish initials) and other non-profit organizations (ONGs). As part of our review, we performed an evaluation of the accounting controls at the time the funds were distributed.

The management of the **Natura Foundation** is responsible for setting up and maintaining an internal system of accounting controls. To fulfill this responsibility, management is required to make estimates and exercise judgment in order to evaluate the expected benefits and the costs related to the control procedures.

FD-PNS-07-001 Support program (small donations) for projects. Tucutí Association

Adopting as a base the final quarterly reports for the year 2007, it was verified that the details of each budgetary account coincided with the expenses incurred as to amounts, proofs of payment and accounting entries. A review was conducted of any excess or use of funds in unauthorized amounts, either due to exhaustion of the budgeted funds and/or undocumented transfers. It was verified that the quarterly transfers, authorized by the **Natura Foundation** during 2007, were received and accounted for by the institution.

The bank reconciliations were reviewed and it was confirmed that the expenses coincided with the supporting data, especially as to payees and amounts, likewise as to the quotation policy, also the amount on deposit conformed with the transfers assigned by the **Natura Foundation**.



**Foundation for the Conservation of Natural Resources (Natura Foundation)
Darien National Park Conservation Fund (Darien Fund)**
(Panama, Republic of Panama)

The acquisition and location of the assets purchased during the accounting period were verified, likewise those previously acquired were visually checked. We made visits to the Project area, noting its progress and development.

As indicated by the foregoing, we can confirm that the Project is being carried out in a reasonable manner and in accordance with the Agreement.

FD-PS-05-002 - Fundación (PA. NA. MA.)

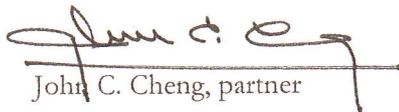
Adopting as a base the final quarterly reports for the year 2007, it was verified that the details of each budgetary account coincided with the expenses incurred as to amounts, proofs of payment and accounting entries. A review was conducted of any excess or use of funds in unauthorized amounts, either due to exhaustion of the budgeted funds and/or undocumented transfers. It was verified that the quarterly transfers, authorized by the **Natura Foundation** during 2007, were received and accounted for by the institution.

The bank reconciliations were reviewed and it was confirmed that the expenses coincided with the supporting data, especially as to payees and amounts, likewise as to the quotation policy, also the amount on deposit conformed with the transfers assigned by the **Natura Foundation**.

As indicated by the foregoing, we can confirm that the Project is being carried out in a reasonable manner and in accordance with the Agreement.

Yours truly,

Grant Thornton Cheng y Asociados


John C. Cheng, partner

JCC/gm