

BORDER ENVIRONMENT COOPERATION COMMISSION

Financial Statements

November 9, 2017 and December 31, 2016

(With Independent Auditors' Report Thereon)



Independent Auditors' Report

(Translation from Spanish Language Original)

The Board of Directors
Border Environment Cooperation Commission

Opinion

We have audited the financial statements of Border Environment Cooperation Commission (the Commission), which comprise the statements of financial situation as November 9, 2017 and December 31, 2016, the statements of activities and cash flows for the period from January 1st to November 9, 2017 and for the year ended December 31, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial situation of the Border Environment Cooperation Commission, as of November 9, 2017 and December 31, 2016, and its results and its cash flows for the period from January 1 to November 9, 2017 and for the year ended December 31, 2016, in accordance with the Mexican Financial Reporting Standards (FRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As mentioned in note 1, the Commission was incorporated in 1993 as a result of an agreement between the governments of the United States of America and Mexico. The Commission was created with the purpose of helping preserve, protect and enhance the environment in the border region common to both countries. The Commission is funded through annual budgeted federal contributions from both countries as well as contributions from the United States Environmental Protection Agency ("EPA"), and by the North American Development Bank. The Commission possesses the legal status of organization of public international law. Our opinion is not modified in respect of this matter.

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As mentioned in note 1, the “Second Protocol of Amendment to the Agreement between the Government of the United States of America and the Government of the United Mexican States Concerning the Establishment of a Border Environment Cooperation Commission and a North American Development Bank” (the “Protocol of Amendment”), was signed on January 17 and April 18, 2017. In accordance with the Protocol of Amendment, BECC will become a standing subsidiary component of the North American Development Bank (the “NADB”) and therefore will be fully integrated into NADB from a legal, operational and budgetary standpoint. The Governments of the United States and Mexico completed their respective internal requirements and therefore the Protocol of Amendment entered into effect on November 10, 2017. On such date the Commission’s juridical personality was extinguished, and therefore all of its assets, liabilities, rights and obligations were transferred to the NADB, without reservation or limitation. Our opinion has not been modified in relation to this matter.

As mentioned in note 3 (a), to November 9, 2017, the Commission does not have bank accounts, because at the beginning of the merger process, the Management of the Commission and the Bank defined that the balances of the Bank accounts would be transferred to accounts owned by the Bank, between the months of August and September 2017, given the time required to open a bank account, the management of the Commission maintained control of these accounts, recognizing as other accounts receivable from the North American Development Bank (NADB), the transferred balance. Our opinion has not been modified in relation to this issue.

As disclosed in note 4 to the accompanying financial statements, until December 31, 2016, the Commission showed in its financial statements, in the account "contributions to receive", the outstanding balances of the funds (Grants) authorized by the Environmental Protection Agency of the United States of America (EPA), which are used for the development of projects for the conservation and protection of the environment in the border area between Mexico and United States of America. Grant revenue was recognized for the full amount of the grant at the time of award and reflected in the statement of income and fund balance. The balance of the unrestricted equity account was generated by subtracting from the fund, authorized expenses incurred during the life of the project. In addition to the contributions received from the EPA, the Commission received funds for certification processes from the Development Bank of North America and Program-specific fund from the Multilateral Investment Fund. As a result of the above mentioned, the financial statements as of December 31, 2016 reclassified. Our opinion has not been modified in relation to this matter.

As mentioned in note 13, On November 10, 2017, in accordance with the protocol that entered into force, the Commission ceased to exist as a legal entity. All of its assets, liabilities, and fund balance as of November 10, 2017 were transferred to the NADB, without reservation or limitation.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with FRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG CARDENAS DOSAL, S. C.

A handwritten signature in blue ink, appearing to read 'Guillermo Gutierrez Frias', written over a horizontal line.

C.P.C Guillermo Gutierrez Frias

Cd. Juarez, Chih. November 24, 2017

BORDER ENVIRONMENT COOPERATION COMMISSION

Statements of Financial Situation

November 9, 2017 and December 31, 2016

(U. S. dollars)

The financial statements have been translated from the Spanish language original and for the convenience of English- speaking readers.

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 962	3,839,238
Recoverable value-added tax	-	65,222
Other accounts receivable (3a)	4,995,027	26,327
Grants to be received (notes 3b and 5)	<u>173,086</u>	<u>234,185</u>
Total current assets	5,169,075	4,164,972
Machinery, furniture and equipment, net (note 6)	33,889	97,763
Intangible assets, net (note 7)	<u>-</u>	<u>18,399</u>
	<u>\$ 5,202,964</u>	<u>4,281,134</u>
Liabilities and Fund Balance		
Current liabilities:		
Accounts payables	\$ 36,676	-
Accrued expenses (note 8)	<u>211,052</u>	<u>396,919</u>
Total current liabilities	247,728	396,919
Employee benefits (note 9)	<u>-</u>	<u>19,721</u>
Total liabilities	<u>247,728</u>	<u>416,640</u>
Fund balance:		
Unrestricted fund balance (note 10)	<u>4,955,236</u>	<u>3,864,494</u>
Total fund balance	4,955,236	3,864,494
Commitment and contingent liabilities (note 11)	<u>-</u>	<u>-</u>
	<u>\$ 5,202,964</u>	<u>4,281,134</u>

See accompanying notes to financial statements.

BORDER ENVIRONMENT COOPERATION COMMISSION

Statements of Activities

Period prior to the merger from January 1st to November 9, 2017 and year ended December 31, 2016

(U.S. dollars)

The financial statements have been translated from the Spanish language original and for the convenience of English- speaking readers.

	<u>2017</u>	<u>2016</u>
Changes in unrestricted fund balance:		
Contributions (note 3g):		
Contributions – Department of State (DOS)	\$ 2,402,000	2,400,000
Contributions – Mexico-Department of Environment and Natural Resources (SEMARNAT)	1,793,750	1,793,750
Contributions - United States of America- Environmental Protection Agency	2,102,585	3,237,445
Contributions - North American Development Bank	819,000	918,750
Contributions - Multilateral Investment Fund	<u>84,130</u>	<u>81,433</u>
	<u>7,201,465</u>	<u>8,431,378</u>
Administrative expenses and project related costs:		
Salaries and benefits	3,210,901	4,325,537
Travel and transportation expenses	252,888	340,547
Public events	131,879	136,763
Technical assistance and fees	1,341,615	2,202,945
G & A	<u>1,190,151</u>	<u>938,781</u>
	<u>6,127,434</u>	<u>7,944,573</u>
Interest income, net	<u>16,711</u>	<u>10,509</u>
Increase in unrestricted fund balance	1,090,742	497,314
Unrestricted fund balance at beginning of year	<u>3,864,494</u>	<u>3,367,180</u>
Unrestricted fund balance at end of year	<u>\$ 4,955,236</u>	<u>3,864,494</u>

See accompanying notes to financial statements.

BORDER ENVIRONMENT COOPERATION COMMISSION

Statements of Cash Flows

Period prior to the merger from January 1st to November 9, 2017 and Year ended December 31, 2016

(U. S. dollars)

The financial statements have been translated from the Spanish language original and for the convenience of English-speaking readers.

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in unrestricted fund balance	\$ 1,090,743	497,314
Items relating to investing activities:		
Loss of machinery, furniture and equipment	62,736	-
Depreciation	17,734	35,587
Amortization	<u>18,399</u>	<u>59,802</u>
Subtotal	<u>1,189,612</u>	<u>592,703</u>
Grants to be received	97,775	14,753
Recoverable value-added tax	65,222	7,708
Other accounts receivable	(4,968,700)	(8,460)
Prepaid expenses	-	3,135
Employee benefits	(19,721)	-
Accrued expenses	<u>(185,869)</u>	<u>(2,067,566)</u>
Net cash used in operating activities	<u>(3,821,681)</u>	<u>(1,457,727)</u>
Cash flows from investing activities:		
Acquisition of machinery, furniture and equipment	<u>(16,595)</u>	<u>(37,947)</u>
Net (decrease) in cash and cash equivalents	(3,838,276)	(1,495,674)
Cash and cash equivalents:		
At beginning of year	<u>3,839,238</u>	<u>5,334,912</u>
At end of year	\$ <u><u>962</u></u>	<u><u>3,839,238</u></u>

See accompanying notes to financial statements.

BORDER ENVIRONMENT COOPERATION COMMISSION

Notes to Financial Statements

Period prior to the merger from January 1st to November 9, 2017 and Year ended December 31, 2016

(U. S. dollars)

The financial statements have been translated from the Spanish language original and for the convenience of English-speaking readers.

(1) Description of the Commission activity:

The Border Environment Cooperation Commission (the “Commission”) was incorporated in 1993 as a result of an agreement between the governments of the United States of America and Mexico. The Commission was created with the purpose of helping preserve, protect and enhance the environment in the border region common to both countries. The Commission is funded through annual budgeted federal contributions from both countries as well as contributions from the United States Environmental Protection Agency (“EPA”), and by the North American Development Bank. The Commission possesses the legal status of organization of public international law.

The property, other assets, income and operations of the Commission were exempt from any responsibility related to payment, or withholding of taxes or contributions in Mexico and the United States of America, based on the agreement between the Government of the United Mexican States and of the United States of America. Said agreement established that for the fulfillment of its objective and functions conferred on it, the Commission enjoyed in the territory of each of the parties the legal status, immunities and privileges indicated in this agreement published in the Mexican Federal Official Gazette (DOF) in 1993, and subsequently amended in 2004.

Merger

In accordance with the “Second Protocol of Amendment to the Agreement between the Government of the United States of America and the Government of the United Mexican States Concerning the Establishment of a Border Environment Cooperation Commission and a North American Development Bank” (the “Protocol of Amendment”), signed on January 17 and April 18, 2017, the Commission will become a standing subsidiary component of the North American Development Bank (the “NADB”) and therefore will be fully integrated into NADB from a legal, operational and budgetary standpoint. The Governments of the United States and Mexico completed their respective internal requirements and therefore the Protocol of Amendment entered into effect on November 10, 2017. On such date the Commission’s juridical personality was extinguished, and therefore all of its assets, liabilities, rights and obligations were transferred to the NADB, without reservation or limitation. Our opinion has not been modified in relation to this matter.

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BORDER ENVIRONMENT COOPERATION COMMISSION

Notes to Financial Statements

(U. S. dollars)

(2) Financial statement authorization and presentation:**Authorization**

On November 15, 2017, Ms. Gloria Melendez, Commission's former Director authorized the issuance of the accompanying financial statements and related notes thereto.

Basis of preparation*a) Statement of compliance*

The accompanying financial statements of the Commission have been prepared in accordance with Mexican Financial Reporting Standards (FRS).

b) Use of estimates and judgments

The preparation of financial statements requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of machinery, furniture and equipment, intangible assets and assets and liabilities related to employee benefits. Actual results could differ from those estimates and assumptions.

c) Functional and reporting currency

The aforementioned financial statements are presented in US dollars, which is the same as the recording currency and the functional currency.

(3) Summary of significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Commission:

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BORDER ENVIRONMENT COOPERATION COMMISSION

Notes to Financial Statements

(U. S. dollars)

a) Cash and cash equivalents-

Cash and cash equivalents consist of checking accounts, foreign currency and other highly liquid instruments. At the date of the financial statements, interest income is included in the statements of activities.

As of November 9, 2017, the Commission does not have bank accounts, because when the merger process began, the administrations of the Commission and the Bank defined that the balances of the Bank's accounts would be transferred to accounts owned by the Bank, this due to the time that is incurred to open a bank account. This process was carried out between the months of August and September 2017, and the administration of the Commission maintains control of these accounts, recognizing as other accounts receivable from the North America Development Bank (NADB) the balance transferred.

b) Contributions to be received

The Commission recognizes the contributions to be received, based on the expenses incurred in the certification process of the projects destined to the conservation of the environment, the funds are received once the expenses have been made.

c) Machinery, furniture and equipment-

The machinery, furniture and equipment are recorded at acquisition cost.

The depreciation on machinery, furniture and equipment is calculated on the straight-line method, over the estimated useful lives of the assets as determined by the Commission's Management. The total useful lives of the principal asset classes are as follows:

	<u>Years</u>
Computer equipment	3
Furniture and equipment	10
Transportation equipment	5
Machinery and equipment	2

Minor repairs and maintenance costs are expensed as incurred.

d) Intangible assets-

Intangible assets with a definite useful life include mainly computer software and computer systems. These assets are recorded at acquisition or development cost and amortized using the straight line over their estimated useful life of three years.

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BORDER ENVIRONMENT COOPERATION COMMISSION

Notes to Financial Statements

(U. S. dollars)

e) Accruals-

Based on Management's estimates, the Commission recognizes accruals for present obligations where the transfer of assets or the rendering of services is virtually inevitable and arises as a consequence of past events, principally employee salaries and benefits.

f) Employee benefits-

Since the Commission has the legal status of organization of public international law, the relation between the Commission and its employees occurs by individual labor contracts that establish the benefits granted to the employees.

In the case of seniority premium provisions, employees make contributions to individual retirement funds, established in an agreement between the Commission and the employees.

Employee benefits consist of a seniority premium for which the Commission has a provision based on estimates by Management. The severance payment consists of a one-time payment of three months' wages which are expensed as incurred.

As of November 9, 2017, the balance of this account was canceled because employees are paid a salary that is considered in the annual budget authorized by the board of directors of the Commission and in case of withdrawing before concluding the year they are paid what they have to receive.

g) Grants to be received-

The grants to be received by the Commission are established from the moment of its constitution and represent an annual variation in the fund balance of \$1,793,750 and \$1,793,750 as to November 9, 2017 and December 31, 2016, respectively, that is contributed by the Government of Mexico and \$2,402,000 and \$2,400,000, that is contributed by the United States Government. The Commission also receives grants from the EPA and from the North American Development Bank based on authorized projects.

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BORDER ENVIRONMENT COOPERATION COMMISSION

Notes to Financial Statements

(U. S. dollars)

h) Contingencies-

Liabilities for important loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the financial statements.

(4) Reclassifications:

The reclassifications recognized by the Commission in 2017 were derived from the merger process with the North American Development Bank (NADB), which, in order to incorporate the Commission's information into its financial statements, requested the adoption of the rules of presentation used by the NADB, especially in the presentation of the accounts related to the GRANTS that the Commission manages. The reclassifications were recognized retrospectively, affecting the financial statements as of December 31, 2016, as follows:

	<u>Previously Reported amount</u>	<u>Reclassification</u>	<u>Reclassified amount</u>
Assets			
Grants to receive	\$ 4,559,987	(4,325,802)	234,185
Long-term grants to be received	<u>1,379,471</u>	<u>(1,379,471)</u>	<u>-</u>
Fund balance			
Unrestricted fund balances	\$ <u>9,569,767</u>	<u>5,705,273</u>	<u>3,864,494</u>

Until December 31, 2016, the Commission showed in its financial statements, in the account "contributions to receive", the outstanding balance of funds (Grants) authorized by the United States Environmental Protection Agency of America (EPA for its acronym in English), which uses the processes of certification of projects for the conservation and protection of the environment in the border area between Mexico and the United States of America. Grant revenue was recognized for the full amount of the grant at the time of award and reflected in the statement of income and fund balance. The balance of the unrestricted equity account was generated by subtracting the amount from the fund, authorized expenses incurred during the life of the project. In addition to the contributions received from the EPA, the Commission received funds for certification processes from the North American Development Bank and Program-specific fund from the Multilateral Investment Fund. As a result of the above mentioned, the financial statements as of December 31, 2016 reclassified.

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BORDER ENVIRONMENT COOPERATION COMMISSION

Notes to Financial Statements

(U. S. dollars)

Previously	<u>Reported amount</u>	<u>Restated Reclassification</u>	<u>amount</u>
Contributions			
United States of America- Environmental Protection Agency (EPA)	\$ 297,950	2,939,495	3,237,445
Multilateral Investment Fund	<u>-</u>	<u>81,433</u>	<u>81,433</u>
Administrative expenses and project related cost	\$ 7,932,950	12,364	7,944,573
(Decrease) increase in unrestricted fund balance	\$ (2,511,250)	3,008,564	497,314
Unrestricted fund balance at beginning of year	12,081,017	(8,713,837)	3,367,180
Unrestricted fund balance at end of year	<u>9,569,767</u>	<u>(7,705,273)</u>	<u>3,864,494</u>

Until December 31, 2017, the Commission recognized in its statement of activities the expenses incurred the process of certifying the projects destined to the conservation and protection of the environment.

The result of the activities was recognized as a decrease in unrestricted assets, which was subtracted from

(5) Grants to be received:

The main grants to be received to EPA consist of the following:

<u>Grant name</u>	<u>Grant number</u>	<u>2017</u>	<u>2016</u>
<u>Short term:</u>			
PDAP 1.35	XP96664701	\$ 58,396	63,888
PDAP R9 4.0494	XP00T67401	55,370	58,262
PDAP R6 4.4	XP96697601	42,468	49,232
B2012 2.9 2011 .810	X400T62701	3,018	22,533
Others	Several	<u>13,834</u>	<u>40,270</u>
		<u>\$ 173,086</u>	<u>234,185</u>

(Continued)

BORDER ENVIRONMENT COOPERATION COMMISSION

Notes to Financial Statements

(U. S. dollars)

These grants are used for certification of projects for the conservation, protection and improvement of the environment in the border region between Mexico and the United States of America. The application of these grants initiated by requests made by states, municipalities and other public entities for certification of projects, for which the applicant seeks to obtain financial assistance from the North America Development Bank or other sources of financing.

(6) Machinery, furniture and equipment:

The machinery, furniture and equipment comprise the following:

	<u>2017</u>	<u>2016</u>
Fixed assets:		
Computer equipment	\$ 58,716	245,018
Furniture and equipment	-	254,863
Transportation equipment	-	94,071
Machinery and equipment	<u>39,982</u>	<u>82,828</u>
	<u>\$ 98,698</u>	<u>676,780</u>
Depreciation:		
Computer equipment	\$ 30,439	192,089
Furniture and equipment	-	210,029
Transportation equipment	-	94,071
Machinery and equipment	<u>34,370</u>	<u>82,828</u>
	<u>64,809</u>	<u>579,017</u>
	<u>\$ 33,889</u>	<u>97,763</u>

The building in which the Commission's offices are located, is provided by the Mexican Federal Government at no cost to the Commission. The Commission leases another building from a private party to accommodate additional parking and conference rooms.

As of November 9, 2017, the North American Development Bank (NADB), in order to incorporate the Commission's information into its financial statements, requested that the presentation rules used by it in relation to fixed assets be adopted. The Bank requested that only assets with a value of \$1,000 or more be transferred and that they have not been fully depreciated. Net assets that do not comply were requested to be expensed.

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BORDER ENVIRONMENT COOPERATION COMMISSION

Notes to Financial Statements

(U. S. dollars)

As of November 9, 2017, the Commission had assets with a value of \$ 618,187 and an accumulated depreciation of \$ 555,451, which individually had a value of \$ 1,000 or less, so these balances were canceled showing an increase in the year's expenses for \$62,736.

(7) Intangible assets:

Intangible assets with defined useful lives include the following:

	<u>2017</u>	<u>2016</u>
Software	\$ -	\$ 184,003
Less accumulated amortization	<u>-</u>	<u>165,604</u>
	<u>\$ -</u>	<u>\$ 18,399</u>

(8) Accrued expenses:

The accrued expenses include liabilities for goods or services incurred at year end, as well as accrued vacations to be paid. The balance of accrued expenses at December 31 2017 and 2016, amounted to \$211,052 and \$396,919, respectively.

(9) Employee benefits:

Consists of payments to which employees are entitled to under their contracts, equivalent to a maximum of three months base salary for termination without cause. For such purposes, the Commission has a provision determined based on estimates by the Commission Management. The liability amounted to \$19,721 at December 31, 2016.

As of November 9, 2017, the balance of this account was canceled because employees are paid a salary that is considered in the annual budget authorized by the board of directors and if they retire before the end of the year they are paid with what they have pending to receive.

(10) Unrestricted fund balance:

Unrestricted assets are represented by the results of the activities of the Commission, considering the contributions received from the governments of the United States of Mexico (Mexico) and the United States of America (USA), which were established from the moment of creation of the commission, minus the costs and expenses incurred in providing the services to certify projects destined for the conservation, protection and improvement of the environment in the border area between Mexico and the United States of America.

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BORDER ENVIRONMENT COOPERATION COMMISSION

Notes to Financial Statements

(U. S. dollars)

(11) Commitment and contingent liabilities:

- a) Total rent expenses, for the years ended to November 9, 2017 and December 31, 2017 and 2016, amounted to \$35,106 and \$44,655, respectively. Total rents payable through 2018 under this agreement is are follows:
- b) The commission has obligations to consultants in accordance with project progress.

(12) Recently issued financial reporting standards:

The Mexican Board of Financial Information Standards has issued the FRS and Improvements listed below:

2016 FRS Improvements

In October 2016, CINIF issued a document called “2017 FRS Revisions” containing precise modifications to some of the existing FRS. The main revisions that bring about accounting changes are the following:

FRS B-13 “Subsequent events as of the date of the financial statements” FRS B-6 “Statement of financial position”- These FRS modify the classification requirements of assets, liabilities and stockholders’ equity, mainly to establish that it is appropriate to maintain the classification of an item as long term as of the date of the financial statements, in the case of a financial asset or financial liability that: a) was contracted on a long-term collection or payment basis; and b) even when the borrower is in default as of the date of the financial statements, during the subsequent period between the date of the financial statements and the date on which they are authorized to be issued to third parties if an agreement is reached to maintain collection or payment on a long-term basis. This revision will be effective for periods starting on or after January 1, 2017, allowing early adoption for periods starting on or after January 1, 2016.

Management estimates that the new FRS and the improvements to FRS will be immaterial.

(13) Subsequent event:

On November 10, 2017, in accordance with the protocol that entered into force, the Commission ceased to exist as a legal entity. All of its assets, liabilities, and fund balance as of November 10, 2017 were transferred to the NADB, without reservation or limitation.