

Financial Information

Fundo Brasileiro para a Biodiversidade - Funbio

December 31, 2019 and 2018
with Independent Auditor's Report on Financial Information on the
Amazon Region Protected Areas (ARPA) Program

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information on the Amazon Region Protected Areas (ARPA) Program

December 31, 2019 and 2018

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A free translation from Portuguese into English of Independent Auditor's Report on financial information on the Amazon Region Protected Areas (ARPA) Program prepared in Brazilian currency in accordance with the accounting base for receipts and payments described in Note 3.

Independent auditor's report on financial information on the Amazon Region Protected Areas (ARPA) Program

To the Directors and Officers of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Amazon Region Protected Areas (ARPA) Program
Rio de Janeiro - RJ

Opinion

We have audited the financial information on the Amazon Region Protected Areas (ARPA) Program (the "Program" or "Project"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Institution"), funded by various institutes and entities (the "Donors") described in Note 3, which comprise the amounts received and paid in the period from January 1 to December 31, 2019, including a summary of significant accounting practices and other explanatory information.

In our opinion, the financial information referred to above presents fairly, in all material respects, the amounts received and paid in the period from January 1 to December 31, 2019, in accordance with the accounting base for receipts and payments described in Note 3.

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial information" section of our report. We are independent of the Project in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy ("CFC") 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 - basis of preparation and presentation of the Project's financial information and restriction on use

We draw attention to Note 3 to the Project's financial information, which describes the basis of preparation and presentation of this financial information. As such, the Project's financial information does not serve for other purposes. Our report is intended solely for use of FUNBIO and the Project donors. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial information

Management is responsible for the preparation and fair presentation of this financial information in accordance with the accounting base for receipts and payments described in Note 3, which includes determining that referred to base is acceptable for the preparation of the financial information under the circumstances, and for such internal control as management determines is necessary to enable the preparation of this financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using this basis of accounting, unless management either intends to end the Project, or has no realistic alternative to prevent the Projects from ending.

Those charged with governance are responsible for overseeing the Project's financial information preparation process.

As described in Note 3, the financial information was prepared on the accounting base of receipts and payments. Referred to accounting base recognizes transactions and facts only when funds (including fund equivalents) are received or paid by the Project and not when these amounts result from, are earned or originate from rights or obligations that have not yet produced a change in funds (cash).

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the Brazilian and International Standards on Auditing 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 this financial information.


As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial information, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.
- Obtained 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 Institution's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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 substantial doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information 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 auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial information, including the disclosures, and whether it represents the corresponding transactions and events in a manner that achieves fair presentation.

We communicated 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 may be identified during our audit.

Rio de Janeiro, May 20, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6



Walter G. Neumayer
Accountant CRC-RJ091659/O-0

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Financial information on the Amazon Region Protected Areas (ARPA) Program

December 31, 2019 and 2018

(In thousands of reais, unless otherwise stated)

Accumulated amounts of changes occurring during execution of “ARPA Phase II” and “ARPA Transition Fund” Programs are as follows:

Donors	Funds contributed	Funds to allocate	Funds transferred	Net yields	Exchange differences	Execution	Advance	Other adjustments	Accumulated balance until 12/31/2019	Bank balance	Difference (I)
BNDES	19,949	-	-	493	-	(20,440)	-	(2)	-	-	-
GEF BM	46,171	-	-	-	-	(46,171)	-	-	-	-	-
KfW	70,679	-	-	497	-	(71,175)	-	(1)	-	-	-
BID	14,454	-	-	355	-	(15,127)	-	(15)	(333)	-	(333)
FT	130,600	-	-	620	-	(126,769)	(1,873)	18	2,596	2,596	-
Long-term transition fund	385,038	-	(130,600)	180,860	130,892	-	-	-	566,190	566,190	-
Total	666,891	-	(130,600)	182,825	130,892	(279,682)	(1,873)	-	568,453	568,786	(333)

Note: this report was prepared on a cash basis, reason why it presents amounts different from those contained in Note 9 to the Funbio's Financial Statements, which were prepared on an accrual basis.

(I) Amounts disbursed directly in FUNBIO administrative checking account referring to expenses incurred before the Project's first disbursement.

(II) In 2019, execution occurred only in the KfW and FT Donors, as follows:

Donors	Financial execution	Accounting execution	Difference
KfW*	185	175	10
FT**	45,654	45,828	174

* The difference recorded of R\$10 refers to the rendering of financially executed accounts in 2019 that were already provisioned by the accounting as at December 31, 2018.

** The difference recorded of R\$174 comprises: R\$441 referring to the provisioning of invoices, travel advances and Social Security Tax (INSS), discounts of R\$210 referring to the write-off of invoices and taxes provisioned as at December 31, 2018 and R\$57 referring to revenues financially executed by the Project and not transferred to the Funbio.

See accompanying notes.

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Notes to financial information on the “Amazon Region Protected Areas (ARPA) Program”

December 31, 2019 and 2018

(In thousands of reais - R\$, unless otherwise stated)

1. Operations

Fundo Brasileiro para a Biodiversidade - FUNBIO, with its head office located at Rua Voluntários da Pátria, 286 - 5º andar, Botafogo, city and state of Rio de Janeiro, is a not-for-profit institution, which began operating in 1996.

FUNBIO is an innovative financial mechanism, created to design strategies that contribute with implementation of the Convention on Biological Diversity (CDB) in Brazil. In the course of its 23-year operation, FUNBIO has been a strategic partner for the private sector, various state and federal entities and the organized civil society.

ARPA program is the largest tropical forest protection initiative in the world and has been contributing to the conservation of the Brazilian Amazon since 2002. The Transition Fund (FT) emerged from ARPA for Life initiative and began in 2014, marking the beginning of the ARPA Program Phase III. The Transition Fund is an extinguishable fund designed and developed as an alternative for the consolidation of Protected Areas supported by the ARPA Program, through investments of donations from international cooperation, private donations and government funds represented by non-financial consideration. Phase III aims the gradual transfer of the funds contribution to the public power until the maintenance costs of the supported Protected Areas are fully maintained by the federal government and states, thus enabling the main objective of the Program to be reached, which consists of consolidation and protection 60 million hectares of forest, 15% of the territory of the Brazilian Amazon. The goal of supporting to the Protected Areas was reached in 2017, when the Program already supported 60.8 million hectares, with 117 Protected Areas under its umbrella agreement. In addition, Phase III also aims to create 13.5 million hectares of protected areas in the Amazon region, a goal that is still being pursued.

FUNBIO is the program's financial manager, performing the procurement and contracting activities for the Protected Areas and performing the Fund's asset management that ensures the program's sustainability in the long term. The Transition Fund incorporated funds from the Amazon Region Protected Areas Fund (“FAP”), organized in the program's first phase, and has been leveraging new funds from the Cooperation International and private donations, with the goal to reach US\$215,000.

In the period from January 1 to December 31, 2019, the following are highlighted:

- In the second half, the planning workshops of the 2020/2021 OP (Operational Plan) were held, bringing together managing professionals, focal points and Program Coordination (Ministry of the Environment - MMA). The plans developed in these workshops were approved at the beginning of this year and will support the execution over the next two years.

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Notes to financial information on the “Amazon Region Protected Areas (ARPA) Program” (Continued)
December 31, 2019 and 2018

(In thousands of reais - R\$, unless otherwise stated)

1. Operations (Continued)

- The Transition Fund’s valued portfolio reached the amount of R\$573,608 (R\$474,722 in 2018), and R\$566,190 (R\$470,088 in 2018) after considering the provision for IR, a net increase of 21%, arising from new deposits received from GEF donations through the World Bank and Anglo American, short-term investment yields and foreign exchange differences, the latter impacted by the appreciation of approximately 4.02% of the foreign currency (US\$) included in the investment portfolio;
- The contract with the Ministry of Economic Cooperation and Development of Germany (BMZ), entered into with Kfw-Entwicklungsbank (German Development Bank) for Phase II, in the amount of €20,000, was terminated in April 2019 with an execution of R\$185 (R\$10,809 in 2018), and total execution of R\$71,200;
- ARPA FT Operational account received R\$48,500 (R\$40,500 in 2018) from the Transition Fund in 2019 and executed R\$45,654 (R\$44,254 in 2018).

Institution management approved this financial information for issue on May 20, 2020.

2. Donors

The financial information relating to the accountability of the Amazon Region Protected Areas (ARPA) Program, whose financial manager is Fundo Brasileiro para a Biodiversidade - FUNBIO, was prepared by management of FUNBIO as at December 31, 2019 to inform the donors about the financial execution of the following Technical Cooperation Arrangements and Donation Agreements:

ARPA PHASE II with funds from

- The contract with the Ministry of Economic Cooperation and Development of Germany (BMZ), entered into with Kfw-Entwicklungsbank (German Development Bank) - BMZ 2006,66214 terminated in 2019;
- From the Global Environment Facility (GEF), through the World Bank - TF 12073, ended in 2017;
- And from the Brazilian Development Bank (BNDES) -Agreement 09.2.1432.1, terminated in 2015.

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Notes to financial information on the “Amazon Region Protected Areas (ARPA) Program” (Continued)
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2. Donors (Continued)

ARPA TRANSITION FUND currently comprised of:

- Funds donated to the Long-term Transition Fund, managed by FUNBIO through Asset Managers Pragma Patrimônio and Julius Bär; which incorporated funds from the Amazon Region Protected Areas (FAP) Fund as well as donations from WWF - World Wide Fund for Nature and MAC Foundation through WWF Brazil, Anglo American Minério de Ferro Brasil S.A, Ministry of Economic Cooperation and Development of Germany (BMZ), entered into with KfW-Entwicklungsbank (German Development Bank) KfW - BMZ 2013.67.127, and from Global Environment Facility through World Bank.
- The funds of the Operational Transition Fund are provided by the Long-Term Transition Fund in order to render the 117 Protected Areas operational.
- Funds from Inter-American Development Bank (IDB) - ATN/OC 14219-BR and ATN/MC 14220-BR are not included in the Transition Fund, since these are amounts transferred and maintained in separate accounts in order to structure FUNBIO as a Transition Fund manager, ended in 2018.

3. Summary of significant accounting practices

Basis of preparation

The Program's financial information was prepared on a receipt and payment accounting base, whereby revenues are recognized upon receipt of funds (resources) and expenses are recorded when they effectively represent expenses paid in cash (cash). This accounting practice differs from the accounting practices applicable in Brazil, which establish that transactions must be recorded to the extent that they are incurred rather than when paid.

4. Funds available - Phase II (BNDES, GEF/BM and KfW)

The funds available in the Program's bank accounts are as follows:

Description	Type	2019	2018
BB Frankfurt - C/C 3593 3158 88 (KfW) (i)	Checking account	-	-
Banco do Brasil - C/C 23220-3 (GEF BM)	Checking account	-	-
Banco do Brasil - C/C 21872-3 (BNDES)	Checking account	-	-
Banco do Brasil - C/C 23656-X (KfW)	Checking account	-	89
Total cash and cash equivalents		-	89

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4. Funds available - Phase II (BNDES, GEF/BM and KfW) (Continued)

Changes in this account - Banco do Brasil Frankfurt c/c 35.93 315.888 of sponsor KfW are as follows:

Changes in funds	2019	2018
Balance at January 1	-	3,344
Funds contributed	-	4,187
Allocation to Banco do Brasil - CC 23656-X (KfW)	-	(7,448)
Exchange differences	-	(83)
Balance at December 31	-	-

5. Funds contributed by ARPA - Phase II (BNDES/GEF BM/KfW)

In its second phase (2010 to 2019), ARPA supported creation of over 4.2 million hectares in new Protected Areas and consolidation of 9 million hectares in Protected Areas already established. For this purpose, FUNBIO as the financial manager of ARPA Program maintained an agreement with and received funds from the Amazon Fund through BNDES - Agreement No. 09.2.1432.1, terminated in 2015; from GEF - Global Environment Facility, through the World Bank - TF 12073, terminated in 2017; and from the Ministry of Economic Cooperation and Development of Germany (BMZ), through KfW-Entwicklungsbank (German Development Bank) - BMZ 2006.66214, terminated in 2019.

A summary of the funds received in the Program in the periods from January 1 to December 31, 2019 and January 1 to December 31, 2018, as well as the total accumulated contributions is as follows:

	2019	2018	Accumulated
BNDES	-	-	19,949
GEF BM	-	10,895	46,171
KfW BMZ	-	12,257	70,679
KfW BMZ - to be allocated	-	(3,344)	-
Total	-	19,908	136,799

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5. Funds contributed by ARPA - Phase II (BNDES/GEF BM/KfW) (Continued)

Detailed information on the inflow of funds in accounts 23656-X and 3593 315888, referring to KfW BMZ, maintained in Banco do Brasil in 2019 and 2018 is as follows:

ARPA PROGRAM Phase II		
Funds contributed by KfW - BB Frankfurt C/C 3593 315888		
Contribution date	2019	2018
09/27/2018	-	4,187
Total	-	4,187

6. Summary of statements of expenses - Phase II (BNDES/GEF BM/KfW)

In 2018, no BNDES and GEF BM funds were invested.

Total funds invested in the periods from January 1 to December 31, 2019 and 2018, relating to KfW 2006 66 214 Contract, were as follows:

	2019	2018	Accumulated
KfW assets	34	2,262	8,530
Advisory services	13	1,910	10,914
Recurring costs	6	5,246	36,195
Works and refurbishing	-	-	260
Special services	132	1,413	15,277
Balance at December 31	185	10,831	71,175
Total expenses declared	2019	2018	Accumulated
BNDES/ARPA Agreement No. 09.2.1432.1	-	-	20,440
BM/ARPA Agreement - TF 12073	-	-	46,171
KfW Agreement No. 2006 66 214	185	10,831	71,175
Balance at December 31	185	10,831	13,786

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Notes to financial information on the “Amazon Region Protected Areas (ARPA) Program” (Continued)
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7. Transition Fund

On June 18, 2012, at the United Nations Rio+20 Conference, a memorandum of understanding was entered into between GORDON and Betty Moore Foundation, Linden Trust for Conservation, FUNBIO, WWF Network represented by WWF BR and the Brazilian Ministry of the Environment aimed at promoting and implementing the Commitment for the Amazon Region/Amazon for Life Initiative through actions to ensure the ecological, social, political, institutional and financial sustainability of 40 million ha in preservation units, including 5 to 10 million ha of ARPA Program.

In 2014, the Transition Fund (FT), a long-term (25 years), extinguishable (amortization fund), financing mechanism of a private nature was created by means of agreements between entities, individuals and legal entities, Brazilian and foreign donors, for the purpose of ensuring preservation of biodiversity and eco-system services in 60 million ha of the Brazilian Amazon through the effective management of the Protected Areas supported by the ARPA Program.

The Transition Fund (FT) operates under rules established in Modules 1 and 2 of ARPA Program Operational Guide (MOP). Governance is under the responsibility of the Transition Fund Committee (“CFT”) and the Fund Manager, chosen by the CFT, currently FUNBIO, to perform the acts required for FT to achieve its objective, as defined in the Program Operational Guide.

Estimated minimum amount raised for the Transition Fund is US\$215,000.

7.1. FT Operational Program

Inflows of funds in account 23802-3 (FT) maintained in Banco do Brasil, in 2019 and 2018, are as follows:

	ARPA Transition Fund accounts	Date of fund inflow in Bank	2019	2018
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	01/18/2018	-	8,000
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	03/14/2018	-	7,500
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	05/17/2018	-	1,950
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	06/01/2018	-	7,050
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	08/02/2018	-	8,000
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	10/15/2018	-	4,000
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	11/27/2018	-	4,000
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	01/02/2019	4,000	-
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	01/07/2019	6,000	-
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	03/19/2019	8,000	-
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	06/04/2019	7,500	-
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	08/07/2019	5,000	-
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	09/24/2019	7,000	-
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	11/04/2019	3,000	-
FT operational	BB RJ - Ag: 3519-x C/C 23802-3 Voluntários	11/22/2019	8,000	-
Total			48,500	40,500

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Notes to financial information on the "Amazon Region Protected Areas (ARPA) Program" (Continued)
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7. Transition Fund (Continued)

7.1. FT Operational Program (Continued)

Bank balances at December 31 are as follows:

ARPA Transition Fund accounts	2019	2018
Banco do Brasil - C/C 23802-3 (FT)	2,596	21
Balance at December 31	2,596	21

7.2. FT/BID - ATN/OC 14219-Br (SCI) and ATN/MC 14220-Br (MSC) Agreements

Inflows of funds in account 27154-3 Banco do Brasil (BID - SCI) only in 2018 are as follows:

	2019	2018	Accumulated
BID - SCI	-	1,573	11,674
Yields	-	48	335
Financial management costs	-	(8)	(51)
Balance at December 31	-	1,613	11,958

Inflows of funds in account 28125-5 Banco do Brasil (BID - SCI) only in 2018 are as follows:

	2019	2018	Accumulated
BID - MSC	-	598	2,780
Yields	-	10	87
Financial management costs	-	(3)	(14)
Balance at December 31	-	605	2,853

BID operational funds per component were applied as follows:

ATN/OC 14219-Br - (SCI) Agreement	2019	2018	Accumulated
Component 1 - BID - Critical Studies	-	1,533	2,161
Component 2 - BID - Professional Services Management Improvement	-	435	3,927
Component 3 - BID - Qualification	-	351	2,422
Component 4 - BID - Equipment and Software	-	1,595	2,412
Administrative costs - FUNBIO BID	-	-	878
Balance at December 31	-	3,914	11,800

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(In thousands of reais - R\$, unless otherwise stated)

7. Transition Fund (Continued)

7.2. FT/BID - ATN/OC 14219-Br (SCI) and ATN/MC 14220-Br (MSC) Agreements (Continued)

ATN/MC 14220-Br (MSC) Agreement	2019	2018	Accumulated
Component 1 - BID - Critical Studies	-	463	706
Component 2 - BID - Professional Services Management Improvement	-	212	969
Component 3 - BID - Qualification	-	39	653
Component 4 - BID - Equipment and Software	-	159	670
Administrative costs - FUNBIO BID	-	4	330
Balance at December 31	-	877	3,328
Total	-	4,791	15,128

7.3. Transition fund/operational account

Inflows of funds in account 23802-3 of Banco do Brasil (FT):

	2019	2018	Accumulated
Transition fund - operational account	48,500	40,500	138,600
Yields	219	181	1,085
Financial management costs	-180	-103	-489
Total	48,539	40,681	139,196

Operational funds of FT/Operational per Framework were invested as follows:

Framework	2019	2018	Total
Annual audit - 5% of FT Protected Areas	131	0	131
Public Consultation	46	20	66
Contingencies	115	0	115
Coordination - Program representation and articulation	76	8	84
Coordination - Strategic support - UCP	54	0	54
Coordination - Monitoring and Studies	79	83	162
Coordination - Program Coordination/Operation	12	0	12
Coordination - Committee Secretariat and Program Forums	48	12	60
Coordination between focal points	3	0	3
General Coordination of Territory Consolidation - ICMBio headquarters	71	4	75
General Coordination of Social and Environmental Management - ICMBio headquarters	42	1	43
General Coordination of Environmental Protection - ICMBio headquarters	239	128	367
Coordination - Program Planning	690	170	860
Environmental Diagnosis	74	142	216
Land Status Diagnosis	4	24	28
Social Economic Diagnosis	77	156	233
Protected Areas Creation and Handling Board ICMBio headquarters	73	27	100
Management - FUNBIO Operation	7,690	4,502	12,192

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Notes to financial information on the “Amazon Region Protected Areas (ARPA) Program” (Continued)
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7. Transition Fund (Continued)

7.3. Transition fund/operational account (Continued)

Framework	2019	2018	Total
Transition Fund management	0	0	0
Mobilization	12	4	16
Environmental Monitoring - ICMBio headquarters	1036	0	1036
MR Demarcation - Implementation - level II	406	288	694
MR Demarcation - Review - level II	0	2	2
MR Equipment - Maintenance	505	456	961
MR Equipment - Replacement	546	225	771
MR Basic Equipment - Acquisition - levels I and II	4,038	7,153	11,191
MR Basic Equipment - Maintenance - levels I and II	2,465	1,947	4,412
MR Participative Management - Managing Counsel Formation - level I	105	24	129
MR Participative Management - Managing Counsel Operation - level	2,950	2,774	5,724
MR GP - Natural Resources Handling and Preservation	268	121	389
MR GP – Formation and Qualification for Integration and Strengthening	181	166	347
MR GP – Community Organization Strengthening	313	297	610
MR GP – Integrated Management of Protected Areas and Indian Reservations	29	15	44
MR Facilities – Construction - level II	44	71	115
MR Facilities – Maintenance - levels I and II	1,374	974	2,348
MR Demarcation Maintenance	0	5	5
MR Facility Maintenance	312	270	582
MR Signaling Maintenance	74	96	170
MR Operation Maintenance of Preservation Areas Counsel	798	642	1,440
MR Monitoring – Biodiversity Indicator - level I	44	621	665
MR Monitoring – Sampling	3,124	1,551	4,675
MR Monitoring – Supporting knowledge management	27	40	67
MR Monitoring - Implementing protocols - level II	191	669	860
MR Monitoring – Maintenance of indicators - level II	289	163	452
MR Monitoring - Maintaining protocols - level II	48	234	282
MR Monitoring - Post - Sampling	114	77	191
MR Monitoring - Pre - Sampling	1081	576	1657
MR Monitoring - Biodiversity protocol	26	153	179
MR Monitoring - resource use protocol	0	12	12
MR Operation - levels I and II	4,906	5,395	10,301
MR Research – Development and Studies - level II	644	571	1,215
MR Handling Plan – Preparation - level I	1,723	2,341	4,064
MR Handling Plan – Review - levels I and II	61	788	849
MR Protection – Plan Preparation - level I	139	224	363
MR Protection – Plan Implementation - levels I and II	5,706	7,476	13,182
MR Protected Areas Protection	1,622	1,488	3,110
MR Review of Handling Plan	260	233	493
MR Signaling – Expansion - level II	21	42	63
MR Signaling – Implementation - level I	134	133	267

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Notes to financial information on the “Amazon Region Protected Areas (ARPA) Program” (Continued)
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(In thousands of reais - R\$, unless otherwise stated)

7. Transition Fund (Continued)

7.3. Transition fund/operational account (Continued)

Framework	2019	2018	Total
MR Signaling – Maintenance - levels I and II	264	416	680
MR Land Status – Information Collection – level II	45	18	63
MR Land Status – Regularization – level II	0	16	16
MR Agreement - PI Protected Areas - level II	205	210	415
Overall Total	45,654	44,254	89,908

7.4. Transition fund/Long-term fund

The Extinguishable Long-Term Transition Fund is managed by Pragma Patrimônio in its local portfolio (Brazil) and by Julius Baer in its off portfolio (international).

Balances maintained in the Fund bank accounts are as follows:

ARPA FAP/FT accounts	2019	2018
Itaú Pragma AG.4191 C/I 88475-0(FT) (a)	129,008	108,458
Itaú Private C/I EFFICAX 13564-3 (FT) (a)	12,898	14,719
Itaú Private C/I WORD EQUITIES FIC 13564-3 (FT) (a)	2,907	946
BNY NELLON C/I 30266555 (a)	0	406
Itaú Miami C/I 6086720 (FT)* (b)	0	0
Itaú Miami C/I JTU021893 (FT) (b)	0	0
JULIUS Bär C/I 0600.6868 (c)	421,377	333,321
Itaú Miami C/I 6087033 (FT KfW) (d)	0	0
Itaú Pragma AG.4191 C/I 89897-4 (FT KfW) (e)	0	8,047
Itaú Private C/I EFFICAX FI RF - 16716-6-X (FT KfW) (e)	0	4,191
Credit Suisse C/I 13594-1 (FT KfW) (f)	0	0
Total	566,190	470,088

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Notes to financial information on the “Amazon Region Protected Areas (ARPA) Program” (Continued)
December 31, 2019 and 2018
(In thousands of reais - R\$, unless otherwise stated)

7. Transition Fund (Continued)

7.4. Transition fund/Long-term fund (Continued)

- (a) Changes in transition fund balances maintained in Brazil (C/C 88475 Itaú Pragma, c/c 13564-3 Active, Efficax and World Equities FIC and C/C 30266555 BNY MELLON) are as follows:

	2019	2018
Balance at January 1	124,529	80,214
Cash inflows:	4,063	1,915
WWF CR00001		0
WWF CR00003		0
ANGLO AMERICAN	4,063	1,915
Transf. of funds to Operational Transition Fund *	(30,500)	0
Transfer of funds to Itaú Private - c/16716-6	(13,733)	0
Transfer of funds received from Itaú Pragma c/c 89897-4	8,802	0
Transf. of funds to Bahia Fund	0	(627)
Transf. of funds received from Itaú Miami	36,670	37,570
Net yields	19,273	7,396
Financial management costs	(4,291)	(1,939)
Balance at December 31	144,813	124,529

(*) This amount refers to funds from Bahia and Espírito Santo Fund invested in the Transition Fund, which was regularized in 2018.

- (b) Changes in Transition Fund balances maintained in Itaú Miami (c/c 6086720 and JT02183):

	2019	2018
Balance at January 1	0	296,270
Cash inflows - KfW	0	0
Cash inflows - GEF	37,364	37,149
Transfer of funds from Itaú Miami c/6086720 to Julius Bär 0600.6868	0	(226,581)
Transfer of funds from Itaú JTU c/021893 to Julius Bär 0600.6868	0	(108,824)
Transfer of funds from Itaú Miami c/6086720 to Itaú Pragma c/88475-0	0	(37,570)
Transfer of funds to Itaú Private - c/ 13564-3	(36,670)	
Exchange differences	(694)	44,172
Yields	0	(4,436)
Financial management costs	0	(180)
Balance at December 31	0	0

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Notes to financial information on the "Amazon Region Protected Areas (ARPA) Program" (Continued)
December 31, 2019 and 2018

(In thousands of reais - R\$, unless otherwise stated)

7. Transition Fund (Continued)

7.4. Transition fund/Long-term fund (Continued)

(c) Changes in Transition Fund balances maintained in Julius Bär (0600.6868):

	2019	2018
Balance at January 1	333,321	0
Transfer of funds received - Itaú Miami c/c 6086720	0	335,544
Yields in account re transf. c/c 6086720	0	3,716
Yields	62,930	(12,061)
Exchange differences	25,126	6,213
Financial management costs	0	(91)
Balance at December 31	421,377	333,321

(d) Changes in Transition Fund balances (FAP KfW) - maintained in Banco Itaú Miami (CC 6087033):

	2019	2018
Balance at January 1	0	6,339
Transfer of funds to FAP KfW /c/ 16716-6	0	(7,178)
Yields	0	11
Exchange differences	0	830
Financial management costs	0	(2)
Balance at December 31	0	0

(e) Changes in Transition Fund balances (FAP KfW) - maintained in Itaú (Pragma - 4191 89897-4 and Itaú Private Efficax FI RF - C/C 16716-6):

	2019	2018
Balance at January 1	12,238	31,488
Transfer of funds received from Credit Suisse c/135941-5 to Itaú c/16716-6	0	13,695
Transfer of funds received from Itaú Miami c/c 6087033 to Itaú c/16716-6	0	7,178
Transfer of funds received from Itaú Private - c/13564-3	13,733	0
Transfer of funds to Itaú Pragma c/c 88475-0	(8,802)	0
Transfer of funds to Operational Transition Fund c/BB 23802-3	(18,000)	(40,500)
Financial management costs	577	(777)
Yields	254	1,154
Balance at December 31	0	12,238

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Notes to financial information on the "Amazon Region Protected Areas (ARPA) Program" (Continued)
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7. Transition Fund (Continued)

7.4. Transition fund/Long-term fund (Continued)

- (f) Changes in Transition Fund balances (FAP KfW) - maintained in Banco Credit Suisse c/c 13594-1:

	2019	2018
Balance at January 1	0	13,119
Transfer of funds to Itaú Pragma c/c 16716-6	0	(13,695)
Financial management costs	0	(442)
Yields	0	1,018
Balance at December 31	0	0

The investments of the Funds managed by FUNBIO, through Pragma Patrimônio, are diversified short- and long-term investments, from 1 to 8 years, with liquidity ranging from D+1 to D+ 180 days. These funds are invested in Government Securities - National Treasury Notes (NTN-Bs), local and international variable income, Hedge Fund, Fixed income Low Vol and fixed/inflation rate.

8. Events after the reporting period

Since the beginning of 2020, the outbreak of a new virus named COVID-19 has been identified. The Brazilian Ministry of Health reported the first case registered in the country on February 25, 2020, in the city of São Paulo. Due to the speed of contamination and the growing number of infected people, on March 11, 2020, COVID-19 was classified by the World Health Organization (WHO) as a pandemic.

To slow down the contamination by COVID-19, various countries have imposed a series of restrictive measures of social displacement, such as a quarantine period and closing of borders with other countries, unprecedented situations in recent world history. Brazilian government, acting together with the states and municipalities, adopted a series of measures, among them, decrees and provisional executive orders to minimize the risk of contamination of the population, the economic impact in the various sectors and still avoid the collapse of the Brazilian health system.

At this time, the adverse situation in global economic activities is still uncertain, preventing the forecast of its impacts and final effects. This event may have an adverse impact on political and economic conditions and trigger a period of global economic slowdown, which may have impacts on the activities carried out by various sectors, including the sector in which the Institution operates, such as postponement or cancellation of donations scheduled for 2020.

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Notes to financial information on the “Amazon Region Protected Areas (ARPA) Program” (Continued)
December 31, 2019 and 2018

(In thousands of reais - R\$, unless otherwise stated)

8. Events after the reporting period (Continued)

The Institution understands that there is no financial impact on the Project’s financial information for the period from January 1 to December 31, 2019 as a result of these events after the reporting period, and is monitoring developments related to COVID-19 and coordinating its operational actions based on guidelines from global and local health organizations, Federal, State and Municipal Governments and general best practices for crisis management.

Throughout the audit work, the Institution continued to operate at a regular and continuous pace. All Funbio's teams of employees adopted remote work (home office), and the Institution provided material, systems and logistics resources so that the routine was not significantly changed. This procedure was possible due to investments performed in 2019, such as servers upload and applications to the cloud (Azure - cloud computing); prior-years' investments: HR portal, Business Intelligence - Power BI; Project Online, improvements in Brain 2 and the purchasing platform (Paradigm), in addition to the integration of the per diem allowances, travel and ticket system. Face-to-face meetings are limited to one day a week with a reduced number of employees (2 to 4) for reception and mailing activities and administrative infrastructure. Thus, Funbio puts its teams in safety to face this period of social distancing without jeopardize stakeholders and beneficiaries of its projects.

Independent auditor's report on compliance with the accounting and financial contractual provisions of Amazon Region Protected Areas (ARPA) Program

To the Directors and Officers of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Amazon Region Protected Areas (ARPA) Program
Rio de Janeiro - RJ

We have audited the financial information on the Amazon Region Protected Areas (ARPA) Program (the "Program" or "Project"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Institution"), funded by various institutes and entities (the "Donors"), for the period from January 1 to December 31, 2019, and issued our report thereon dated May 20, 2020.

Our audit was focused on checking whether the contractual provisions directly related to accounting and financial matters of the Donation Agreements entered into with the Donors are appropriately complied with.

We conducted our audit in accordance with International Standards on Auditing and the Donors' requirements. These standards require that we plan and conduct the audit in order to obtain reasonable certainty that FUNBIO has complied with the terms set out in the Donation Agreements. The audit includes review, on a test basis, of the evidence deemed appropriate by us. Accordingly, we believe that our audit provides a reasonable base for our opinion.

In our opinion, as at December 31, 2019, FUNBIO complied with, in all significant respects, the contractual provisions applicable, of an accounting and financial nature, of the Donation Agreements entered into with the donors.

Rio de Janeiro, May 20, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6



Walter G. Neumayer
Accountant CRC-RJ091659/O-0

Independent auditor's report on the internal control structure of Amazon Region Protected Areas (ARPA) Program

To the Directors and Officers of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Amazon Region Protected Areas (ARPA) Program
Rio de Janeiro - RJ

This report supplements our report on the financial information on the Amazon Region Protected Areas (ARPA) Program.

Management of Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Institution"), Executing Institution of the Amazon Region Protected Areas (ARPA) Program (the "Program" or "Project"), is responsible for maintaining internal controls sufficient to mitigate the risks of significant misstatements in the financial information and protect the assets under custody of the Program, including the areas constructed and other assets acquired. In order to fulfill this responsibility, management is required to make judgments and estimates to evaluate the expected benefits and costs relating to internal control policies and procedures. An internal control system is aimed at providing management with reasonable assurance, but not a guarantee, that the assets are protected against losses deriving from unauthorized use or disposal, that the transactions are performed in accordance with management authorization and that the agreement terms are appropriately recorded in order to allow the financial information to be fairly prepared. Due to the limitations inherent in any internal control system, errors or irregularities may occur and remain undetected. In addition, the projections of any future periods' structure assessment are subject to the risk that the procedures may be inadequate due to changes in conditions, or that the efficiency of the design and operation of the policies and procedures may be impaired.

In planning and conducting our audit of the Program's financial information for the period from January 1 to December 31, 2019, we obtained an understanding of the internal control structure and assessed the risk of controls to determine our audit procedures, in order to express an opinion on the Program's financial information, but not to issue an opinion on the effectiveness of the internal control structure.

Our audit of the Amazon Region Protected Areas (ARPA) Program for the period from January 1 to December 31, 2019 identified no significant deficiencies in internal control design or operation which could, in our opinion, significantly affect FUNBIO ability to record, process, summarize and present financial information consistently with management affirmations in the statements of the funds received and disbursements made, as well as with accumulated investments.



A significant deficiency is a 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 errors or irregularities may occur in amounts that could be significant in relation to the Program's financial information, and that could not be timely detected by FUNBIO employees in the ordinary course of their duties.

Our consideration on the internal control structure does not necessary expose all matters relating to this system that could be considered significant deficiencies and, as such, should not necessarily expose all conditions to be informed that could be considered significant deficiencies, in accordance with the prior definition.

Rio de Janeiro, May 20, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

A handwritten signature in blue ink, reading 'Walter G. Neumayer', is positioned above the printed name.

Walter G. Neumayer
Accountant CRC-RJ091659/O-0