

Financial Information

Fundo Brasileiro para Biodiversidade - FUNBIO

Period from January 1 to June 30, 2020
with Independent Auditor's Report on the Financial Information of
"Project K – Knowledge for Action"

Fundo Brasileiro para Biodiversidade - FUNBIO

Financial information of “Project K – Knowledge for Action”

Period from January 1 to June 30, 2020

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A free translation from Portuguese into English of Independent auditor's report on the financial information of "Project K – Knowledge for Action"

Independent auditor's report on the financial information of "Project K – Knowledge for Action"

The Management

Fundo Brasileiro para a Biodiversidade - FUNBIO

"Project K – Knowledge for Action"

Rio de Janeiro – RJ

Opinion

We have reviewed the financial information of Project K – Knowledge for Action ("Project"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO ("Institution"), funded by Mava Foundation through agreement No. 14137, by the French Facility for Global Environment (FFEM) through agreement CZZ2007.01 W, and by the Global Environment Facility (GEF) through agreement GFL - 11207-14AC-0003-SB-005094, for the period from January 1 to June 30, 2020, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial information referred to above presents fairly, in all material respects, the receipts and payments made over the period from January 1 to June 30, 2020, in accordance with the requirements contained in the abovementioned agreements, and with the accounting base for receipts and payments described in Note 2.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of financial information" section of our report. We are independent of the Project and comply 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 2 to the Project's financial information, which describes the basis of preparation and presentation of this financial information, aimed at assisting FUNBIO in evidencing compliance with the terms of aforementioned Agreements relating to preparation of financial information. As such, the Project's financial information does not serve for other purposes. Accordingly, our report is intended solely for the purposes of the Agreements entered into with Mava Foundation, FFEM and GEF. Our opinion is not modified in respect of this matter.



Emphasis of matter - closing of the Project

We draw attention to Note 1 to the Project's financial information, which describes that, in June 2020, all of the planned objectives were met, all funds available were used and the activities were closed within the scheduled period. 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 2 and with the terms of the Agreements entered into with Mava Foundation, FFEM and GEF. This includes determining that the accounting base for receipts and payments is acceptable for the preparation of this 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.

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

As described in Note 2, 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 the audit conducted in accordance with the Brazilian and International Standards on Auditing, and the specific audit requirements set out in the clauses of the agreements entered into with Mava Foundation, FFEM and GEF, 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 (described in Note 2) and related disclosures made by management.

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 may have been identified during our audit.

Rio de Janeiro, August 20, 2020

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

A handwritten signature in blue ink, appearing to read 'Walter G. Neumayer', is written over the printed name.

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

Fundo Brasileiro para Biodiversidade - FUNBIO

Financial information of “Project K – Knowledge for Action”
 Period from January 1 to June 30, 2020
 (In thousands of reais - R\$, unless otherwise stated)

Changes in Project funds, from 2015 to 2020, are as follows:

Total Project Execution

Total Project Execution	2015		2016		2017		2018		2019		2020		Total	
	R\$	USD	R\$	USD	R\$	USD	R\$	USD	R\$	USD	R\$	USD	R\$	USD
1100 Project Personnel	11	3	298	84	228	72	185	54	68	18	187	34	977	265
1200 Consultants	80	21	331	95	230	72	222	57	207	54	-	-	1,070	299
1600 Travel	224	59	165	49	340	107	260	67	53	13	-	-	1,042	295
2300 Subcontract for Commercial Purposes	-	-	1,157	340	2,376	740	1,679	445	(6)	(1)	-	-	5,206	1,524
3201 Training	151	38	174	53	199	63	12	4	75	19	-	-	611	177
5201 Publication, Translation, Dissemination and reporting costs	4	1	80	22	4	1	4	1	192	51	-	-	284	76
5301 Communications (phone, fax, email etc.)	-	-	35	10	32	10	57	15	-	-	-	-	124	35
Total per year	470	122	2,240	653	3,409	1,065	2,419	643	589	154	187	34	9,314	2,671

Fundo Brasileiro para Biodiversidade - FUNBIO

Financial information of "Project K – Knowledge for Action" (Continued)
 Period from January 1 to June 30, 2020
 (In thousands of reais - R\$, unless otherwise stated)

Changes in Project funds, from 2015 to 2020, are as follows:

Total Project Execution

GEF Execution	2016		2017		2018		2019		2020(1)		Total	
	R\$	USD	R\$	USD	R\$	USD	R\$	USD	R\$	USD	R\$	USD
1100 Project Personnel	125	37	104	33	78	25	24	6	187	34	518	135
1200 Consultants	77	22	-	-	2	1	-	-	-	-	79	23
1600 Travel	-	-	-	-	27	7	(3)	(1)	-	-	24	6
2300 Subcontract for Commercial Purposes	480	140	1,595	500	262	70	6	1	-	-	2,331	709
5201 Publication, Translation, Dissemination and reporting costs	20	6	-	-	-	-	97	26	-	-	117	32
Total per Year	702	205	1,699	533	369	103	112	30	187	34	3,069	905

(1) The amounts presented in the column for 2020 in the amount of R\$187 corresponding to US\$34 refer to Personnel Costs to be reimbursed at the time of approval of this report, and were provisioned by Funbio for accounting purposes.

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information of “Project K – Knowledge for Action”
Period from January 1 to June 30, 2020
(In R\$ thousand, unless otherwise stated)

1. Operations

Fundo Brasileiro Para a Biodiversidade (FUNBIO) is a Brazilian private not-for-profit institution that operates in partnership with the government and business sectors as well as the civil society so that strategic and financial resources are earmarked for effective biodiversity conservation initiatives. The Institution’s head office is located at Rua Voluntários da Pátria, nº 286, 5th and 6th floors, Botafogo, city and state of Rio de Janeiro.

The main activities carried out include financial management of projects, design of financial mechanisms and studies of new sources of funds for conservation, as well as purchases and engagements of goods and services. Since the beginning of its activities in 1996, FUNBIO has supported 291 programs and projects, benefiting 248 institutions across the country and 334 Protected Areas.

“Project K – Knowledge for Action” is a joint initiative of the Latin American and Caribbean Network of Environmental Funds (RedLAC) and the Consortium of African Funds for the Environment (CAFE). Together, both networks have 40 environmental funds in 28 countries. Members are financial managers of major conservation projects in their respective countries.

The Project is funded by the French Facility for Global Environment (FFEM) with an agreement in the region of EUR1,069 thousand, MAVIA Foundation with an agreement in the region of EUR460 and the Global Environment Facility (GEF) through UNEP with an agreement in the region of USD913.

Funbio manages the project’s funds and activities, which are divided into four components: (1) innovation in financial mechanisms, (2) training, guidance and exchange (3) communication and database and (4) institutional strengthening.

Component 1 “Innovation in financial mechanisms” fostered studies and designs of new ways to mobilize resources for conservation. In the first stage (March/2016), from the submission of 27 proposals by Fund members of RedLAC and CAFE networks, 10 pre-feasibility studies of innovative financial mechanisms were selected and funded. Each supported study received USD20 thousand. From the studies developed, 6 pilot studies for the development of innovative financial mechanisms were selected and co-financed (5 Funds received support of USD200 thousand, as initially planned in the project, and a support of USD100 thousand was offered to another Fund). Each pilot study was systematized in a case study format.

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information of “Project K – Knowledge for Action” (Continued)

Period from January 1 to June 30, 2020

(In R\$ thousand, unless otherwise stated)

1. Operations (Continued)

In component 2 “Training, guidance and exchange”, mentoring activities between peer funds were promoted, involving a total of 18 Environmental Funds, of which 6 peers and 1 group of funds (RedLAC and CAFE). Through mentoring, Funds supported each other. Peers received support in the amount of USD30 thousand and group mentoring received the amount of USD50 thousand. Each mentoring experience was systematized in a case study format.

Also in this component, 4 Technical Workshops were held, 3 in Africa and 1 in Latin America. An Assessment and Monitoring group, formed by five RedLAC members and five CAFE members, was also designed. It focused its activities on monitoring the impact of environmental funds on biodiversity conservation - institutional level;

In component 3 “communication and database”, a web platform was designed in the three official languages of the project (English, French and Spanish) for communication and learning, not only of project K, but of the Environmental Fund Networks. The platform (www.proyectok.org) is divided in two areas: In the public area, materials produced during the RedLAC Capacity Building Project and part of the materials produced during Project K are available, such as case studies of innovative financial mechanisms and mentoring pilots, in addition to handouts and manuals developed during the project. In the private area (Intranet), internal network studies will be available for members only. The proposal is to include in this platform materials produced by the member Funds of the Networks and that may be of interest to everyone involved in the environmental area.

Component 4 “institutional strengthening” supported the preparation and review of strategic plans, structuring and consolidation of the two networks, in addition to specific support, such as a working group to discuss the network financial sustainability. A study was also prepared by an advisory team, containing indicators for the Fund Networks based on the Practice Standards (CFA/RedLAC). The indicators were applied in 2016, restated and reapplied in 2018.

The Networks also received support for communication, meetings and other strategic actions, such as the RedLAC Book, workshops and meetings of the Executive Committees. More than 40 members of the networks received support to participate in the meetings, attending the workshops or within working groups; The networks’ presidencies attended each other’s meetings in the period from 2015 to 2018.

During 2019, agreements with the Mava Foundation and the FFEM were terminated, with the last payments from these donors made in 2019.

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information of "Project K – Knowledge for Action" (Continued)
Period from January 1 to June 30, 2020
(In R\$ thousand, unless otherwise stated)

1. Operations (Continued)

In early 2020, the evaluation of the project that had been contracted by the FFEM was completed and the now audited final rendering of accounts was prepared for the GEF. Also during 2020 or when the new coronavirus pandemic is under control, actions will be taken to promote the results of the project at international events.

2. Summary of significant accounting practices

Basis of preparation and general information

The Project'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.

This financial information is presented in thousands of Brazilian reais, which is FUNBIO's functional currency. All financial information presented in thousands of reais was rounded to the nearest thousand, unless otherwise stated.

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

3. Funds available

At June 30, 2020, the balances remaining in checking accounts are broken down as follows:

Project K	June 30, 2020	December 30, 2019
Banco do Brasil – Investment in CDB 28434-3	-	-
Banco do Brasil Frankfurt C/C 3593313888	-	-
Banco do Brasil New York C/C 76253011-1	-	-
Banco do Brasil New York Investment Over Night 76253011-1	-	-
Total	-	-

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information of “Project K – Knowledge for Action” (Continued)
Period from January 1 to June 30, 2020
(In R\$ thousand, unless otherwise stated)

3. Funds available (Continued)

Finance income earned in checking account 28434-3, less bank fees incurred, resulted in an amount of R\$31 and was allocated by FUNBIO on December 20, 2019, upon authorization from the donors.

In checking account 3593313888 of Banco do Brasil in Frankfurt, we had the amount of EUR2, which was apportioned between donors Mava Foundation and FFEM, which used the same checking account during the project.

In checking account 76253011-1 of Banco do Brasil in New York, we earned finance income of US\$1 and paid bank fees amounting to US\$9. The US\$8 was paid by donor GEF.

4. Transfers of funds - “Project K”

FUNBIO received financial support through Agreements with the Mava Foundation on May 28, 2015, with FFEM on June 19, 2015 and with GEF on December 9, 2015.

The funds contributed to the project by the Mava Foundation and FFEM were credited to account 3593313888, held at Banco do Brasil in Frankfurt, and the funds contributed by GEF were credited in account 76253011-1, held at Banco do Brasil in New York.

The funds were transferred to a checking account in Brazil, 28434-3, held at Banco do Brasil, in accordance with the monthly financial obligations in Brazil.

Until June 30, 2020, funds totaling R\$9,010 were made available by the donors, as detailed in the contributions below:

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information of "Project K – Knowledge for Action" (Continued)
 Period from January 1 to June 30, 2020
 (In R\$ thousand, unless otherwise stated)

4. Transfers of funds - "Project K" (Continued)

Project K - account No. 3593313888	Amounts in €thousand	Foreign exchange	Amounts in R\$ thousand	Date of fund inflow in Bank
1 st Contribution – Mava Foundation	104	3.4678	361	06/01/2015
1 st Contribution - FFEM	300	4.4593	1,338	01/28/2016
2 nd Contribution – Mava Foundation	80	3.6252	291	08/30/2016
3 rd Contribution – Mava Foundation	188	3.3029	620	02/13/2017
2 nd Contribution - FFEM	273	3.4834	953	04/28/2017
3 rd Contribution - FFEM	212	3.7808	802	11/09/2017
4 th Contribution - Mava	88	3.8819	342	11/30/2017
4 th Contribution - FFEM	252	4.8359	1,217	08/29/2018
5 th Contribution - FFEM	32	4.2200	136	02/19/2019
Total	1,529		6,060	

Project K - account No. 76253011- 1	Amounts in US\$ thousand	Foreign exchange	Amounts in R\$ thousand	Date of fund inflow in Bank
1 st Contribution - GEF	133	3.9571	528	02/26/2016
2 nd Contribution - GEF	694	3.2384	2,247	07/29/2016
3 rd Contribution - GEF	52	3.4046	177	04/11/2018
Total	879		2,952	

From January 1 to June 30, 2020, there were no amounts transferred to the checking account in Brazil, account 28434-3.

During the project period, R\$2,756 was transferred to the checking account in Brazil, 28434-3, as detailed below:

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information of "Project K – Knowledge for Action" (Continued)
 Period from January 1 to June 30, 2020
 (In R\$ thousand, unless otherwise stated)

4. Transfers of funds - "Project K" (Continued)

Project K - account No. 28434-3	Amounts in € thousand	Foreign exchange	Amounts in R\$ thousand	Date of fund inflow in Bank
MAVA	15	4.1170	62	08/28/2015
MAVA	35	4.3520	154	10/02/2015
FFEM	100	4.3540	435	02/22/2016
MAVA	20	3.6150	73	09/20/2016
FFEM	27	3.5920	97	10/06/2016
MAVA	10	3.6875	37	12/02/2016
MAVA	40	3.2780	131	03/07/2017
FFEM	85	3.4071	290	05/16/2017
FFEM	20	3.7670	75	10/30/2017
FFEM	57	3.8180	216	12/05/2017
FFEM	51	4.8580	248	09/06/2018
FFEM	12	4.3244	50	04/04/2019
FFEM	10	4.3920	44	05/03/2019
MAVA	2	4.3168	7	07/03/2019
FFEM	10	4.1808	40	07/23/2019
Total	494		1,959	

Project K - account No. 28434-3	Amounts in US\$ thousand	Foreign exchange	Amounts in R\$ thousand	Date of fund inflow in Bank
GEF	63	3.5660	225	04/01/2016
GEF	17	3.2400	54	09/20/2016
GEF	50	3.1830	159	10/18/2016
GEF	100	3.1030	310	03/07/2017
GEF	4	3.7680	16	03/01/2019
GEF	9	3.9280	33	05/03/2019
Total	243		797	

5. Reconciliation of funds available

Reconciliation of excess revenues and costs incurred to amounts available in checking accounts and respective financial investments at July 30, 2020 is summarized as follows:



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Independent auditor’s report on compliance with the accounting and financial contractual provisions of “Project K – Knowledge for Action”

The Management

Fundo Brasileiro para a Biodiversidade - FUNBIO

“Project K – Knowledge for Action”

Rio de Janeiro - RJ

We have audited the financial information for the period from January 1 to June 30, 2020 of “Project K – Knowledge for Action” (“Project”), managed by the Fundo Brasileiro para a Biodiversidade - FUNBIO (“Institution”), financed by the Mava Foundation through agreement No. 14137, by the French Facility for Global Environment (FFEM) through agreement CZZ2007.01 W and by the Global Environment Facility (GEF) through agreement GFL -11207-14AC-0003-SB-005094. We issued our corresponding report, dated August 20, 2020.

We conducted our audit in order to check proper compliance with the contractual clauses directly related to the accounting and financial matters of the agreements with the Mava Foundation, 14137, with FFEM, code CZZ2007.01 W, and with GEF, through UNEP with code GFL -11207-14AC-0003 - SB-005094.

We conducted our audit in accordance with International Standards on Auditing and the specific requirements set out in the clauses of the abovementioned Agreements. These standards require that we plan and perform our audit in order to obtain reasonable assurance that FUNBIO has complied with the terms set out in the clauses relating to the 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, at June 30, 2020, FUNBIO complied, in all material respects, with the applicable financial and accounting contractual clauses of agreement 14137, entered into with the Mava Foundation, of agreement CZZ2007.01 W, entered into with the FFME, of agreement 11207-14AC-0003-4, entered into with GEF, and with laws and other legal provisions existing in the Brazilian legislation

Rio de Janeiro, August 20, 2020

ERNST & YOUNG

Auditores Independentes S.S.

CRC-2SP015199/O-6

Walter G. Neumayer

Accountant CRC-RJ091659/O-0



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Independent auditor’s report on the internal control structure of “Project K – Knowledge for Action”

The Management

Fundo Brasileiro para a Biodiversidade - FUNBIO

“Project K – Knowledge for Action”

Rio de Janeiro - RJ

This report supplements our report on the financial information on “Project K – Knowledge for Action”.

Management of Fundo Brasileiro para a Biodiversidade – FUNBIO (“Institution”), which manages “Project K – Knowledge for Action” (“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 Project, 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 Project’s financial information for the period from January 1 to June 30, 2020, 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 Project’s financial information, but not to issue an opinion on the effectiveness of the internal control structure.

Our audit of “Project K – Knowledge for Action” for the period from January 1 to June 30, 2020 identified no significant deficiencies in internal control design or operation which could, in our opinion, significantly affect FUNBIO’s 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 Project'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, August 20, 2020

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

A handwritten signature in blue ink, appearing to read 'W. Neumayer', is written over the printed name.

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