

## **Financial Information**

### **Fundo Brasileiro para Biodiversidade - FUNBIO**

January 1 to December 31, 2020  
with Independent Auditor's Report on Financial Information on the GEF  
Agency Projects

# **Fundo Brasileiro para Biodiversidade - FUNBIO**

## Financial Information of GEF Agency

January 1 to December 31, 2020

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**A free translation from Portuguese into English of Independent Auditor's Report on financial information on the GEF Agency Projects prepared in Brazilian currency in accordance with the Memorandum of Understanding and the accounting base for receipts and payments described in Note 2.**

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## **Independent auditor's report on financial information on the GEF Agency Projects**

To the Management of  
**Fundo Brasileiro para a Biodiversidade - FUNBIO - "GEF Agency"**  
Rio de Janeiro - Rio de Janeiro State

### **Opinion**

We have audited the Financial Information on the GEF Agency Projects ("Projects" or "Agency"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Institution"), funded by means of the Memorandum of Understanding entered into between the Institution and the International Bank for Reconstruction and Development (IBRD) on January 22, 2015, for the period from January 1 to December 31, 2020, including a summary of significant accounting practices and the 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, 2020, in accordance with the accounting base for receipts and payments described in Note 2.

### **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 Projects 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of matter - basis of preparation and presentation of the Projects' financial information and restriction on use**

We draw attention to Note 2 to the Projects' financial information, which describes the basis of preparation and presentation of this financial information, aimed at assisting FUNBIO in evidencing compliance with the covenants of aforementioned Memorandum of Understanding relating to preparation of financial information. As such, the Projects' financial information does not serve for other purposes. Our report is intended solely for compliance with the Memorandum of Understanding entered into between the Institution and the International Bank for Reconstruction and Development (IBRD) on January 22, 2015. 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, 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 Projects' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using this accounting base, unless management either intends to end the Projects, or has no realistic alternative to prevent the Projects from ending.

Those charged with governance are responsible for overseeing the Projects' 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 Projects 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed risks of material misstatements 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.
- 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 Projects' 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 Projects 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 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, May 18, 2021.

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



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



A free translation from Portuguese into English of Financial Information on the GEF Agency Projects prepared in Brazilian currency in accordance with the Memorandum of Understanding and the accounting base for receipts and payments described in Note 2.

## Fundo Brasileiro para Biodiversidade - FUNBIO

Financial Information of GEF Agency

January 1 to December 31, 2020

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

### GEF Agency - FUNBIO

Description	01/01/2020	Cash inflow - contributions to project preparation	Cash Inflow - contribution to projects approved	FUNBIO Costs (1)	Short-term investment yields	Finance costs	FUNBIO transfer (allocation)	12/31/2020
GEF Agency - Funbio (c/c 29149-8)	2,951	-	-	(13)	55	(1)	(720)	2,272
	2,951	-	-	(13)	55	(1)	(720)	2,272

(1) The total cost of the project is R\$15, of which R\$2 refer to accountability that will be settled in January 2021

### GEF Agency - Projects

Contracts	01/01/2020	Cash inflow - project preparation	Cash inflow - Projects approved	Transfers (allocations)	Advances - Project	Accountabilit y	Costs related to projects	Investment yields	Exchange differences	Finance costs	12/31/2020
Pro-Species Preparation (c/c 129150-5)	83	-	-	-	-	-	-	2	-	-	85
Pro-Species Preparation	472	-	-	-	-	(472)	-	-	-	-	-
Pro-Species Grant (c/c 23533-4)	7,142	-	10,641	-	(8,071)	-	-	14	-	(41)	9,685
Pro-Species Grant	1,525	-	8,071	-	-	(6,596)	-	-	-	-	3,000
	9,222	-	18,712	-	(8,071)	(7,068)	-	16	-	(41)	12,770

See accompanying notes.

## **Fundo Brasileiro para Biodiversidade - FUNBIO**

Notes to financial information on the GEF Agency Projects  
January 1 to December 31, 2020  
(In thousands of reais - R\$, 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 Entity's head office is located at Rua Voluntários da Pátria, nº 286, 5º e 6º andares, Botafogo, city and state of Rio de Janeiro, with establishment in the city of Brasília, Federal District, at SHN Quadra 2, Bloco F, Executive Office Tower, room 1323 to 1326, Asa Norte.

The main activities carried out include financial management of projects resources funds, 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 306 programs and projects, benefiting 255 institutions across the country and 350 Protected Areas. Funbio is accredited as an implementing agency for GEF - Global Environment Facility and for GCF - Green Climate Fund.

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.

The Global Environment Facility (GEF) created in 1991, following the Convention on Biological Diversity entered into during Rio-92, had a pilot phase as a program under the World Bank and, in 1994, became independent. GEF funds are available for developing countries and countries whose economy is in transition to meet the objectives of international conventions and environmental agreements. GEF funds are transferred through the agencies accredited by GEF.

FUNBIO, which already executed projects implemented by other agencies, such as: the World Bank and FAO, is the only agency in Brazil and one of the 3 agencies in the world accredited by GEF.

GEF Agency is an area of FUNBIO aimed at obtaining resources directly from the Global Environment Facility (GEF), a capacity conferred upon FUNBIO after an accreditation process in 2015. The creation of GEF Agency in FUNBIO allows this agency to support institutions, especially the Ministries of Environment, Sciences, Technology, Innovation and Communication, interested in the preparation and adequacy of projects to be submitted to GEF.

Once approved, each project receives funds for the Fund Project (funds allocated to the project to be implemented) and for Agency FEE (funds from the implementing agency) initially for the preparation of projects and, after referred to approval, for its actual implementation.



## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the GEF Agency Projects (Continued)

January 1 to December 31, 2020

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

### 1. Operations (Continued)

In 2019, FUNBIO submitted no project proposal to GEF, therefore, the area currently works with only one project related to endangered species in Brazil with this funding party. However, it has already operating as an accredited national GEF institution.

Projects under implementation	Partners	Biome
Pro-Species Project	MMA, IBAMA, ICMBio and WWF	Nationwide

The Pro-Species Project, which is intended to improve the conservation status of 290 endangered species that cannot be found in Protected Areas or Indigenous Lands, was approved by GEF Board at the meeting held in April 2016. After that, FUNBIO received funds to detail the project to a full version and engaged the International Union for Conservation of Nature ("UICN") to do such work together with Brazilian Ministry of the Environment ("MMA"). In early 2018, Word Wild Fund for Nature-Brasil (WWF) was selected to financially execute the project's actions, going through a period of preparation of documents and systems. In August 2018, the project was started.

This was the first project of GEF Agency at FUNBIO to go through the entire GEF approval cycle and start implementation processes.

In addition to this work, the area was also responsible for accreditation in another multilateral fund, the Green Climate Fund, in October 2018.

#### Impact of COVID-19

Since the beginning of January 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.

In 2019, Funbio invested significantly in updating its technology park, placing systems in cloud (Azzure) and also in expanding the project management and managerial information system through BI (Business Intelligence).



## **Fundo Brasileiro para Biodiversidade - FUNBIO**

Notes to financial information on the GEF Agency Projects (Continued)

January 1 to December 31, 2020

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

### **1. Operations (Continued)**

#### Impacts of COVID-19 (Continued)

A new purchasing and contracting platform was implemented, accelerating the response to the demands of the Fund's partners. In the financial area, the existing processes were reviewed and adapted to be carried out remotely, bringing agility and security to the treatment of the Fund's assets. These innovations are reflected in this period of threats posed by Covid-19, when in less than 1 week the Fund was able to remain in operation through remote work (home office), without prejudice to its ability to deliver. These investments were reflected throughout 2020, enabling the performance of the Institution's mission, the smooth running of the projects and ensuring compliance with health recommendations by employees.

In 2020, Funbio informs that there was no rescheduling of contracts with suppliers, postponement of the beginning of new projects or any cancelation of the portions of resources from donors.

### **2. Significant accounting practices**

#### Basis of preparation

The GEF Agency'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 amount, unless otherwise stated.

The financial information was approved for issue by the Institution's management on May 18, 2021.

## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the GEF Agency Projects (Continued)

January 1 to December 31, 2020

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

### 3. Transfers of funds - GEF Agency

FUNBIO maintains a checking account in Banco do Brasil - New York (c/c 76250011-7) to receive GEF funds allocated to the projects. In Brazil, FUNBIO has checking accounts specific for implementation and operationalization of each project, to wit: (c/c 129150-5) Pro-Species Preparation and (c/c 23533-4) Pro-Species Grant.

As to funds intended to reimburse FUNBIO indirect costs as GEF implementing agency, an account is maintained in Banco do Brasil (c/c 29149-8).

Total funds contributed in the periods from January 1 to December 31, 2020 and 2019 were as follows:

<b>GEF Agency - FUNBIO</b> <b>(c/c 29149-8)</b>	<b>Amounts in</b> <b>US\$ thousand</b>	<b>Exchange</b>	<b>Amounts in</b> <b>R\$ thousand</b>	<b>Year of fund</b> <b>inflow</b>
Inflow	-		-	2019
Inflow	-		-	2020
<b>Total inflows</b>	<b>-</b>		<b>-</b>	

  

<b>Pro-Species Grant</b> <b>(c/c 23533-4)**</b>	<b>2020</b>	<b>2019</b>	<b>Amounts in</b> <b>R\$ thousand -</b> <b>accumulated</b>
Inflow	10,641	6,048	21,533
<b>Total inflows</b>	<b>10,641</b>	<b>6,048</b>	<b>21,533</b>

  

<b>Pro-Species Preparation</b> <b>(c/c 129150-5)**</b>	<b>2020</b>	<b>2019</b>	<b>Accumulated (*)</b>
Inflow	-	-	945
<b>Total inflows</b>	<b>-</b>	<b>-</b>	<b>945</b>

(\*) The accumulated amount refers to the period from August 26, 2016 to December 31, 2020.

(\*\*) Amount transferred from NY Projects account.



## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the GEF Agency Projects (Continued)

January 1 to December 31, 2020

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

### 4. Investment of funds - GEF Agency

#### Pro-Species Preparation Project

On August 24, 2016, a financial support contract for the preparation of the evaluation document of the “National Strategy for the Conservation of Endangered Species - Pro-Species” Project, for application to the Global Environment Facility (GEF) Board, was entered into between FUNBIO and UICN, effective for 9 months, in the amount of R\$800, of which R\$400 was transferred in 2016. In 2017, an Amendment was entered into extending the effective period by 5 months and adding R\$147 to the contract amount. The amount of R\$400 was transferred and R\$328 were accounted for. The difference of R\$472 relating to the amount advanced, was accounted for in December 2020.

UICN is an environmentalist organization founded in 1948. In Brazil, it has operated as a non-governmental organization since 2010. Its activities are focused on the application of UICN's Global Program in Brazil, involving a variety of topics, such as governance, environmental policies and legislation, protected areas, endangered species and ecosystems, landscape ecology and planning, ecological restoration, climate change and ecosystem services.

The Project aims to prepare a Pro-Species Project based on the support to the Ministry of Environment in preparing the Pro-Species Project Document, with technical and administrative support to hold meetings and workshops, articulation of key players for the preparation and execution of Pro-Species Project, engagement of advisory firms and preparation of documents, including and mainly the Pro-Species Project Evaluation Document, with content and form adequate for the submittal of the document to GEF Executive Secretariat for their endorsement.

The transfer of funds to the project was made by means of disbursements, according to the physical and financial budget and disbursement schedule, and the execution has followed the rules in FUNBIO's Procedures, Procurement and Contracting activities Manual - PO-12/2014. All purchases and contracts have been recorded in the plan of acquisitions and each transaction is submitted to FUNBIO for analysis and acceptance as a way to enforce and ensure the application of the FUNBIO'S rules.

After the full project was approved by GEF Secretariat on July 20, 2017, the focus of the relationship with UICN was placed on the preparation of the project implementation with the preparation of the Operational Guide and preparation meetings with the project beneficiaries. However, at the end of 2017, the project was temporarily suspended. At the beginning of 2018, an evaluation was conducted on the continuity of this work, and it was decided, based on the due diligence process carried out at UICN, that the project implementation would be carried out by another more experienced and structured institution.



## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the GEF Agency Projects (Continued)

January 1 to December 31, 2020

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

### 4. Investment of funds - GEF Agency (Continued)

#### Pro-Species Preparation Project (Continued)

Although this was a possibility identified since the beginning of the preparation project, the engagement of the Executing Institution (WWF-Brazil) and the internal preparation were slower than expected, noting that this was the first time FUNBIO undertook this process, resulting in the start of the project only in August 2018.

The preparation project was technically completed in 2020 and will be closed according to the procedures in 2021.

#### Pro-Species Grant Project

The project was actually started in August 2018 and the first WWF-Brazil accountability was conducted at year end; however, these accounts had not yet been approved by FUNBIO until year end.

The initial activities of the project were being carried out at the end of 2019, and two supervision missions have already been carried out, whereby the progress of the project towards its goals was checked and it was concluded that although there are certain activities behind schedule, there is a greater number of activities ahead of schedule and the project is at a satisfactory level of implementation. At the end of 2020, a Mid Term Review of the project would be conducted, whereby a project thorough evaluation would be carried out, including by independent advisors; however, due to the COVID-19 pandemic, it was rescheduled for May 2021. This is an important and mandatory step in projects funded by GEF.

### 5. Funds available

As at December 31, 2020 and 2019, balances available in the project's bank accounts, including short-term investments, are as follows:

#### GEF Agency - Projects

##### 1) *Pro-Species Preparation*

Description	Type	2020	2019
Banco do Brasil - C/C 129150-5	Checking account	-	-
Banco do Brasil – w/CDB invest. 129150-5	Short-term investment	85	83
<b>Total cash and cash equivalents</b>		<b>85</b>	<b>83</b>



## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the GEF Agency Projects (Continued)

January 1 to December 31, 2020

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

### 5. Funds available (Continued)

#### GEF Agency - Projects (Continued)

##### 1) *Pro-Species Preparation Project (Continued)*

In the period from January 1 to December 31, 2020, short-term investment yields totaled R\$ 2 (R\$4 in 2019).

##### 2) *Pro-Species Grant*

Description	Type	2020	2019
Banco do Brasil - C/C 23533-4	Checking account	-	-
Banco do Brasil – w/ RF LP Corp 10m Invest. 23533-4	Short-term investment	9,685	7,142
<b>Total cash and cash equivalents</b>		<b>9,685</b>	<b>7,142</b>

In the period from January 1 to December 31, 2020, short-term investment yields totaled R\$ 14 (R\$106 in 2019).

##### 3) *GEF Agency - FUNBIO*

Description	Type	2020	2019
Banco do Brasil - C/C 29149-8	Checking account	-	-
Banco do Brasil – w/ RF LP Corp 10m Invest. 29149-8	Short-term investment	2,272	2,951
<b>Total cash and cash equivalents</b>		<b>2,272</b>	<b>2,951</b>

In the period from January 1 to December 31, 2020, short-term investment yields totaled R\$ 55 (R\$164 in 2019).