

## **Financial statements**

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

From January 1, 2021 to December 31, 2021

With Independent auditor's report on financial statements – “*Agência Global Environment Facility (GEF)*”

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

Financial statements of “GEF Agency”

From January 1, 2021 to December 31, 2021

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**A free translation from Portuguese into English of Independent Auditor's Report on financial information prepared in Brazilian currency**

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## **Independent auditor's report on financial statements - "GEF Agency"**

The Executive Secretary and the Board of Directors  
**Fundo Brasileiro para a Biodiversidade - FUNBIO**  
"GEF Agency"  
Rio de Janeiro - RJ

### **Opinion**

We have audited the financial statements of Projects of Global Environment Facility (GEF) agency ("Projects" or "GEF Agency"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Entity"), funded with resources from the Entity and the International Bank for Reconstruction and Development (IBRD), for the period from January 1 to December 31, 2021, including a summary of significant accounting policies and other explanatory information.

In our opinion, the Project financial statements referred to above present fairly, in all material respects, the receipts and disbursements for the period from January 1 to December 31, 2021, and were prepared in accordance with the contracts entered into by and between the parties, and the cash receipts and disbursements basis of accounting 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 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Entity and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and 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 audit opinion.

### **Emphasis of matter - Basis of preparation and presentation of the financial statements and restriction on use**

We draw attention to Note 2 to the financial statements, which describes the accounting basis of these financial statements, prepared to assist the Entity in complying with the clauses for preparing the financial reports of the aforementioned contract. Accordingly, the financial statements may not serve any other purposes. Our report is exclusively intended for use and information by the executive board of the Entity and the Project funding agent, and should not be distributed or used by parties other than those mentioned. Our opinion is not modified in respect of this matter.

## **Responsibilities of the executive board and those charged with governance for the financial statements**

The executive board is responsible for preparing the financial statements in accordance with the contracts entered into between the parties and with the accounting basis for receipts and payments described in Note 2 and for the internal controls that it determined as necessary to allow the preparation of the financial statements free of material misstatement, whether due to fraud or error.

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

Those charged with the governance of the Project are responsible for overseeing the process of preparing its financial statements.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 these financial statements.

As part of an audit in accordance with 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 statements, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Entity's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.



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- Concluded on the appropriateness of the executive board'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 as to 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 statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Project to cease to continue as a going concern.

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

Rio de Janeiro, May 20, 2022.

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

  
Beatriz Gonçalves de Moraes Nicolaci  
Accountant CRC-RJ091370/0

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial statements of “GEF Agency”  
From January 1, 2021 to December 31, 2021  
(In thousands of reais, unless otherwise stated)

The changes in resources of “GEF Agency” in the period from January 1 to December 31, 2021 are as follows:

	Note	GEF Agency - Funbio	GEF Agency - Projects (Pro- Species Preparation)	GEF Agency - Projects (Pro- Species Grant)	Total GEF Agency
<b>Project balance at beginning of period</b>		<b>2,272</b>	<b>85</b>	<b>12,685</b>	<b>15,042</b>
Inflow of funds – Approved Project contribution	4	-	-	16,242	16,242
Investment yields, net (*)	3	76	3	356	434
Finance expenses	3	(1)	-	(63)	(64)
Other transfers		(2)	-	-	(2)
FUNBIO costs	5	(56)	-	-	(56)
FUNBIO transfer (allocation)	5	(720)	-	-	(720)
Accountability	5	-	-	(6,869)	(6,869)
<b>Project balance at end of period</b>		<b>1,569</b>	<b>88</b>	<b>22,351</b>	<b>24,008</b>

(\*) The amount refers to finance income from the short-term investment, net of income tax to be withheld upon redemption by Funbio. Total yields for the year - linked to the Pro Species Grant Project – amount to R\$476, of which R\$120 was returned to the donor, as determined by the financial procedures agreement of GEF Agency.

See accompanying notes.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial statements of "GEF Agency"  
From January 1, 2021 to December 31, 2021  
(In thousands of reais, unless otherwise stated)

The changes in resources of "GEF Agency" in the period from January 1 to December 31, 2020 are as follows:

	Note	GEF Agency - Funbio	GEF Agency - Projects (Pro- Species Preparation)	GEF Agency - Projects (Pro- Species Grant)	Total GEF Agency
<b>Project balance at beginning of period</b>		<b>2,951</b>	<b>555</b>	<b>8,667</b>	<b>12,173</b>
Inflow of funds – Approved Project contribution	4	-	-	10,641	10,641
Investment yields, net (*)	3	55	2	14	71
Finance expenses	3	(1)	-	(41)	(42)
Other transfers		-	-	-	-
FUNBIO costs	5	(13)	-	-	(13)
FUNBIO transfer (allocation)	5	(720)	-	-	(720)
Accountability	5	-	(472)	(6,596)	(7,068)
<b>Project balance at end of period</b>		<b>2,272</b>	<b>85</b>	<b>12,685</b>	<b>15,042</b>

(\*) The amount refers to finance income from the short-term investment, net of income tax to be withheld upon redemption by Funbio.

See accompanying notes.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial statements of GEF Agency  
From January 1 to December 31, 2021  
(In thousands of reais, 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, 5th and 6th floors, Botafogo, Rio de Janeiro - RJ, with establishment in the city of Brasília, Federal District, at SHN Quadra 2, Bloco F, Executive Office Tower, suite 1323 to 1326, Asa Norte.

The main activities include financial management of projects and funds, design of financial mechanisms and studies of new sources of funds for conservation, as well as procurement and engagement of goods and services. Funbio is accredited as an implementing agency for GEF - Global Environment Facility and for GCF - Green Climate Fund.

The Worldwide Fund for Nature (GEF) was created in 1991 as an offshoot of the Convention on Biological Diversity signed in Rio-92, had a pilot phase as a World Bank program and became independent in 1994.

GEF funds are available to developing countries and countries with economies in transition to meet the objectives of international environmental conventions and agreements and are passed on through GEF-accredited Agencies. FUNBIO is the only national agency in Brazil accredited by GEF and one of three under this condition worldwide.

The creation of GEF agency within FUNBIO makes it possible to support interested institutions, mainly the Ministries of the Environment and of Science, Technology, Innovation and Communication in preparing and adapting projects to be submitted to GEF.

### Pro-Species Preparation Project

This refers to a financial support agreement for the preparation of the Project evaluation document entitled "National Strategy for Conservation of Endangered Species - Pro Species", for application to the Global Environment Facility - GEF board, agreed between FUNBIO and the IUCN Association.

This initiative is intended to prepare the Pro Species Project, supported by the Ministry of the Environment in the preparation of the Pro Species Project Document, with technical and administrative support for holding meetings and workshops, articulation of key actors for the preparation and execution of the Pro Species Project, the engagement of consultants and the preparation of documents, including - and mainly - the Pro Species Project Assessment Document with content and form suitable for submission of the document for endorsement to the GEF Executive Secretariat.



# Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial statements of Agência GEF (Continued)  
From January 1 to December 31, 2021  
(In thousands of reais, unless otherwise stated)

## 1. Operations (Continued)

### Pro Species Grant Project

This Project started in August 2018 and the Project activities and progress towards its goals have been supervised and verified. The conclusion reached is that although there are some activities delayed in relation to the planning, there is a greater number of advanced activities and the Project is currently at a satisfactory level of implementation.

### Impacts 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.

Due to the impacts of the pandemic, since March 18, 2020 a series of measures have been taken to protect the health and safety of the Institution's employees. Project management, financial management, and the management of disbursements, acquisitions and hiring were less impacted. However, those actions that depend on personnel mobility, such as travel, field monitoring and local tasks were reduced or postponed.

FUNBIO has been monitoring developments related to COVID-19 over 2020 and proceed with the home office system in 2021, coordinating its operational actions based on existing business continuity plans and on guidance from global and local health organizations, Federal, State and Municipal Governments and general best practices for crisis management.

FUNBIO considers that so far there has been no significant changes in the fair value of its assets and liabilities brought about by the COVID-19-related restrictions.

## 2. Significant accounting practices

### Basis of preparation and general information

The financial statements of the Projects have been prepared on the cash receipts and disbursements basis of accounting, whereby revenues are recorded upon receipt of funds (resources) and expenses are recognized when they effectively represent expenses paid in 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.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial statements of Agência GEF (Continued)  
From January 1 to December 31, 2021  
(In thousands of reais, unless otherwise stated)

### 2. Significant accounting practices (Continued)

#### Basis of preparation and general information (Continued)

The financial statements are presented in Brazilian reais (R\$), which is the Entity's functional currency. All financial information presented in thousands of reais was rounded to the nearest thousand, unless otherwise stated.

These financial statements were approved for issue by the Entity's executive board on May 20, 2022.

### 3. Funds available

From January 1 to December 31, 2021, the balances remaining in checking accounts are as follows:

#### GEF Agency - Funbio

<u>Description</u>	<u>Type</u>	<u>2021</u>	<u>2020</u>
Banco do Brasil - w/ fixed-income investment - RF LP Corp 29149-8	Short-term investments	<u>1,569</u>	<u>2,272</u>

In the period from January 1 to December 31, 2021, short-term investment income totaled R\$76 (2020 - R\$55) and finance costs, R\$1 (2020 - R\$1).

Short-term investments are kept in Fundo Renda Fixa LP Corporate, a fixed income fund that guaranteed yields corresponding to 112.21% of the Interbank Deposit Certificate (CDI) variation. These investments have a redemption period of up to 60 months and a negligible risk of reduction in value. Investments are held with first-tier financial institutions.

#### GEF Agency - Projects

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

<u>Description</u>	<u>Type</u>	<u>2021</u>	<u>2020</u>
Banco do Brasil - w/ inv. CDB - 129150-5	Short-term investments	<u>88</u>	<u>85</u>

In the period from January 1 to December 31, 2021, short-term investment income totaled R\$3 (2020 - R\$2).

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial statements of Agência GEF (Continued)  
From January 1 to December 31, 2021  
(In thousands of reais, unless otherwise stated)

### 3. Funds available (Continued)

#### GEF Agency – Projects (Continued)

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

Investments in Bank Deposit Certificates (CDB) comprise bonds that guarantee 96% of the Interbank Deposit Certificate (CDI) variation, can be redeemed in up to 60 months and pose insignificant risk of decrease in value. Investments are held with first-tier financial institutions.

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

Description	Type	2021	2020
Banco do Brasil - w/ fixed-income Investment RF LP Corp 23533-4	Short-term investments	19,352	9,685
Advance made to the Project	Advanced funds (*)	2,999	3,000
<b>Total funds available – Pro-Species Grant</b>		<b>22,351</b>	<b>12,685</b>

(\*) Advanced funds refer to the amount advanced to the Project by the donor to carry out its execution until the Entity renders its accounts.

In the period from January 1 to December 31, 2021, short-term investment income totaled R\$356 (2020 - R\$14) and finance costs, R\$63.

Short-term investments are kept in Fundo Renda Fixa LP Corporate, a fixed income fund that guaranteed yields corresponding to 112.21% of the Interbank Deposit Certificate (CDI) variation. These investments have a redemption period of up to 60 months and a negligible risk of reduction in value. Investments are held with first-tier financial institutions.

### 4. Transfers of funds - “GEF Agency”

The total funds contributed in the period from January 1 to December 31, 2021 and 2020 were as follows:

Project	2021	2020	Accumulated (*)
GEF Agency” - FUNBIO (c/c 29149-8)	-	-	4,031
Pro-Species Preparation (c/c 129150-5)	-	-	945
Pro-Species Grant (c/c 23533-4)	16,242	10,641	37,775
<b>Total inflows</b>	<b>16,242</b>	<b>10,641</b>	<b>42,751</b>

(\*) The accumulated amount refers to the period from August 26, 2016 to December 31, 2021.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial statements of Agência GEF (Continued)  
From January 1 to December 31, 2021  
(In thousands of reais, unless otherwise stated)

### 5. Funbio costs, Funbio transfer(allocation) and accountability

Funbio costs, Funbio transfer (allocation) and the rendering of accounts of “GEF Agency”, which took place in the period from January 1 to December 31, 2021 are as under:

<u>Execution type</u>	<u>Project</u>	<u>2021</u>	<u>2020</u>	<u>Accumulated (*)</u>
FUNBIO costs	GEF Agency - FUNBIO	<b>(56)</b>	(15)	(290)
FUNBIO transfer (allocation) (**)	GEF Agency - FUNBIO	<b>(720)</b>	(720)	(2,907)
Accountability	Pro-Species Preparation	-	(472)	(907)
Accountability	Pro-Species Grant	<b>(6,869)</b>	(6,596)	(16,022)
<b>Total funds executed</b>		<b>(7,645)</b>	(7,801)	(20,126)

(\*) The accumulated amount refers to the period from August 26, 2016 to December 31, 2021.

(\*\*) This amount refers to the transfer made by the Project to Funbio to cover indirect costs according to the limit percentage and types of expenses agreed upon in the contract with the donor.