

**Fideicomiso de Inversión y Administración de
Fondos para la Ejecución del Acuerdo de
Conservación de Bosques-Primer Canje de Deuda
(a Costa Rican entity)**

**Financial Statements
As of December 31, 2021 and 2020**

Together with the Independent Auditor's Report

**Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de
Conservación de Bosques-Primer Canje de Deuda
(A Costa Rican Entity)**

**Financial Statements
As of December 31, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Executive Management of Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda

Opinion

We have audited the accompanying financial statements of Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda ("the Fideicomiso"), which comprise the statement of financial position as of December 31, 2021, and the statements of comprehensive income, changes in equity, and cash flows for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Fideicomiso's financial position as of December 31, 2021 its financial performance and cash flows for the year ended on that date, in conformity with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fideicomiso in accordance with article 9 of the Public Accounting Regulation and Establishment of the Costa Rican Institute of Public Accountants' Law (Law 1038), with the Professional Code of Ethics of such Institute, and with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements, 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.

Matter of emphasis

To comply with Law 9635 on Strengthening of Public Finances that became effective in the 2020 tax period, the Trust changed its accounting closing date from September 30 to December 31. Therefore, during the change period, the financial statements as of December 31, 2020 are presented for the 15-month period ended that date. Therefore, amounts included in the accompanying financial statements are not fully comparable to the financial statements for the 12-month period ended December 31, 2021.

Responsibilities of Management and Those Charged with Corporate Governance over the Financial Statements

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

To the Executive Management of Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda

In preparing the financial statements, Management is responsible for assessing the Fideicomiso's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fideicomiso or to cease operations, or has no realistic alternative but to do so. Those charged with the Fideicomiso's Management are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibility Regarding the Audit of 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 IASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fideicomiso's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fideicomiso'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 auditor's report. However, future events or conditions may cause the Fideicomiso to cease to continue as a going concern.
- Evaluate overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

To the Executive Management of Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda

We communicate with the Fideicomiso's Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identify during our audit.

April 18th,2022



Jennifer Badilla Moore – CPA 6557

Epic Corporate Center, 6th floor
Escazú, Costa Rica
Policy N° 0116 FIG 7

Stamp tax - Law No. 6663
Attached and paid in original form

Ernst & Young, S.A.



Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda (Costa Rican Entity)
Statements of Financial Position
As of December 31, 2021 and 2020

(amounts in US dollars)

	Notes	2021			2020		
		Amortization Fund	Endowment Fund	Total	Amortization Fund	Endowment Fund	Total
ASSETS							
Current assets:							
Cash	5	\$ 1,532,258	\$ 3,293	\$ 1,535,551	\$ 767,196	\$ -	\$ 767,196
Investments in financial assets	6	-	15,990,436	15,990,436	653,503	14,151,374	14,786,877
Accumulated interest receivable	6	-	236,212	236,212	-	169,028	169,028
Total assets		<u>\$ 1,532,258</u>	<u>\$ 16,229,941</u>	<u>\$ 17,762,199</u>	<u>\$ 1,402,699</u>	<u>\$ 14,320,402</u>	<u>\$ 15,723,101</u>
NET ASSETS AND LIABILITIES							
Current liabilities:							
Accounts payable		\$ 3,000	\$ -	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
Total liabilities		<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Net assets:							
Accumulated surplus		<u>1,529,258</u>	<u>16,229,941</u>	<u>17,759,199</u>	<u>1,399,699</u>	<u>14,320,402</u>	<u>15,720,101</u>
Total net assets		<u>1,529,258</u>	<u>16,229,941</u>	<u>17,759,199</u>	<u>1,399,699</u>	<u>14,320,402</u>	<u>15,720,101</u>
Total net assets and liabilities		<u>\$ 1,532,258</u>	<u>\$ 16,229,941</u>	<u>\$ 17,762,199</u>	<u>\$ 1,402,699</u>	<u>\$ 14,320,402</u>	<u>\$ 15,723,101</u>

See accompanying notes to the financial statements

Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda (Costa Rican Entity)
Statements of Comprehensive Income
For the year ended December 31, 2021 and for the fifteen-months period ended December 31, 2020

(amounts in US dollars)

	Notes	2021			2020		
		Amortization Fund	Endowment Fund	Total	Amortization Fund	Endowment Fund	Total
INCOME							
Donations	7	\$ 1,533,879	\$ -	\$ 1,533,879	\$ 1,169,663	\$ 1,131,156	\$ 2,300,819
Interest on investments in financial assets		1,081	947,363	948,444	188,467	1,052,614	1,241,081
Gains (losses) on fair value measurement of financial assets		-	328,872	328,872	(66,651)	(158,644)	(225,295)
Interest on available cash		506	-	506	1,845	-	1,845
Other revenue		-	-	-	17,903	263,507	281,410
Total revenues		<u>1,535,466</u>	<u>1,276,235</u>	<u>2,811,701</u>	<u>1,311,227</u>	<u>2,288,633</u>	<u>3,599,860</u>
EXPENSES							
Approved projects	8	-	503,882	503,882	1,180,085	-	1,180,085
Trust management services	9	-	153,388	153,388	230,082	-	230,082
Fees for brokerage services	6	1,978	113,347	115,325	27,576	101,518	129,094
Other expenses		8	-	8	41,505	19,603	61,108
Total expenses		<u>1,986</u>	<u>770,617</u>	<u>772,603</u>	<u>1,479,248</u>	<u>121,121</u>	<u>1,600,369</u>
Surplus (deficit) for the year, net		1,533,480	505,618	2,039,098	(168,021)	2,167,512	1,999,491
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		<u>\$ 1,533,480</u>	<u>\$ 505,618</u>	<u>\$ 2,039,098</u>	<u>\$ (168,021)</u>	<u>\$ 2,167,512</u>	<u>\$ 1,999,491</u>

See accompanying notes to the financial statements

Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda (Costa Rican Entity)
Statements of Changes in Equity
For the year ended December 31, 2021 and for the fifteen-months period ended December 31, 2020

(amounts in US dollars)

		<u>Accumulated surplus</u>	<u>Accumulated surplus</u>	<u>Total net assets</u>
	Notes			
Net assets as of October 1, 2019		\$ 3,627,720	\$ 10,092,890	\$ 13,720,610
Comprehensive income for the year:		(168,021)	2,167,512	1,999,491
Portfolio transfer between funds	10	<u>(2,060,000)</u>	<u>2,060,000</u>	-
Net assets as of December 31, 2020		1,399,699	14,320,402	15,720,101
Comprehensive income for the year		1,533,480	505,618	2,039,098
Portfolio transfer between funds	10	<u>(1,403,921)</u>	<u>1,403,921</u>	-
Net assets as of December 31, 2021		<u>\$ 1,529,258</u>	<u>\$ 16,229,941</u>	<u>\$ 17,759,199</u>

See accompanying notes to the financial statements

Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda (Costa Rican Entity)

Statements of Cash Flows

For the year ended December 31, 2021 and for the fifteen-months period ended December 31, 2020

(amounts in US dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Surplus for the year, net	\$ 2,039,098	\$ 1,999,491
Adjustments to reconcile the net surplus for the year to net cash flows:		
Gains (losses) from fair value measurement of financial assets	(328,872)	225,295
Interest income	<u>(948,950)</u>	<u>(1,242,926)</u>
	761,276	981,860
Changes in working capital:		
Interest received	881,766	17,199
Cash flows provided by operating activities	<u>1,643,042</u>	<u>999,059</u>
Cash flows from investment activities:		
Net increase in financial instruments	<u>(874,687)</u>	<u>(561,536)</u>
Cash flows used in investment activities	<u>(874,687)</u>	<u>(561,536)</u>
Net increase in cash	768,355	437,523
Cash at beginning of year	767,196	329,673
Cash at year end	<u>\$ 1,535,551</u>	<u>\$ 767,196</u>

See accompanying notes to the financial statements

Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda (A Costa Rican Entity)

Notes to the Financial Statements

December 31, 2021 and 2020

(amounts expressed in US dollars)

1. Corporate information

Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda (“the Trust” or “Canje I”) is an agreement whereby Costa Rica, a developing country that has debt with the United States, agreed, in exchange for the settlement of a portion of its external debt, to create a fund to finance projects that help conserve tropical forests.

Canje I was signed on September 13, 2007 in order to invest these resources in 6 Prioritized Geographic Areas: Osa, La Amistad, Tortuguero, Maquenque, Northeast Area of Rincón de la Vieja and Nicoya; to facilitate the tropical forest conservation activities in Costa Rica, for which the principles of sustainable development are vital, as well as the promotion of conservation, local development and the rational use of natural resources to benefit local communities.

For the signing of this forest conservation agreement, Asociación Costa Rica por Siempre (“the Association”) assumed the management of Canje I as of June 14, 2017. Prior to this date, Management was handled by Instituto Nacional de Biodiversidad (INBIO).

Trust funds include the debt swap between the Governments of Costa Rica and the United States of America, and funds deposited by the Nature Conservancy.

The trust funds are held in custody and managed by the trustee, Banco BAC San José, S.A. and may not be used for purposes other than that set forth in the Trust. The Trust must allocate the trust funds, separately and independently, to an Endowment Fund, which provides funding to defray the recurring expenses of the protected areas, and to an Amortization Fund, which provides funding to defray the initial expenses of the project and of which only the yields generated may be used.

The Trust’s financial statements as of December 31, 2021 were approved by Management on xxxx xx, 2022.

2. Basis for preparation of financial statements

2.1 Statement of Compliance

The Fideicomiso’s financial statements as of December 31, 2021 and 2020 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

2.2 Basis of valuation and presentation currency

The Fideicomiso’s financial statements as of December 31, 2021 and 2020 were prepared on a historical cost basis, except for certain financial assets measured at fair value through profit or loss, as described in note 4. The functional and presentation currency of the financial statements is the US dollar (\$ or US\$).

2.3 Accounting period

The Fideicomiso modified its reporting period from September 30 to December 31 to adapt its accounting period according to the provisions of the Ley de Fortalecimiento de las Finanzas Públicas, ley No. 9635, regarding the period of income tax. This law became effective as of July 1, 2020. Consequently, the accumulated transactions in the financial statements as of December 31, 2021 comprise the fifteen-month period from October 1, 2020 to December 31, 2021. As a result of such modification, the statements of comprehensive income, changes in equity and cash flows for the fifteen-month period ended December 31, 2021 are not fully comparable with such financial statements for the year ended December 31, 2020.

Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda (A Costa Rican Entity)
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December 31, 2021 and 2020

(amounts expressed in US dollars)

3. Changes in accounting policies and disclosures

The accounting policies adopted by the Fideicomiso to prepare its financial statements as of December 31, 2021 are consistent with those used to prepare its financial statements as of December 31, 2020.

The Fideicomiso applied for the first-time certain interpretations and amendments to standards, which are effective for annual periods beginning on or after January 1, 2021 as established by the International Accounting Standards Board (“IASB”). These interpretations and amendments, as described in the following paragraphs, had no material impact on the Fideicomiso’s financial statements as of December 31, 2021.

The Fideicomiso has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Covid-19-Related Rent Concessions Beyond June 30, 2021 - Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - Amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021 the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021.

4. Summary of the main accounting policies

4.1 Currency and Foreign Currency Transactions

4.1.1 Functional and presentation currency of financial statements

The legal currency of Costa Rica is the Costa Rican colon (¢). However, the Fideicomiso adopted the United States dollar (\$) or US\$ as the functional and presentation currency of its financial statements, since it is best aligned with its closest economic environment.

Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda (A Costa Rican Entity)

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The adoption of the US dollar as functional currency is based on the fact that a significant portion of the investments in financial assets are expressed in dollars and cash flows from regular operating activities are usually maintained in dollars, for subsequent use in that currency.

Considering that the Fideicomiso's accounting records are kept in colones in accordance with Costa Rican regulations, and that it has adopted the United States dollar as its functional currency, the conversion of the figures in colones into United States dollars was carried out as follows: a) the assets and monetary liabilities were translated using the exchange rate prevailing at the date of the statement of financial position, b) non-monetary assets and liabilities and equity, measured at historical cost, were translated using the exchange rate at the date of the original transaction, and c) the items in the statement of comprehensive income were translated into dollars using an exchange rate representative of those existing on the dates of the respective transactions, except for those items associated with non-monetary items which were converted at the current exchange rate as of the original transaction date. The monetary effect remaining after the application of these conversion procedures is recognized as exchange differences in the results of the period

4.1.2 Foreign currency transactions

Transactions in foreign currency, any currency other than the functional currency, are recorded at the exchange rate ruling on the transaction date.

In determining its financial situation and operating results, the Fideicomiso appraises and adjusts its assets and liabilities denominated in foreign currency at the exchange rate ruling on the date of this valuation and determination. Exchange differences that may result from the application of these procedures are recognized in the results of the year in which they occur.

4.2 Current classification

The Fideicomiso presents its assets and liabilities in the statement of financial position classified as current.

An asset is classified as current when the Fideicomiso expects to realize the asset or has the intention to sell or consume it in the normal operating cycle; when it is held primarily for the purpose of trading; when it is expected to be realized within twelve months after the reporting period.

A liability is classified as current when the Fideicomiso expects to settle the liability in its normal cycle of operations; maintains liabilities mainly for trading purposes; the liability must be settled within twelve months following the end of the reporting period; or when the Fideicomiso does not have an unconditional right to postpone the settlement of the liability for at least twelve months following the end of the reporting period.

4.3 Cash

Cash is comprised of cash on hand and in banks. For purposes of the cash flow statements, cash is presented by the Trust net of bank overdrafts, should there be any.

4.4 Financial Instruments

A financial instrument is any contract that recognizes a financial asset at one entity and a financial liability or equity instrument at another entity.

The valuation of the Fideicomiso's financial instruments is determined using the fair value or amortized cost, as defined below.

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(amounts expressed in US dollars)

Fair value - The fair value of a financial instrument that is traded in an observable active market is determined by reference to quoted prices in that active market for negotiations carried out at the date of the statement of financial position. For those financial instruments cannot be measured based on quoted prices in active markets, their fair value is measured using valuation. Such techniques include recent market transactions between informed and interested parties acting in conditions of mutual independence; references to the fair value of another substantially similar financial instrument; and discounted cash flows (DFC) or other valuation models.

All assets and liabilities measured at fair value or on which the Fideicomiso makes fair value disclosures are classified within one of the following fair value hierarchies. This classification is based on the lowest level of information used to determine such value and that is significant for determining fair value. The fair value hierarchy is made up of the following three levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - Valuation techniques for which the lowest level variable used that is significant to the calculation is direct or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level variable used that is significant to the calculation, is not observable.

The nature of fair value estimates is subjective and involves uncertain aspects and management's judgment, so their amounts cannot be determined with absolute precision. Consequently, if there are changes in the assumptions on which the estimates are based, these could differ from the results.

At amortized cost

The amortized cost is calculated using the effective interest method less any allowance for impairment. The calculation takes into consideration any award or discount in the acquisition and includes the transaction costs and fees which are an integral part of the effective interest rate.

4.5 Financial assets

4.5.1 Initial recognition and measurement

The Fideicomiso classifies its financial assets, at initial recognition, considering how they will be subsequently measured: at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fideicomiso's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Fideicomiso has applied the practical expedient, the Fideicomiso initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Fideicomiso has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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(amounts expressed in US dollars)

La Fideicomiso's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fideicomiso commits to purchase or sell a financial asset.

Financial assets recorded at amortized cost

Financial assets are designated at initial amortized cost when the following conditions are met: (a) the financial asset is maintained within a business model whose objective is to obtain contractual cash flows; and (b) the contractual terms of the financial asset establish specific dates for the cash flows derived only from payments of principal and interest on the outstanding balance.

Financial assets at fair value through other comprehensive income

Financial assets are designated at fair value with changes in other comprehensive income at the beginning when the following conditions are met: (a) the financial asset is kept within a business model whose objective is to obtain contractual cash flows when selling the financial asset; and (b) the contractual terms of the financial asset establish specific dates for the cash flows derived only from payments of principal and interest on the outstanding balance.

Financial assets at fair value through profit or loss

The remaining financial assets that do not qualify in any of the aforementioned categories are initially designated at fair value through profit or loss. Additionally, in the initial recognition of a financial asset, The Fideicomiso, in certain circumstances, irrevocably assigns a financial asset that meets the measurement requirements of the previous categories to be measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that could occur if not done.

4.5.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets recorded at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets of the Fideicomiso measured at amortized cost are represented by investments in certificates of deposit at fixed term and accounts receivable on which the business model defined by the Fideicomiso consists to recovering the principal and its interests.

Financial assets at fair value through profit or loss

A gain or loss on financial assets that are measured at fair value through profit or loss since their initial classification is recognized in profit or loss for the period. Financial assets at fair value through profit or loss of The Fideicomiso are represented by investments in foreign and local financial institutions, made up of bonds, stocks and alternative instruments, as well as investment funds in the Costa Rican market, on which the investment model management defined by the Administration of the Fideicomiso is to maintain the instruments to negotiate.

Fideicomiso de Inversión y Administración de Fondos para la Ejecución del Acuerdo de Conservación de Bosques-Primer Canje de Deuda (A Costa Rican Entity)

Notes to the Financial Statements

December 31, 2021 and 2020

(amounts expressed in US dollars)

4.5.3 Impairment of financial assets

The Fideicomiso recognizes an estimate for expected credit losses on the financial assets measured at amortized cost. The expected credit losses are based on the difference between the contractual cash flows owed in accordance with the contract and all the flows that the Fideicomiso expects to receive, discounted at an approximation of the original effective interest rate. Expected cash flows will include the flows of the sale of collateral maintained or other improvements to the credit conditions that are integral to the contractual conditions.

For debt instruments, the estimate of expected credit losses is based on the term of the asset. The analysis of such losses is carried out by the Fideicomiso at the end of each reporting period, considering whether the risk of deterioration has increased significantly since the initial recognition. The Fideicomiso uses a simplified method to calculate the expected credit losses in accounts receivable. Therefore, the Fideicomiso does not follow up on the changes in credit risk, but instead recognizes an adjustment based on the experience of expected credit losses as of the date of its financial statements.

4.5.4 Derecognition of financial assets

Financial assets are derecognized by the Fideicomiso when the contractual rights over the cash flows of the financial asset expire; or when it transfers the financial asset and the risks and benefits inherent to the financial asset and has assigned the contractual rights to receive the cash flows from the financial asset; or when retaining the contractual rights to receive the cash flows, The Fideicomiso has assumed the contractual obligation to pay them to one or more recipients.

4.5.5 Financial income

Revenue arising from financial instruments is recognized in relation to the passage of time, calculated over the average monthly balances for the invested principal, applying the effective interest method. Interest income is included within financial income in the comprehensive income statement.

4.6 Financial liabilities

4.6.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, accounts payables, and derivative financial instruments designated as hedging instruments in an effective hedge, as appropriate. The Fideicomiso determines the classification of its financial liabilities on the date of their initial recognition.

All financial liabilities are recognized initially at fair value and, at the date of acceptance or contracting of the liability, plus directly attributable costs to the transaction in the case of documents and loans payable. The Fideicomiso's financial liabilities include accounts payable and accrued expenses payable.

4.6.2 Subsequent measurement

The subsequent measurements of the financial liabilities depend on the following classification:

Accounts payable

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate (EIR) method. The Fideicomiso recognizes gains or losses in profit or loss when liabilities are written off, as well as through the amortization process.

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4.6.3 Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

4.6.4 Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is recognized in the statement of financial position if there is a current, enforceable and legal right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.7 Recognition of donations

The Trust income corresponds mainly to the debt exchange between the Governments of Costa Rica and the United States of America. Donations are either recognized as income when they are received, in case they are not subject to a performance obligation that the Trust should fulfill subsequently, or over time when control of the services is transferred to the beneficiary(ies) of the project for which the donation was received for an amount that reflects the consideration to which the Trust expects to be entitled in exchange for such services.

4.8 Recognition of costs and expenses

Costs and expenses are recognized in the comprehensive income statement in the year when they are incurred.

4.9 Income tax

Based on the non-profit nature of the Fideicomiso, it is not subject to pay income tax per Costa Rican tax laws.

4.10 Significant accounting judgments, estimates and assumptions

Preparation of the Fideicomiso's financial statements requires to conduct judgments, estimates and assumptions affecting the reported figures of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities as of the reporting date. However, uncertainty about such judgments, estimates and assumptions could lead to situations that require material adjustments to the recorded values of assets and liabilities in future periods.

4.11 Standards issued that have not yet entered into effect

The standards and interpretations that are issued, but not yet effective, as of December 31, 2021 and that may relate to the Fideicomiso's activities are disclosed below. The Fideicomiso intends to adopt these standards, if applicable to its activities, when they become effective. The new standards or amendments are not expected to have a material impact on the Fideicomiso's financial position, performance, and/or disclosures.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

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The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

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Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

5. Cash

As of December 31, 2021, and 2020, the cash is deposited in local private banks for US\$1,535,551 and US\$767,196.

As of December 31, 2021, and 2020, there were no restrictions on use of cash balances.

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6. Investments in financial assets

6.1. Classifications of investments in financial assets according to their nature

	As of December 31, 2021		
	Amortization fund	Endowment fund	Total
Financial assets at fair value through profit or loss:			
Investments in local financial institutions - US Dollars	\$ -	\$ 15,933,011	\$ 15,933,011
Investment funds in local financial institutions - US dollars	-	57,425	57,425
	<u>\$ -</u>	<u>\$ 15,990,436</u>	<u>\$ 15,990,436</u>
	As of December 31, 2020		
	Amortization fund	Endowment fund	Total
Financial assets at fair value through profit or loss:			
Investments in local financial institutions - US Dollars	\$ -	\$ 10,021,310	\$ 10,021,310
Investment funds in local financial institutions - US dollars	635,501	4,130,066	4,765,567
	<u>\$ 635,501</u>	<u>\$ 14,151,376</u>	<u>\$ 14,786,877</u>

6.2. Characteristics of the Trust's financial assets

Investments in local financial institutions are made through Banco BAC San José, S.A., are held for negotiation and are made up of bonds from Costa Rican public or private entities. In 2021, the returns accrued on investments in dollars were on average approximately 5.55% (2020: were on average approximately 7.17%).

Investment funds are a separate equity, owned by investors (the Trust and other investors) who have contributed their resources to be invested in publicly offered securities. The property right of the investor is represented by means of interests, which give the investor the right to an aliquot in the profit or loss generated by the investment fund in which he participates. Participations in investment funds are recorded at cost when acquired and are subsequently measured at fair value in accordance with the market value of the participations as of the reporting date. The fair value is reported by the financial entities that manage the investment funds in which the Trust participates (2021 and 2020: Banco BAC San José, S.A.). In 2021, the yields accrued by the funds in Dollars ranged between 1% and 2%, respectively (2020: 1% and 2%, respectively).

Commissions from the services rendered by Banco BAC San José, S.A. as December 31, 2021 were US\$115,325 (2020: US\$129,094).

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6.3. Fair value hierarchy

All assets measured at fair value or which the Trust discloses at fair value are classified within the fair value hierarchy described in note 4.4. The nature of the fair value estimates is subjective and involves uncertain aspects and Management's judgment, therefore these amounts are not determined with absolute precision. Consequently, should there be changes in the assumptions on which the estimates are based, these could differ from results.

A comparison by class of financial assets between carrying amounts and fair values as of December 31, 2021 and 2020 is as follows:

		<u>December 31, 2021</u>	
	<u>Hierarchy</u>	<u>Carrying amount</u>	<u>Fair value</u>
At fair value through profit or loss	Level 2	\$ <u>15,990,436</u>	\$ <u>15,990,436</u>
		<u>December 31, 2020</u>	
	<u>Hierarchy</u>	<u>Carrying amount</u>	<u>Fair value</u>
At fair value through profit or loss	Level 2	\$ <u>14,786,874</u>	\$ <u>14,786,874</u>

7. Income from donations

Income from donations for US\$1,533,879 were received from the Central Bank of Costa Rica in 2021 (2020: US\$2,300,819).

8. Project expenses

The Fideicomiso's Oversight Committee approves the financed projects every meeting and after the assessments of each entity and its project proposal per the economic resources available for each project call. Asociación Costa Rica por Siempre, as the Administrator, participates in the assessment of and recommendations on proposals to be financed to facilitate the approval process of the Oversight Committee.

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Expenses of approved projects in the XI call was held for a total amount of US \$503,882, as follows:

Grant agreement	Amount
The projects approved in the 2021 X Call were as follows:	
ICD-XI-2021-01 Promotion of a sustainable, profitable and efficient livestock production culture in the Llanuras del Gaspar district, which contributes to biological connectivity in the Barra del Colorado Wildlife Refuge	\$ 78,170
ICD-XI-2021-02 Cultural actions for economic reactivation in Indigenous Territories of the province of Limón	97,400
ICD-XI-2021-03 Strengthening of the “Diriá Tourist Destination” through the consolidation of community rural tourism ventures, based on the sustainable use of natural and cultural resources in the area of influence of the Diriá National Park, for the reactivation economy of the region	94,897
ICD-XI-2021-04 Strengthening of the RNVSM through the socio-ecosystem approach, guaranteeing the improvement of the life of inhabitants, through food security actions, the promotion of responsible tourism, and the protection of natural resources	36,118
ICD-XI-2021-05 TecnoBosques de La Amistad: integrating green businesses in the Chirripó Savegre Premontane Biological Corridor	40,584
ICD-XI-2021-06 Conservation of the jaguar as an instrument for generating clusters of multiplicative production in the communities of Maquenque and Tortuguero, and financial self-sustainability of the UACF in the future	83,661
ICD-XI-2021-07 ACOSA volunteer forest firefighters: creating and strengthening capacities in the AGP Osa for the prevention and mitigation of forest fires through volunteer brigades	<u>73,052</u>
Total projects approved in the XI Call	<u>\$ 503,882</u>

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Expenses from projects approved in 2020 are US\$1,180,085 and are constituted in the X Call for US\$651,533, and in the IX Call for US\$528,552, as follows:

Grant agreement	Amount
The projects approved in the 2020 X Call were as follows:	
ICD-X-2020-03, Maquenque Emprende	\$ 86,957
ICD-X-2020-01 Population and health status of the mountain pig (Tayassu pecari) in the Osa peninsula and risks associated with human activity in its conservation	88,885
ICD-X-2020-07 Strengthening the productive capacities of ASOMOBI and its associates, to face the new social, economic and production conditions caused by the COVID-19 pandemic in the Biolley district of Buenos Aires, South Zone from Costa	43,478
ICD-X-2020-08 Strengthening of producer organizations through the implementation of rational grazing within the framework of the livestock NAMA, to improve productive capacity and promote the conservation of biodiversity and forest connectivity in protected wild areas as a measure to mitigate the effects of COVID-19	43,448
ICD-X-2020-04 Improvement of the ecological connectivity of the Piedras Blancas National Park with the Osa Biological Corridor and Corcovado National Park, and reinforcement of the capacities of officials from ACOSA, ACG and neighboring communities for the conservation of biodiversity	98,173
ICD-X-2020-02 Creation of an agricultural cooperative made up of female entrepreneurs from Sarapiquí	68,764
ICD-X-2020-09 Reactivation of local economies and improvement of livelihoods in communities surrounding the Rincón de la Vieja National Park	94,459
ICD-X-2020-05 Mitigation of the effects of COVID-19 and strengthening of the Alturas Sanctuary and Rescue Center	94,696
ICD-X-2020-06 Reactivation and Development of Sustainable Productive Chains in Rural Tourism in Linda Vista de Barra del Colorado in the face of the Covid-19 situation	<u>32,673</u>
Total agreements according to call X	<u>\$ 651,533</u>
The projects approved in the IX Call in 2020 are as follows:	
ICD-IX-2020-01 Participatory Science and Education for Conservation as Tools in the Empowerment of Rural Communities for the Conservation of Threatened Species of the Cotón River Basin, ASADA Gutiérrez y Bron Aquifer Recharge Zone, Costa Rica	23,981
ICD-IX-2020-02 Comprehensive regeneration of the tropical forest by strengthening the Cultural and Natural Center managed by Juana Sánchez and Gloria Mayorga (KéköLdi indigenous territory)	26,549
ICD-IX-2020-03 Development of economic opportunities to promote the preservation of forests in the area of influence of the International Friendship Park	55,920
ICD-IX-2020-04 Ecological viability of the commercial use of the Dypterix panamensis walnut in the Maquenque and Tortuguero PGAs	81,729
ICD-IX-2020-05 Conservation of key pollinating and dispersing fauna for the recovery of the forest and the improvement of productivity in farms dedicated to agriculture in the buffer area of the Diría National Park	84,772
ICD-IX-2020-06 Shared Management and reduction of threats to the forests of the Golfo Dulce Forest Reserve, through the strengthening of community capacities for the provision of ecotourism services in a State farm	88,141
ICD-IX-2020-07 Fincas Escuela: Alternatives for productive sustainability and conservation in the Rincón Cacao Biological Corridor	88,495
ICD-IX-2020-08 Sustainable agricultural practices for the improvement of production, water resources, and the connectivity of ecosystems in the aquifer recharge zones of Pococí and Guácimo and surrounding areas	<u>78,965</u>
Total projects approved in the IX Call	<u>528,552</u>
Total agreements according to call X and IX	<u>\$ 1,180,085</u>

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9. Expenses for management services

In 2021, Canje I paid to the Asociación for budgetary support correspond to 10% of the donations balance of US\$153,388 (2020: US\$230,082).

Canje I determined the amount to be paid to the Association in accordance with the approval of the "Annual Budget," which was approved by the "Oversight Committee" of the Association.

10. Interportfolio fund transfers

As pf December 31, 2021, transfers to the Endowment Fund for US\$1,403,921 (2020: US\$2,060,000) were made.

The Oversight Committee approved these transfers on April 14 and September 9, 2020, respectively. The transfers aim to capitalize the equity fund to be used from 2024 when the disbursements to the Central Bank of Costa Rica end.

11. Objectives and policies for managing financial risks

The Fideicomiso's financial instruments are comprised of investments in securities. The main goal of these financial instruments is to provide funding for the Fideicomiso's operations.

The main risks that could have a relatively significant effect on these financial instruments are market risk, liquidity risk and credit risk. The Fideicomiso has other financial assets and liabilities of a miscellaneous nature, which arise directly from its operations

The Fideicomiso reviews and agrees on policies to handle these risks, as summarized below:

11.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate because of variations in market prices. Market risk comprises four types of risk: interest rate risk, foreign exchange risk and other price risks, such as share price risk.

The main market risk that may affect the Fideicomiso's financial instruments is the interest rate risk taking into consideration fluctuations in interest rates and prices of investments in securities. The Fideicomiso does not consider there is a risk of currency exchange for having its assets and liabilities substantially denominated in US dollars. It is not considered that other price risks exist.

Interest rate risk

The Fideicomiso's operating income and cash flows depend substantially on changes in interest rates and on the yields of its investments in securities. Important drops in interest rates could limit the Fideicomiso's capacity to carry out its activities.

The Investment Committee periodically reviews market trends to identify opportunities for investment or risks of drops in rates that would imply adjustments to the Fideicomiso's budget.

Sensitivity analysis:

The Fideicomiso has conducted a sensitivity analysis over potential variations in interest rates. The effect of a reasonable variation in interest rates of +/- 25 base points in 2021 would be US\$39,976 increasing or decreasing the financial revenues (2020: +/- 25 base points and US\$36,967).

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11.2 Liquidity risk

Liquidity risk is the risk that an entity may have difficulty meeting the obligations associated with financial liabilities that are settled with cash or another financial asset. The Fideicomiso's approach to manage liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to fulfill its obligations when they are due, under normal conditions and tense situations, without incurring in unacceptable losses or jeopardizing the Fideicomiso's reputation.

The Fideicomiso uses different financial projections that allow to handle its operational cash flows, ensuring the sufficient cash to cover its operating needs. Currently, the Fideicomiso does not have any financial obligations, so its liquidity risk is low.

All of the Fideicomiso's liabilities as of December 30, 2021 and 2020 have maturities below twelve months from the reporting date

11.3 Credit risk

Credit risk is the risk that a counterpart does not comply with its obligations derived from a financial instrument or purchase contract, and this translates into a financial loss. The Fideicomiso believes that its credit risk is low since its investments in securities are maintained in first quality foreign entities.

The maximum credit risk exposure is represented by the balance of each financial asset as shown on the statement of financial position.

12. Equity management

The main management objective of the Fideicomiso's equity is to preserve and increase the resources destined to conservation programs and to generate enough resources to meet the goals.

The Fideicomiso manages its capital structure and assesses any necessary adjustments considering the economic conditions.

13. Events occurring after the date of the statement of financial position

The Fideicomiso may be affected in its operations and its financial situation by the adverse effects of certain public health problems, such as epidemics, pandemics and other contagious diseases. In December 2019, a new strain of coronavirus appeared, called COVID-19, which has spread throughout the world in the first quarter of 2020. As a result of the identification of the outbreak in Costa Rica and in the country's trading partners, has presented a decrease in economic activity that could negatively affect the Fideicomiso's operating results. The extent to which the coronavirus will affect the Fideicomiso 's results will depend on future developments, which are highly uncertain and cannot be predicted.

The Fideicomiso's Management is not aware of any other subsequent event, occurred between the date of the financial statements and the date of their issuance, that requires the modification of the figures presented in the authorized financial statements or disclosure in the notes
