Fideicomiso Segundo Canje de Deuda por Naturaleza
(A Costa Rican entity)

Financial Statements
December 31, 2023 and 2022

Together with the Independent Auditor's Report

Fideicomiso Segundo Canje de Deuda por Naturaleza

(A Costa Rican entity)

Financial Statements December 31, 2023 and 2022

Content

Tel: +506 2231 7060
Fax: +506 2231 7000
www.bdo.cr

Oficentro Ejecutivo La Sabana
Edificio 6, 5° Piso
San José, Costa Rica
Apdo. Postal 13930-1000

Independent auditor's report

To the Shareholders and Board of Directors of
Fideicomiso Segundo Canje de Deuda por Naturaleza

Opinion

We have audited the financial statements of Fideicomiso Segundo Canje de Deuda por Naturaleza ("the Trust"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 financial position of the Trust as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Trust in accordance with article 9 of the Law of Regulation of the Public Accountant´s Profession and Creation of the Public Accountants Association (Law 1038); with the Code the Professional Ethics of the Public Accountant´s Association of Costa Rica and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is enough and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Tel: +506 2231 7060
Fax: +506 2231 7000
www.bdo.cr

Oficentro Ejecutivo La Sabana
Edificio 6, 5° Piso
San José, Costa Rica
Apdo. Postal 13930-1000

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

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 ISAs 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 for 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 Trust'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 Trust'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 Trust to cease to continue as a going concern.

- Evaluate the 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.

Tel: +506 2231 7060
Fax: +506 2231 7000
www.bdo.cr

Oficentro Ejecutivo La Sabana
Edificio 6, 5° Piso
San José, Costa Rica
Apdo. Postal 13930-1000

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 identify during our audit.

EMILIA MARIA VARGAS RODRIGUEZ (FIRMA)
PERSONA FISICA, CPF-04-0119-0543.
Fecha declarada: 18/03/2024 07:30:11 PM
Razón: Firma

Licda. Emilia Vargas Rodríguez
CPA No. 1185
March 18, 2024
San José, Costa Rica

Fidelity policy No. 0116FID000828512
Expiration date: September 30, 2024

Nombre del CPA: EMILIA MARIA VARGAS RODRIGUEZ
Carné: 1185
Cédula: 401190543
Nombre del Cliente: FIDEICOMISO SEGUNDO CANJE DE DEUDA POR NATURALEZA
Identificación del cliente: 3110664973
Dirigido a: A la Dirección Ejecutiva del Fideicomiso Segundo Canje de Deuda por Naturaleza
Fecha: 18-03-2024 07:03:38 PM
Tipo de trabajo: Informe de Auditoria

Timbre de ¢1000 de la Ley 6663 adherido y cancelado en el original.

Código de Timbre: CPA-1000-10528

Fideicomiso Segundo Canje de Deuda por Naturaleza
(A Costa Rican entity)
Statement of Financial Position
As of December 31, 2023 and 2022

Amounts in US dollars

		December 31, 2023			December 31, 2022		
	Notes	**Amortization Fund**	**Endowment Fund**	**Total**	Amortization Fund	Endowment Fund	Total
ASSETS							
Current assets:							
Cash	5	**$ 603,137**	**$ 48,778**	**$ 651,915**	$ 30,517	$ 40,000	$ 70,517
Investements in financial assets	6	**-**	**22,958,475**	**22,958,475**	-	20,997,941	20,997,941
Accumalated interest receivable	6	**-**	**-**	**-**	-	8,778	8,778
Total current assets		**603,137**	**23,007,253**	**23,610,390**	30,517	21,046,719	21,077,236
Total assets		**$ 603,137**	**$ 23,007,253**	**$ 23,610,390**	$ 30,517	$ 21,046,719	$ 21,077,236
NET ASSETS AND LIABILITIES							
Current Liabilities							
Payables Accounts		**$ 135,000**	**$ -**	**$ 135,000**	**$ -**	**$ -**	**$ -**
Total Liabilities		**135,000**	**-**	**135,000**	**-**	**-**	**-**
Net assets:							
Accumulated surplus		**468,137**	**23,007,253**	**23,475,390**	30,517	21,046,719	21,077,236
Total net assets		**468,137**	**23,007,253**	**23,475,390**	30,517	21,046,719	21,077,236
Total net assets and liabilities		**$ 603,137**	**$ 23,007,253**	**$ 23,610,390**	$ 30,517	$ 21,046,719	$ 21,077,236

Fideicomiso Segundo Canje de Deuda por Naturaleza
(A Costa Rican entity)
Statement of Comprehensive Income
For the year ended December 31, 2023 and 2022

Amounts in US dollars

		December 31, 2023			December 31, 2022		
	Notas	**Amortization Fund**	**Endowment Fund**	**Total**	Amortization Fund	Endowment Fund	Total
INCOME							
Donations	7	**$ 225,644**	**$ -**	**$ 225,644**	$ 979,725	$ -	$ 979,725
Gains (Loss) on fair value measurement of financial assets	8	**-**	**2,961,811**	**2,961,811**	-	(3,475,617)	(3,475,617)
Interest on investments in financial assets		**11,222**	**76,371**	**87,593**	22	79,585	79,607
Interest on available cash		**136**	**-**	**136**	65	-	65
Total Revenues		**237,002**	**3,038,182**	**3,275,184**	979,812	(3396,032)	(2,416,220)
EXPENSES							
Approved projects	9	**641,887**	**-**	**641,887**	869,674	-	869,674
Trust management services	10	**135,000**	**-**	**135,000**	136,500	-	136,500
Fees for brokerage services	11	**23,730**	**57,648**	**81,378**	23,730	77,299	101,029
Professional services		**18,765**	**-**	**18,765**	5,227	-	5,227
Other expenses		**-**	**-**	**-**	40	-	40
Total Expenses		**819,382**	**57,648**	**877,030**	1,035,171	77,299	1,112,470
Net Surplus (Deficit) of the year, net		**$ (582,380)**	**2,980,534**	**2,398,154**	$ (55,359)	(3,473,331)	(3,528,690)

Fideicomiso Segundo Canje de Deuda por Naturaleza
(A Costa Rican entity)
Statement of Changes in Equity
For the year ended December 31, 2023 and 2022

Amounts in US Dollars

	Notes	Amortization Fund	Endowment Fund	Total Equity Funds
Net assets as of Decembre 31, 2021		$ 85,876	$ 24,520,050	$ 24,605,926
Total comprehensive income for the year		(55,359)	(3,473,331)	(3,528,690)
Net assets as of December 31, 2022		30,517	21,046,719	21,077,236
Total comprehensive income for the year		**(582,380)**	**2,980,534**	**2,398,154**
Portfolio transfer between funds	12	**1,020,000**	**(1,020,000)**	**-**
Net assets as of December 31, 2023		**$ 468,137**	**$ 23,007,253**	**$ 23,475,390**

Fideicomiso Segundo Canje de Deuda por Naturaleza
(A Costa Rican entity)
Statement of Cash Flows
For the year ended December 31, 2023 and 2022

Amounts in US Dollars

	Notes	2023	2022
Cash flows from operating activities:			
Net surplus (deficit) for the year		**$ 2,398,154**	$ (3,528,690)
Adjustments to reconcile the net surplus for the year to net cash flows:			
(Losses) Gains on fair value measurement of financial assets	8	**(2,961,811)**	3,475,617
Interest on investments in financial assets		**(87,593)**	(79,607)
Interest from cash and cash equivalents		**(136)**	(65)
		(651,386)	(132,745)
Changes in working capital:			
Prepaid expenses		**8,778**	(556)
Accounts payables		**135,000**	-
Interest received		**87,729**	79,672
Cash flows provide by operating activities		**(419,879)**	(53,629)
Cash flows from investment activities:			
Net increase (decrease) in financial instruments		**1,001,277**	(41,730)
Cash flows provided by (used in) investing activities		**1,001,277**	(41,730)
Net increase (decrease) in cash		**581,398**	(95,359)
Cash at beginning of year		**70,517**	165,876
Cash at year end	5	**$ 651,915**	$ 70,517

Amounts in US Dollars

1. Corporate Information

Fideicomiso Segundo Canje de Deudap or Naturaleza ("the Trust" or "Canje II") was signed on September 24, 2010 by the Government of the Republic of Costa Rica through the Central Bank and The Nature Conservancy to help in the conservation, protection, reforestation, and sustainable use of tropical forests in Costa Rica. As of December 31, 2023 and 2022, the Trust's Management is in charge of Asociación Costa Rica por Siempre Costa Rica (the Association) as the trustor.

The Trust funds are composed of the debt swap of the Government of Costa Rica and the US Government, and the 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 identify the trust funds in a separate and independent way in an endowment fund composed of the funds used for covering the recurring expenses incurred for protected areas and in an amortization fund composed of the funds used for covering project initiation expenses. Only the returns generated by this fund can be used.

The financial statements of the Trust as of December 31, 2023 were approved by Executive Management on March 18, 2023.

2. Basis for preparation of financial statements

2.1 Statement of Compliance

The financial statements of the Trust as of December 31, 2023 and 2022 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements are a translation of the report originally issued in Spanish. In the case of any discrepancy between the Spanish version and the English version, the Spanish version prevails.

2.2 Basis of valuation and presentation currency

The financial statements of the Trust as of December 31, 2023 and 2022
were prepared on the historical cost basis except for certain items that have been measured under the valuation methods detailed in note 4. The functional and presentation currency of the financial statements is the US dollar ($ or US$).

3. Changes in accounting policies and disclosures

The accounting policies adopted by the Association to prepare its financial statements as of December 31, 2023, are consistent with those that were used for the preparation of the financial statements as of December 31, 2022.

Other amendments and interpretations were applied for the first time in 2023 but did not significantly impact the Association's financial statements. These amendments and new interpretations have required certain additional disclosures, and in some cases, the revision of certain accounting policies. The Association has not early adopted any issued standard, interpretation, or amendment that is not yet effective.

New standards, interpretations and amendments effective from 1 January, 2023.
The following new standards, effective for the financial statements for the period ended December 31, 2023, have not had a significant effect on the Association :

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
  International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

New standards, interpretations and amendments not yet effective.
There are a number of standards, amendments to standards and interpretations that have been issued by the IASB that are effective in future accounting periods, which the Association has decided not to adopt early.

The following modifications are effective for the period beginning January 1, 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1
- Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial
- Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Association is currently assessing the impact of these new accounting standards and amendments. The Association does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

The Association does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Association's financial statements.

4. Summary of Significant Accounting Policies

4.1 Currency and Foreign Currency Transactions

4.1.1 Functional and presentation currency of financial statements

The legal tender of Costa Rica is the Costa Rican Colon (¢). However, the Trust adopted the US Dollar ($ or US$) as the functional and presentation currency of its financial statements since it better reflects its events and transactions.

It adopted the US Dollar as its functional currency because a significant portion of investments in financial assets is in US Dollars, and cash flows of regular operating activities are usually in US Dollars to be later used in this currency.

Given that the Trust's accounting records are in Colones per the Costa Rican regulations and that it adopted the US Dollar as functional currency, the conversion of Colones into US Dollars was conducted as follows: a) monetary assets and liabilities were converted using the exchange rate in effect as of the date of the statement of financial position; b) non-monetary assets and liabilities and equity, measured at historical cost, were converted using the exchange rate in effect as of the date of the original transaction; and c) items of the statement of comprehensive income were converted into Dollars using the exchange rate that represent the amounts existing as of the dates of the transactions, except for items related to non-monetary items converted using the exchange rate in effect as of the date of the original transaction. The remaining monetary effect after the application of these conversion procedures is recognized in the exchange differential line in the results of the year.

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 position and operating income, the Trust measures 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 and non-current classification

The Trust presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as current when the Trust 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; and when the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Trust classifies the rest of its assets as non- current.

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

The Trust classifies the rest of its liabilities as non-current liabilities.

4.3 Cash

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

Amounts in US Dollars

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 measurement of the Trust's financial instruments is determined using the fair value or amortized cost as defined below:

Fair value – The fair value of a financial instrument negotiated in an organized financial market is determined using as reference the prices quoted in that financial market for negotiations performed as of the date of the statement of financial position. For financial instruments for which there is no active financial market, the fair value is determined using valuation techniques. These techniques include recent market transactions between interested, fully informed parties who act independently, references to the fair value of another substantially similar financial instrument, and discounted cash flows or other valuation models.

All assets and liabilities measured at fair value or which the Trust discloses at fair value are classified within the following fair value hierarchy. This classification is based on the least amount of information used to determine this value, and which is significant to determine the fair value taken as a whole. The fair value hierarchy is comprised of the following three levels:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities.

- Level 2: Measurement techniques where the lowest level of information used to measure fair value is directly or indirectly observable.

- Level 3: Measurement techniques in which the lowest level of information used for the fair value measurement is not observable.

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 estimates are based, these could differ from final results.

Amortized cost

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 Trust initially classifies its financial assets based on the method through which they will be subsequently measured, at amortized cost, at fair value with changes in other comprehensive income or at fair value with changes in results.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows and the Trust's business model for their management. Except for accounts receivable with no significant financing component or for which the Trust has applied the practical resource, the Trust initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not measured at fair value with changes in results. Accounts receivable with no significant financing components or for which the Trust has applied the practical expedient are measured at the transaction price as determined in IFRS 15.

For a financial asset to be classified and measured at amortized cost or fair value in other comprehensive income, it must generate cash flows that are principal and interest payments only (the SPPI criterion) on the principal owed. This is the SPPI assessment performed at the instrument level. Financial assets generating cash flows other than SPPI are classified and measured at fair value through profit or loss, regardless of the business model.

The Trust's business model to manage financial assets refers to the method to manage its financial assets and generate cash flows. The business model determines whether the cash flows will be obtained from the collection of contractual cash flows, from the sale of the financial assets or both.

Purchases or sales of financial assets that require the delivery of assets within a term established by regulations or by a covenant in the market (regular business transactions) are recognized on the negotiation date, i.e., the date on which the Trust agrees to buy or sell the asset.

Financial assets recorded at amortized cost
Financial assets are measured at amortized cost at the beginning when the following conditions are met: (a) financial assets are maintained within a business model whose objective is to obtain contractual cash flows and (b) the contractual terms of financial assets establish specific deadlines for cash flows derived only from payments to principal and interests of effective balance.

Financial assets at fair value through changes in other comprehensive income
Financial assets are designated at fair value with changes in other comprehensive income when the following conditions are met: (a) financial assets are held within a business model whose objective is to obtain contractual cash flows from the sale of the financial asset; and (b) the contractual terms of financial assets establish specific deadlines for cash flows derived only from payments to principal and interests of effective balance.

Financial assets at fair value through changes in profit or loss
The remaining financial assets that do not classify into any of the categories previously mentioned are designated through fair value with changes in results In addition, on initial recognition of a financial asset, the Trust, in specific circumstances, can irrevocably designate a financial asset that meets the measurement requirements of the previous categories to be measured at fair value with changes in profit or loss if doing so removes or significantly reduces an accounting mismatch that would otherwise rise.

Subsequent Measurement of Financial Assets
The subsequent measurement of financial assets depends on their classification as described below:

Financial assets recorded at amortized cost
After initial recognition, these financial assets are recorded at amortized cost using the effective interest method less a credit loss allowance. Gains or losses are recognized in results when financial assets are derecognized, amended or impaired, as well as through the amortization process. Financial assets of the Trust measured at amortized cost are represented by investments in certificates of deposit at fixed term and accounts receivable for which the business model defined by the Trust consists of recovering the principal and its interests.

Financial assets at fair value through changes in other comprehensive income
The gains and losses of a debt instrument measured at fair value with changes in other comprehensive income, such as earned interest, exchange differences and impairment, are recognized in the results of the year. When a financial asset at fair value with changes in other comprehensive income is derecognized, accumulated gains or losses previously recognized in other comprehensive income are reclassified as a reclassification adjustment from equity to results of the year.

Financial assets at fair value through changes in profit or loss
A financial asset gain or loss that is measured at fair value with changes in results from its initial classification is recognized in the results of the period. Trust's financial assets at fair value through changes in profit or loss are represented by investments in foreign and local financial institutions, consisting of bonds, shares, and alternative instruments, as well as investment funds in the Costa Rican market, on which the management model defined by the Trust's Management holds the instruments to negotiate.

4.5.2 Impairment of financial assets
The Trust recognizes an allowance for expected credit losses for the financial assets recorded at amortized cost. The expected credit losses are based on the difference between the contractual cash flows owed in the contract and all the cash flows that the Trust expects to receive, discounted at an approximation to the effective interest rate. The expected cash flows will include the sales of the guarantees held or other improvements to the credit conditions essential for the contract conditions.

For the debt instruments, the allowance for expected credit losses is based on the asset term. The analysis of such losses is carried out by the Trust at the end of each reporting period, considering whether the risk of deterioration has increased significantly since the initial recognition. The Trust uses a simplified method to calculate the expected credit losses in accounts receivable. Therefore, the Trust 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.

4.5.3 Derecognition of financial assets

Financial assets are derecognized by the Trust when the rights to receive cash flows from the asset have expired, or when the financial asset is transferred along with its inherent risks and benefits and contractual rights to receive cash flows from the asset are surrendered, or when the Trust retains the contractual rights to receive cash flows and assumes the obligation to pay them to one or more parties.

4.5.4 Finance income

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

4.6 Financial liabilities

4.6.1 Initial recognition and measurement

The Trust classifies financial liabilities from initial recognition as financial liabilities at fair value through profit or loss. The Trust determines the classification of their financial liabilities as of the date of their initial recognition.

All financial liabilities initially recognized at fair value on the date of acceptance or contracting of the liability, plus, in the case of notes and loans payable, directly attributable transaction costs. The Trust's financial liabilities include accounts payable.

4.6.2 Subsequent measurement

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

Accounts payable to projects

After initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Trust recognizes the gains or losses in the corresponding period when the financial liability is derecognized as well as through the amortization process.

4.6.3 Derecognition of financial liabilities

Financial liabilities are derecognized by the Trust when the obligation has been paid, canceled, or expires. When a financial liability is replaced by another, the Trust derecognizes the original and recognizes a new financial liability. Differences that may result from these financial liability replacements are recognized in the income of the year when they are incurred.

4.6.4 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts, and there is an intention to liquidate them for the net amount or to realize the assets and settle the liabilities simultaneously.

Amounts in US Dollars

4.7 Recognition of donations

Trust revenues mainly correspond to the debt swap between the Government of Costa Rica and the US Government. 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.

4.8 Cost and expense recognition

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

4.9 Income tax

In accordance with the non-profit nature of the Trust, it is not subject to the income tax payment in accordance with the Costa Rican tax legislation.

4.10 Significant accounting judgments, estimates and assumptions

The preparation of the Trust's financial statements requires Management to conduct 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, the uncertainty of such judgments, estimates, and assumptions could lead to situations that require adjustments to the material figures on the carrying values of assets and liabilities in future periods.

5. Cash

As of December 31, 2023 and 2022, cash at local private banks is US$651,915 and US$70,517, respectively, which accrues an interest rate based on daily rates determined by the respective banks. As of December 31, 2023 and 2022, there were no restrictions on the use of cash balances.

6. Investments in financial assets

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

	December 31, 2023		
	Amortization Fund	**Endowment Found**	**Total**
Financial assets at fair value with changes in profit or loss:			
Investments in overseas financial institutions - US Dollars	$ -	$ **22,958,475**	$ **22,958,475**
Total investments	$ -	$ **22,958,475**	$ **22,958,475**

	December 31, 2022		
	Amortization Fund	Endowment Fund	Total
Financial assets at fair value with changes in profit or loss:			
Investments in overseas financial institutions - US Dollars	$ -	$ 19,997,941	$ 19,997,941
Financial assets recorded at amortized cost			
Certificate of term deposit in local financial institutions - US Dollars	-	1,000,000	1,000,000
Total investments	$ -	$ 20,997,941	$ 20,997,941

6.2. Classification of investments in financial assets according to their maturity date

	December 31, 2023		
	Amortization fund	**Endowment fund**	**Total**
Current	**$ -**	**$ 22,958,475**	**$ 22,958,475**
Total investments	**$ -**	**$ 22,958,475**	**$ 22,958,475**

	December 31, 2022		
	Amortization fund	Endowment fund	Total
Current	$ -	$ 19,997,941	$ 19,997,941
Non-current	-	1,000,000	1,000,000
Total investments	$ -	$ 20,997,941	$ 20,997,941

6.3. Characteristics of the Trust's financial assets

Investments in foreign financial institutions are made through JP Morgan and are composed of bonds, shares, and alternative instruments. JP Morgan is in turn the entity that provides the fair values recognized by the Trust. In 2023, the average losses from investments in Dollars were approximately 14% (2022: a gain of approximately 14%). The remaining returns are derived from fluctuations in the fair values of the investment portfolio.

As of December 31, 2022, financial assets recorded at amortized cost are represented by a certificate of term deposit of US$1,000,000, with a maturity date of October 2023 and accruing a 4% interest rate. Interest receivable accrued over this certificate amount to US$0 (2022: US$8,778).

6.4. 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 estimates are based, these could differ from final results.

Amounts in US Dollars

Below is the comparison by class of financial assets between the carrying amounts and the fair values as of December 31, 2023 and 2022:

		December 31, 2023	
	Hierarchy	**Carrying amount**	**Fair Value**
At fair value through profit or loss	Nivel 2	**$ 22,958,475**	**$ 22,958,475**
		$ 22,958,475	**$ 22,958,475**

		December 31, 2022	
	Hierarchy	Carrying amount	Fair Value
At fair value through profit or loss	Nivel 2	$ 19,997,941	$ 19,997,941
At amortized cost	Nivel 3	1,000,000	1,000,000
		$ 20,997,941	$ 20,997,941

7. Revenues from donations

The donation income corresponds to the transfer of funds from the Central Bank of Costa Rica to the debt service account of the Fideicomiso Segundo Canje de Deudap or Naturaleza in compliance with the obligations established in the forest conservation agreement.

Revenues from donations for US$255,644 were received from the Central Bank of Costa Rica in 2022 (2022: US$979,725).

8. Gains (losses) on fair value measurement of financial assets

As of December 31, 2023, loss from fair value measurement of financial assets is US$2,961,811 (2022: gain for US$3,475,617).

9. Project expenses

The Technical Committee of Asociación Costa Rica por Siempre identifies the projects to be launched in the conservation areas and determines which projects should be declared as deserted or canceled. The Technical Committee establishes the budget in which the project resources will be allocated. Then, the Supervision Committee of the Trust analyzes the recommendations of the Technical Committee and approves the economic content of the "Calls for tenders," which are comprised by the list of conservation projects that will be conducted in the near future, generally within the next twelve months.

Amounts in US Dollars

Below are the expenses of projects approved in the 2023 XIV Call for US$641,887:

Grant agreement		Amount
The projects approved in the 2023 XIV Call were as follows:		
IICD-XIV-2024-01, Update of the General Management Plans of the Arenal Volcano National Park, Juan Castro Blanco National Water Park and Caño Negro Mixed National Wildlife Refuge.	$	89,547
IICD-XIV-2024-04, Preparation of the ecoregional Action Plan for the Tempisque Conservation Area with an ecosystem and landscape approach and Implementation of priority actions of the natural resources management plan and the climate change adaptation plan		4,930
IICD-XIV-2024-05, Implementation of Specific Ecological Monitoring Plans in the Prioritized Protected Wild Areas of the Arenal Tempisque Conservation Area (ACAT)		65,385
IICD-XIV-2024-06, Participatory implementation of prioritized actions of the climate change adaptation and mitigation plans of the ACC ASPs and their informative projection towards their local interest groups.		121,274
IICD-XIV-2024-07, Restoration of the masonry wall of stone blocks or ashlar of the Piñuelita Lagoon, as a measure of adaptation to Climate Change of the biodiversity of the Santa Rosa National Park		60,768
IICD-XIV-2024-08, II Phase of implementation of prioritized actions of the ecological integrity monitoring plans for the Golfo Dulce Forest Reserve and Corcovado National Park		54,125
IICD-XIV-2024-10, Participatory preparation of the SPNH ACLAC Climate Change Adaptation and Mitigation Plan		54,406
IICD-XIV-2024-11, Preparation of the Climate Change Adaptation and Mitigation Plan for the La Amistad Pacific Conservation Area		94,478
IICD-XIV-2024-12, Preparation of a Research Plan and updating of the Plan for the Prevention, Protection and Control of Carara National Park		25,955
IICD-XIV-2024-13, Characterization of the land tenure and use regime at the Guácimo and Pococí Aquifers Site of Importance for Conservation		71,019
Total projects approved in the 2023 XIV Call	$	641,887

Below are the expenses of projects approved in the 2022 XII Call for US$869,674:

Grant agreement		Amount
The projects approved in the 2022 XIII Call were as follows:		
IICD-XIII-2023-01, Implementation of prioritized actions of the prevention, protection, and control plan and the adaptation and mitigation plan for climate change in the land of the Guanacaste Conservation Area	$	70,744
IICD-XIII-2023-02, General management plan of the land and marine block of the Guanacaste Conservation Area		41,053
IICD-XIII-2023-03, II implementation phase of the ecological integrity monitoring plans of the ACT prioritized ASPs		70,247
IICD-XIII-2023-04, Improvement of management effectiveness and ecological integrity of the Protected Wild Areas of ACAT through the elaboration and implementation of specific plans and strategic actions related to the indicators of the field management of natural and cultural resources		76,562
IICD-XIII-2023-05, Implementation of prioritized actions of the Carara NP Ecological Integrity Monitoring Plan		22,027
IICD-XIII-2023-06, Implementation of prioritized actions of the Ecological Integrity Monitoring Plans of Corcovado National Park and Golfo Dulce Forest Reserve		62,371
IICD-XIII-2023-07, Elaboration and implementation of the natural resource management plans of the Arenal Volcano NP, Juan Castro Blanco Water NP and RNVS Caño Negro		52,579
IICD-XIII-2023-08, II Phase of the participatory implementation of the RRNN Scope Plans in the prioritized ASPs of the Central Conservation Area		152,840
IICD-XIII-2023-09, Update of the General Management Plan of Chirripó National Park		28,737
IICD-XIII-2023-10, Elaboration of the research plan and implementation of the research and ecological integrity plans of PILA and Chirripó NP		104,803
IICD-XIII-2023-11, Implementation of the Prevention, Protection and Control Plan of the Caribbean Friendship Conservation Area, with the participation of governance structures for the protection of biodiversity and natural resources		62,726
IICD-XIII-2023-12, Cadastral and registry study of the prioritized areas of the site of importance for the conservation of Guácimo-Pococí aquifers		69,791
IICD-XIII-2023-13, Implementation of prioritized actions of the Resource Management Plan for the restoration of the ecological integrity of the prioritized lagoons, the Sustainable Tourism Plan, and the Plan for the Use of Fishery Resources of the Barra del Colorado National Wildlife Refuge		41,510
IICD-XIII-2023-14, Elaboration of the Regional Action Plans for the Amistad Pacífico Conservation Area and the Tortuguero Conservation Area		13,684
Total projects approved in the XIII Call	$	869,674

10. Expenses for Management Services

The Trust pays Asociación Costa Rica por Siempre an annual 15% fee equivalent to the amount of projects approved in Calls for “budgetary support,” i.e., fund management services. The Trust recognizes this expense on a straight-line basis during the period receiving the service from the Association.

As of December 31, 2023, the charge for the administrative service of XIV Call amounted to US$135,000. The expense of US$136,500 recognized in 2022 results corresponds to the XIII Call.

11. Fees for Brokerage Services

As of December 31, 2023, the Trust incurred in expenses for management services for funds deposited in JP Morgan for US$81,378 (2022: US$101,029).

12. Objectives and policies for financial risk management

Trust financial instruments are composed of cash, investments in financial assets through profit or loss, and financial assets at amortized cost. The main purpose of these financial instruments is to provide financing for the Trust's operations. The Trust has other financial assets and liabilities of a miscellaneous nature, which arise directly from its operations.

The main risks that could have a relatively significant effect on the financial instruments are market risk, liquidity risk and credit risk.

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

12.1. Market Risk

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

The main market risk that may affect the Trust financial instruments is the interest rate risk taking into consideration fluctuations in interest rates and prices of investments in securities. The Trust 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.

12.2. Interest rate risk

The Trust's incomes and operating cash flows depend substantially on changes in interest rates. Important drops in interest rates could limit the Trust'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 Trust's budget.

Sensitivity Analysis:
The Trust 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 2022 would be US$57,396 increasing or decreasing the financial revenues (2022: +/- 25 base points and US$49,995).

12.3. Liquidity risk

Liquidity risk is the risk that it will be difficult for an entity to meet the obligations associated with financial liabilities that are settled with cash or another financial asset. The Trust'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 Trust's reputation.

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

12.4. Credit risk

Credit risk is the risk that one of the counterparts does not comply with its obligations derived from a financial instrument or purchase contract, and this translates into a financial loss. The Trust 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.

13. Equity management

The main management objective of the Trust’s equity is to preserve and increase the resources destined to conservation programs and to generate enough resources to meet the goals established for the Trust.

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

14. Events occurring after the reporting date of the financial position

The Trust's Management has no knowledge of any other subsequent event, occurring between the reporting date and the date of issue of the financial statements that requires modification of the figures presented in the authorized financial statements or disclosure in the notes thereof.

***