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 September 30, 2019 and 2018

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 September 30, 2019 and 2018

Contents	**Page(s)**
Independent Auditor's Report……………………………………………………………………	1 – 3
Financial Statements:	
Statements of Financial Position…………………………………………........................	4 – 5
Statements of Comprehensive Income……………………………………………………..	6
Statements of Changes in Equity...…………………………………………..……………	7
Statements of Cash Flows…..………………….…………………………………………	8
Notes to Financial Statements…..………………………………..…………..….…..……....	9 – 23

Ernst & Young, S.A.
Meridiano Building, Floor 2
25 meters South from
Multiplaza, Escazú,
San José, Costa Rica

P.O. Box 48-6155
Tel.: (506) 2208-9800
Fax: (506) 2208 9999
www.ey.com/centroamerica

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 Trust"), which comprise the statement of financial position as of September 30, 2019 and the statements of comprehensive income, changes in equity, and 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 Trust's financial position as of September 30, 2019, its financial performance and cash flows for the year then ended, 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 Company 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

As described in note 3, *Changes in Accounting Policies and Disclosures* to the financial statements, the Trust adopted IFRS 9 *Financial Instruments* from October 1, 2018 and recognized retrospectively the effect from the adoption in accordance to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* This effect consisted in the reclassification to the current year and accumulated surpluses of the period and accrued amounts of fluctuations in fair values of available-for-sale financial assets. Under the previous standard, IAS 39 *Financial Instruments: Recognition and Measurement,* these fluctuations in fair values were included in the equity line named "Financial instruments valuation" (other comprehensive income) for subsequent recycling in period results. Consequently, the retrospective application of IFRS 9 implied the restatement of the Trust's financial statements for 2018, previously issued. Our opinion is not modified due to this matter.

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

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 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.

Those charged with the Trust'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 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, 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.

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

- 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.

We communicate with the Trust'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.

November 26, 2019

Efraín Jiménez Barrantes – CPA 4311

Meridiano Building, Floor 2
Escazú, Costa Rica

Policy N° 0116 FIG 7

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

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 September 30, 2019 and 2018 and as of October 1, 2017

(expressed in US dollars)

		2019			2018 (Restated - Note 3)		
	Notes	**Amortization Fund**	**Endowment Fund**	**Total**	Amortization Fund	Endowment Fund	Total
ASSETS							
Current assets:							
Cash	5	**$ 329,673**	**$ -**	**$ 329,673**	$ 720,701	$ -	$ 720,701
Investments in financial assets	6	**3,256,545**	**9,980,700**	**13,237,245**	2,245,733	8,407,624	10,653,357
Accumulated interest receivable	6	**44,502**	**112,190**	**156,692**	1,987	45,686	47,673
Total assets		**$ 3,630,720**	**$ 10,092,890**	**$ 13,723,610**	$ 2,968,421	$ 8,453,310	$ 11,421,731
NET ASSETS AND LIABILITIES							
Current liabilities:							
Accounts payable		**$ 3,000**	**$ -**	**$ 3,000**	$ 3,000	$ -	$ 3,000
Total liabilities		**3,000**	**-**	**3,000**	3,000	-	3,000
Net assets:							
Accumulated surplus		**3,627,720**	**10,092,890**	**13,720,610**	2,965,421	8,453,310	11,418,731
Total net assets		**3,627,720**	**10,092,890**	**13,720,610**	2,965,421	8,453,310	11,418,731
Total net assets and liabilities		**$ 3,630,720**	**$ 10,092,890**	**$ 13,723,610**	$ 2,968,421	$ 8,453,310	$ 11,421,731

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 Financial Position
As of September 30, 2019 and 2018 and as of October 1, 2017

(expressed in US dollars)

	2017		
	Amortization Fund	Endowment Fund	Total
	(Restated - Note 3)		
ASSETS			
Current assets:			
Cash	$ 5,156	$ -	$ 5,156
Investments in financial assets	3,141,035	8,665,668	11,806,703
Accumulated interest receivable	-	86,182	86,182
Prepaid expenses	28,866	-	28,866
Total assets	$ 3,175,057	$ 8,751,850	$ 11,926,907
NET ASSETS AND LIABILITIES			
Current liabilities:			
Accounts payable	$ 3,000	$ -	$ 3,000
Total liabilities	3,000	-	3,000
Net assets:			
Accumulated surplus	3,172,057	8,751,850	11,923,907
Total net assets	3,172,057	8,751,850	11,923,907
Total net assets and liabilities	$ 3,175,057	$ 8,751,850	$ 11,926,907

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 years ended September 30, 2019 and 2018

(expressed in US dollars)

		2019			2018		
		Amortization Fund	**Endowment Fund**	**Total**	Amortization Fund	Endowment Fund	Total
						(Restated - Note 3)	
	Notes						
INCOME							
Donations	7	**$ 1,023,470**	**$ 510,409**	**$ 1,533,879**	$ 1,208,315	$ 325,564	$ 1,533,879
Interest on investments in financial assets		**175,637**	**556,613**	**732,250**	89,239	369,203	458,442
Gains (losses) on fair value measurement of financial assets		**66,651**	**620,688**	**687,339**	-	(216,292)	(216,292)
Interest on available cash		**1,545**	**148**	**1,693**	352	-	352
Other revenue		**-**	**-**	**-**	1,889	-	1,889
Total revenues		**1,267,303**	**1,687,858**	**2,955,161**	1,299,795	478,475	1,778,270
EXPENSES							
Approved projects	8	**438,618**	**-**	**438,618**	2,054,847	-	2,054,847
Trust management services	9	**153,387**	**-**	**153,387**	182,254	-	182,254
Fees for brokerage services	6	**3,500**	**33,919**	**37,419**	-	21,000	21,000
Professional services		**1,914**	**-**	**1,914**	18,300	-	18,300
Other expenses		**7,585**	**14,360**	**21,944**	1,030	6,015	7,045
Total expenses		**605,004**	**48,279**	**653,282**	2,256,431	27,015	2,283,446
Surplus (deficit) for the year, net		**662,299**	**1,639,580**	**2,301,879**	(956,636)	451,460	(505,176)
Other comprehensive income		**-**	**-**	**-**	-	-	-
Total comprehensive income for the year		**$ 662,299**	**$ 1,639,580**	**$ 2,301,879**	$ (956,636)	$ 451,460	$ (505,176)

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 years ended September 30, 2019 and 2018

(expressed in US dollars)

	Notes	Amortization Fund		Endowment Fund			
		Accumulated surplus	Total Amortization Fund	Accumulated surplus	Financial instruments valuation	Total Endowment Fund	Total net assets
Net assets as of October 1, 2017 (previously reported)		$ 3,172,057	$ 3,172,057	$ 8,651,732	$ 100,118	$ 8,751,850	$ 11,923,907
Effect of IFRS 9 adoption	3	-	-	100,118	(100,118)	-	-
Net assets as of October 1, 2017 (restated)		3,172,057	3,172,057	8,751,850	-	8,751,850	11,923,907
Transfer of funds		750,000	750,000	(750,000)	-	(750,000)	-
Comprehensive income for the year:							
Loss on fair value measurement of financial assets		-	-	-	(216,292)	(216,292)	(216,292)
Surplus (deficit) for the year, net		(956,636)	(956,636)	667,752	-	667,752	(288,884)
Total comprehensive income for the year		(956,636)	(956,636)	667,752	(216,292)	451,460	(505,176)
Effect of IFRS 9 adoption	3	-	-	(216,292)	216,292	-	-
Total comprehensive income for the year (restated)		(956,636)	(956,636)	451,460	-	451,460	(505,176)
Net assets as of September 30, 2018 (restated)		2,965,421	2,965,421	8,453,310	-	8,453,310	11,418,731
Comprehensive income for the year		**662,299**	**662,299**	**1,639,580**	**-**	**1,639,580**	**2,301,879**
Net assets as of September 30, 2019		**$ 3,627,720**	**$ 3,627,720**	**$ 10,092,890**	**$ -**	**$ 10,092,890**	**$ 13,720,610**

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 years ended September 30, 2019 and 2018

(expressed in US dollars)

		2019		2018 (Restated - Note 3)
Cash flows from operating activities:				
Surplus (deficit) for the year, net	**$**	**2,301,879**	$	(505,176)
Adjustments to reconcile the net surplus (deficit) for the year to net cash flows:				
Interest income		**(733,943)**		(458,794)
		1,567,936		(963,970)
Changes in working capital:				
Prepaid expenses		**-**		67,374
Interest received		**624,924**		458,794
Cash flows provided by (used in) operating activities		**2,192,860**		(437,802)
Cash flows from investment activities:				
Net decrease (increase) in financial instruments		**(2,583,888)**		1,153,347
Cash flows (used in) provided by investment activities		**(2,583,888)**		1,153,347
Net (decrease) increase in cash		**(391,028)**		715,545
Cash at beginning of year		**720,701**		5,156
Cash at year end	**$**	**329,673**	$	720,701

See accompanying notes to the financial statements

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 established on September 13, 2007 by the Government of the Republic of Costa Rica through the Central Bank and the Nature Conservancy to invest these resources in six priority 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. The domicile of the Trust is in San José, Sabana Norte, Torre Sabana Building, 5th floor.

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 September 30, 2019 were approved by Management on October 18, 2019.

2. Basis for preparation of financial statements

2.1 Statement of Compliance

The Trust's financial statements as of September 30, 2019 and 2018 were prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

2.2 Basis of valuation and presentation currency

The Trust's financial statements as of September 30, 2019 and 2018 were prepared on a historical cost basis, except for some financial assets measured at fair value with changes in results, which are measured at fair value as described 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 Trust to prepare its financial statements as of September 30, 2019 are consistent with those that were used to prepare the financial statements as of September 30, 2018, except for the adoption of IFRS 9 *Financial Instruments* as described as follows:

IFRS 9 Financial Instruments

IFRS 9 - Financial Instruments replaces *IAS 39 - Financial Instruments*: *Recognition and Measurement* and is effective for annual periods beginning on or after January 1, 2018. The standard meets the three fundamental aspects of financial instrument accounting: (a) classification and measurement, (b) impairment, and (c) hedge accounting.

The following aspects were considered by the Trust in adopting IFRS 9:

Classification and Measurement

IFRS 9 introduces a new classification model for financial assets. In regard to financial liabilities, all requirements of IAS 39 have been transferred to IFRS 9, including the criteria for the option of fair value and the requirements related to the separation of embedded derivatives of hybrid contracts. The only change introduced by IFRS 9 in terms of financial liabilities is related to the liabilities designated at fair value through profit or loss using fair value. The portion of changes in the fair value of such financial liabilities attributed to changes in the entity's credit risk occurs in the other comprehensive income, instead of the income statement, unless this action introduces an accounting inconsistency. In this case, the full change in the fair value is in the results of the year.

As stated in the previous paragraph, this standard introduces some principles to classify financial assets through the following measurement categories:

- Debt instruments at amortized cost.
- Debt instruments at fair value with changes in other comprehensive income and accumulated gains and losses recycled in the results when derecognized.
- Debt instruments, derivatives and equity instruments at fair value through profit or loss.
- Equity instruments at fair value with changes in other comprehensive income without recycling derecognized gains and losses.

The classification of financial assets depends on the characteristics of the contractual cash flows for such assets and the entity's business model for their management.

(amounts expressed in US dollars)

Until September 30, 2018 and in accordance with IAS 39 *Financial Instruments*: *Recognition and Measurement*, the Trust classified a significant portion of available-for-sale investments, represented by investments in bonds of private or public Costa Rican entities. The Trust subsequently measured these investments at fair value and fluctuations in such values were recognized in the equity line "Financial instruments valuation " (other comprehensive income) for subsequent recycling in period results. Due to their nature, cash flows generated by these investments derived from changes in their fair values and also the business model defined by the Trust to manage them is to keep them for negotiation. This implied that, in accordance with IFRS 9, these investments continued to be measured subsequently at fair value, but the effect of fluctuations in fair values should be recognized directly in the period results.

The Trust then retrospectively applied the effect of the change in classification of its financial instruments described in the preceding paragraph to the date of initial application, October 1, 2018, and adjusted the comparative information to October 1, 2017, as described below:

In the statement of financial position as of September 30, 2018 and October 1, 2017:	2018	2017
Increase in the accumulated surpluses due to the transfer of the (loss) gain in the fair value measurement of financial assets	$ (116,174)	$ 100,118
In the statement of comprehensive income for the year ended September 30, 2018:		
Increase in the net surplus for the year due to the inclusion of the loss in the fair value measurement of financial assets		$ (216,292)

Impairment of financial assets
The new impairment requirements of IFRS 9 are based on the model of expected credit losses. This model is applied to the debt instruments (measured at amortized cost or at fair value through profit or loss), the leases receivable, trade receivables, contractual assets (per IFRS 15) and financial guarantee agreements and contracts not measured at fair value with changes through profit or loss.

By applying the impairment requirements of IFRS 9, the entity requires one of the following approaches:

- General approach, that will be applied to most loans and debt securities.
- Simplified approach that will be applied to most of the trade accounts receivable.
- Approach with credit impairment caused or purchased.

Considering the low level of investment risk maintained by the Trust, per F1 and F3 investment ratings for Fitch Ratings, no relevant implications have been determined as a result of the adopting IFRS 9.

Hedge accounting
The objective of IFRS 9 is to reflect the effect of the entity's risk management activities on the financial statements, resulting in more risk management strategies that qualify for hedge accounting and provide a better link between the strategy of the entity's risk management, the reasons for the hedges and the impact of the hedges in the financial statements.

(amounts expressed in US dollars)

The main changes derived from implementing IFRS 9 are the following:

- The coverage effectiveness test is only prospective and may be qualitative depending on the coverage complexity.

- IFRS 9 allows the risk components of non-financial items to be designated as the hedged item, provided that the risk component is separately identifiable and reliably measurable.

- IFRS 9 introduces the concept of hedging costs. The time value of an option, the term element of a term contract and any margin of foreign currency may exclude from the designation of a financial instrument as a hedging instrument and be accounted for as hedging costs.

IFRS 9 introduces more extensive disclosure requirements that are intended to provide more relevant information.

The Trust does not use hedging instruments, so this area of the standard has not impacted its financial statements.

Other standards, interpretations and amendments
In addition to IFRS 9, the Trust first applied in 2019 certain standards, interpretations and amendments summarized below. These standards, interpretations and amendments did not have a relevant impact on the financial statements as of September 30, 2019.

Standard, interpretation or amendment	Date of entry into force:
IFRS 15 *Revenue from Contracts with Customers*	Complete or modified retrospective application is required for annual periods beginning on January 1, 2018; early adoption is allowed.
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	Effective for annual periods beginning on or after January 01, 2018, with early application allowed.
Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions	Effective for annual periods beginning on or after January 01, 2018, with early application allowed.
Amendments to IAS 40 - Investment Property Transfers	Effective for annual periods beginning on or after January 01, 2018, with early application allowed.
Amendments to IFRS 4 - Application of IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*	Effective for annual periods beginning on or after January 1, 2018.
IAS 28 *Investments in Associates and Joint Ventures* - Clarification that the measurement of the investees at fair value with changes in profit or loss is an election at the level of each investment.	Effective for annual periods beginning on or after January 01, 2018, with early application allowed.
IFRS 1 First Time Adoption of IFRS - Elimination of short-term exemptions for entities adopting IFRS for the first time.	Effective for annual periods beginning on or after January 1, 2018.

The Trust has not performed the early adoption of any other standard, interpretation or amendment that has been issued and has not become effective yet.

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 Trust 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.

The adoption of the US dollar as a functional currency was based on the fact that investments in financial assets are denominated in US dollars and the cash flows from their regular operating activities are usually maintained in US dollars for later use in that currency.

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 income, the Trust 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 and non-current classification

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

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 a 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 all other assets as non-current.

A liability is classified as current when it is expected to be settled in the normal operating cycle; it is held primarily for trading; it is due to be settled within twelve months after 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 after the reporting period.

The Trust classifies all other liabilities as non-current.

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

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an organized transaction between market participants on the transaction date. The fair value is based on the assumption that the transaction to sell the asset or transfer the liability takes place:

- In the main market of the asset or liability, or
- In the absence of a main market, in the most advantageous market for the transaction of these assets or liabilities.

The main market or the most advantageous should be one that is accessible for the Trust.

The fair value of an asset or liability is calculated using the hypothesis that the market participants would use when they make an offer for this asset or liability, assuming those participants act in their own economic benefit.

The Trust uses valuation techniques that are appropriate under the circumstances and with enough information available to calculate fair value, maximizing the use of observable relevant variables and minimizing the use of non-observable variables.

All the assets and liabilities for which fair value calculations or itemizations are made in the financial statements are categorized in the following fair value hierarchy, based on the lowest variable that is significant for the fair value calculation as a whole:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or 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.

For assets and liabilities that are recurrently recorded at fair value in the financial statements, the Trust determines whether moves between hierarchical levels have taken place through a review of the categorization (based on the lowest level variable that is significant to the fair value calculation as a whole) at the end of each year.

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.

4.4.1 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.

4.5 Financial assets

4.5.1 Initial recognition and measurement

In their initial recognition, financial assets are classified as assets subsequently measured at amortized cost, at fair value with changes in other comprehensive income ("OCI") 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 component or for which the Trust has applied the practical resource are measured at the transaction price as described later in this note.

A financial asset should generate cash flows corresponding only to payment of principal and interest ("SPPI") over the principal pending to be classified and measured at amortized cost or fair value in other comprehensive income. This evaluation is called SPPI test and is performed at instruments level. Financial assets that generate cash flows other than SPPI are classified and measured at fair value through profit or loss, regardless of the business model.

An entity's business model for managing financial assets refers to the way in which it manages its financial assets to 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. Financial assets classified and measured at amortized cost correspond to a business model whose objective is to maintain financial assets to recover contractual cash flows, while financial assets classified and measured at fair value with changes in OCI correspond to a business model whose objectives are the recovery of contractual cash flows and the negotiation of instruments.

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 Trust commits to purchase or sell the asset.

4.5.2 Subsequent measurement of financial assets

For subsequent measurements, the financial assets are classified in four categories:

- Financial assets recorded at amortized cost (debt instruments).
- Financial assets at fair value with changes in other comprehensive income with recycling profits and accrued (debt instruments).
- Financial assets designated at fair value with changes in other comprehensive income without recycling profits and accrued (debt instruments) on their disposal (equity instruments).
- Financial assets at fair value with changes in profit or loss.

Financial assets measured at fair value through profit or loss represent the relevant category for the Trust.

Financial assets at fair value through profit or loss

Trust's financial assets at fair value through profit or loss are represented by investments in foreign financial institutions, consisting of bonds, shares and alternative instruments, on which the business model defined by the Trust is to hold the instruments for negotiation.

Financial assets at fair value through profit or loss are recorded in the statement of financial at fair value and net changes at fair value are recognized in the income statement.

4.5.3 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Trust's statement of financial position) when:

- The rights to receive asset's cash flows have expired, or

- The Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Trust has transferred substantially all the risks and rewards of the asset, or (b) the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Trust continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Trust also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust could be required to repay.

4.5.4 Impairment of financial assets

The Trust recognizes an estimate for expected credit losses for all debt instruments 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 Trust 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 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.

4.5.5 Financial 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.

(amounts expressed in US dollars)

4.6 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.

4.7 Recognition of costs and expenses

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

4.8 Income Tax

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

4.9 Significant accounting judgments, estimates and assumptions

Preparation of the Trust'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. Due to the implicit uncertainty of these estimates and assumptions, there may be adjustments to the figures having relative importance and affecting the disclosed figures of assets and liabilities in the future.

4.10 Standards issued that have not yet entered into effect

Standards, interpretations and amendments issued but that have not entered into effect as of September 30, 2019, are described below. The Trust expects to adopt these standards and interpretations, as long as they apply to its activity, when they enter into effect. It is expected that the new standards or amendments will not have a material effect on the Trust's financial position, performance and/or disclosures.

Standard, interpretation or amendment	Entry into force
IFRS 16 *Leases*	Effective for annual periods beginning on or after January 1, 2019. Early application is allowed, but not before an entity applies IFRS 15.
IFRIC 23 *Uncertainty Over Income Tax Treatments*	Effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted.
Enmiendas a la NIIF 9: Prepayment Features with Negative Compensation	Effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted.
Amendments to IAS 19: Amendments to the plan, reduction or liquidation	Effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted.

(amounts expressed in US dollars)

Standard, interpretation or amendment	Entry into force
Amendments to IAS 28: Long-term interest in associates and joint ventures	Effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted.
Annual Improvements 2015-2017 Cycle (issued in December 2017)	The improvements are related to: - IFRS 3 Business Combinations - IFRS 11 *Joint Arrangements* - IAS 12 *Income tax* - IAS 13 *Borrowing Costs* Effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted.
Amendments to IFRS 3: Definition of a business	Effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.
Amendments to IAS 1 and IAS 8: Definition of materiality	Effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.
Amendments to the conceptual framework	Effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.
IFRS 17 *Insurance Contracts*	Effective for annual periods beginning on or after January 1, 2021. Early adoption is permitted.

5. Cash

As of September 30, 2019 and 2018, the cash is deposited in local private banks for US$329,673 and US$720,701. As of September 30, 2019 and 2018, there were no restrictions on use of cash balances.

6. Investments in financial assets

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

	As of September 30, 2019		
	Amortization fund	**Endowment fund**	**Total**
Financial assets at fair value through profit or loss:			
Investments in local financial institutions - US Dollars	$ **3,256,545**	$ **9,402,037**	$ **12,658,582**
Investment funds in local financial institutions - US dollars	**-**	**578,663**	**578,663**
	$ **3,256,545**	$ **9,980,700**	$ **13,237,245**

(amounts expressed in US dollars)

	September 30, 2018		
	Amortization fund	Endowment fund	Total
Financial assets at fair value through profit or loss:			
Investments in local financial institutions - US Dollars	$ 2,245,733	$ 8,407,624	$ 10,653,357

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 2019, the returns accrued on investments in dollars were between 3.9% and 9.2%, respectively.

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 (2019 and 2018: Banco BAC San José, S.A.). In 2019, the yields accrued by the funds in Dollars ranged between 3% and 4%, respectively (2018: 2% and 3%, respectively).

Commissions from the services rendered by Banco BAC San José, S.A. were US$37,419 in 2019 (2018: US$21,000).

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 final results.

A comparison by class of financial assets between carrying amounts and fair values as of September 30, 2019 and 2018 is as follows:

		September 30, 2019	
	Hierarchy	**Carrying amount**	**Fair value**
At fair value through profit or loss	Level 2	**$ 13,237,245**	**$ 13,237,245**

		September 30, 2018	
	Hierarchy	Carrying amount	Fair value
At fair value through profit or loss	Level 2	$ 10,653,357	$ 10,653,357

(amounts expressed in US dollars)

7. Income from donations

Income from donations for US$1,533,879 were received from the Central Bank of Costa Rica in 2019 (2018: US$1,533,879).

8. Project expenses

The Trust'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.

Expenses of approved projects in 2019 were US$438,618, used as follows:

Grant agreement		Amount
The projects approved in the 2019 VIII Call were as follows:		
Nurseries of Cuna del Corredor Biológico Amistosa	**$**	**87,712**
Comprehensive landscape management of El Gavilán de Dos Ríos and Buenos Aires de Aguas Claras, Upala, Alajuela.		**87,421**
River bank restoration to recover connection of Parismina, Destierro and Dos Novillos rivers with the Corredor Biológico Parismina		**87,658**
Trainings for communities surrounding Ramsar Humedal-Marino Las Baulas National Park to improve sanitation conditions and decrease threats against the Park		**75,788**
Comprehensive strengthening and skill development, improvement initiatives for grassroots organizations		**34,606**
Comprehensive strengthening of grassroots organizations		**35,057**
La Gran Lapa Verde reintroduction project in La Amistad		**20,977**
Assessment and monitoring system (phase II)		**9,399**
	$	**438,618**

Expenses of approved projects in 2018 were US$2,054,847, used as follows:

Grant agreement		Amount
The projects approved in the 2018 VIII Call were as follows:		
Co-existence incentives: communities with jaguars and pumas at Rincón-Cacao and Rincón-Rain Forest	$	165,076
Tapir preservation: participative monitoring, population ecology, human dimensions, genetics, and health of Central American tapir (Tapirus bairdii) as a strategy to improve the conditions of Northwestern forests of Cordillera de Talamanca.		158,573
Monitoring of disperser and pollinator fauna, development of community skills, and bank habitats restoration to improve ecological connection between Marino Las Baulas National Park, and Diriá National Park.		146,021
Connectivity analysis and habitat restoration for local biodiversity and use in Nicoya Peninsula		103,515
Forest conservation strategies and green enterprise strengthening in Rancho Quemado at buffer zones in Corcovado National Park		103,032
Forest community conservation in the Southern Caribbean of Costa Rica		89,073
Continued on the next page	$	765,290

(amounts expressed in US dollars)

Grant agreement		Amount
Continued from previous page	$	765,290
Guardianes de la Naturaleza: environmental education and communication for sustainable development		73,868
Implementation of preventive anti-predatory strategies in properties and livestock organization to diversify economy and decrease cat hunting and issues at two hot predation spots in the country		63,778
Reforestation and strengthening of life means in San José de Rivas		26,734
Ecological connectivity managements and water protection in Corredor Biológico Potrero Caimital		24,952
Community participation in management, conservation, and sustainable use of the forest between Corcovado National Park and El Cabo Matapalo		24,511
MonitoreOsa yo participo, yo cuento program		22,347
		1,001,480
Below are the land purchasing projects in 2018:		
Land purchasing near Volcán Irazú National Park		540,851
Below are the renewed projects in 2018:		
Bosques, Corredores Ribereños y Ciencia Ciudadana: A pilot program on the restoration, ecosystematic services, biological corridors, and landscape connectivity in forests under regeneration at private properties		136,418
Strengthening of community management of rural water sewage in influence and connectivity areas at Guácimo-Pococí aquifers and Área Priorizada Tortuguero		73,981
Restoration and conservation of Río Cañas biological corridor's forests by strengthening sustainable socio-productive activities and developing actions to prevent and mitigate forest fires		69,120
Inclusion of criteria for biodiversity conservation in the productive management of peasant farms to improve the connectivity of CB Hojancha-Nandayure, Potrero-Caimital and Cerros de Jesús, Guanacaste.		69,113
Strengthening of community management of rural water sewage in influence and connectivity areas at Guácimo-Pococí aquifers and Área Priorizada Tortuguero		53,527
Planting palm trees and timber trees in danger of extinction in small farms in the Costa Rican Caribbean: a mechanism to increase the diversity of plants and their traditional uses, reduce illegal extraction, and generate alternative economic benefits for local communities		42,499
Agroforestry and silvopastoral systems in rural communities near the La Amistad International Park: Alternatives to decrease the fragmentation of regional tropical forests		25,869
Ecotourism and conservation of forests at San Rafael river's bank and the buffing zone of Chirripó National Park		17,939
Osa Emprende		14,987
Strengthening of socio-productive and environmental skills of the buffing areas of Tortuguero National Park		6,006
Community education, research and projection program for the reintroduction project of the Great Green Lapa (Ara Ambiguus) in La Amistad-Caribbean region		3,057
		512,516
	$	2,054,847

9. Expenses for management services

In 2019, Canje I paid to the Association US$153,387 for budgetary support (2018: US$182,254).

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. Objectives and policies for managing financial risks

The Trust's financial instruments are made up of cash and investments in securities. 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:

10.1 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, raw materials price risk and other price risks, such as share price risk.

The main market risk that may affect the Trust's 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.

Interest rate risk

The Trust's income 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 2019 would be US$33,903 increasing or decreasing the financial revenues (2018: +/- 25 base points and US$28,075).

10.2 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 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 our operating needs. Currently, the Trust does not have any financial obligations, so its liquidity risk is low.

10.3 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 cash and 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.

11. 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.

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

***