

(Convenience translation into English from the original  
previously issued in Portuguese)

SITAWI

Independent auditor's report on the  
financial statements

As at December 31, 2018

SITAWI

Financial statements  
As at December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the  
Management of  
SITAWI  
Rio de Janeiro - RJ

### Opinion

We have audited the financial statements of SITAWI (the "Entity"), which comprise the statement of financial position as at December 31, 2018 and the respective statements of activities, comprehensive surplus (deficit), changes in net assets and cash flows for the year then ended, as well as the corresponding 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 SITAWI as at December 31, 2018, its financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices applicable to small and medium-sized companies (CPC - PME), as introduced by the Committee of Accounting Pronouncements ("CPC").

### Basis for opinion

We conducted our audit in accordance with Brazilian and 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 Entity in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Brazilian accounting practices applicable to small and medium-sized entities (CPC PME), as introduced by CPC 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

## Independent Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing (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 Brazilian standards and 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 Entity'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 uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity 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.

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 controls that we identify during our audit.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, June 28, 2019.

# SITAWI

## Statements of financial position As at December 31, 2018 and 2017 (In Brazilian Reais)

Assets				Liabilities and net assets			
	Note	2018	2017		Note	2018	2017
<b>Current</b>				<b>Current</b>			
Unrestricted cash and cash equivalents	4	1,757	47,280	Labor liabilities	15	122,790	37,990
Financial investments - unrestricted funds	5	949,364	637,069	Tax liabilities	16	27,755	17,264
Financial investments - restricted funds	6	3,822,394	5,256,564	Other accounts payable	17	-	13,532
Accounts receivable	7	2,395,482	47,250	Deferred revenue	18	653,101	-
Environmental and social loans	8	455,641	217,478	Funds from projects in progress	19	7,484,275	6,002,576
Funds from partnerships in social projects	9	467,500	-			8,287,921	6,071,362
Prepaid expenses	10	7,552	16,835				
Advances to employees	11	2,775	2,479				
Advances to suppliers	11	-	7,905				
		8,102,465	6,232,860				
<b>Noncurrent</b>				<b>Noncurrent</b>			
Accounts receivable	7	4,695,753	-	Funds of projects in progress	19	4,695,753	-
Environmental and social loans	8	708,873	531,613			4,695,753	-
Deposits and guarantees	12	41,454	41,454				
Investments	13	167,500	167,500				
		5,613,580	740,567				
				<b>Net assets</b>	20		
				<b>Net assets</b>		806,444	987,144
						806,444	987,144
Fixed assets - unrestricted	14	74,074	85,079				
		74,074	85,079				
				<b>Total liabilities and net assets</b>		13,790,119	7,058,506
<b>Total assets</b>		<b>13,790,119</b>	<b>7,058,506</b>				

The accompanying notes are an integral part of these financial statements.

# SITAWI

## Statements of activities As at December 31, 2018 and 2017 (In Brazilian Reais)

	Note	2018	2017
Net operating revenue			
Revenue from services - unrestricted	21	171,680	179,325
Private grants - unrestricted	22	2,826,178	2,026,090
Revenue from voluntary services	28	22,620	-
		<u>3,020,478</u>	<u>2,205,415</u>
Operating revenues (expenses)			
Expenses on personnel	23	(1,498,931)	(816,990)
General and administrative expenses	24	(1,743,900)	(1,454,690)
Expenses on voluntary service	28	(22,620)	-
Other operating expenses	25	-	(95,309)
Other operating revenues	26	31,437	-
		<u>(3,234,014)</u>	<u>(2,366,989)</u>
Financial income, net	27	32,835	58,661
		<u>32,835</u>	<u>58,661</u>
Deficit for the year		<u><u>(180,700)</u></u>	<u><u>(102,913)</u></u>

The accompanying notes are an integral part of these financial statements.

# SITAWI

## Statements of comprehensive surplus (deficit)

As at December 31, 2018 and 2017

(In Brazilian Reais)

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	2018	2017
Deficit for the year	<u>(180,700)</u>	<u>(102,913)</u>
Other comprehensive surplus (deficit)	<u>-</u>	<u>-</u>
Total comprehensive surplus (deficit) for the year	<u><u>(180,700)</u></u>	<u><u>(102,913)</u></u>

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The accompanying notes are an integral part of these financial statements.

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# SITAWI

## Statements of changes in net assets (In Brazilian Reais)

	Net assets	Accumulated (deficit)/surplus	Total
Balance as at December 31, 2016	1,090,057	-	1,090,057
Deficit for the year	-	(102,913)	(102,913)
Appropriation of deficit for the year to net assets	(102,913)	102,913	-
Others	-	-	-
Balance as at December 31, 2017	987,144	-	987,144
Deficit for the year	-	(180,700)	(180,700)
Appropriation of deficit for the year to net assets	(180,700)	180,700	-
Balance as at December 31, 2018	806,444	-	806,444

The accompanying notes are an integral part of these financial statements.



# SITAWI

## Statements of cash flows As at December 31, 2018 and 2017 (In Brazilian Reais)

	<u>2018</u>	<u>2017</u>
Net operating revenue		
Cash flows from operating activities		
Deficit for the year	(180,700)	(102,913)
Adjustment to reconcile deficit for the year with funds from operating activities		
Depreciation/amortization	15,977	11,191
Outros	-	(87,438)
	<u>(164,723)</u>	<u>(179,160)</u>
Increase (decrease) in assets		
Accounts receivable	(7,043,986)	36,960
Environmental and social loans	(415,423)	614,563
Others	16,892	(28,778)
	<u>(7,910,017)</u>	<u>622,745</u>
Increase/(decrease) in liabilities, net		
Funds from projects in progress	6,177,453	2,814,622
Tax liabilities	10,491	14,071
Labor liabilities	84,800	31,666
Deferred revenue	653,101	-
Other liabilities	(13,532)	11,467
	<u>6,912,313</u>	<u>2,871,826</u>
Net cash from operating activities	<u>(1,162,427)</u>	<u>3,315,411</u>
Cash flows from investing activities		
Addition of investments	-	(167,500)
Addition of fixed assets	(4,971)	(40,707)
Net cash from investing activities	<u>(4,971)</u>	<u>(208,207)</u>
(Decrease)/increase in cash and cash equivalents, net	<u>(1,167,398)</u>	<u>3,107,204</u>
Cash and cash equivalents at beginning of year	5,940,913	2,833,709
Cash and cash equivalents at end of year	4,773,515	5,940,913
(Decrease)/increase in cash and cash equivalents, net	<u>(1,167,398)</u>	<u>3,107,204</u>

The accompanying notes are an integral part of these financial statements.

1. Operations

SITAWI ("Entity") is a nonprofit organization linked to no parties or religion, which has been working for 10 years in Brazil to develop financial solutions for social and environmental impact. Since 2010, the Entity has the certificate of Civil Society Organization in Public Interest (OSCIP).

The Entity has a certificate of recognition of Entity promoting Human Rights, for the purposes of Decree No.46.655/02, valid until January 23, 2020.

The Entity's work is developed in partnership with local organizations and groups, either profit or nonprofit, whose mission is to have greater social and environmental impact.

The experience indicates that more capital, more types of capital and a greater efficiency in allocating and using capital transforms more lives. Thus, SITAWI also works with families, financial institutions and companies, supporting their strategies of allocating charitable or investment funds.

The purpose of SITAWI, according to its by-laws, is to promote human rights, social innovation and fair and sustainable development, being responsible for:

- Supporting organizations of the civil society (associations, foundations and cooperatives), social impact business, similar ventures and institutions that implement or intend to implement projects of significant social and/or environmental impact;
- Promoting, conducting or sponsoring projects that contribute for its purpose, especially in the areas of human rights, environment, social assistance, culture, sports, education, scientific and technological research and/or health, among others;
- Developing, with not-for-profit purposes, new socio-productive models and alternative systems of production, trade, employment and credit, including mechanisms of social finances and sustainable finances;
- Raising philanthropic and financial funds for positive social and/or environmental impact;
- Promoting innovation, especially through basic or applied research of scientific or technological nature or development of new products, services or processes.

2. Presentation of the financial statements

2.1. Statement of compliance

The Entity's financial statements are being presented according to the accounting standards adopted in Brazil, which include the Resolutions of the Federal Association of Accountants (CFC) and Pronouncements of the Committee of Accounting Pronouncements (CPCs).

As the Entity is a non-profit organization, the financial statements were mainly prepared in accordance with ITG 2002 - Non-profit entity, approved by Decision No. 1.409 of September 21, 2012, by Technical Notice CTG 2000, approved by Decision No. 1.159 of February 13, 2009, of the CFC, and by NBC TG 1000 - Accounting for Small and Mid-sized entities, for the aspects not addressed by ITG 2002.

The financial statements were approved by the Entity's Management on June 28, 2018.

2.2. Measurement basis

The financial statements were prepared based on the historical cost, except for financial investments stated at fair value through surplus (deficit).

2.3. Functional and reporting currency

The Entity's management established that its functional currency is the Brazilian Real, according to the provisions of CPC Technical Pronouncement No. 02 (effects on changes in exchange rates and translation of financial statements).

2.4. Use of estimates and judgment

The preparation of financial statements in accordance with Brazilian accounting practices requires the Entity's management to use its best estimates and judgment as a basis for recording certain transactions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of information about its financial information. The final results of these transactions and information, with respect to their effective realization in subsequent periods, may significantly differ from those estimates. The main estimates related to the financial statements refer to the record of the effects arising from provision for legal proceedings, fair value of assets and liabilities, useful lives of fixed assets, provision for losses on assets, among others.

3. Main accounting practices

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, as follows:

a. Cash and cash equivalents

These are represented by cash and cash equivalents in local currency with high liquidity and immaterial risk of change in fair value.

b. Financial investments

These are represented by financial investments realizable within ninety (90) days from investment date or considered of immediate liquidity or convertible into a known cash amount, subject to an insignificant risk of change in value. They are recorded at cost plus income earned up to balance sheet date, not exceeding their market or realization value.

c. Accounts receivable

The accounts receivable correspond to the amounts receivable resulting from non-reimbursable financial support contract, maintained at the nominal value, plus, when applicable, the corresponding charges and monetary variations incurred. If the collection period is one year or less, trade accounts receivable are classified as current assets. Otherwise, they are stated as noncurrent assets.

d. Environmental and social loans

These refer to loans granted to Entities engaged in businesses with social or environmental impact, recognized at fair value with fixed or calculable payments, but not quoted on an active market. They are recorded as current assets, except those with maturity higher than 12 months which are classified as noncurrent assets. These are accounted for at amortized cost, using the effective interest rate method and receivables are discounted to present value, when relevant.

e. Other current and noncurrent assets and liabilities

They are stated at known or payable amounts, plus, when applicable, the respective charges and monetary variations.

f. Fixed assets

(i) Recognition and measurement

Fixed asset items are measured at historic acquisition or construction cost, deducting, when applicable, accumulated impairment losses.

(ii) Depreciation

The depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less residual value.

The depreciation is recognized in the statement of activities on a straight-line basis over the estimated useful lives of each item of fixed assets, given that this is the method that more closely reflects the consumption pattern of future economic benefits included in assets.

Repair and maintenance expenses are capitalized when they represent an increase in installed capacity or useful life of the asset, while the others are recorded in surplus (deficit), according to the accrual basis.

g. Impairment

Fixed assets and other assets are annually tested to check for signs of impairment or else whenever significant events or changes in circumstances indicate that the book value may not be recoverable.

h. Tax liabilities

As a non-profit organization, the Entity enjoys exemption from income and social contribution taxes, pursuant to article 15 of Law No. 9.532/97. It also enjoys exemption from other federal taxes, such as COFINS and PIS (taxes on sales).

i. Results of activities

Revenues and expenses are recognized and recorded on an accrual basis.

The Entity's main revenues are classified as subsidies, as shown in note 22.

The Entity's main expenses are classified in the personnel, third-party services and lease groups as shown in notes 23 and 24.

Notes to the financial statements  
As at December 31, 2018 and 2017  
(In Brazilian Reals)

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## j. Financial instruments

## (i) Financial assets and liabilities

Financial assets and liabilities are recorded at fair value plus, when applicable, transaction costs directly attributed to acquisition or to the issue of financial assets or liabilities. These are measured according to the classification of financial instruments in the following categories: financial assets measured at fair value through surplus (deficit), held-to-maturity investments and financial assets available for sale; and financial liabilities measured at fair through surplus (deficit) and other financial liabilities.

## (ii) Derivative financial instruments

The Entity does not enter into derivative financial instruments.

## 4. Cash and cash equivalents

	<u>2018</u>	<u>2017</u>
Cash	1,644	-
Bank accounts	113	47,280
	<u>1,757</u>	<u>47,280</u>

## 5. Financial investments - unrestricted funds

	<u>2018</u>	<u>2017</u>
Banco Itaú Auto Mais	501	21,989
Banco Itaú Premium	566,478	486,881
Banco Itaú Trust	382,385	128,199
	<u>949,364</u>	<u>637,069</u>

## 6. Financial investments - restricted funds

	<u>2018</u>	<u>2017</u>
Banco Itaú	3,822,394	5,256,564
	<u>3,822,394</u>	<u>5,256,564</u>

These correspond to the funds to be used in the projects registered in the Entity's liabilities.

The financial investments in local currency refer to shares of investment funds which have immediate liquidity and no loss of interest upon redemption. All investments bear interest at Interbank Deposit Rates (CDI) variation.

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## 7. Accounts receivable

	2018	2017
BNDES Cultura	7,091,235	-
Recofarma indústria do Amazonas	-	47,250
	<u>7,091,235</u>	<u>47,250</u>
Current	2,395,482	47,250
Noncurrent	4,695,753	-
	<u>7,091,235</u>	<u>47,250</u>

On December 20, 2018, a contract was signed with the National Bank for Economic and Social Development (BNDES) for non-reimbursable financial support in the amount of seven million, forty-three thousand, six hundred and thirty Brazilian Reais (R\$ 7,043,630). This contract is related to BNDES Fundo Cultural, intended for the Cultural Project "Programa Matchfunding de cultura BNDES", consisting of attracting cultural institutions on the financial instrument called crowdfunding. The project will last 36 months and; therefore, 1/3 was recognized under accounts receivable in current and 2/3 in noncurrent.

## 8. Environmental and social loans

	Rate p.a	2018		2017	
		Current	Noncurrent	Current	Noncurrent
Cooperativa Agroindustrial (i)	12.75%	58,330	-	58,330	-
Ebenezer (ii)	Variable	71,592	35,796	80,510	107,388
Feira Preta (iii)	Variable	-	-	61,766	-
Atina (iv)	Variable	167,150	165,264	-	-
Vela Bike (v)	Variable	20,068	18,552	-	-
HUB (vi)	Variable	18,076	16,570	-	-
Egalite (vii)	Variable	-	407,520	-	407,520
Flexmedical (viii)	Variable	-	-	21,310	-
Interceleri (ix)	Variable	-	-	33,684	-
4you2 Ensino (x)	Variable	211,354	-	50,115	16,705
Ecoservice (xi)	11%	24,176	-	24,176	-
Morada da Floresta(xii)	Variable	5,649	5,178	-	-
Manioca (xiii)	Variable	-	81,262	-	-
(-) Unrecognized interest		(38,249)	(21,270)	-	-
(-) Allowance for doubtful accounts		(82,506)	-	(112,413)	-
		<u>455,641</u>	<u>708,873</u>	<u>217,478</u>	<u>531,613</u>

It refers to loans to associations, foundations, cooperatives and companies engaged in businesses of social or environmental impact, for example, healthcare, shelter, education, gender, race and ethnic equality, or conservation of the ecosystem. The breakdown of loans as at December 31, 2018, is stated above.

- (i) On June 01, 2015, an agreement was entered into between SITAWI and Cooperativa Agroindustrial 8 de junho (Coperjunho) for SITAWI to finance the activities of Coperjunho. The agreement was established in the amount of R\$ 75,000 to be paid in eighteen installments, bearing annual interest of 12.75%, with the last installment maturing on January 05, 2017, which was not settled in the proposed period;

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### Notes to the financial statements As at December 31, 2018 and 2017 (In Brazilian Reais)

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- (ii) On June 01, 2017, Sitawi and Associação Beneficente Ebenezer entered into an agreement, in the amount of R\$ 214,777 disbursed to be paid in 42 installments, with the last maturing on June 21, 2020;
- (iii) On September 28, 2016, agreements between SITAWI and Feira Preta were entered into for the Entity to finance the activities of Feira Preta. The agreement was established in the amount of R\$ 60,000 and the payment in one single installment on December 04, 2018 was received;
- (iv) On June 22, 2018, agreements were entered into between SITAWI and Geodinâmica Editora Ltda, with the purpose of developing Atina Methodology for Elementary School I. The agreement was established in the amount of R\$ 300,688 with the last installment maturing on January 21, 2021;
- (v) On November 21, 2018, agreements were entered into between SITAWI and Vela Bikes. The agreement was established in the amount of R\$ 36,000 with the last installment maturing on November 26, 2020. On November 21, 2018, agreements between SITAWI and HUB Rede de Inovação were entered into. The agreement was established in the amount of R\$ 32,000 with the last installment maturing on November 22, 2020. On December 22, 2016, the Entity entered into a convertible loan with Egalitê. Initially, Egalitê will not pay interests on this loan and, on the other hand, SITAWI will have the option to transform this loan into ownership interest in Egalitê. The amount of the loan is R\$ 400,000;
- (vi) The agreement with Fleximedical was received and ended on January 24, 2018. Interest corresponds to 11.75% p.a. with adjustments each six months according to SELIC rate;
- (vii) On November 14, 2017, Sitawi and the company Interceleri Tecnologia entered into an agreement in the amount of R\$ 32,000.00 disbursed to be paid in 14 installments, with the last maturing on December 21, 2018;
- (viii) On August 25, 2017, Sitawi and the company 4You2 Ensino de Idiomas Ltda entered into an agreement in the amount of R\$ 75,172 to be paid in 20 installments, with the last maturing on April 21, 2019.

On December 20, 2018, Sitawi and the company 4You2 Ensino de Idiomas Ltda. entered into a new agreement in the amount of R\$ 185,817, disbursed to be paid in 01 installment, with the last maturing on June 21, 2019.

- (ix) On August 01, 2014, an agreement between the Entity and A3S-Aquecimento Solar e Soluções Sustentáveis Ltda. (Ecoservice) was entered into for the Entity to finance the activities of Ecoservice. The agreement was established in the amount of R\$ 64.440 to be paid in eighteen installments, bearing annual interest of 11%, with the last installment maturing on February 21, 2016, which was not settled in the proposed period;
- (x) On November 21, 2018, agreements between SITAWI and Morada were entered into. The agreement was established in the amount of R\$ 10,000 with the last installment maturing on November 26, 2020;
- (xi) On December 20, 2018, agreements between SITAWI and Manioca Comércio de Alimentos were entered into. The agreement was established in the amount of R\$ 71,316 with the last installment maturing on 11/21/2020 and the last installment maturing on October 21, 2021.

## 9. Funds of partnerships in social projects

	2018	2017
Associação AMARU (i)	16,135	-
Associação AMECSARA (ii)	35,005	-
Associação ASPROC (iii)	259,176	-
Fundação FAS (iv)	157,184	-
	<u>467,500</u>	<u>-</u>



## SITAWI

### Notes to the financial statements As at December 31, 2018 and 2017 (In Brazilian Reais)

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- (i) Associação de Moradores Extrativista da Reserva de Desenvolvimento Sustentável - AMARU - SITAWI has a subcontract of non-reimbursable financing support entered into with this institution, the amounts above are balances of advances granted in 2018 that are awaiting rendering of accounts by these institutions;
- (ii) Associação dos Moradores Extrativista da Comunidade São Raimundo- AMECSARA - SITAWI has a subcontract of non-reimbursable financing support entered into with this institution, the amounts above are balances of advances granted in 2018 that are awaiting rendering of accounts by these institutions;
- (iii) Associação de Produtores Rurais de Carauari- ASPROC - SITAWI has a subcontract of non-reimbursable financing support entered into with this institution, the amounts above are balances of advances granted in 2018 that are awaiting rendering of accounts by these institutions;
- (iv) Fundação Amazonas Sustentável- FAS - SITAWI has a subcontract of non-reimbursable financing support entered into with this institution, the amounts above are balances of advances granted in 2018 that are awaiting rendering of accounts by these institutions.

#### 10. Prepaid expenses

	<u>2018</u>	<u>2017</u>
Transportation pass	1,538	832
Meal voucher	6,014	2,818
Software licenses	-	2,529
Contribution	-	10,656
	<u>7,552</u>	<u>16,835</u>

The amounts consist of prepaid expenses for 2019.

#### 11. Advance to employees and suppliers

	<u>2018</u>	<u>2017</u>
Advance to legal entity	-	7,905
Advances for travel	-	2,479
Advance for vacation pay	2,775	-
	<u>2,775</u>	<u>10,384</u>

The amounts consist of advances not settled until the balance sheet date to be settled in 2019.

#### 12. Deposit and guarantees

	<u>2018</u>	<u>2017</u>
Collateral deposit	41,454	41,454
	<u>41,454</u>	<u>41,454</u>

It refers to an early deposit of three months of rent of the properties in Voluntários da Pátria - RJ and Teodoro Sampaio - SP. At the end of the contract, these values will be returned, adjusted at the savings account indexes.

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## 13. Investments

In July 2017, with resources from Fiimp Fund, SITAWI made an investment of R\$ 167,500 in the company BEMTEVI INVESTIMENTO SOCIAL LTDA, aiming to promote the area of donations and investments for the social sector, in compliance with the guidelines of Fiimp Fund. In the instrument of compliance No. 20/2016, it acquired from the silent partnership "Bemtevi SCP 2016", 167,500 shares in the amount of R\$ 1.00 each.

## 14. Fixed assets - unrestricted

	Depreciation rate %	2017	Addition	Depreciation	2018
IT equipment	20	39,451	4,603	(10,039)	34,015
Machinery and equipment	10	20,996	-	(2,865)	18,132
Furniture and fixtures	10	23,651	369	(2,836)	21,183
Software usage right	10	981	-	(238)	743
		<u>85,079</u>	<u>4,972</u>	<u>(15,977)</u>	<u>74,074</u>

  

	Depreciation rate %	2016	Addition	Depreciation	2017
IT equipment	20	16,352	29,233	(6,134)	39,451
Machinery and equipment	10	13,826	9,286	(2,116)	20,996
Furniture and fixtures	10	25,385	1,000	(2,734)	23,651
Software usage right	10	-	1,188	(207)	981
		<u>55,563</u>	<u>40,707</u>	<u>(11,191)</u>	<u>85,079</u>

## Impairment

The impairment of non-financial assets as defined in section 27 of NBC TG 1000 is recognized as loss when the carrying amount of an asset is higher than its recoverable or realizable value. Impairment charges, if applicable, are recorded in surplus (deficit) of the period in which they were identified.

## 15. Labor liabilities

	2018	2017
Provision for Vacation Pay	48,510	12,935
Vacation pay charges	16,736	4,333
Salary payable	700	-
Management fees	-	5,247
INSS (Social security tax) payable	49,398	15,348
FGTS (Severance pay fund) payable	6,777	-
PIS (Tax on sales) - payroll	669	126
	<u>122,791</u>	<u>37,990</u>

## SITAWI

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#### 16. Tax liabilities

	<u>2018</u>	<u>2017</u>
IRRF (Withholding income tax) - Legal entity	573	651
IRRF on payroll	21,111	9,779
IRRF loans	299	592
PIS/COFINS and CSLL (PCC)	1,776	2,069
ISS (Tax on service)	3,158	2,363
Withheld ISS	837	1,810
	<u>27,755</u>	<u>17,264</u>

It refers to retained amounts of employees, self-employed workers and companies that render services to SITAWI and taxes on billing. These amounts will be transferred to the government in January 2019, meeting the maturity date.

#### 17. Other accounts payable

	<u>2018</u>	<u>2017</u>
Accounts payable	-	13,532
	<u>-</u>	<u>13,532</u>

In general, SITAWI operates with its suppliers without a specific average deadline, usually following the deadlines of business negotiations for each operation.

#### 18. Deferred Revenue

	<u>2018</u>	<u>2017</u>
Mott Foundation	559,768	-
Instituto Clima e Sociedade	93,333	-
	<u>653,101</u>	<u>-</u>

These are prepayments of contributions from associates for apportionment of the monthly fee in 2019.

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19. Funds of projects in progress

These refer to obligations to transfer funds to partners as agreed upon in the partnership agreements entered into between parties. The breakdown of these transfers is stated below:

	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Familia C (i)	1,531,201	-	1,534,256	-
Fundo Mais Unidos (ii)	-	-	417,364	-
Fundação BMW (iii)	61	-	13,252	-
Ford - Fórum Justiça (iv)	335,134	-	403,086	-
Fundo Intercement (v)	38,528	-	324,450	-
Agora! (vi)	-	-	1,863,298	-
FNE-Filantrópicos (vii)	818,308	-	188,011	-
Fundo FIIMP (viii)	247,925	-	489,757	-
Projeto TMJ (ix)	683,074	-	769,102	-
Nova Democracia (x)	29,709	-	-	-
Fundo Janelas Abertas (xi)	1,299,950	-	-	-
Fundo Rede Consciência (xii)	152,509	-	-	-
BNDES Cultura (xiii)	2,347,877	4,695,753	-	-
	<u>7,484,275</u>	<u>4,695,753</u>	<u>6,002,576</u>	<u>-</u>

- (i) The social fund Familia C started its operations on December 6, 2012. In Brazil, the concept of philanthropy is less developed than in other countries, such as the United States, where philanthropic support to the social sector is 30 times higher than in Brazil. There are some tendencies and pioneer philanthropists that are changing this perspective for the Brazilian philanthropy to increasingly grow. Familia C wanted to support the socio-environmental development of Brazil in a sustainable manner and has identified in the concept of social business venture a powerful tool to make long-term changes;
- (ii) Created in 2006, Grupo +Unidos is a partnership between the United States Agency for International Development (USAID) with a group of 18 American companies, composed by 3M, Burson Marsteller, Caterpillar, CitiBank, Coca-Cola, Cummins, Dow, ExxonMobil, GE, Intel, Internacional Paper, Johnson & Johnson, KPMG, Microsoft, Monsanto, Motorola Solutions, PayPal and Qualcomm. Its proposal is to benefit the Brazilian society through educational and environmental initiatives. In 2018 Grupo + Unidos established its own CNPJ (Corporate Taxpayers' Register) and started to operate its funds directly, and SITAWI fulfilled its role of encouraging initiatives until they have experience enough to become independent;
- (iii) The BMW Fund started its operations in November 2014. To boost the start of its activities in Brazil, BMW Foundation decided to open a social fund with SITAWI. The German institution aims to promote fruitful discussions for the common good and social innovation;
- (iv) Started in October 2016 with the support of Ford Foundation, the Fund Fórum Justiça aims to discuss legal justice with a public purpose. The Fund also aims to stimulate debates about a democratic and republican model of justice, observing the Latin American context. The project was granted an amount of 200 thousand US dollars for the performance of its activities during two years. SITAWI is responsible for the administrative and financial management of these resources;

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- (v) Instituto InterCement is the face of Corporate Social Responsibility of InterCement. It develops priority projects in the area of early childhood, youth, basic education and voluntary work and, most recently, promotes environmental education, preservation and protection of local biodiversity, focusing on the innovation and construction of sustainable partnerships. The mentioned fund started its activities in January 2017, aiming to make a pilot experience of operation of resources through third parties to finance "collective ideas" of up to R\$ 25 thousand each;
- (vi) The Fund AGORA represents a network of leaderships which is starting a non-partisan political movement for a fairer development of the country. Its activities started in February 2017. The fund assumed an indirect political character to help forming new leaderships that could eventually become political leaders. Since SITAWI does not finance politicians or political parties, SITAWI's Board decided to discontinue the fund in 2018;
- (vii) FNE (Non-exclusive Funds) is a fund from SITAWI where the projects and funds that do not have a specific intercompany account are allocated. In 2018, we had two active funds in FNE, which are:
- Mahle Fund: INOCAS is developing the project "Sustainable Extractivism of Organic Macaúba", in the mining municipalities of Patos de Minas, Arapuá, Carmo do Paranaíba, Presidente Olegário and Tiros. Since 2017, the financial management of the initiative is performed by SITAWI and it is financed by the Mahle Institute, an organization that promotes human development through social and economic inclusion that donated R\$ 75 thousand, part of the funds to carry out the activities;
  - Fund Nova Democracia began in 2017 in FNE (Non-exclusive Funds) account, with increase in the number of transactions, the fund started to have an exclusive account in February 2018.
- (viii) Fund FIIMP started in December 2016 and it is composed by 22 foundations and institutions aiming to learn, follow and know the results of investments in businesses of socio-environmental impact, experimenting the use of different finance mechanisms;
- (ix) The Program Território Médio Juruá (TMJ) is a project financed by USAID in partnership with Coca-Cola Brasil and Natura, on behalf of the Forum of Territorial Development of Médio Juruá, to preserve the biodiversity of the municipality of Carauari-AM, by means of chains of sustainable value and a plan of territorial development;
- (x) Nova Democracia is a coalition that manages a platform dedicated to gathering and promoting collaboration among people, civil society movements and organizations to improve the rules, conditions and practices of the political dispute in the country and the daily interface between institutions and society. Its fund is managed by SITAWI since 2017;
- (xi) Janelas Abertas is a non-profit organization created to allocate scholarships from Eleva School in Rio de Janeiro to extraordinary low-income students. The Association established a matchfunding, in which for each student financed by one donor, Eleva School guarantees the education of another student. In addition to financial support, the scholarship program provides pedagogical and psychological support to students and their families and, in 2018, awarded 55 scholarships. The financial resources raised by the Association are managed by SITAWI since 2018;
- (xii) Rede Dinheiro e Consciência is a coalition that develops lectures and discloses contents about the conscious use of money, and in 2018 developed its pilot program of collective loan (crowdlending), in partnership with SITAWI, with the involvement of R\$ 1.25 million in loans for three social businesses;
- (xiii) BNDES + is a partnership between SITAWI, BNDES and Benfeitoria, the latter is a crowdfunding platform, to foster initiatives that promote Brazilian cultural heritage. Benfeitoria is responsible for convening and selecting initiatives for fundraising projects through crowdfunding. If these initiatives are successful in raising funds, BNDES contributes three times the amount raised for these initiatives (at each 1 Brazilian real received through crowdfunding, 2 Brazilian Reais are received from BNDES). SITAWI is responsible for the management of BNDES funds.

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### 20. Net assets

#### (a) Net assets

Net assets are made up of the funds totally paid in from the initial donation, plus or less the surpluses or deficits resulting from the Entity's activities, calculated at the end of each fiscal year.

#### (b) Accumulated surplus (deficit)

It refers to the amount of surplus / deficit for the year to be submitted to the General Meeting for incorporation of the Entity's net assets.

The Entity recorded deficit as at December 31, 2018 in the amount of R\$ 180,700 (R\$ 102,913 in 2017).

### 21. Revenue from services rendered - unrestricted

It mainly refers to revenues from advisory services rendered in 2018 in the net amount of R\$ 171,680 (R\$ 179,325 in 2017).'

### 22. Private grants - unrestricted

These record donation funds received by SITAWI to realize its core expenses (donations) and supplemental expenses:

	<u>2018</u>	<u>2017</u>
Donations	1,779,032	1,531,507
Net revenues from loans	7,366	17,391
Recovery of Expenses in Funds	<u>1,039,780</u>	<u>477,192</u>
	<u><u>2,826,178</u></u>	<u><u>2,026,090</u></u>

The fund reversals refer to amounts that the Entity reverses to use in its finances arising from amounts received from the social funds. Taking into consideration the agreement entered into with each fund, these funds are used to maintain the Entity's operating activities.

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## 23. Personnel expenses

	2018	2017
Management compensation	507,296	421,338
Salaries	440,085	90,592
Vacation pay	54,644	11,925
Year-end bonus	35,968	10,014
Interns	34,352	83,472
Selection and trainings	26,726	8,438
Bonuses	7,912	8,705
Life insurance	637	120
Transportation pass	14,860	8,444
Workers' Meal Program	60,427	24,063
Health insurance	24,240	13,961
Instruction expenses	2,746	1,237
INSS	110,435	29,898
FGTS	40,447	9,380
Charges on vacation pay	18,198	4,732
Year-end bonus charges	12,391	3,355
PIS on payroll	4,389	1,311
INSS on management fees	103,180	86,008
	<u>1,498,931</u>	<u>816,990</u>

## 24. Administrative expenses

	2018	2017
Rent - sundry	5,750	1,616
Rent and HOA fees	186,146	168,191
Subscriptions and publications	2,065	519
Commuting	640	24,956
Maintenance, conservation and repairs	13,625	2,756
Depreciation and amortization	15,977	11,191
Expenses on permanent assets	10,682	5,483
Expenses on communication	11,531	12,667
Expenses on vehicles	-	1,158
Sundry expenses	-	500
Legal expenses	4,322	1,126
Freight	1,510	480
Taxes, fees and contributions	53,918	25,658
Electricity	22,051	21,373
Office supply/materials	16,239	9,646
Restatement	-	204
Insurance	270	540
Services rendered - Natural person	13,709	16,388
Services rendered - Legal entity	-	56,750
Travel and lodging	320,899	217,397
Meals and snacks	9,894	30,306
Mail services	10,174	8,381
Services rendered by legal entity - Accounting	34,504	56,044
Services rendered by legal entity - Legal counseling	15,376	23,867
Services rendered by legal entity - IT	70,665	18,708
Graphic services	62,873	26
Marketing	258,909	-
Union Dues	-	240
BDO RCS Auditores Independentes	32,656	5,195
Usage license	8,774	5,514
INSS - self-employed workers	2,742	3,278
Services rendered	545,710	711,719
Property Tax (IPTU)	12,286	12,815
	<u>1,743,900</u>	<u>1,454,690</u>

SITAWI

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25. Other operating expenses

	<u>2018</u>	<u>2017</u>
Loss on uncollectible receivables (i)	-	87,438
Others	-	7,871
	<u>-</u>	<u>95,309</u>

(i) It refers to uncollectible losses related to three clients of loans that are in default in the payment of these: Ecoservice, Coperjunho and Feira Preta. Ecoservice and Coperjunho are being collected through a legal proceeding, while Feira Preta had its debt renegotiated with SITAWI.

In 2018, the Entity did not need to recognize deficit.

26. Other operating revenues

	<u>2018</u>	<u>2017</u>
Reversal of provision (i)	31,437	-
	<u>31,437</u>	<u>-</u>

(i) It refers to reversal of provision for uncollectible losses related to two clients of loans that are in default in the payment of these: Ecoservice and Coperjunho.

These are being collected through a legal proceeding.

27. Net financial income

	<u>2018</u>	<u>2017</u>
Financial revenues		
Interest gains	2,672	-
Discounts obtained	862	-
Return on financial investments	52,882	78,618
	<u>56,416</u>	<u>78,618</u>
Financial expenses		
Interest losses	(5,412)	(439)
Discounts granted	(4)	-
Bank expenses	(3,520)	(2,499)
Income tax on financial investment	(9,441)	(16,003)
Monetary losses	(13)	-
Selling expenses	(4,308)	(431)
Tax on Financial Transactions (IOF)	(883)	(585)
	<u>(23,581)</u>	<u>(19,957)</u>
	<u>32,835</u>	<u>58,661</u>



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### 28. Expenses on volunteers

	2018	2017
Revenue from voluntary service	22,620	-
Expenses on voluntary service	(22,620)	-
	-	-

As established by ITG 2002, for the purpose of compliance with the applicable resolution, the Entity has identified and measured the volunteer work received during 2018.

None of the amounts above resulted in corresponding cash disbursements, they were recognized in 2018 as operating revenue and expense in the statement of activities in equal amounts, with no effect in surplus for the year.

### 29. Tax waiver

#### a) Immunity

As a non-profit organization, the Entity enjoys exemption from income and social contribution taxes, pursuant to article 15 of Law No. 9.532/97. It also enjoys exemption from other federal taxes, such as COFINS and PIS.

SITAWI is exempt from the Estate Tax (ITCMD), as per exemption statement - Finance Department of the State of São Paulo, valid from October 15, 2018 until October 14, 2019.

#### b) Tax Burden

Considering that the Entity reported accounting and tax losses, we will not show the balance that could be due from taxes.

### 30. Requirements for the Maintenance of Tax Immunity

The only Statute that provides requirements for the enjoyment of tax immunity is the Brazilian Tax Code (CTN).

Article 14 of the Brazilian Tax Code establishes the requirements for the enjoyment of tax immunity. These are provided for in SITAWI's Bylaws and its compliance (operation) can be proven by its accounting bookkeeping (Financial Statements, General Journal and Ledger), in which we transcribe:

- Do not distribute any portion of its assets or income, for any purpose (article 31 of the Bylaws);

- Fully apply, in the country, its resources in the maintenance of its institutional purposes;
- Keep the bookkeeping of its revenues and expenses in books filled with formalities capable of ensuring their accuracy (article 34 of the Bylaws).

### 31. Financial instruments

The existing financial transactions involve usual assets and liabilities related to the Entity's business activity, especially short-term investments, accounts receivable and payable. These transactions are presented in the statements of financial position at cost plus related revenues and expenses which, in view of the nature of the transactions and maturities, approximate market values. During 2018 and 2017, the Entity did not conduct transactions with derivatives.

The Entity is exposed to the following risks resulting from the use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

#### 31.1. Risk management structure

The Entity evaluates the risks of its financial instruments and defines which limits are appropriate and acceptable considering their operations and goals.

#### 31.2. Credit risk

Credit risk is the risk of financial deficit of the Entity, if a counterparty, in any of the agreements, fails to fulfill its contractual obligations, which arise mainly from its receivables. Historically, the Entity has not incurred significant losses resulting from customers not meeting their financial obligations with their financing agents.

#### 31.3. Liquidity risk

It results from the possibility of the Entity finding difficulties to comply with the obligations associated to its financial liabilities settled through payments in cash or through other financial assets. The Entity's approach in the management of this risk is to guarantee enough liquidity to meet its obligations at maturity, under regular or unusual conditions, with no unacceptable losses or risking the Entity's recovery.

31.4. Market risk

Market risk is the risk that market price changes, such as financial investment interest rates, affect the Entity's gains due to its portfolio or the amount of its interest in financial instruments. The Entity manages the market risks through financial investments in low risk market funds and with low financial leverage, always with top-tier financial institutions.

32. Insurance (unaudited)

Assets, interests and liabilities are covered in amounts deemed sufficient by Management to cover possible losses.

The policies are in effect and premium payments were properly made. The Entity considers that it has a program to manage risks with the purpose of mitigating them, seeking coverage compatible with its size and operations.

Given the nature of the risk assumptions adopted, they are not part of the scope of an audit of financial statements and, therefore, were not audited by the independent auditors.

33. Management compensation

There is no direct or indirect compensation to the Board members of the Entity.

34. Provision for contingencies

In the ordinary course of conducting its business, the Entity is subject to labor, civil and tax actions. Management, relying on its legal counsel's opinion or that of other technical specialists, when applicable, evaluates the possible outcome of ongoing lawsuits, and the need for setting up provisions for contingencies arising from them.

As at December 31, 2018, based on the opinion of its legal counselors, there are no ongoing lawsuits; therefore, no provision for amounts of such nature was made.

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## 35. Financial ratios

		<u>2018</u>	<u>2017</u>
Immediate Liquidity			
Cash and cash equivalents	1,757	0.00	0.01
Current liabilities	<u>8,287,921</u>		
Current liquidity			
Current assets	8,102,465	0.98	1.03
Current liabilities	<u>8,287,921</u>		
Overall Liquidity			
Current and noncurrent assets	13,790,119	1.06	1.15
Current and noncurrent liabilities	<b><u>12,983,674</u></b>		
Fixed assets to net assets ratio			
Fixed assets	74,074	0.09	0.09
Equity	<b><u>806,444</u></b>		
Fixed assets to working capital ratio			
Fixed assets	74,074	0.01	0.01
Net assets and current liabilities	<b><u>9,094,365</u></b>		

## 36. Subsequent Events

Until the present date, there were no events that may significantly affect the financial statements or the Entity's operations.