

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

SITAWI

Independent auditor's report

Financial statements
As at December 31, 2019

SITAWI

Financial statements
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the
Management of
Sitawi
Rio de Janeiro - RJ

Opinion on the financial statements

We have audited the financial statements of Sitawi (the "Entity"), which comprise the statement of financial position as at December 31, 2019 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 the Entity as at December 31, 2019, its financial performance and cash flows for the year then ended, in conformity with Brazilian accounting practices applicable to small and mid-sized entities (NBCTG 1000) and non-profit entities (ITG-2002).

Basis for opinion on the financial statements

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 for the financial statements

The Entity's Management is responsible for the preparation and fair presentation of these financial statements in accordance with Brazilian accounting practices applicable to small and mid-sized entities (NBC TG 1000) and to non-profit entities (ITG 2002-R1) and for the internal controls considered necessary to allow the preparation of financial statements free of 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 taken 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 controls;
- 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 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, August 28, 2020.

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Statements of financial position As at December 31, 2019 and 2018 (In Brazilian Reais)

Assets				Liabilities and net assets			
	Note	2019	2018		Note	2019	2018
Current				Current			
Unrestricted cash and cash equivalents	4	13,444	1,757	Labor liabilities	16	165,800	122,790
Financial investments - unrestricted funds	5	326,394	949,364	Tax liabilities	17	30,368	27,755
Financial investments - restricted funds	6	4,841,278	3,822,394	Other accounts payable	18	23,306	-
Accounts receivable	7	3,833,212	2,395,482	Deferred revenue	19	201,243	653,101
Environmental and social loans	8	749,473	455,641	Funds from projects in progress	20	9,081,259	7,484,275
Funds from partnerships in social projects	9	333,990	467,500			9,501,976	8,287,921
Taxes and contributions to offset	10	8,407	-				
Prepaid expenses	11	7,606	7,552				
Advances to employees and suppliers	12	26,420	2,775				
		10,140,226	8,102,465				
Noncurrent				Noncurrent			
Accounts receivable	7	2,347,877	4,695,753	Funds from projects in progress	20	2,894,186	4,695,753
Environmental and social loans	8	555,533	708,873			2,894,186	4,695,753
Deposits and guarantees	13	41,454	41,454				
Investments	14	195,978	167,500				
		3,140,842	5,613,580				
Fixed assets - unrestricted	15	80,142	74,074	Net assets	21	965,049	806,444
		80,142	74,074	Net assets		965,049	806,444
Total assets		13,361,210	13,790,119	Total liabilities and net assets		13,361,210	13,790,119

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

SITAWI

Statements of activities

For the years ended December 31, 2019 and 2018

(In Brazilian Reais)

	Note	2019	2018
Net operating revenue			
Revenue from services - unrestricted	22	181,706	171,680
Private grants - unrestricted	23	3,683,328	2,826,178
Revenue from voluntary services	29	19,024	22,620
		<u>3,884,059</u>	<u>3,020,478</u>
Operating revenues/(expenses)			
Expenses on personnel	24	(2,256,556)	(1,498,931)
General and administrative expenses	25	(1,494,622)	(1,743,900)
Expenses on voluntary service	29	(19,024)	(22,620)
Other operating expenses	26	(4,016)	-
Other operating revenues	27	13,781	31,437
		<u>(3,760,437)</u>	<u>(3,234,014)</u>
Net financial income (loss)	28	34,984	32,835
		<u>34,984</u>	<u>32,835</u>
Surplus/(deficit) for the year		<u><u>158,605</u></u>	<u><u>(180,700)</u></u>

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

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Statements of comprehensive surplus (deficit) For the years ended December 31, 2019 and 2018 (In Brazilian Reais)

	<u>2019</u>	<u>2018</u>
Surplus/(deficit) for the year	158,605	(180,700)
Other comprehensive surplus (deficit)	-	-
Total comprehensive surplus (deficit) for the year	<u>158,605</u>	<u>(180,700)</u>

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

SITAWI

Statements of changes in net assets

For the years ended December 31, 2019 and 2018

(In Brazilian Reais)

	Net assets	Accumulated (deficit)/surplus	Total
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
Surplus for the year	-	158,605	158,605
Appropriation of surplus for the year to net assets	158,605	(158,605)	-
Balance as at December 31, 2019	965,049	-	965,049

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

SITAWI

Statements of cash flows

For the years ended December 31, 2019 and 2018

(In Brazilian Reais)

	2019	2018
Cash flows from operating activities		
Surplus/(deficit) for the year	158,605	(180,700)
Adjustment to reconcile surplus/(deficit) for the year with funds from operating activities		
Amortization/(depreciation)	18,430	15,977
	<u>177,036</u>	<u>(164,723)</u>
Increase/(decrease) in assets		
Accounts receivable	910,147	(7,043,986)
Environmental and social loans	(140,493)	(415,423)
Funds from partnerships in social projects	133,510	(467,500)
Others	(32,107)	16,892
	<u>871,057</u>	<u>(7,910,017)</u>
(Decrease)/increase in liabilities		
Funds from projects in progress	(204,584)	6,177,453
Tax liabilities	2,613	10,491
Labor liabilities	43,010	84,800
Deferred revenue	(451,859)	653,101
Other liabilities	23,306	(13,532)
	<u>(587,514)</u>	<u>6,912,313</u>
Net cash from operating activities	<u>460,579</u>	<u>(1,162,427)</u>
Cash flows from investing activities		
Addition of investments	(28,478)	-
Addition of fixed and intangible assets	(24,499)	(4,971)
Net cash from investing activities	<u>(52,977)</u>	<u>(4,971)</u>
Increase/(decrease) in cash and cash equivalents, net	<u>407,602</u>	<u>(1,167,398)</u>
Cash and cash equivalents at beginning of year	4,773,515	5,940,913
Cash and cash equivalents at end of year	5,181,117	4,773,515
Increase/(decrease) in cash and cash equivalents, net	<u>407,602</u>	<u>(1,167,398)</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 11 years in Brazil to develop financial solutions for social and environmental impact. Since 2010, the Entity has the certificate of Civil Society Organization Affected With a 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, 2022.

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:

- I) 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;
- II) 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;
- III) 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;
- IV) Raising philanthropic and financial funds for positive social and/or environmental impact;
- V) 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 financial statements were prepared by the Entity's management and are being presented according to the accounting standards adopted in Brazil, which include the Resolutions of the Federal Association of Accountants (CFC) and the pronouncements of the Accounting Pronouncements Committee (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 Resolution No. 1.409 of September 21, 2012, by Technical Notice CTG 2000, approved by Resolution No. 1.159 of February 13, 2009, of the CFC, and by NBC TG 1000 - Accounting for Small and Mid-sized entities, for aspects not addressed by ITG 2002.

The financial statements were approved by the Entity's Management on August 28, 2020.

2.2. Measurement basis

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

2.3. Functional and reporting currency

These financial statements are presented in Brazilian Reals (R\$), which is the functional and reporting currency of the Entity.

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 Brazilian accounting practices, as follows:

3.1. 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.

3.2. 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.

3.3. 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.

3.4. 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.

3.5. Other current and noncurrent assets and liabilities

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

3.6. 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 other expenses are recorded in surplus (deficit), according to the accrual basis.

3.7. 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.

3.8. 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).

3.9. 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 23.

The Entity's main expenses are classified in personnel, third-party services and lease groups as shown in Notes 24 and 25.

3.10. 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 into the following categories: financial assets measured at fair value through income (loss), held-to-maturity investments and financial assets available for sale; and financial liabilities measured at fair through income (loss) and other financial liabilities.

(ii) Derivative financial instruments

The Entity does not enter into derivative financial instruments.

4. Cash and cash equivalents

	2019	2018
Cash	3,248	1,644
Banks	10,196	113
	<u>13,444</u>	<u>1,757</u>

5. Financial investments - unrestricted funds

	2019	2018
Banco Itaú S.A. - Auto Mais	48,253	501
Banco Itaú S.A - Premium	196,714	566,478
Banco Itaú S.A. - Trust	81,428	382,385
	<u>326,394</u>	<u>949,364</u>

6. Financial investments - restricted funds

	2019	2018
Banco Itaú S.A.	4,841,278	3,822,394
	<u>4,841,278</u>	<u>3,822,394</u>

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

The financial investments refer to shares of investment funds which have immediate liquidity and no loss of interest upon redemption.

All investments bear interest at Interbank Deposit Rate (CDI) variation.

Notes to the financial statements
As at December 31, 2019 and 2018
(In Brazilian Reais Reais)

7. Accounts receivable

	2019	2018
BNDES Cultura	5,707,630	7,091,235
Domestic accounts receivable	173,459	-
Instituto Humanize	300,000	-
	<u>6,181,089</u>	<u>7,091,235</u>
Current	3,833,212	2,395,482
Noncurrent	2,347,877	4,695,753

On December 20, 2018, a contract was signed with the Social Development Bank (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, 2/3 was recognized under accounts receivable in current and 1/3 in noncurrent.

8. Environmental and social loans

	Annual rate	2019		2018	
		Current	Noncurrent	Current	Noncurrent
Cooperativa Agroindustrial (i)	12.75%	58,330	-	58,330	-
Ebenezer (ii)	Variable	35,796	-	71,592	35,796
Adere (iii)	12%	75,216	13,870	-	-
Atina (iv)	Variable	212,165	48,110	167,150	165,264
Vela Bike (v)	Variable	19,073	-	20,068	18,552
HUB (vi)	Variable	14,269	53	18,076	16,570
Egalite (vii)	Variable	-	407,520	-	407,520
Coopesertão (viii)	12.87%	5,638	3,150	-	-
Fluxo Stattus4_FAMC (ix)	12.87%	43,116	22,400	-	-
4you2 Ensino (x)	Variable	180,000	-	211,354	-
Ecoservice (xi)	11%	24,176	-	24,176	-
Morada da Floresta (xii)	Variable	4,460	-	5,649	5,178
Manioca (xiii)	Variable	64,787	-	-	81,262
Fluxo UpSaúde_FAMC (xiv)	12.87%	4,797	2,450	-	-
UP SAÚDE (xv)	12.87%	-	580	-	-
Fluxo Inteceleri_SABIN (xvi)	12.87%	19,730	10,150	-	-
Fluxo Organicos_SABIN (xvii)	12.87%	92,918	47,250	-	-
(-) Interest to recognize		-	-	(38,249)	(21,270)
(-) Allowance for doubtful accounts		(104,997)	-	(82,506)	-
		<u>749,473</u>	<u>555,533</u>	<u>455,641</u>	<u>708,873</u>

It refers to loans to associations, foundations, cooperatives and companies engaged in businesses of social or environmental impact (healthcare, shelter, education, gender, race and ethnic equality, or conservation of the ecosystem).

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Notes to the financial statements As at December 31, 2019 and 2018 (In Brazilian Reais Reais)

- (i) On June 01, 2015, an agreement was entered into between Sitawi and Cooperativa Agroindustrial 08 de junho (Coperjunho) The purpose of the agreement is for SITAWI to finance the activities of Coperjunho. The agreement was established in the amount of R\$ 75,000 to be paid in 18 installments, bearing annual interest of 12.75%, with last installment matured on January 05, 2017, which was not settled in the proposed period;
- (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 January 08, 2019, Sitawi and Associação para Desenvolvimento, Educação e Recuperação Excepcional entered into an agreement, in the amount of R\$ 81.800 disbursed to be paid in 25 installments, with the last maturing on March 21, 2021;
- (iv) On June 22, 2018, an agreement was 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, an agreement was 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;
- (vi) On November 21, 2018, an agreement between Sitawi and HUB Rede de Inovação was entered into. The agreement was established in the amount of R\$ 32,000 with the last installment maturing on November 22, 2020;
- (vii) On December 22, 2016, the Entity entered into a convertible loan agreement 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;
- (viii) Sitawi and Cooperativa Ser do Sertão entered into the following agreements:
 - a. On June 14, 2019, an agreement was established in the amount of R\$ 50,000 with the last installment maturing on August 21, 2019.
 - b. On October 10, 2019, an agreement was established (CCB loan platform) in the amount of R\$ 9,000 with the last installment maturing on October 01, 2021.
- (ix) On October 10, 2019, an agreement was established (CCB loan platform) between Sitawi and STATTUS4 Cidades Inteligentes e Sustentabilidade Ltda. in the amount of R\$ 69,000 with the last installment maturing on October 01, 2021;
- (x) The principal remaining amount, totaling one hundred eighty thousand Brazilian Reais (R\$ 180,000.00) will be settled by the subscription of common shares of the company 4YOU2 Ensino de Idiomas S.A. (Financed party) by Sitawi (Financer) and payment using credits held by the latter in the Financed party;
- (xi) On August 01, 2014, an agreement between Sitawi 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 18 installments, bearing annual interest of 11%, with last installment matured on February 21, 2016, which was not settled in the proposed period;
- (xii) On November 21, 2018, an agreement between Sitawi and Morada da Floresta was entered into. The agreement was established in the amount of R\$ 10,000 with the last installment maturing on November 26, 2020;
- (xiii) On December 20, 2018, an agreement between Sitawi and Manioca Comércio de Alimentos was entered into. The agreement was established in the amount of R\$ 71,316 with first installment maturing on November 21, 2020 and last installment maturing on October 21, 2021;
- (xiv) On October 10, 2019, an agreement was established (CCB loan platform) between Sitawi and UPSAUDE Desenvolvimento de Software Ltda. in the amount of R\$ 7,000 with the last installment maturing on October 01, 2021;

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Notes to the financial statements As at December 31, 2019 and 2018 (In Brazilian Reals Reais)

- (xv) On November 21, 2019, an agreement was established between Sitawi and UPSAUDE Desenvolvimento de Software Ltda. whose amount shall be deposited to the client in 24 installments;
- (xvi) On October 10, 2019, an agreement was established (CCB loan platform) between Sitawi and Inteceleri Tecnologia para Educação in the amount of R\$ 38,000 with the last installment maturing on October 01, 2021;
- (xvii) On October 10, 2019, an agreement was established (CCB loan platform) between Sitawi and Orgânicos in Box Ltda. in the amount of R\$ 109,000 with the last installment maturing on October 01, 2021.

9. Funds from partnerships in social projects

	<u>2019</u>	<u>2018</u>
Associação AMARU (i)	31,073	16,135
Associação AMECSARA (ii)	5,569	35,005
Associação ASPROC (iii)	234,102	259,176
Fundação FAS (iv)	63,246	157,184
	<u>333,990</u>	<u>467,500</u>

- (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 2019 that are awaiting rendering of accounts by this institution;
- (ii) 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 2019 that are awaiting rendering of accounts by this institution;
- (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 2019 that are awaiting rendering of accounts by this institution;
- (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 2019 that are awaiting rendering of accounts by this institution.

10. Taxes and contributions to be offset

	<u>2019</u>	<u>2018</u>
Recoverable Income Tax	7,148	-
Recoverable PIS	1,260	-
	<u>8,407</u>	<u>-</u>

The amounts will be offset in future periods by means of Offset Declarations (DCOMPs).

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Notes to the financial statements As at December 31, 2019 and 2018 (In Brazilian Reals Reais)

11. Prepaid expenses

	2019	2018
Newspaper and other subscriptions to recognize	206	-
Transportation pass	1,194	1,538
Meal voucher	6,206	6,014
	<u>7,606</u>	<u>7,552</u>

The amounts consist of prepaid expenses for 2020.

12. Advance to employees and suppliers

	2019	2018
Advance to legal entity	5,273	-
Salary advances	5,250	-
Sundry advances	12,516	-
Vacation pay advances	3,381	2,775
	<u>26,420</u>	<u>2,775</u>

The amounts consist of advances not settled until the balance sheet date to be settled in 2020.

13. Deposit and guarantees

	2019	2018
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.

14. 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.

Notes to the financial statements
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In November 2019, with resources from Fundo Família C, Sitawi made an investment of R\$ 28,478 in the company 4YOU2 Ensino de Idiomas, referring to the subscription of 8 Class A Preferred Shares.

15. Fixed assets - unrestricted

	Depreciation rate %	2018	Addition	Depreciation	2019
IT equipment	20	34,015	18,409	(11,850)	40,575
Machinery and equipment	10	18,132	-	(2,865)	15,268
Furniture and fixtures	10	21,183	4,480	(3,228)	22,434
Software usage right	10	743	1,610	(488)	1,866
		<u>74,074</u>	<u>24,499</u>	<u>(18,430)</u>	<u>80,142</u>

	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>

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.

Management did not find indication of impairment of its non-financial assets.

16. Labor liabilities

	2019	2018
Provision for vacation pay and year-end bonus	80,705	48,510
Vacation pay and year-end bonus charges	27,843	16,736
Salaries payable	6,193	700
Management fees	-	-
INSS (Social Security Tax) payable	42,971	49,398
FGTS (Severance Pay Fund) payable	7,376	6,777
PIS on payroll	712	669
	<u>165,800</u>	<u>122,790</u>

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17. Tax liabilities

	2019	2018
IRRF (Withholding Income Tax) - Legal entity	721	573
IRRF on payroll	25,328	21,111
IRRF on loans	791	299
PCC (PIS, COFINS and CSLL)	2,634	1,776
ISS (Tax on services)	-	3,158
ISS withheld	894	837
	<u>30,368</u>	<u>27,755</u>

It refers to retained amounts from 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 2020, according to their the maturity date.

18. Other accounts payable

	2019	2018
Accounts payable	23,306	-
	<u>23,306</u>	<u>-</u>

19. Deferred Revenue

	2019	2018
Mott Foundation	201,243	559,768
Instituto Clima e Sociedade	-	93,333
	<u>201,243</u>	<u>653,101</u>

These are prepayments of contributions from associates for apportionment of the monthly fee in 2020.

20. Funds from 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:

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	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Familia C (i)	979,378	488,909	1,531,201	-
Fundação BMW (ii)	139,754	-	61	-
Ford - Fórum Justiça (iii)	527	-	335,134	-
Fundo Intercement (iv)	-	-	38,528	-
FNE-Filantropicos (v)	875,697	-	818,308	-
Fundo FIIMP (vi)	202,093	-	247,925	-
Projeto TMJ (vii)	732,892	-	683,074	-
Nova Democracia (viii)	201,204	-	29,709	-
Fundo Janelas Abertas (ix)	-	-	1,299,950	-
Fundo Rede Consciência (x)	-	-	152,509	-
BNDES Cultura (xi)	3,361,550	2,347,877	2,347,877	4,695,753
Facebook (xii)	362,410	-	-	-
Bumadinho (xiii)	35,745	-	-	-
Fundo Sustentabilidade (xiv)	809	-	-	-
FAO BIG (xv)	8,860	-	-	-
Instituto Humanize (xvi)	379,763	-	-	-
Elite Transforma (xvii)	99,702	-	-	-
Boticário (xviii)	1,435,000	-	-	-
SABIN Social Ventures (xix)	265,875	57,400	-	-
	<u>9,081,259</u>	<u>2,894,186</u>	<u>7,484,275</u>	<u>4,695,753</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) 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;
- (iii) 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 two hundred (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;
- (iv) 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 twenty-five (R\$ 25) thousand Brazilian Reais each;

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- (v) 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 three active funds in FNE, which are:
 - a. 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 seventy-five (R\$ 75) thousand, part of the funds to carry out the activities;
 - b. Fundo Converge Capital: established with Sitawi to support the first edition of the Converge Capital Conference (CCC);
 - c. Fundo Delibera Brasil: Delibera Brasil is a fund intended to contribute towards the strengthening and further development of Brazilian Democracy by promoting and allowing citizen decisions. This new form of citizen participation helps governments, political leaderships and communities to work on difficult and complex decisions, focusing on common good.
- (vi) 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;
- (vii) 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;
- (viii) Pacto pela 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;
- (ix) 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;
- (x) 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;
- (xi) 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;
- (xii) Surdos que Ouvem is a group that promotes the demystification of deafness and information on hearing rehabilitation, created when the group Crônicas da Surdez, with about 12 thousand people with some level of impaired hearing, won the Facebook Community Leadership Program. It is a global initiative offering knowledge, skills, tools and financing for leaders that innovate in manners to better support their communities through Facebook;

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- (xiii) Fundo Brumadinho is an initiative led by Sitawi and MECA intended to collect funds to promote medium- and long-term positive impacts in the city of Brumadinho, Minas Gerais;
- (xiv) Fundo Sustentabilidade is a reserve fund of Sitawi, whereby ten percent (10%) of all donations over five thousand Brazilian Reais (R\$ 5,000.00) received by Sitawi are assigned to this fund (except in the case of donations whose funds shall be exclusively applied for a specific purpose);
- (xv) Initiative Big 2050 is a project of integrated management of the ecosystem of Ilha Grande bay, resulting from a partnership between FAO and the Environmental State Agency of Rio de Janeiro (INEA) with financing from the Global Environment Fund (GEF) to structure a model of conservation and sustainable use of the ecosystems of the continent, islands and sea of Ilha Grande Bay, in the state of Rio de Janeiro;
- (xvi) Fundo Empréstimo Coletivo Amazônia-Humanize is intended to increase the reaching of the impact investment of PPA, so that Amazônia sustainable businesses are able to receive more capital and reduce the distance to the program;
- (xvii) Fundo Elite Transforma is a scholarship program from Elite Rede de Ensino (a private network with 22 schools in Brazil) that offer scholarship for low-income students. The Fund believes that it is possible to transform reality by means of education and until 2026 it will offer 532 scholarships;
- (xviii) Fundação Grupo Boticário created the initiative Movimento Viva Água, in the region of Rio Miringuava, one of the most strategic river basins that supplies the metropolitan region of Curitiba and is located in São José de Pinhais (state of Paraná). The proposal is to contribute to provide quality water for all, by means of actions that promote the environment recovery and the transformation of the social and economic reality of the region;
- (xix) The social fund Ventures has as purpose to structure the innovative concept of collective loan, operating at the same time as the main investor of the loan campaigns to be created, giving legitimacy to the deals and businesses and attracting more capital from other investors.

21. Net assets

21.1. 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.

21.2. Accumulated surplus (deficit)

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

As at December 31, 2019, the Entity recorded surplus in the amount of R\$ 158,605 and a deficit of (R\$ 180,700) in 2018.

22. Revenue from services rendered - unrestricted

It mainly refers to revenues from advisory services rendered in 2019 in the net amount of R\$ 181,706 (R\$ 171,680 in 2018).

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23. Private grants - unrestricted

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

	2019	2018
Donations	1,764,800	1,779,032
Net revenues from loans	14,808	7,366
Recovery of expenses on Funds	1,903,721	1,039,780
	<u>3,683,328</u>	<u>2,826,178</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.

24. Personnel expenses

	2019	2018
Management fees	554,868	507,296
Salaries	809,396	440,085
Vacation pay	98,369	54,644
Year-end bonus	66,047	35,968
Interns	54,103	34,352
Recruiting and training	12,955	26,726
Bonuses	51,314	7,912
Life insurance	2,416	637
Transportation pass	14,656	14,860
Workers' Meal Program	82,128	60,427
Health insurance	48,208	24,240
Instruction expenses	2,183	2,746
INSS	199,742	110,435
FGTS	73,740	40,447
Charges on vacation pay	33,564	18,198
Charges on year-end bonus	22,787	12,391
PIS on payroll	7,852	4,389
INSS on management fees	122,229	103,180
	<u>2,256,556</u>	<u>1,498,931</u>

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25. Administrative expenses

	2019	2018
Rent - sundry	1,937	5,750
Rent and HOA fees	176,321	186,146
Subscriptions and publications	147	2,065
Commuting	10,045	640
Maintenance, conservation and repairs	12,435	13,625
Depreciation and amortization	18,430	15,977
Expenses on permanent assets	6,395	10,682
Expenses on communication	10,252	11,531
Legal expenses	4,577	4,322
Freight	2,388	1,510
Taxes, fees and contributions	15,265	53,918
Electricity	25,735	22,051
Office supplies/materials	11,580	16,239
Insurance	-	270
Services rendered - Natural person	2,570	13,709
Services rendered - Legal entity	50,467	-
Travel and lodging	517,521	320,899
Meals and snacks	14,305	9,894
Mail services	4,869	10,174
Services rendered by legal entity - Accounting	43,734	34,504
Services rendered by legal entity - Legal counseling	7,440	15,376
Services rendered by legal entity - IT	42,162	70,665
Graphic services	29,667	62,873
Marketing	161,757	258,909
BDO RCS Auditores Independentes	8,906	32,656
Usage license	22,270	8,774
INSS of self-employed workers	514	2,742
Services rendered	279,424	545,710
IPTU (Property Tax)	13,507	12,286
	<u>1,494,622</u>	<u>1,743,900</u>

26. Other operating expenses

	2019	2018
Losses on uncollectible receivables	4,016	-
	<u>4,016</u>	<u>-</u>

It refers to the adjustment of uncollectible values of loans from Sitawi's own Fund totaling R\$ 86,522.33 as at December 31, 2019. It relates to three clients in default in the payment of these loans: Ecoservice (R\$ 24,176.00), Coperjunho (R\$ 58,330.00) and Atina FES (R\$ 4,016.33), which are being collected through legal proceeding.

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27. Other operating revenues

	2019	2018
Reversal of provisions	13,781	31,437
	<u>13,781</u>	<u>31,437</u>

28. Net financial income (loss)

	2019	2018
Financial revenues		
Interest gains	-	2,672
Discounts obtained	-	862
Return on financial investments	51,621	52,882
	<u>51,621</u>	<u>56,416</u>
Financial expenses		
Interest losses	(8,791)	(5,412)
Discounts granted	-	(4)
Bank expenses	(3,164)	(3,520)
Income Tax on financial investments	(379)	(9,441)
Monetary losses	-	(13)
Expenses on fines	(3,838)	(4,308)
Tax on Financial Transactions (IOF)	(465)	(883)
	<u>(16,637)</u>	<u>(23,581)</u>
	<u>34,984</u>	<u>32,835</u>

29. Revenues and expenses on volunteers

	2019	2018
Revenue from voluntary services	19,024	22,620
Expenses on voluntary services	(19,024)	(22,620)
	<u>-</u>	<u>-</u>

As established by ITG 2002, for the purpose of compliance with the applicable resolution, the Entity has identified and measured volunteer work received during 2019.

None of the amounts above resulted in corresponding cash disbursements, they were recognized in 2019 as operating revenue and expense in the statement of activities in equal amounts, with no effect in surplus for the year.

30. 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, 2019 to September 10, 2022.

b) Tax Burden

In 2019, Sitawi calculated a total of R\$ 298,873.21 related to IRPJ exemption and R\$ 116,234.35 related to CSLL. Such amounts were fully reversed to the assistance projects and programs of Sitawi.

31. 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, journal and ledger), in which we transcribe:

- a) Do not distribute any portion of its assets or income, for any purpose (article 31 of the Bylaws);
- b) Fully apply, in the country, its resources in the maintenance of its institutional purposes;
- c) Keep the bookkeeping of its revenues and expenses in books filled with formalities capable of ensuring their accuracy (article 34 of the Bylaws).

32. 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 2019 and 2018, 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.

33. 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.

34. 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 mainly arise from its receivables. Historically, the Entity has not incurred significant losses resulting from clients not meeting their financial obligations with their financing agents.

34.1. 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.

34.2. 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.

35. Insurance (unaudited)

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

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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.

36. Management compensation

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

37. 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, 2019, based on the opinion of its legal counselors, there are no ongoing lawsuits; therefore, no provision for amounts of such nature was made.

38. Financial ratios

		<u>2019</u>	<u>2018</u>
Immediate Liquidity			
Cash and cash equivalents	13,444	0.0014	0.0000
Current liabilities	9,501,976	-	-
Current liquidity			
Current assets	10,140,226	1.07	0.98
Current liabilities	9,501,976	-	-
Overall liquidity			
Current + noncurrent assets	13,361,210	1.08	1.06
Current + noncurrent liabilities	12,396,161	-	-
Fixed assets to net assets ratio			
Fixed assets	80,142	0.08	0.09
Net assets	965,049	-	-
Fixed assets to working capital ratio			
Fixed assets	80,142	0.01	0.01
Net assets + current liabilities	10,467,025	-	-

39. Subsequent events

Since the end of February 2020, the world has been suffering the effects of the COVID-19 (Coronavirus) outbreak, classified as pandemic by the World Health Organization (WHO). The Management of the Entity is monitoring the possible impacts of this matter and has worked to implement contingency plans to maintain its operating activities in normal conditions. On the date of issue of these financial statements, it is not possible to measure the risks and impacts that may arise from the pandemic and, consequently, result in possible losses to the Entity's activities.