

# **Individual and Consolidated Financial Statements**

## **Associação Saúde Criança Renascer**

December 31<sup>st</sup>, 2019 and 2018  
with the Independent Auditor's Report

# Associação Saúde Criança Renascer

## Financial Statements

December 31<sup>st</sup>, 2019 and 2018

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## **Independent Auditor's Report about the Individual and Consolidated Financial Statements**

To The  
Managers and Members of the Board of  
**Associação Saúde Criança Renascer**  
Rio de Janeiro - RJ

### **Opinion**

We have assessed the individual and consolidated financial statements of Associação Saúde Criança Renascer ("Entity"), identified as parent and consolidated, respectively, comprising the balance sheet on December 31st, 2019 and related income statements, comprehensive income, changes in net equity and cash flows for the fiscal year ended on this date, as well as their corresponding accompanying notes, including a summary of their main accounting policies.

In our opinion, the above mentioned individual and consolidated financial statements properly present, in all material respects, the individual and consolidated equity and financial position of Associação Saúde Criança Renascer on December 31st, 2019, the individual and consolidated performance of their operations and individual and consolidated cash flows for the fiscal year ended on this date, in accordance with the accounting practices in place in Brazil, applicable to non-profit entities (ITG 2002 (R1)).

### **Basis for Opinion**

Our audit was performed according to Brazilian and international standards on auditing. According to such standards, our responsibilities are described in the next section, called "Responsibilities of the auditor for the audit of the individual and consolidated financial statements". We are independent from the Entity, in accordance with the relevant ethical principles set forth in the Accountant's Code of Professional Ethics and in the professional standards issued by the Brazilian Federal Accounting Council, and we meet other ethical responsibilities in compliance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.



## **Management and Governance Responsibilities for the Individual and Consolidated Financial Statements**

Management is responsible for preparing and properly presenting the individual and consolidated financial statements in accordance with the accounting practices in place in Brazil, applicable to non-profit entities (ITG 2002 (R1)), and for the internal controls established as necessary to allow the preparation of financial statements free of material misstatement, caused whether by fraud or error.

In the preparation of the individual and consolidated financial statements, management is responsible for assessing the Entity's ability to continue operating, and, when applicable, disclosing matters related to their operational continuity and the use of this accounting basis when preparing these financial statements, unless management intends to liquidate the Entity or cease its operations, or has no realistic alternative to avoid closing operations.

Those responsible for the governance of the Entity are the ones responsible for supervising the preparation of the financial statements.

## **Responsibilities of the Independent Auditor for the Audit of the Individual and Consolidated Financial Statements**

Our purpose is to achieve reasonable assurance that the individual and consolidated financial statements, when taken as a whole, are free from material misstatement, whether due to fraud or error, and to publish an audit report with our opinion. Reasonable assurance is a high level of assurance but not a guarantee that the audit, carried out in accordance with Brazilian and international standards on auditing, identifies all relevant material misstatement. Material misstatement can derive from fraud or error and are considered relevant when, individually or jointly, may impact, within a reasonable perspective, the economic decisions made by users based on these financial statements.

As part of the audit carried out in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement in the individual and consolidated financial statements, caused whether by fraud or error. We planned and performed audit procedures in response to such risks, as well as obtained sufficient and appropriate audit evidence to support our opinion. The risk of not identifying material misstatement resulting from fraud is greater than that arising from error since the latter may involve tampering of internal controls, collusion, forgery, omission or intentional misrepresentation.

- We became acquainted with the internal controls relevant to the audit in order to plan audit procedures suitable to the circumstances but not for with purpose of expressing an opinion on the effectiveness of the internal controls of the Entity.
- We assessed the adequacy of the accounting policies used and the reasonableness and disclosure of the accounting estimates made by the management.
- We drew a conclusion on the adequacy of Management's use of an accounting basis for operational continuity and, based on the evidence obtained, whether there is a material uncertainty regarding events or conditions that may cast significant doubt on the ability of the Entity to continue operations. If we conclude that there is material uncertainty, we must draw attention to the respective disclosures in the individual and consolidated financial statements in our audit report or include changes in our opinion, if the disclosures are inappropriate. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to no longer remain in business continuity.
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner consistent with the purpose of proper presentation.
- We obtained sufficient and appropriate audit evidence regarding the financial information of the group's entities or business activities to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group's audit and, consequently, for the audit opinion.

We communicated with those in charge of governance regarding, among other aspects, the scope and timing of our planned audit work and significant audit findings, including significant deficiencies in internal controls that may have been identified during our work.

Rio de Janeiro, June 12<sup>th</sup>, 2020.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP015199/O-6

Wilson J. O. Moraes  
Accountant's CRC (Regional Accounting Council) - 1RJ107211/O-1

## Associação Saúde Criança Renascer

Balance Sheet  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

	Note	Parent		Consolidated	
		2019	2018	2019	2018
Assets					
Current Assets					
Cash and cash equivalents	3	95	252	98	254
Marketable securities	4	10,212	8,768	10,218	8,775
Accounts receivables		59	88	59	88
Advances		22	22	22	22
Recoverable tax		4	4	4	4
Stock		66	65	66	65
Prepaid expenses		1	3	1	3
Total of current assets		10,459	9,202	10,468	9,211
Non-current assets					
Deposit in court		199	-	199	-
Marketable securities	4	4,836	4,626	4,836	4,626
Fixed	5	7,170	7,408	7,170	7,408
Intangible		3	5	3	5
Total of non-current assets		12,208	12,039	12,208	12,039
Total of assets		22,667	21,241	22,676	21,250
Liabilities and net equity					
Current liabilities					
Suppliers		84	120	93	129
Social and labor charges		28	41	28	41
Taxes payable		17	16	17	16
Labor provision		632	643	632	643
Obligations to funded projects	6	-	90	-	90
Others		-	2	-	2
Total of current liabilities		761	912	770	921
Net equity	8				
Share capital		20,329	21,100	20,329	21,100
Accumulated surplus (deficit)		1,577	(771)	1,577	(771)
Total of net equity		21,906	20,329	21,906	20,329
Total of liabilities and of net equity		22,667	21,241	22,676	21,250

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

## Associação Saúde Criança Renascer

### Income Statements

Fiscal year ended on December 31<sup>st</sup>, 2019 and 2018.

(In thousand Brazilian *Reais*)

	Note	Parent		Consolidated	
		2019	2018	2019	2018
Operating revenues	9				
Assistance revenues		<b>6,533</b>	5,226	<b>6,533</b>	5,226
Sale of merchandise		<b>607</b>	656	<b>607</b>	656
Other revenues		<b>236</b>	68	<b>236</b>	68
		<b>7,376</b>	5,950	<b>7,376</b>	5,950
Costs					
Assistance costs	10	<b>(3,496)</b>	(3,385)	<b>(3,496)</b>	(3,385)
Transformation costs		<b>(604)</b>	(549)	<b>(604)</b>	(549)
Sales costs		<b>(118)</b>	(108)	<b>(118)</b>	(108)
		<b>(4,218)</b>	(4,042)	<b>(4,218)</b>	(4,042)
Gross surplus		<b>3,158</b>	1,908	<b>3,158</b>	1,908
General and administrative expenses	11	<b>(3,415)</b>	(3,324)	<b>(3,507)</b>	(3,412)
Services rendered	11	<b>(394)</b>	(240)	<b>(394)</b>	(240)
Operational surplus (deficit)		<b>(651)</b>	(1,656)	<b>(743)</b>	(1,744)
Financial income	12	<b>2,314</b>	1,287	<b>2,406</b>	1,375
Financial expenses	12	<b>(86)</b>	(402)	<b>(86)</b>	(402)
Fiscal year surplus (deficit)		<b>1,577</b>	(771)	<b>1,577</b>	(771)

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

## Associação Saúde Criança Renascer

Statement of Comprehensive Income  
Fiscal year ended on December 31<sup>st</sup>, 2019 and 2018.  
(In thousand Brazilian *Reais*)

	<b>Parent and consolidated</b>	
	<b>2019</b>	<b>2018</b>
Fiscal year surplus (deficit)	<b>1,577</b>	<b>(771)</b>
Other comprehensive income	-	-
Total of comprehensive income of the fiscal year	<b>1,577</b>	<b>(771)</b>

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



## Associação Saúde Criança Renascer

Statement of Changes in Net Equity  
Fiscal year ended on December 31<sup>st</sup>, 2019 and 2018.  
(In thousand Brazilian *Reais*)

	<b>Net worth social</b>	<b>Surplus (deficit) accumulated</b>	<b>Total</b>
Balance on December 31 <sup>st</sup> , 2017	20,411	689	21,100
Incorporation of accumulated surplus	689	(689)	-
Fiscal year surplus	-	(771)	(771)
Balance on December 31 <sup>st</sup> , 2017	21,100	(771)	20,329
Incorporation of accumulated surplus	(771)	771	-
Fiscal year surplus	-	1,577	1,577
Balance on December 31 <sup>st</sup> , 2017	<b>20,329</b>	<b>1,577</b>	<b>21,906</b>

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

## Associação Saúde Criança Renascer

### Cash Flow Statements

Fiscal year ended on December 31<sup>st</sup>, 2019 and 2018.

(In thousand Brazilian *Reais*)

	Parent		Consolidated	
	2019	2018	2019	2018
Cash flow from social programs				
Fiscal year surplus (deficit)	1,577	(771)	1,577	(771)
Adjustments to reconcile the fiscal year surplus (deficit) with the cash flow deriving from operating activities				
Unrealized gains	(2,257)	(912)	(2,256)	(912)
Gains from the disposal of fixed asset	(32)	-	(32)	-
Depreciation and amortization	379	359	379	359
(Increase) Decrease in assets and increase (decrease) in liabilities				
Stock	(1)	(13)	(1)	(13)
Accounts receivables	29	(3)	29	(3)
Advances	-	(6)	-	(6)
Prepaid expenses	2	-	2	-
Deposit in court	(199)	-	(199)	-
Suppliers	(36)	8	(36)	8
Taxes payable	1	(3)	1	(3)
Labor provisions and social charges	(24)	450	(24)	450
Obligations to funded projects	(90)	(212)	(90)	(212)
Others	(2)	1	(2)	1
Net cash used in operating activities	(653)	(1,102)	(652)	(1,102)
Cash flow from investments				
Redemption of marketable securities	1,127	666	1,127	666
Investment in marketable securities	(524)	-	(524)	-
Amount from the sales of fixed assets	32	-	32	-
Purchase of fixed and intangible assets	(139)	(344)	(139)	(344)
Net cash generated (used) in investments	496	322	496	322
Decrease in cash and cash equivalents	(157)	(780)	(156)	(780)
Cash and cash equivalents at the beginning of the fiscal year	252	1,032	254	1,034
Cash and cash equivalents at the end of the fiscal year	95	252	98	254

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

# Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

## 1. General Information

Associação Saúde Criança Renascer ("Associação") is a philanthropic civil society, established and domiciled in Brazil, headquartered in Rio de Janeiro - RJ, established on October 25th, 1991, to perform social assistance and human development activities, offer support to underprivileged children at Hospital da Lagoa and Maternidade Hospital Maria Amélia Buarque de Hollanda, as well as to their families, during their hospitalization time and, most importantly, following hospital discharge. This support occurs when the underprivileged socioeconomic situation of the family is identified. They are referred to the Association through a letter of presentation from the multidisciplinary screening committee at Hospital da Lagoa.

The Association is supported by spontaneous and other kinds of donations made by its members. These donations may be monetary or in items such as food, medicine, clothes, provision of services, etc. In order to better serve families, the Association has implemented several social projects, such as Madrinha, Atendimento (Aconchego), Anzol and Replicação Projects.

To meet their goals, Associação Saúde Criança Renascer is organized around the following areas:

- Social Assistance: Donation of food, medicine, medical devices, etc., in addition to free follow-up assistance to the families by psychologists, psychiatrists, nutritionists and social workers, and referrals to health centers.
- Citizenship: Help in obtaining documents and social and legal guidance in order to ensure families have access to their basic citizenship rights.
- Housing: Ensuring that the families' homes have the minimum living conditions, such as basic sanitation and walls and roof without infiltration. In short, providing a healthy environment where the children can recover and be healthy.
- Education: Raising the awareness of the families on how important education is for the future of children and parents, following-up children's school life and supporting whenever needed.
- Income Generation: Vocational courses based on the interests and skills of the heads of the families, aiming at their self-support and independence.

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### 1. General Information - Cont'd

Associação Saúde Criança Renascer is exempt from income and social security taxes, in accordance with Law No. 9,532 / 97, which sets forth in its Art.15 that the Association must fully meet the following conditions in order to be entitled to this exemption:

- (a) Not to pay, in any way, the members of their Board of Directors for services provided.
- (b) To fully invest their resources in maintaining and developing their social objectives.
- (c) To keep a complete record of their income and expenses in books covered with formalities that ensure their accuracy.
- (d) To keep in good order, for a period of five years, as of the issuing date, the documents that prove the origin of their revenues and the payment of expenses, as well as the performance of any other act or operation that may change their equity situation.
- (e) To submit their income statement every year.

As of April 9<sup>th</sup>, 2020, Associação Saúde Criança started using the trade name Instituto Dara Saúde e Desenvolvimento Humano (“Dara”).

#### COVID-19

On January 30<sup>th</sup>, 2020, the World Health Organization (WHO) declared COVID-19 as a global health emergency since the virus was spreading unexpectedly quickly and crossing the borders of the Asian countries. In February, the Ministry of Health of Brazil confirmed the first case in the country, leading to the adoption of the state of public calamity, acknowledged by Legislative Decree no. 6, of 2020, impacting all economic activities.

Since the beginning of the pandemic, we have developed a new way of working but without renouncing the wholeness of our actions, based on the knowledge of almost three decades fighting poverty.

At first, we organized a task force to distribute medicines and milk to large part of the families we assist, enough to last for three months.

# Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

## 1. General Information - Cont'd

COVID-19 - Cont'd

And, shortly after, we have implemented the following protocols:

- Protocol for Families Assistance: Aiming at mitigating the risk of transmission, social, nutritional, psychological, educational and legal assistance started to take place through video calls, cell phones and messaging applications.

We added a voucher for cleaning products and prevention guidelines to the items normally distributed.

- Operation Protocol: To ensure the health of our employees and volunteers, we decentralized the purchase of medicines and medical supplies, adopted direct delivery, adjusted activities and decided on work from home for the fund raising, communication, knowledge and administration departments.
- Financial Liquidity Protocol of the Institution: We decided to postpone the second phase of the construction of our center of excellence and to discontinue the product sector that had been in deficit, aiming at protecting the cash and focusing on our main activity. In addition to that, we have opted for the deferral of taxes to meet government standards.

We believe that this turbulent period will last for a few more months. However, we cannot abandon our mission that has a systematic impact on the vulnerable layer of the society and help to break the intergenerational cycle of poverty.

## 2. Summary of Key Accounting Policies

Below are the key accounting policies applied in the preparation of these financial statements. These policies were applied consistently in the fiscal years presented, unless otherwise indicated.

### 2.1. Basis for Preparation and Presentation

Entity's individual and consolidated financial statements for the fiscal years ended December 31<sup>st</sup>, 2019 and 2018 have been prepared and are presented in accordance with accounting practices in place in Brazil, which include the Pronouncements, Guidelines and Interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC) and the provisions applicable to non-profit entities, issued by the Brazilian Federal Accounting Council (CFC), in particular ITG 2002 (R1) - Non-profit Entities, dated September 21<sup>st</sup>, 2012.

## **Associação Saúde Criança Renascer**

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### **2. Summary of Key Accounting Policies--Cont'd**

#### **2.1. Basis for Preparation and Presentation--Cont'd**

The preparation of individual and consolidated financial statements in accordance with the aforementioned standards requires the use of certain accounting estimates and also the judgment by the management of the Association in applying accounting policies, however, with no areas or situations of greater complexity that require a higher level of judgment or significant estimates for these financial statements.

The issuing of the individual and consolidated financial statements of Associação Saúde Criança Renascer for the fiscal year ended on December 31st, 2019 was authorized by their Executive Board on June 12<sup>th</sup>, 2020.

#### **2.2. Consolidation**

The Association has an exclusive fund and, therefore, submitted consolidated financial statements, which include the consolidation of this fund. The Association has no controlled entities.

#### **2.3. Functional Currency and Reporting Currency**

These financial statements are submitted in Brazilian Reais, which is both the functional and the reporting currency of the Association.

#### **2.4. Cash and Cash Equivalents**

Cash and cash equivalents are cash on hand and bank deposits, stated at cost, and short-term and highly liquid financial investments with low exposure to risks of change in value, stated at cost plus income earned up to the balance sheet date, with the corresponding entry being the income of the fiscal year.

#### **2.5. Financial Assets**

##### **2.5.1 Classification**

At the initial reporting, the Association classifies their financial assets under the following categories: measured at fair value through profit or loss and loans and receivables. Classification depends on the purpose for which the financial assets were purchased in the first place.

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### 2. Summary of Key Accounting Policies--Cont'd

#### 2.5. Financial Assets--Cont'd

##### 2.5.1 Classification--Cont'd

###### a) *Financial Assets at Fair Value Through Profit or Loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified under this category if it were purchased, mainly, to be sold in the short term. Assets in this category are classified as current assets and represented by cash and cash equivalents, and by marketable securities.

###### B) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. They are submitted as current assets, except those with a maturity of more than 12 months after the balance sheet issuing date (which are classified as non-current assets). They are represented by receivables, basically referring to credit card sales.

##### 2.5.2 Recognition and Measurement

Purchases and sales of financial assets are usually recognized on the trade date. Investments are initially recognized at fair value, plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value and the transaction costs are charged to the income statement. Financial assets are written off when the rights to receive cash flows have expired or have been transferred. For the latter, provided the Association has transferred all risks and benefits of ownership. Financial assets measured at fair value through profit or loss are then accounted for at fair value. Loans and receivables are accounted for at amortized cost, using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are submitted under "Financial Income, Net", in the period in which they happened, in the income statement.

# Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

## 2. Summary of Key Accounting Policies--Cont'd

### 2.5. Financial Assets--Cont'd

#### 2.5.2 Recognition and Measurement--Cont'd

Dividends on financial assets measured at fair value through profit or loss are recognized in the income statement as part of "Financial Income, Net", when the right of the Association to receive dividends is established.

The fair values of publicly listed investments are based on current purchase prices. If the market for a financial asset (and for securities not listed on a stock exchange) is not active, the Association establishes fair value through valuation techniques. These techniques include the use of recent transactions with third parties, reference to other instruments that are substantially similar, analysis of discounted cash flows and option pricing models that make the most of market-generated data and rely as little as possible on data generated by the own management of the Association.

#### 2.5.3 Impairment of Financial Assets

##### a) *Assets Measured at Amortized Cost*

On the date of each balance sheet, the Association assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. An asset or a group of financial assets is impaired and losses by impairment occur only if there is objective evidence of impairment as a result of one or more events that took place after the initial recognition of the assets (a "loss event") and that loss event (or events) impacts on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the impairment loss is measured as the difference between the book value of the assets and the current value of estimated future cash flows (except for future credit losses that have not been incurred) discounted at the original effective interest rate of the financial assets. The book value of the asset is reduced and the loss amount is recognized in the income statement of the Association.



## **Associação Saúde Criança Renascer**

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### **2. Summary of Key Accounting Policies--Cont'd**

#### **2.5. Financial Assets--Cont'd**

##### **2.5.4 Derivative financial instruments**

There were no transactions of derivative financial instrument during the 2019 fiscal year.

#### **2.6. Stock**

Stocks represented by purchased supplies and finished products related to the Anzol Project were valued at their cost or realizable value, minus –when applicable– a provision for potential losses when they are realized, being represented by a specific corresponding entry in the income statement of the fiscal year.

#### **2.7. Fixed Asset**

Items listed under fixed assets are stated at historical cost of acquisition minus the depreciation and any accumulated non-recoverable loss. The historical cost includes expenses directly attributable to preparing the asset for its intended use by the Management.

Depreciation is calculated using straight line depreciation based on the estimated useful lives of the assets.

#### **2.8. Intangible Assets**

##### **Software**

Software licenses are capitalized based on costs incurred at purchase and when preparing them for use. The same criteria apply for software made to order for the Association. These costs are amortized over the estimated useful life of the software. The costs associated to software maintenance are recognized as expense, as incurred.

## **Associação Saúde Criança Renascer**

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### **2. Summary of Key Accounting Policies--Cont'd**

#### **2.9. Provisions and Current and Non-Current Liabilities**

A provision is recognized in the balance sheet when the Association has a legal or constituted obligation as a result of a past event and it is likely that an economic resource will be required to settle such obligation. Provisions are recorded based on the best estimates of the risk involved.

Current and non-current liabilities are stated at their known or estimated amounts plus - when applicable- the corresponding charges and monetary variations incurred up to the balance sheet date.

#### **2.10. Obligations to Funded Projects**

The contributions to the projects of the Association made by the sponsors (agreements) are recorded under liability accounts and deducted by the expenses incurred for each project at the end of each month, having the income account of funded projects as the corresponding entry. Such policy is applied by the contractual obligation of the Management of the Association to comply with rules regarding the use of donations as well as an obligation to render accounts, which are analyzed and submitted to sponsors' approval.

Accordingly, the expenses and costs incurred in sponsors' projects, managed by the Association, are recognized in the same proportion as the revenues so that at the end of the fiscal year, such revenues and expenses do not impact the results of the year of the Association.

#### **2.11. Calculation of the Fiscal Year Surplus and Recognition of Revenues from Donations**

The fiscal year surplus is determined in compliance with the accrual-based accounting regime.

Revenues from donations and voluntary contributions from third parties originate from donations from both individuals and legal entities and are accounted for when received, since it is impossible to previously determine their exact amount and dates. They are used in the educational projects the Association offers.

The Association recognizes revenue when: (i) The amount of the revenue can be reliably measured; (ii) The future economic benefits will likely be directed to the Association and (iii) When specific criteria have been met for each of the activities by the Association, as described below.

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### 2. Summary of Key Accounting Policies--Cont'd

#### 2.11. Calculation of the fiscal year surplus and recognition of revenues from donations-- Cont'd

a) Donations and Linked Agreements

Donations received linked to projects are recorded, upon receipt, under liabilities (Deferred Income) and are appropriated to the income on monthly and linear basis, as the funds are invested in accordance with the rules stipulated by the donor/sponsor.

b) Revenues from the Sale of Merchandise

Revenue from the sale of merchandise is recognized when the ownership and risks are transferred to a third party at the gross value of the products minus unconditional discounts and returns. The item is originally from the Anzol Project, a project created to assist the Aconhego Project, aiming at empowering families trained in sewing.

c) Financial Income

Basically, financial income includes interest income on financial investments. Financial income is recognized using the effective interest rate method.

d) Gratuities

The Interpretation - ITG 2002 (R1) of the Brazilian Federal Accounting Council (CFC) determines the accounting measurement and recognition of the benefits granted for free, such as: volunteer work, exemption from paying real estate property rent, tax exemptions and contributions.

- (i) The value of volunteer work is measured by the Association's management based on values available on the market and practiced by the Association in similar services. The amount calculated for the fiscal year of 2019 was BRL 508 (BRL 530 in 2018).
- (ii) The amount of the federal tax exemption and contributions is calculated based on the assumed profit method, as well as based on the total revenue received by the Association. The amount calculated for the fiscal year of 2019 was BRL 1,775 (BRL 1,258 in 2018).

None of the amounts above had the corresponding cash disbursement and were recognized, in 2019, as revenue and expense/cost in the statement of surplus, in equal amounts, with no effect on the surplus for the fiscal year.

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### 2. Summary of Key Accounting Policies--Cont'd

#### 2.12. Taxes and Contributions

The Association is exempt from paying Income Tax, Social Security Contribution and Contribution to Social Security Financing Contribution (COFINS).

#### 2.13. Statement of Cash Flow

The statements of cash flow were prepared in accordance with the indirect method

### 3. Cash and Cash Equivalents

	Parent		Consolidated	
	2019	2018	2019	2018
Cash	8	14	8	14
Banks	2	73	2	73
Financial investments	85	165	88	167
	<b>95</b>	<b>252</b>	<b>98</b>	<b>254</b>

Short-term, high liquidity financial investments are readily convertible into a known amount of cash and subject to an insignificant risk of change in value. The Association has financial investments in Interbank Deposit (DI) and Bank Deposit Certificate (CDB) investment funds.

### 4. Marketable Securities

	Parent		Consolidated	
	2019	2018	2019	2018
Saúde Criança FIM				
Commitment transactions	157	107	157	107
Shares in investment funds	10,061	8,668	10,061	8,668
Government bonds	4,836	4,626	4,836	4,626
Amounts payable	(9)	(9)	-	-
Cash on hand	3	2	-	-
	<b>15,048</b>	<b>13,394</b>	<b>15,054</b>	<b>13,401</b>
Short-term	10,212	8,768	10,218	8,775
Long-term	4,836	4,626	4,836	4,626

The Saúde Criança Multi Market Investment Fund (FIM - Fundo de Investimento Multimercado) is an exclusive investment of the Association and part of the "Renascer para Sempre" Project, which purpose is to strengthen the equity sustainability of the Association, through a long-term policy, ensuring the minimum financial stability for good institutional performance, without depending on the inconsistency of the donations.

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
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### 5. Fixed Assets

	Year Depreciation Fee	2019		2018	
		Cost	Accumulated Depreciation	Net	Net
Buildings	4%	8,344	(1,413)	6,931	7,261
Facilities	10%	226	(124)	102	122
Machinery and equipment	10%	78	(70)	8	9
Vehicles	20%	44	(4)	40	-
Computer equipment	20%	265	(180)	85	10
Communication equipment	20%	15	(11)	4	6
		<b>8,972</b>	<b>(1,802)</b>	<b>7,170</b>	<b>7,408</b>

#### Movements

	Year Depreciation Fee	2019			2019
		2018	Acquisitions	Depreciation	
Buildings	4%	7,261	-	(330)	6,931
Facilities	10%	122	2	(22)	102
Machinery and equipment	10%	9	-	(1)	8
Vehicles	20%	-	44	(4)	40
Computer equipment	20%	10	93	(18)	85
Communication equipment	20%	6	-	(2)	4
		<b>7,408</b>	<b>139</b>	<b>(377)</b>	<b>7,170</b>

(\*) Two vehicles that have been completely depreciated in previous years were sold in 2019 for BRL 32.

	Fee Year depreciation	2018			2018
		2017	Acquisitions	Depreciation	
Buildings	4%	7,306	285	(330)	7,261
Facilities	10%	84	59	(21)	122
Machinery and equipment	10%	10	-	(1)	9
Computer equipment	20%	14	-	(4)	10
Communication equipment	20%	8	-	(2)	6
		<b>7,422</b>	<b>344</b>	<b>(358)</b>	<b>7,408</b>

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### 6. Obligations to Funded Projects

These obligations are represented by (partial or complete) financial resources already received related to projects to be implemented. Liability is written off monthly with the corresponding entry being the project revenue account in the proportion the resources received are used when projects are implemented. The breakdown per project is as follows:

	Parent and Consolidated	
	2019	2018
Johnson & Johnson Mamãe Bebê (i)	-	-
Kinder (ii)	-	-
Air France (iii)	-	27
Mega Matte (iv)	-	28
Amil (v)	-	8
Cyrella (vi)	-	14
DKT (vii)	-	13
	-	90

(i) J&J Mamãe Bebê Project

Project called J&J Mamãe Bebê: During the fiscal year of 2019, BRL 676 were raised (no funds were raised in 2018) and BRL 676 were realized (2018 - BRL 110).

(ii) Kinder Project

"Bolsas" Project: No funds were raised in 2019. In 2018, there was a balance of BRL 16 from previous years, BRL 37 were raised and BRL 53 realized. The balance was completely used up in 2018.

(iii) Air France Project

"Aconchego Adolescentes" Project: During the fiscal year of 2019, BRL 43 were raised (2018 - BRL 44) and BRL 70 were realized (2018 - BRL 45).

(iv) Mega Matte Project

"Profissionalizante" Project: During the fiscal year of 2019, BRL 21 were raised (2018 - BRL 32) and BRL 49 were realized (2018 - BRL 13).

(v) Amil Project

"Profissionalizante" Project: No funds were raised during the fiscal year of 2019 and BRL 8 were realized (2018 - BRL 131).

(vi) Cyrella Project

"Moradia" Project: No funds were raised during the fiscal year of 2019 (2018 - BRL 92) and BRL 14 were realized (2018 - BRL 78).

(vii) DKT Project

"Aconchego Adolescentes" Project: During the fiscal year of 2019, BRL 38 were raised (2018 - BRL 29) and BRL 51 were realized (2018 - BRL 16).

(viii) PHI Project

"Instituto PHI" Project: During the fiscal year of 2019, BRL 375 were raised (no funds were raised in 2018) and BRL 375 were realized (2018 - no realization).

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### 7. Contingencies

Until November 2015, the Association collected PIS (Program of Social Integration) at a rate of 1% levied on the monthly payroll, as set forth by the Labor Law. However, after judging of ORDINARY/TAX process - no. 0059775-49.2015.4.02.5101 (2015.51.01.059775-0), dated November 6, 2015, of the 7th Federal Court of Rio de Janeiro, it was declared no tax law relationship between the Association and the Federal Government exist, with the purpose of the tax provided for in Article 13, III, of Provisional Measure no. 2,158-35 / 2001. Therefore, the Association stopped collecting this tax and maintained its provisioning since it was a summary judgment. In August 2017, a *transit in rem judicatam* certificate was issued, and the provision was reversed.

The Association filed an ordinary lawsuit, no. 0215732-72.2017.4.02.5101, at the 10th Federal Court of the Judiciary Section of Rio de Janeiro in order to obtain recognition of the right to tax immunity provided for in Article 150, VI, "c" of the CF/88, vis-à-vis the Federal Government, once the complementary law requirements are met, in the case of Article 14 of the Brazilian Tax Code (CTN), which will enable the Entity to enjoy the exemption from the INSS (Social Security Tax) employer account, which was terminated by the rejection of the renewal process of the Certification of Social Assistance Beneficent Entities - MDS (CEBAS), effective from the publication by the Official Gazette (DOU) of Opinion 047479/2017, in Ordinance no. 185/2017, on November 6, 2017. Based on the guidance of their legal advisors, in July 2019, the Association made a deposit in court of the amount they would be exempt from and awaits the court decision on the matter.

Based on the opinion of their legal advisors, the management of the Association concluded there were no disputes or claims against the Association on December 31<sup>st</sup>, 2019, as well as any other fact that would require the recognition of provisions.

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
(In thousand Brazilian *Reais*)

### 8. Share Capital

Share capital represents the initial net worth arising from the initial endowment of its founders, plus the surpluses (deficits) calculated since the constitution date.

The result for the fiscal year is incorporated into the share capital during the following fiscal year, after approval by the Audit Committee, in accordance with its Bylaws.

The income generated by Associação Saúde Criança Renascer is fully used in their social objectives mentioned on Note 1.

In the event of the extinction of the Association, which would only take place upon approval of two thirds of the members of the General Assembly, the assets will be destined to another non-profit association of similar nature, registered at CNAS - Brazilian Council of Social Assistance, approved by the Public Prosecutor's Office.

### 9. Revenues

The Association performs assistance projects seeking to help the community. The costs and expenses related to these projects for the financial years of 2019 and 2018, as well as the base revenue, are stated as follows:

	<b>Parent and Consolidated</b>	
	<b>2019</b>	<b>2018</b>
Revenues from donations		
Revenues from donations by individuals and legal entities	<b>3,007</b>	1,146
Revenue from tax exemption	<b>1,775</b>	1,258
Revenue from volunteer work	<b>508</b>	530
Sale of merchandise	<b>607</b>	656
	<b>5,897</b>	3,590
Revenue from donations to programs and projects		
White Martins Praxair Foundation	-	1,063
Ursula Zindel Hilti Stifling Foundation	-	657
Kinder	-	53
Skoll Foundation	-	-
J&J Mamãe Bebê Project	<b>676</b>	110
Air France Project	<b>70</b>	45
Mega Matte Project	<b>49</b>	13
Amil Saude Project	<b>8</b>	131
Cyrella Project	<b>14</b>	79
DKT Project	<b>51</b>	16
Instituto PHI Project	<b>375</b>	125
	<b>1,243</b>	2,292
Total of revenues from funded projects	<b>1,243</b>	2,292
Other revenues	<b>236</b>	68
Total of operating revenues	<b>7,376</b>	5,950



## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
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### 10. Assistance Costs

	Parent and Consolidated	
	2019	2018
Cost with personnel - Assistance	1,324	1,254
Social assistance (medicines and food) - Families	853	942
Costs with public services and occupation - Assistance	33	35
Charges with personnel - Assistance	364	214
Courses and training - Families	6	19
Housing - maintenance, repairs, rent - Families	105	202
Transportation - Families	114	84
Donation to families	53	70
Services rendered - Families	6	4
General costs - Assistance	166	150
Professional services - Assistance	321	275
Course material - Families	25	20
Medical exams - Families	9	12
Cost with communication - Assistance	8	7
Cost with assistance/gratuities - Assistance	<b>3,387</b>	<b>3,288</b>
Transfer of projects to similar entities	3	3
Cost with personnel - Expansion	61	59
Expansion general costs	38	29
Charges with personnel - Expansion	7	6
Assistance costs - Expansion (*)	<b>109</b>	<b>97</b>
Assistance costs	<b>3,496</b>	<b>3,385</b>

(\*) Expansion costs refer to expenses with advisory activities for the programs carried out by the Association, in accordance with Resolution no. 27/2011, with the purpose of reproducing, systematizing and disseminating the same methodology and work way established by the Association to associated entities.

The management of the Association believes the resources allocated to the activities are appropriate and meet the requirements of Law no. 12,101/09. The approval of calculations and assumptions used by the Association is linked to future rendering of accounts with the Brazilian Council of Social Assistance (CNAS).

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
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### 11. General, Administrative, and Other Expenses

	Parent		Consolidated	
	2019	2018	2019	2018
Personnel expenses	917	914	917	914
General and administrative expenses	652	1,085	744	1,173
Expenses with volunteer work	71	67	71	67
Provisions of exempted taxes (*)	1,775	1,258	1,775	1,258
	<b>3,415</b>	<b>3,324</b>	<b>3,507</b>	<b>3,412</b>
Expenses with services rendered	394	240	394	240
	<b>3,809</b>	<b>3,564</b>	<b>3,901</b>	<b>3,652</b>

(\*) Amounts referring to the following taxes: Municipal Service Tax (ISS), State Value-Added Tax (ICMS), Program of Social Integration (PIS), Contribution to Social Security Financing (COFINS), Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), as described in Note 2.11.

### 12. Net Financial Result

	Parent		Consolidated	
	2019	2018	2019	2018
Financial income				
Financial investments	2,282	1,264	2,374	1,352
Other revenues	32	23	32	23
	<b>2,314</b>	<b>1,287</b>	<b>2,406</b>	<b>1,375</b>
Financial expenses				
Bank expenses	(47)	(54)	(47)	(54)
Losses with investments (*)	-	(324)	-	(324)
Other expenses	(39)	(24)	(39)	(24)
	<b>(86)</b>	<b>(402)</b>	<b>(86)</b>	<b>(402)</b>
	<b>2,228</b>	<b>885</b>	<b>2,320</b>	<b>973</b>

(\*) Losses with investments in 2018 were the result from the depreciation of some marketable securities.

## Associação Saúde Criança Renascer

Accompanying Notes to the Financial Statements - Cont'd  
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### 13. Insurance Coverage

The Association adopts the policy of contracting insurance coverage against fire and miscellaneous risks for fixed assets on amounts considered sufficient to cover eventual claims. Such amounts were defined based on instructions by experts and take into consideration the nature of their activity and the level of risk involved. Given their nature, the risk assumptions adopted are not part of the scope of a financial statements audit. Therefore, they were not audited by our independent auditors.

The Association has insurance coverage as follows:

a) Real State Property - Rua das Palmeiras, 65, Rio de Janeiro - RJ

Events: fire, explosions and smoke of any kind - BRL 1,800, robbery and/or theft of goods and merchandise - BRL 80, electrical damage - BRL 30, windstorm - BRL 5.

b) Real State Property - Rua Jardim Botânico, 86, Rio de Janeiro - RJ

Events: fire, lightning and explosions of any kind - BRL 504, electrical damage - BRL 20, windstorm - BRL 10.

Vehicles: Volkswagen Gol (2020/2019)

### 14. Other Information

a) Headquarters Real State Property

The Association moved its headquarters on October 3, 2016 to Rua das Palmeiras, 65, Botafogo, in the city of Rio de Janeiro. They own the building, bought on September 6, 2013, which was under renovation works. This property is part of the historical cultural heritage of the city of Rio de Janeiro. The Association is responsible for its maintenance, according to specifications and guidelines established by the National Historic and Artistic Heritage Institute (IPHAN) and also subject to the rules of the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA). Accordingly, all expenses on property preservation are recorded as entries in the income statement.

## **Associação Saúde Criança Renascer**

Accompanying Notes to the Financial Statements - Cont'd  
December 31<sup>st</sup>, 2019 and 2018  
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### **14. Other Information--Cont'd**

b) Certification of Social Assistance Beneficent Entities

On August 16, 1995, the Brazilian Council of Social Assistance confirmed that Associação Saúde Criança Renascer is registered in that body according to Resolution no. 83/95, dated August 1995, published in the Federal Official Gazette of August 18, 1995, based on the judgment of process no. 28990.014753/1994-60.

On August 27, 2014, the Brazilian Council of Social Assistance granted the Association the Certification of Social Assistance Beneficent Entities (CEBAS), valid from March 18th, 2010 to March 17th, 2015. The Association timely filed the request to renew this certification on March 13<sup>th</sup>, 2015 and was notified of the rejection of this administrative proceeding on October 30th, 2017, effective from the publication in the Federal Official Gazette. As described in Note 15, the Entity filed an ordinary lawsuit in order to be granted the right to tax immunity.

c) Sureties, Pledges and Guarantees

The Association did not provide any guarantees or participated in any transactions as a guarantor during the fiscal years of 2019 and 2018.