

The background of the slide is a solid orange color with a repeating pattern of stylized human figures. Each figure is composed of a circular head and a rectangular body with a simple, angular shape for the torso and legs, suggesting a crowd or a group of people. The figures are scattered across the entire page.

Accounting Statements

EXPLANATION ON THE ACCOUNTING STATEMENTS OF INSTITUTO ACAIA

Instituto Acaia, with its headquarters in the city of São Paulo, CNPJ corporate registration number 04.449.826/0001-93, has since its incorporation on April 3, 2001 had its core activities maintained with donations from its associates, benefactors and sympathizers and government subsidies for projects approved by municipal and state bodies.

In 2016, the executive board and founding associates of the Institute, concerned with its continuity and that of its three (03) centers - ateliê escola Acaia, Centro de Estudar Acaia Sagarana and Acaia Pantanal – set up an Endowment Fund.

This fund consists exclusively of long-term National Treasury Notes (NTN-Bs). The return on these notes is the IPCA inflation rate plus a margin. The margin is sufficient only to cover the regular expenses of the three (03) centers of the Instituto Acaia. Any new project, or expansion of existing projects, depends on additional funding.

The value of the NTN-Bs varies with the market, and so the fund can show accounting deficits or surpluses which would only be realized upon the sale of the notes. Since the notes are not to be sold, since they guarantee the continuity of the Institute's basic activities, these deficits and surpluses are merely accounting events, and have no effect on the management of the Institute.

Yours truly,

Sandra Alves Silva
Director of Instituto Acaia



instituto
acaia

Accounting Statements as at
December 31, 2018 and
report of the
independent auditors*

*The Explanatory Notes are available on the Instituto Acaia website: www.acaia.org.br

Independent Auditors' Report on the Accounting Statements

To the Managers
Instituto Acaia

Opinion

We have examined the accounting statements of Instituto Acaia (the "Institute"), comprising the balance sheet as at December 31, 2018, and the corresponding statements of surplus in comprehensive income, of changes in shareholders' equity and cash flows for the year then ended, together with the explanatory notes, including a summary of significant accounting policies.

In our opinion, the above-mentioned financial statements fairly represent, in all material aspects, the equity and financial position of Instituto Acaia as of December 31, 2018, its operating performance and its cash flow for the year ended on that date, in accordance with the accounting practices generally accepted in Brazil, Technical Pronouncement CPC and with ITG 2002 - "Not-for-Profit Entities".

Basis for our opinion

Our audit was carried out in accordance with Brazilian and international audit standards. Our responsibilities, according to these standards, are described in the following section, headed "Responsibilities of the auditor for the accounting statements". We are independent of the Institute, as required by the ethical principles contained in the Accountant's Code of Professional Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities described in these standards. We believe that the audit evidence obtained is sufficient and appropriate as a basis for our opinion.

Responsibility of management and governance for the accounting statements

The management of the Institute is responsible for the preparation and fair presentation of the accounting statements according to the accounting practices generally accepted in Brazil, Technical Pronouncement CPC PME and ITG 2002 - "Not-for-Profit Entities", and for the internal controls which it has determined as necessary to permit the preparation of the accounting statements free from material misstatement, whether caused by fraud or by error.

In preparing the accounting statements, management is responsible for assessing the Institute's capacity to continue as a going concern, and for disclosing, when appropriate, matters related to its business continuity and the use of this accounting base to prepared the accounting statements, unless management intends to liquidate the Institute or cease operations, or has no realistic way of avoiding closure.

The people responsible for the governance of the Institute are those who supervise the process of preparing the accounting statements.

Responsibilities of the auditor for the accounting statements

Our objectives are to obtain reasonable assurance that the accounting statements, taken as a whole, are free of material misstatement, whether caused by fraud or by error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit undertaken in accordance with Brazilian and international auditing standards will always detect any existing material misstatements. The misstatements may be due to fraud or to error, and are considered material when, individually or jointly, they may reasonably be expected to influence business decisions taken by users on the basis of the accounting statements in question.

In an audit carried out in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain our professional reservations throughout the process. Moreover:

- We identify and assess the risks of material misstatement in the accounting statements, whether caused by fraud or by error; plan and execute audit procedures in response to such risks; and obtain appropriate and sufficient audit evidence on which to base our opinion. The risk of failure to detect material misstatement resulting from fraud is greater than for that resulting from error, since fraud can involve the evasion of internal controls, collusion, forgery, omission or intentionally false declarations..
- We obtain an understanding of the internal controls that are material for the audit, so that we can plan audit procedures that are appropriate under the circumstances, but not so as to be able to express an opinion on the efficacy of the Institute's internal controls.
- We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and corresponding disclosures made by management.

- We reach a conclusion on management’s correct use of the accounting base as a going concern and, on the basis of the audit evidence obtained, as to whether there is material uncertainty in respect of events or circumstances that might raise significant doubt as to the Institute’s capacity to continue operating. If we conclude that such material uncertainty exists, we are bound to call attention in our audit report to the corresponding disclosures in the accounting statements, or include a modification if, in our opinion, the disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our report. Future events or circumstances may, however, result in the Institute’s being unable to continue as a going concern.
- We assess the overall presentation, the structure and the content of the accounting statements, including the disclosures, and consider whether the accounting statements represent the corresponding transactions and events in such a way as to fulfill the objective of fair presentation.

We talk to the people responsible for governance about various aspects, including the planned scope and the timing of the audit, and about its significant findings, including any material failings in internal controls which we identify during the engagement.

São Paulo, March 18, 2019.

PricewaterhouseCoopers
Audidores Independentes
CRC 2SP000160/O-5

Tatiana Fernandes Kagohara Gueorguiev
Accountant CRC 1SP245281/O-6

**Accounting statements as at
December 31, 2018 and 2017 and
independent auditors' report**

Balance sheet as of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Liabilities		
Cash and cash equivalents (Note 3)	1.237.886	562.342
Financial investment (Note 4)	330.661	1.583.613
Securities (Note 5)	297.327.692	259.776.203
Other receivables (Note 6)	679.229	336.768
	<u>299.575.468</u>	<u>262.258.926</u>
Non-current liabilities		
Property and equipment (Note 7)	21.203.145	17.519.416
Total assets	<u><u>320.778.613</u></u>	<u><u>279.778.342</u></u>

The explanatory notes form an integral part of the accounting statements
2 of 19

	<u>2018</u>	<u>2017</u>
Liabilities and shareholders' equity		
Liabilities		
Current Liabilities		
Accounts payable (Note 8)	1.578.752	666.837
Labor and social security obligations	424.029	386.337
Tax obligations	23.873	25.398
Deferred revenues - donations for specific projects (Note 9)	-	180.392
Deferred revenues (Note 10)	434.542	621.474
	<u>2.461.196</u>	<u>1.880.438</u>
Non-current liabilities		
Deferred revenues (Note 10)	6.897.920	5.651.611
	<u>9.359.116</u>	<u>7.532.049</u>
Total liabilities		
Shareholder' equity		
Capital stock (Note 21)	268.236.030	259.611.679
Accumulated surplus	43.183.467	12.634.614
Total capital	<u>311.419.497</u>	<u>272.246.293</u>
Total liabilities and shareholders' equity	<u><u>320.778.613</u></u>	<u><u>279.778.342</u></u>

**Statement of surplus
for the years ended December 31, 2018 and 2017
In Reais**

Revenues	2018	2017
Donations from individuals (Note 11)	533.776	3.129.823
Donations from legal entities (Note 11)	334.121	361.345
Donations for specific projects (Note 9)	186.056	160.867
Other operating revenues (Note 12)	339.612	567.443
Volunteer work (Note 16)	1.038.111	74.750
	<u>2.431.676</u>	<u>4.294.228</u>
 Expenses for social activities		
Personnel expenses (Note 17(a))	(5.824.937)	(5.285.706)
General and administrative expenses (Note 17(b))	(8.533.449)	(6.475.346)
IPTU	(17.179)	(580.436)
Expenses of voluntary work (Note 16)	(1.038.111)	(74.750)
Depreciation and amortization expenses (Note 7)	(508.277)	(608.175)
	<u>(15.921.953)</u>	<u>(13.024.413)</u>
 Cost of social activities	<u>(13.490.277)</u>	<u>(8.730.185)</u>
 Net financial income (Note 19)	<u>44.039.130</u>	<u>21.114.371</u>
 Surplus	<u><u>30.548.853</u></u>	<u><u>12.384.186</u></u>

The explanatory notes form an integral part of the accounting statements
3 of 19

Statement of comprehensive income
Years ended December 31, 2018 and 2017
In Reais

	<u>2018</u>	<u>2017</u>
Surplus for the year	<u>30.548.853</u>	<u>12.384.186</u>
Other components of comprehensive income		
Endowment (Note 21)	8.624.351	249.611.679
	<u><u>39.173.204</u></u>	<u><u>261.995.865</u></u>

**Statement of changes in capital
In Reais**

	Capital stock	Accumulated Surplus	Total capital
Balances as of December 31, 2016	10.000.000	250.428	10.250.428
Endowment (Note 21)	249.611.679	-	249.611.679
Surplus for the year 2017	-	12.384.186	12.384.186
Balances as of December 31, 2017	259.611.679	12.634.614	272.246.293
Endowment (Note 21)	8.624.351	-	8.624.351
Surplus for the year 2018	-	30.548.853	30.548.853
Balances as of December 31, 2018	268.236.030	43.183.467	311.419.497

The explanatory notes form an integral part of the accounting statements
5 of 19

Statement of cash flow
In Reais

Cash flows from operating activities	2018	2017
Surplus for the year	30.548.853	12.384.186
Revenues and Expenses Adjustments		
Depreciation and amortization (Note 7)	508.277	608.175
Reversal of provision for labor contingencies	25.000	(337.250)
Elimination of depreciation of properties donated	-	(78.945)
	<u>533.277</u>	<u>191.980</u>
Adjusted result for the year	31.082.130	12.576.166
(Increase)/decrease in assets as follows:		
Financial investment	1.252.952	(1.090.835)
Securities	(37.551.489)	(249.237.987)
Other amounts receivable	(342.461)	598.304
Total changes in assets(Increase)/decrease in other credits	<u>(36.640.998)</u>	<u>(249.730.518)</u>
Increase/(decrease) in liabilities as follows:		
Accounts payable	913.305	208.388
Labor and social security obligations	12.692	(340.020)
Tax obligations	(1.525)	3.272
Other obligations	877.595	(341.261)
Total changes in liabilities	<u>1.802.067</u>	<u>(469.621)</u>
Net cash from operations	(3.756.801)	(237.623.973)
Cash flows from investment activities		
Acquisition of property and equipment (Note 7)	(4.192.006)	(179.385)
Net cash from investment activities	(4.192.006)	(179.385)
Cash flows from financing activities		
Endowment (Note 21)	8.624.351	238.363.044
Net cash from financing activities	8.624.351	238.363.044
Net increase /(decrease) in cash and cash equivalents	675.544	559.686
Cash and cash equivalents at the beginning of the year (Note 3)	562.342	2.655
Cash and cash equivalents at the end of the year (Note 3)	<u>1.237.886</u>	<u>562.341</u>
	675.544	559.686

The explanatory notes form an integral part of the accounting statements