

INSTITUTO SABIN

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31ST, 2016

INSTITUTO SABIN

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON DECEMBER 31ST, 2016

TABLE OF CONTENTS	PAGES
Independent auditors' report – Unqualified Opinion	1 to 3
Statement of financial position	4
Statement of activities	5
Statement of changes in net asset	6
Cash flow statement	7
Explanatory notes to the financial statements	8 to 14

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS PAR 17/062

To the Management of
INSTITUTO SABIN
Brasilia – DF

Opinion

We have audited the financial statements of **INSTITUTO SABIN** ("INSTITUTE"), which comprise the statement of financial position (balance sheet) as at December 31st, 2016 and the statement of activities, statement of changes in net asset and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as at December 31st, 2016, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil, applicable to non-profit organizations (ITG 2002).

Basis for opinion

We conducted our audit in accordance with brazilian and international standards on auditing. 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 Institute in accordance with the Ethics Standards for Accountants' Code together with the ethical requirements that are relevant to our audit of the financial statements in Brazil, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

The management are responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil, applicable to non-profit organizations (ITG 2002), and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management are responsible for assessing the Institute'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 the management either intend to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

www.bakertillybrasil.com.br



SAUS Qd. 04, bl. A, lotes 09/10, salas 1225 a 1228 Ed. Victória Office Tower
Asa Sul - Brasília / DF - CEP 70070-938 - Phones (61) 3012-9900 - Fax (61) 3012-9900
www.bakertillybrasil.com.br



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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing 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 and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute'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 Institute 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 control that we identify during our audit.

Brasília, February 14th, 2017.



Gilberto Galinkin

Engagement Partner

Baker Tilly Brasil MG Auditores Independentes

CRC / MG 005455 / O-1



Nestor Ferreira Campos Filho

Engagement Partner

Baker Tilly Brasil MG Auditores Independentes

CRC / MG 005455 / O-1

www.bakertillybrasil.com.br



SAUS Qd. 04, bl. A, lotes 09/10, salas 1225 a 1228 Ed. Victória Office Tower
Asa Sul - Brasília / DF - CEP 70070-938 - Phones (61) 3012-9900 - Fax (61) 3012-9900
www.bakertillybrasil.com.br



TABLE 1

INSTITUTO SABIN

CNPJ: 07.417.024/ 0001-90

STATEMENT OF FINANCIAL POSITION ON DECEMBER 31st, 2016

(Amounts expressed in BRL, unless otherwise indicated)

ASSETS	Note	2016	2015	LIABILITIES	Note	2016	2015
CURRENT ASSETS				CURRENT ASSETS			
Cash and Equivalents	3	1.952	963	Suppliers	6	63.333	52.983
Recoverable taxes		14.413	10.587	Wages, provisions and social contributions	7	98.498	91.974
Deferred expenses		7.529	7.764	Tax liabilities	8	33.325	26.165
Other accounts receivable	4	272.473	91.616			195.156	171.122
		296.367	110.930	NET ASSETS			
NON-CURRENT ASSETS				Net Asset	9	(4.116)	(129.617)
Property, plant and equipment	5	42.688	56.076	Fiscal year surplus	9	148.015	125.501
		42.688	56.076			143.899	(4.116)
TOTAL ASSETS		339.055	167.006	TOTAL LIABILITIES		339.055	167.006

Raquel Ribeiro Vaz
President

Ana Dolores da Rocha Gomes
Accountant - CRC-DF 14.790/O-7

TABLE 2**INSTITUTO SABIN****CNPJ: 07.417.024/ 0001-90****STATEMENT OF ACTIVITIES SURPLUS / (DEFICIT)
FOR THE YEAR ENDED ON DECEMBER 31st,
(Amounts expressed in BRL, unless otherwise indicated)**

	<u>Note</u>	<u>2016</u>	<u>2015</u>
NET OPERATING REVENUE	10	3.919.092	3.356.474
Cost of projects, contributions and services	11	(2.927.660)	(2.419.409)
GROSS BALANCE		<u>991.432</u>	<u>937.065</u>
OPERATING EXPENSES			
Personnel		(644.562)	(571.895)
General and Administrative Expenses	12	(174.475)	(230.721)
Taxes		(13.359)	(7.138)
OPERATING RESULT		<u>159.036</u>	<u>127.311</u>
Net financial result	13	(11.021)	(1.810)
FISCAL YEAR SURPLUS		<u><u>148.015</u></u>	<u><u>125.501</u></u>

Raquel Ribeiro Vaz
President

Ana Dolores da Rocha Gomes
Accountant - CRC-DF 14.790/O-7

TABLE 3

INSTITUTO SABIN
CNPJ: 07.417.024/ 0001-90

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED ON DECEMBER 31st, 2016 AND 2015
(Amounts expressed in BRL, unless otherwise indicated)

<u>Composition</u>	<u>Net Asset</u>	<u>Fiscal year surplus/ (deficit)</u>	<u>Total</u>
Balance at 12/31/2014	186.685	(316.302)	(129.617)
Additions to Net Asset	(316.302)	316.302	-
Fiscal year surplus		125.501	125.501
Balance at 12/31/2015	(129.617)	125.501	(4.116)
Additions to Net Asset	125.501	(125.501)	-
Fiscal year surplus	-	148.015	148.015
Balance at 12/31/2016	(4.116)	148.015	143.899

Raquel Ribeiro Vaz
 President

Ana Dolores da Rocha Gomes
 Accountant - CRC - DF 14.790/O-7

TABLE 4

INSTITUTO SABIN
CNPJ: 07.417.024/ 0001-90

**CASH FLOW STATEMENT - INDIRECT METHOD
FOR THE YEAR ENDED ON DECEMBER 31st,
(Amounts expressed in BRL, unless otherwise indicated)**

	<u>2016</u>	<u>2015</u>
Flow of operating activities		
Fiscal year surplus	148.015	125.501
Expenses/ (revenues) adjustments that do not affect cash:		
Depreciation and amortization	13.388	39.080
Adjusted surplus	161.403	164.581
Changes in assets and liabilities		
Recoverable taxes Increase/(Decrease)	(3.826)	(1.022)
Deferred expenses Increase/(Decrease)	235	(7.764)
Other accounts receivable Increase/(Decrease)	(180.857)	(76.302)
Suppliers Increase/(Decrease)	10.350	(97.450)
Wages, provisions and social contributions Increase/(Decrease)	6.524	13.636
Tax liabilities Increase/(Decrease)	7.160	8.928
Total changes	(160.414)	(159.974)
Net cash from operating activities	989	4.607
Investment activities		
Acquisition of property, plant and equipment	-	(4.218)
Net cash used in investing activities	-	(4.218)
Net increase in cash and cash equivalents	989	389
Cash and Equivalents		
At the beginning of the year	963	574
At the end of the year	1.952	963
Change in fiscal year	989	389

Raquel Ribeiro Vaz
President

Ana Dolores da Rocha Gomes
Accountant - CRC-DF 14.790/O-7

(Amounts expressed in BRL, unless otherwise indicated)

1. General information

Sabin Institute is a Civil Society of Public Interest, not-for-profit, which promotes communities' quality of life improvement focusing in health, sports and education.

The Entity is located and domiciled in Brazil, with headquarters at SCN Quadra 05 Block A Room 316 Part A, Building Brasília Shopping – Asa Norte – Distrito Federal.

According to the provisions of Law No. 9,790, entities aiming to qualify as Civil Society of Public Interest (OSCIP) must meet the following conditions, cumulatively, to be entitled to this exemption:

- a) Comply with the principles of legality, impersonality, morality, publicity, economics and efficiency;
- b) Adopt administrative management practices, necessary and sufficient to prevent individual or groups from benefiting or taking personal advantages from participating in the respective decision-making process;
- c) Constitute a fiscal council or equivalent governing body, with the power to express opinions on financial and accounting performance reports and on carried out equity transactions, issuing opinions to the entity's higher bodies;
- d) Provision that in case of dissolution of the entity the respective net asset will be transferred to another legal entity qualified under the terms of this Law, preferably having the same social object of the dissolved one;
- e) Provision that in the event that the legal entity loses its qualification established by Law, all available assets, purchased with public funds during the period in which the qualification lasted, will be transferred to another legal entity qualified under the terms of the Law, preferably having the same social object;
- f) In the impossibility of establishing management remuneration that effectively works in the executive management and for those who provide specific services, at the market price in the region;
- g) Rules of accountability to be observed by the entity.

2. Summary of major accounting policies

The main accounting policies applied in putting together these financial statements are defined below. These policies were applied consistently in both 2015 and 2016 years, unless otherwise indicated.

2.1. Basis of preparation

The financial statements have been prepared and are being presented in accordance with ITG 2002 (R1) - non-profit organizations and, what is not provide by this regulation, by NBC TG 1000 (R1) - Accounting for Small and Medium Companies. They were prepared based on historical cost as base value.

The financial statements were prepared in accordance with the aforementioned regulations require the use of critical accounting estimates and also the exercise of judgment by the management of the Entity when applying accounting policies. Some items require a higher

(Amounts expressed in BRL, unless otherwise indicated)

level of judgment due to their complexity, as well as those which assumptions and estimates are important for the financial statements, as disclosed in Note 3.

The Executive Board approved the issuing of the financial statements on 04/13/2017.

2.2. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly liquid short-term investments, with original maturities of up to three months (with no significant risk of change in value), in the Statement of Cash Flow the balance is net of overdraft. Overdrafts in the statement of financial position are shown as "Loans" in current liabilities.

2.3. Determination of fiscal year surplus/ (deficit) and recognition of revenues from donation

The surplus/ (deficit) for the year is calculated according with the accounting accrual basis for the year.

As of December 31st, 2016 and 2015, all funds the Entity received came from donations, made by its sponsor, with the purpose to support projects. These resources are accounted under specific headings. Revenues are recorded when the funds are actually received.

2.4. Property, plant and equipment

Property, plant and equipment items are stated at acquisition cost minus depreciation and any accumulated non-recoverable loss.

The Entity includes in the book value of a property, plant and equipment item the replacement cost of parts only when the cost is likely to give it future economic benefits.

The book value of replaced parts is written off and all other repairs and maintenance are accounted as expenses for the year, when incurred.

Depreciation of other assets is calculated based on the straight-line method to allocate costs minus the residual value over its lifespan, which is estimated as follows:

- Machines - 10 years
- Vehicles - 5 years
- Furniture, fixtures and equipment - 10 years
- IT Equipment - 5 years

Residual values, lifespan and depreciation methods are reviewed and adjusted, if necessary, when there is any indication of significant change since the date of the last statement of financial position.

The book value of an asset is immediately written off to its recoverable value if the book value of the asset is greater than its recoverable value estimated in Note 5.

Gains and losses on divestments are determined by comparing the sale price with the book value and are recognized in "Other net gains/ (losses)" in the statement of activities.

2.5. Suppliers

Accounts payable to suppliers are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

(Amounts expressed in BRL, unless otherwise indicated)

2.6. Provisions

Provisions are recognized when: (i) the Entity has a present or non-formalized liability as a result of past events; (ii) it is possible that an outflow of resources will be required to settle the liability; (iii) and the value can be estimated safely.

Provisions are measured at the present value of the expenses that would be required to settle the liability, using a pre-tax rate that reflects current market assessments for the time value of money and the specific risks of the liability. The increase in the liability as a result of time is recognized as a financial expense.

Provisions for restructuring include fines for lease agreements termination and payments for termination of employment. Provisions for future operating losses are not recognized.

2.7. Taxes and contributions

The Entity is exempt from the payment of income tax, social contribution and Contribution to Social Security Financing (COFINS), thus no amount is recorded as Income Tax/ Social Contribution and COFINS.

However, non-profit entities that have employees, as defined by labor legislation, are required to collect a fixed 1% PIS on the monthly payroll.

2.8. Other assets and liabilities

An asset is recognized in the state of financial position when it is possible that there is going to be economic benefits in the future generated in favor of the Entity and its cost or value can be measured. A liability is recognized in the balance sheet when the Entity has a legal liability as a result of a past event and it is possible that economic resources will be required to settle it. Provisions are recorded based on the best estimates of the risk involved.

Assets and liabilities are classified as current when their realization or settlement is likely to occur in the next 12 months. Otherwise, they are classified as non-current.

3. Cash and Equivalents

	<u>12/31/2016</u>	<u>12/31/2015</u>
Fixed fund Pescar project	50	550
Bank deposits in checking account	1,902	413
	<u>1,952</u>	<u>963</u>

4. Other accounts receivable

	<u>12/31/2016</u>	<u>12/31/2015</u>
Vacations paid in advance	36,562	6,869
Salaries paid in advance	-	2,494
Suppliers paid in advance	17,159	51,502
Travel Expenses paid in advance	1,892	600
Prepaid Expenses	216,067	29,293
Other credits	793	858
Total	<u>272,473</u>	<u>91,616</u>

INSTITUTO SABIN

MANAGEMENT NOTES TO FINANCIAL STATEMENTS ON DECEMBER 31ST, 2016

(Amounts expressed in BRL, unless otherwise indicated)

5. Property, plant and equipment

	Hardware	Software licenses	Machinery and equipment	Furniture and fixtures	Vehicles	Total
Costs						
On January 1 st , 2016	8,838	5,477	71,031	3,650	153,460	242,456
Additions	-	-	-	-	-	-
Write offs	-	-	-	-	-	-
December 31 st , 2016	8,838	5,477	71,031	3,650	153,460	242,456
Accumulated depreciation						
January 1 st , 2016	(4,749)	(5,022)	(26,195)	(2,069)	(148,345)	(186,380)
Annual Depreciation	(494)	(312)	(7,102)	(365)	(5,115)	(13,388)
Write offs	-	-	-	-	-	-
December 31 st , 2016	(5,243)	(5,334)	(33,297)	(2,434)	(153,460)	(199,768)
Book value						
January 1 st , 2016	<u>4,089</u>	<u>455</u>	<u>44,836</u>	<u>1,581</u>	<u>5,115</u>	<u>56,076</u>
December 31 st , 2016	<u>3,595</u>	<u>143</u>	<u>37,734</u>	<u>1,216</u>	<u>-</u>	<u>42,688</u>

6. Suppliers

	12/31/2016	12/31/2015
Laboratório Sabin	-	52,713
Zat Equipmentos	46,500	-
Labaclen	8,753	-
Others	8,080	270
	<u>63,333</u>	<u>52,983</u>

7. Wages, provisions and social contributions

	12/31/2016	12/31/2015
Payable salaries	274	10,828
Payable FGTS (Time of Service Guarantee Fund)	3,654	5,436
Payable INSS	18,451	15,147
Other liabilities	3,358	1,853
Provision for vacations and other charges	72,761	58,710
Total	<u>98,498</u>	<u>91,974</u>

8. Tax liabilities

	12/31/2016	12/31/2015
Payable PIS	368	549
Payable IRRF (Income tax)- salaries	27,521	22,268
IRRF payable - services to companies	1,083	870
COFINS / PIS / CSLL	4,353	2,478
Total	<u>33,325</u>	<u>26,165</u>

INSTITUTO SABIN

MANAGEMENT NOTES TO FINANCIAL STATEMENTS ON DECEMBER 31ST, 2016

(Amounts expressed in BRL, unless otherwise indicated)

9. Net assets

(a) Net Asset

Net asset is constituted with the Institute initial funding, plus the results (surpluses and/or deficits) verified throughout fiscal years.

(b) Surplus (deficit) for the year

It refers only to the current year surplus and/or deficit. After approval, these amounts are incorporated into the Institute's social assets to be reinvested in social actions, as provided in the bylaws, when applicable.

10. Net operating revenue

	<u>2016</u>	<u>2015</u>
Revenues from donations and contributions to Sabin from funding	3,883,220	3,234,033
Revenues from donations and contributions from funding	31,892	110,123
Revenues from donations, campaigns/ sponsorship	-	11,218
Revenues from Institute products	3,980	1,100
	<u><u>3,919,092</u></u>	<u><u>3,356,474</u></u>

Gains generated by the Institute are used in its social objectives mentioned in Note 1.

11. Cost of projects, contributions and services

	<u>2016</u>	<u>2015</u>
Allowances	57,881	32,787
Scholarships	11,982	15,176
Donations	2,073,018	1,346,588
Services Individuals	35,107	42,078
Services Companies	551,863	802,504
Travel, food and lodging	98,749	85,097
Other costs	99,060	95,179
	<u><u>2,927,660</u></u>	<u><u>2,419,409</u></u>

Different Areas	Main projects	Coverage Areas	Deadline	Annual Investment (R\$ thousand)
	1. Community Care	National	Continuous	800
	2. Child and Health	National	2 years partnership (2016/2017)	150
Health	3. Ludoteca	National	Training course EAD (80 thousand) continuous implementation	200
	4. Samurai (Mobile Unit)	DF and GO	Continuous	30
	5. Education workshops (safe sex and breast cancer)	DF and GO	Continuous	20

(Amounts expressed in BRL, unless otherwise indicated)

Different Areas	Main projects	Coverage Areas	Deadline	Annual Investment (R\$ thousand)
	6. STD / AIDS	National	Sporadic (between August and September)	80
Campaigns:	7. Campaigns (Happy Day, Winter Wear, Pink October, Blue November, Open Games, World AIDS Day, Christmas)	National	Dates throughout the year	115
	8. Sabin Sports Team	National	Continuous	300
Sport	9. Support for athletes	DF, BA, TO	Continuous	300
	10. Outdoor gyms in parks	National	Sporadic (1 to 2 per year in each city)	250
	11. Junior Achievement	National	Sporadic	178
Social Innovation	12. Social Impact Business	National	Continuous	505
			Total	2,928

12. General and Administrative Expenses

	2016	2015
Depreciation and amortization	13,388	39,080
Small value goods	15,947	14,190
Fuel	14,854	22,144
Technical publications	12,000	-
Maintenance and conservation	8,505	11,191
Snacks and meals	9,103	13,743
Insurance	18,305	10,870
Fees and Charges	18,947	17,519
Travel, food and lodging	34,618	24,430
Other expenses	28,808	77,554
	174,475	230,721

13. Net financial result

	2016	2015
Financial expenses		
Banking expenses	(6,206)	-
Bank fees	-	(4,662)
Other financial expenses	(6,618)	(742)
Total	(12,824)	(5,404)
Financial expenses		
Gains from financial investments	1,698	3,221
Discounts	9	373
Other financial revenues	96	-
Total	1,803	3,594
Net financial result	(11,021)	(1,810)

(Amounts expressed in BRL, unless otherwise indicated)

14. Insurance Coverage

The Institute has a risk management program with the objective of hindering them by contracting coverage compatible with its size and operation. Insurance coverage contracted by management must be the sufficient amount to cover possible claims, taking into account the nature of its activity, the risks involved in its operations and the guidance of its insurance consultants. The net Premium of the insurance policy in effect on 12/31/2016 was approximately R\$ 17 thousand. The contract is valid until May 2017. The good insured is a bus - mobile service unit.

15. Tax Waiver Acceptance

The Institute has tax immunity because of its not-for-profit nature. Thus, below we show the value of the tax benefit (waiver) received by the Institute:

	<u>2016</u>	<u>2015</u>
IRPJ - Tax waiver	289,527	244,430
CSLL - Tax waiver	112,870	96,635
COFINS - Tax waiver	117,573	100,661
ISS - Tax waiver	<u>78,382</u>	<u>67,107</u>
Total	<u>598,352</u>	<u>508,833</u>

* * * *