Individual and Consolidated Financial Statements

Associação Saúde Criança Renascer

December 31, 2018 and 2017
With Independent Auditor’s Report

Associação Saúde Criança Renascer

Financial Statements

December 31, 2018 and 2017

Contents

Independent auditor's report on individual and consolidated financial statements

Opinion

We have audited the individual and consolidated financial statements of Associação Saúde Criança Renascer ("Entity"), identified as parent company and consolidated, respectively, which comprise the balance sheet on December 31, 2018, plus the related income statement, comprehensive income statement, statement of changes in net equity and cash flow statement for the fiscal year ending on that date, as well as the corresponding explanatory notes, including a summary of the main accounting policies adopted.

In our opinion, the above-mentioned individual and consolidated financial statements fairly present, in all material aspects, the equity and financial position, both individual and consolidated, of Associação Saúde Criança Renascer on December 31, 2018, and the individual and consolidated performance of its operations and cash flows for the fiscal year ending on this date, in accordance with accounting practices adopted in Brazil and applicable to non-profit organizations (ITG 2002 (R1)).

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. In conformity with such norms, our responsibilities are described in the section below, entitled "Auditor's responsibilities for the audit of the individual and consolidated financial statements." We are independent from the Entity, in accordance with the relevant ethical principles established in the Accountant's Code of Professional Ethics and professional norms issued by the Federal Accounting Council (CFC) and comply with all remaining ethical responsibilities as per these norms. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities for the financial statements by management and governance

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and applicable to non-profit organizations (ITG 2002 (R1)), as well as for the internal controls it has deemed necessary to allow for the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Entity's ability to continue operating, disclosing, when applicable, matters related to its operational continuity and the use of this accounting basis in the financial statements' preparation, unless Management intends to liquidate the Entity, cease its operations or does not have any realist alternative to prevent its operations from terminating.

Those responsible for the Entity's governance are responsible for overseeing the process of preparation of the financial statements.

Auditor’s responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance that, when taken as a whole, the individual and consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an audit report that contains our opinion. Reasonable assurance is a high level of assurance, although not a guarantee that the audit conducted in accordance with Brazilian and international auditing norms can always detect material misstatements when such exist. Distortions can occur due to fraud or error and are considered relevant when they can influence, either individually or jointly, and from a reasonable perspective, the economic decisions made by users having said financial statements as their basis.

As part of the audit conducted in accordance with Brazilian and international norms, we exercised our professional judgment and maintained professional skepticism throughout. Furthermore:

· We identified and evaluated the risks of material misstatements in individual and consolidated financial statements, whether caused by fraud or error; planned and implemented audit procedures in response to such risks; and obtained audit evidence that is appropriate and sufficient to provide a basis for our opinion. The risk of not detecting relevant misstatements due to fraud is higher than that resulting from error, since fraud may involve bypassing internal controls, collusion, forgery, omission or intentional misrepresentation.

· We became acquainted with the internal controls relevant to the audit as a means of planning auditing procedures appropriate to the circumstances, but not with the objective of expressing our opinion on the effectiveness of the Entity’s internal controls.

· We evaluated the suitability of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by 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 relevant uncertainty regarding events or conditions that may cast significant doubt on the Entity’s ability for operational continuity. If we conclude that there is material uncertainty, we will draw attention to the respective disclosures in our audit report as they appear in the individual and consolidated financial statements or include a modification to our opinion if said disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our report. Future events or conditions may, however, lead the Entity to no longer maintain operational continuity.

- We evaluated the overall presentation, structure and content of financial statements, including disclosures, and whether individual and consolidated financial statements represent the corresponding transactions and events in a manner compatible with producing an adequate presentation.
- We obtained appropriate and sufficient audit evidence pertaining to 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's opinion.

We notified those responsible for the Entity's governance of, among other aspects, the planned scope and period of the audit and its significant findings, including any meaningful deficiencies in internal controls identified during our work.

Rio de Janeiro, June 3, 2019.

ERNST & YOUNG
Independent Auditors S.S.
CRC-2SP015199/O-6

Wilson J. O. Moraes
Accountant CRC-1RJ107211/O-1

Associação Saúde Criança Renascer

Balance sheet
December 31, 2018 and 2017
(In thousands of Brazilian reais)

		Parent Company		Consolidated	
	Note	**2018**	**2017**	**2018**	**2017**
Assets					
Current assets					
Cash and cash equivalents	3	**252**	1,032	**254**	1,034
Bonds and securities	4	**8,768**	8,284	**8,775**	8,292
Receivables		**88**	86	**88**	86
Advances		**22**	16	**22**	16
Tax credits		**4**	4	**4**	4
Inventories		**65**	52	**65**	52
Prepaid expenses		**3**	3	**3**	3
Total current assets		**9,202**	9,477	**9,211**	9,487
Non-current assets					
Bonds and securities	4	**4,626**	4,863	**4,626**	4,863
Fixed assets	5	**7,408**	7,422	**7,408**	7,422
Intangible		**5**	6	**5**	6
Total non-current assets		**12,039**	12,291	**12,039**	12,291
Total assets		**21,241**	21,768	**21,250**	21,778
Liabilities and net equity					
Current liability					
Suppliers		**120**	112	**129**	122
Labor charges and social security		**41**	34	**41**	34
Tax liabilities		**16**	18	**16**	18
Labor provisions		**643**	200	**643**	200
Obligations with incentive projects	6	**90**	302	**90**	302
Other liabilities		**2**	2	**2**	2
Total current liabilities		**912**	668	**921**	678
Net equity	8				
Net equity		**21,100**	20,411	**21,100**	20,411
Accumulated surplus (losses)		**(771)**	689	**(771)**	689
Total net equity		**20,329**	21,100	**20,329**	21,100
Total liabilities and net equity		**21,241**	21,768	**21,250**	21,778

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

Associação Saúde Criança Renascer

Income statement
Fiscal years ending on December 31, 2018 and 2017
(In thousands of Brazilian reais)

		Parent Company		Consolidated	
	Nota	2018	2017	2018	2017
Operating income	9				
Assistance income		**5,226**	5,872	**5,226**	5,872
Sales of goods		**656**	637	**656**	637
Other income		**68**	53	**68**	53
		5,950	6,562	**5,950**	6,562
Costs					
Assistance costs	10	**(3,385)**	(2,730)	**(3,385)**	(2,730)
Transformation costs		**(549)**	(505)	**(549)**	(505)
Sales costs		**(108)**	(139)	**(108)**	(139)
		(4,042)	(3,374)	**(4,042)**	(3,374)
Gross surplus		**1,908**	3,188	**1,908**	3,188
General and administrative expenses	11	**(3,324)**	(3,807)	**(3,412)**	(3,891)
Services rendered	11	**(240)**	(255)	**(240)**	(255)
Operating surplus (losses)		**(1,656)**	(874)	**(1,744)**	(958)
Financial income	12	**1,287**	1,730	**1,375**	1,814
Financial expenses	12	**(402)**	(167)	**(402)**	(167)
Surplus (losses) during fiscal year		**(771)**	689	**(771)**	689

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

Associação Saúde Criança Renascer

Comprehensive income statement

Fiscal years ended on December 31, 2018 and 2017

(In thousands of Brazilian reais)

	Parent company and consolidated	
	2018	**2017**
Surplus (losses) for the fiscal year	**(771)**	689
Other comprehensive results	**-**	-
Total comprehensive results for the fiscal year	**(771)**	689

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

Associação Saúde Criança Renascer

Statement of changes in net equity

Fiscal years ended on December 31, 2018 and 2017

(in thousands of Brazilian reais)

	Net Equity	Accumulated Surplus (losses)	Total
Balance on December 31, 2016	18,061	2,350	20,411
Incorporation of accumulated surplus	2,350	(2,350)	-
Surplus for the year	-	689	689
Balance on December 31, 2017	20,411	689	21,100
Incorporation of accumulated surplus	689	(689)	-
Losses for the year	**-**	**(771)**	**(771)**
Balance on December 31, 2018	**21,100**	**(771)**	**20,329**

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

Associação Saúde Criança Renascer

Cash Flow Statement
Fiscal years ended on December 31, 2018 and 2017
(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash flow from social programs				
Surplus (losses) from the year	**(771)**	689	**(771)**	689
Adjustments to reconcile the year's surplus (losses) with the cash flow from operating activities				
Unrealized gains	**(912)**	(1,494)	**(912)**	(1,494)
Depreciation and amortization	359	401	359	401
(Increase) decrease in assets and increase (decrease) in liabilities				
Inventories	**(13)**	11	**(13)**	11
Receivables	**(3)**	2	**(3)**	2
Advances	**(6)**	(2)	**(6)**	(2)
Tax credits	**-**	-	**-**	-
Suppliers	**8**	20	**8**	20
Tax liabilities	**(3)**	(19)	**(3)**	(19)
Labor provisions and social security	**450**	27	**450**	27
Obligations with incentivized projects	**(212)**	(76)	**(212)**	(76)
Others	**1**	-	**1**	-
Net cash used in operating activities	**(1.102)**	(441)	**(1.102)**	(441)
Cash flow from investment activities				
Redemption of bonds and securities	**666**	100	**666**	100
Acquisition of fixed and intangible assets	**(344)**	(196)	**(344)**	(196)
Net cash generated (used) with investment activities	**322**	(196)	**322**	(96)
Decrease in cash and cash equivalents	**(780)**	(537)	**(780)**	(537)
Cash and cash equivalents at the beginning of fiscal year	**1.032**	1.569	**1.034**	1.571
Cash and cash equivalents at the end of fiscal year	**252**	1.032	**254**	1.034

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

1. General information

Associação Saúde Criança Renascer ("Association") is a philanthropic civil society organization, established and domiciled in Brazil, with headquarters in Rio de Janeiro and constituted on October 25, 1991 to carry out social assistance and human development activities, to provide support to the underprivileged children of the Hospital da Lagoa and the Maria Amélia Buarque de Hollanda Maternity Hospital, as well as their families during their hospitalization and, especially, following discharge. This support is given once the families' socioeconomic needs are verified, and families are referred to the Association through a letter of introduction issued by a multidisciplinary screening committee from the Hospital da Lagoa.

The Association is maintained through spontaneous and member donations, which can be made in cash or in items such as food, medication, clothing, and donated professional services, among others. In order to better serve the families, the Association has implemented several social programs such as Madrinha, Atendimento (Aconchego), Anzol and Replicação.

In order to reach its objectives, Associação Saúde Criança Renascer is organized around the following areas:

- Social Assistance – Donates food, medication and medical equipment, among others, as well as providing free support from psychologists, psychiatrists, nutritionists, and social workers with referrals to health facilities.
- Citizenship – Provides help in obtaining documents and offers social and legal advice in order to guarantee the family access to basic citizen rights.
- Housing – Ensures that the family has minimal living conditions, such as running water and sewage; and walls and roofs free of water damage due to leaks – in other words to provide a healthy environment in which the child can recover and remain healthy.
- Education – Promotes the family's awareness of the importance of education for the future of both children and parents, monitoring the child's school life and providing support in specific areas, as needed.
- Income generation – Professional training courses according to the interests and skills of the caregiver, aiming to generate the family's sustenance and independence.

1. General information -- continued

Associação Saúde Criança Renascer is exempt from income and social contribution taxes, in accordance with Law nr. 9532/97, whose article 15 states that the Association must fully meet the following conditions in order to be entitled to this exemption:

(a) It must not, in any way, remunerate its directors for services rendered.

(b) To fully apply its resources towards maintaining and developing its social objectives.

(c) To provide a full bookkeeping of its income and expenses in books prepared in accordance with the formalities that ensure their accuracy.

(d) Counting from the date of issue, to keep documents that prove the origin of income and payment of expenses, as well as the performance of any other acts or operations that may change its financial position, for a period of five years.

(e) To file tax returns annually.

2. Summary of the main accounting policies

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

2.1. Basis for preparation and presentation

The Entity's individual and consolidated financial statements for the fiscal years ending on December 31, 2018 and 2017 were prepared and submitted in accordance with accounting practices adopted in Brazil and which include Pronouncements, Guidelines and Interpretations issued by the Committee of Accounting Pronouncements – CPC and provisions applicable to non-profit entities issued by the Federal Accounting Council – CFC, particularly ITG 2002 (R1) – Non-profit Entities, from September 21, 2012.

The preparation of individual and consolidated financial statements in conformity with the aforementioned norms requires the use of certain accounting estimates as well as the exercise in judgment by the Association's management in applying accounting policies, although there are no areas or situations of greater complexity that require a higher level of judgment or significant estimates for these financial statements.

2. Summary of the main accounting policies – continued

2.1. Basis for preparation and presentation– continued

The individual and consolidated financial statements of Associação Saúde Criança Renascer for the fiscal year ending on December 31, 2018 were authorized for issue by the Board of Directors on June 3, 2019.

2.2. Consolidation

The Association has an exclusive fund and thus submitted consolidated financial statements which include the consolidation of these funds. The Association does not have any controlled entities.

2.3. Functional currency and presentation currency

The financial statements are submitted in Brazilian reais, which is the Association's functional and presentation currency.

2.4. Cash and cash equivalents

These comprise cash on hand and bank deposits, stated at cost, and short-term, high-liquidity financial investments with low exposure to risk in change of value, shown at cost plus income earned until the balance sheet date, having the fiscal year's income as the corresponding entry.

2.5. Financial assets

2.5.1. Classification

In the initial reporting, the Association classifies its 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 acquired.

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 was acquired, mainly, for sale in the short term. Assets in this category are classified as current assets and represented by cash and cash equivalents, and by bonds and securities.

2. Summary of the main accounting policies – continued

2.5. Financial assets – continued

2.5.1. Classification – continued

b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those with maturities of more than 12 months after the balance sheet date. These are classified as non-current assets and are represented as receivables, referring basically to sales made by credit card.

2.5.2. Reporting and measurement

Purchases and sales of financial assets are normally reported on the trading date. Investments are initially reported 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 reported at fair value and costs of transaction are deducted from the income statement. Financial assets are written off when rights to receive cash flows have expired or been transferred; in the latter case, as long as the Association has significantly transferred all the risks and benefits of ownership. Financial assets measured at fair value through profit or loss are subsequently accounted for at fair value. Loans and receivables are reported at amortized cost, using the effective interest rate method.

Gains or losses arising from variations in the fair value of financial assets measured at fair value through profit or loss are presented in the income statement as “Financial income, net” during the period in which they occur.

Dividends on financial assets measured at fair value through profit or loss are reported in the income statement as part of “Financial income, net”, when the Association’s right to receive dividends is established.

2. Summary of the main accounting policies – continued

2.5. Financial assets – continued

2.5.2. Reporting and measurement – continued

Fair values of publicly listed investments are based on current buy prices. If the market for a financial asset (and for securities not listed in the stock exchange) is not active, the Association establishes fair value through evaluation techniques. These include recent operations with third parties, reference to other substantially similar instruments, analyses of discounted cash flows and option pricing models that make the most of market-generated data and rely as little as possible on information generated by the Association's own administration.

2.5.3. Impairment of financial assets

a) *Assets measured at amortized cost*

On the date of each balance sheet, the Association assesses if there is any objective evidence that a financial asset or group of financial assets is impaired. An asset or 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 occurring after the initial reporting of the assets (a "loss event") and this loss event (or events) has an impact on estimated future cash flows derived from the financial assets or group of financial assets that can be estimated in a reliable manner.

The loss through impairment amount is measured as the difference between the assets' book value and the current value of estimated future cash flows (excluding future credit losses that were not incurred) discounted at the financial assets' original prevailing interest rate. The book value of the asset is reduced, and the amount of the loss is reported in the Association's income statement.

2.5.4. Derivative financial instruments

There were no derivative financial instrument transactions during the 2018 fiscal year.

2. Summary of the main accounting policies – continued

2.6. Inventories

Inventories represented by purchased inputs and finished products related to the "Anzol" project were valued at cost or realizable value, minus – when applicable – a provision for potential losses upon realization, being represented by a specific corresponding entry in the year's income statement.

2.7. Permanent assets

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

Depreciation is calculated based on the straight-line method, based on the assets' estimated lifecycle.

2.8. Intangible assets

<u>Software</u>

Software licenses are capitalized based on costs incurred at acquisition and in making them ready for use. The same criteria apply to software made to order for the Association. These costs are amortized over the software's estimated lifecycle. The costs associated to software maintenance are reported as expense, as they are incurred.

2.9. Provisions and current and non-current liabilities

A provision is reported 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 meet said obligation. Provisions are reported based on the best estimates for the risk involved.

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

2. Summary of the main accounting policies – continued

2.10. Obligations with incentivized projects

Contributions made to the Association's projects by sponsors (agreements) are reported in the liability accounts and deducted from the expenses incurred by each project at the end of each month, having the income account of incentivized projects as the corresponding entry. This policy is applied due to the Association's management contractual obligation to abide by rules on the use of donations, whose reporting management is furthermore accountable for, with reports being analyzed and submitted for sponsors' approval.

In this manner, expenses and costs incurred by the sponsors' projects, that are managed by the Association, are reported in the same proportion as revenues so that, at the end of the fiscal year, these revenues and expenses do not impact the Association's yearly results.

2.11. Year surplus calculation and reporting of revenues from donations

The year's surplus is calculated in accordance with the accrual basis of accounting.

Income from donations and third-party voluntary contributions originate both from individuals and legal entities and are accounted for when received since it is not possible to determinate their exact value and date of receipt, or when they were used for the educational projects developed by the Association.

The association reports the revenue when: (i) the amount of revenue can be reliably measured; (ii) it is likely that future economic benefits will go towards the Association; (iii) when specific criteria have been met for each of the Association's activities, as per the following description:

a) Restricted donations and agreements

Donations received, and which are earmarked for projects, are reported as liabilities (Deferred Income) when received and appropriated into results on a monthly basis, as resources are applied in accordance with the rules stipulated by the donor/sponsor.

2. Summary of the main accounting policies – continued

2.11. Year surplus calculation and reporting of revenues from donations – continued

b) Revenue from the sales of goods

Revenues from the sales of goods are reported upon the transfer of ownership and risks to a third party for the gross value of products minus unconditional discounts and returns. This item originates from the "Anzol" Project, created as an aid to the Aconchego Project, aimed at empowering families trained in sewing.

c) Financial income

Financial income covers, essentially, income from interest on financial investments. Financial income is reported using the effective interest rate method.

d) Gratuities

Interpretation - ITG 2002 (R1) issued by the Federal Accounting Council (CFC) determines the measurement and reporting of benefits granted free of charge, such as: voluntary work, exemption from real estate property rent, tax exemptions and contributions.

(i) The value of voluntary work is measured by the Association's management based on market values and those practiced by the Association for similar services. The amount calculated for the fiscal year of 2018 was BRL530 (BRL538 on December 31, 2017 2017).

(ii) The amount of federal taxes and federal contribution exemptions is calculated based on the presumed profit methodology, as well as on the Association's total revenue. The amount calculated for the fiscal year of 2018 was BRL1,258 (BRL1,930 on December 31, 2017).

None of the amounts above had a corresponding cash disbursement and were reported in 2018 as revenue and expense/cost in the statement of surplus in identical amounts, having no effect on the year's surplus.

(In thousands of Brazilian reais)

2. Summary of the main accounting policies – continued

2.12. Taxes and contributions

The Association is exempt from the payment of Income Tax, Social Contribution and Contribution for the Financing of Social Security (COFINS).

Until November 2015, the Association collected PIS (Social Integration Program) at a 1% rate on its monthly payroll, as defined by the Labor Legislation. However, after a decision was reached on ORDINARY/TAX case nr. 0059775-49.2015.4.02.5101 (2015.51.01.059775-0), from November 6, 2015, at the 7th Federal Court of Rio de Janeiro, no legal tax relationship between the Association and the Union was found regarding the aforementioned tax, pursuant to Article 13, III, of Provisional Measure Nr. 2.158-35/2001. The Association, therefore, ceased to collect the tax, maintaining provisions for it since the decision was issued as an interlocutory relief. A certificate of unappealable sentence was issued in August 2017, however, and the provision was reversed.

The Association filed a suit, case nr. 0215732-72.2017.4.02.5101, at the 10th Federal Court of Rio de Janeiro's Judicial District against the Brazilian Federal Union requesting the right to tax immunity, as provided for in Article 150, VI, "c" of CF/88, having fulfilled the requirements put forth by supplementary law, in this case article 14 of the National Tax Code (CTN), which will exempt the Entity from the social security employer's tax, ceased upon denial of the renewal of the Social Assistance Beneficent Entity Certification – CEBAS, effective after publication of Opinion 047479/2017 regarding Ordinance nr. 185/2017 in the Federal Register (D.O.U.) of November 6, 2017.

2.13. Statement of Cash Flows

The statement of cash flows was prepared using the indirect method.

3. Cash and cash equivalents

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash	**14**	11	**14**	11
Banks	**73**	221	**73**	223
Financial investments (*)	**165**	800	**167**	800
	252	1,032	**254**	1,034

(*) 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 investments in Interbank Deposit (DI) and Bank Deposit Certificate (CDB) investment funds.

(In thousands of Brazilian reais)

4. Bonds and Securities

	Parent Company		Consolidated	
	2018	2017	2018	2017
Saúde Criança FIM				
Commitment transactions	**107**	38	**107**	38
Shares in investment funds	**8,668**	8,254	**8,668**	8,254
Government bonds	**4,626**	4,863	**4,626**	4,863
Amounts payable	**(9)**	(10)	**-**	-
Availabilities	**2**	2	**-**	-
	13,394	13,147	**13,401**	13,155
Short-term	**8,768**	8,284	**8,775**	8,292
Long-term	**4,626**	4,863	**4,626**	4,863

An investment exclusive to the Association, the Saúde Criança Multi Market Investment Fund (FIM) is part of the "Renascer para Sempre" (Renascer Forever) Project which aims to strengthen the Association's equity sustainability through a long-term policy, ensuring a minimum financial stability for good institutional performance, without relying on the erratic nature of donations.

5. Fixed Assets

	Annual rate of depreciation	2018 Cost	2018 Accumulated depreciation	2018 Net	2017 Net
Buildings	4%	**8,344**	**(1,083)**	**7,261**	7,306
Facilities	10%	**224**	**(102)**	**122**	84
Machinery and equipment	10%	**78**	**(69)**	**9**	10
Furniture and fixtures	10%	**64**	**(64)**	**-**	-
Vehicles	20%	**106**	**(106)**	**-**	-
Computer equipment	20%	**172**	**(162)**	**10**	14
Communication equipment	20%	**15**	**(9)**	**6**	8
		9,003	**(1,595)**	**7,408**	7,422

(In thousands of Brazilian reais)

5. Fixed Assets – continued

Movement

	Annual rate of depreciation	2017	Acquisitions	Depreciation	2018
Buildings	4%	7,306	**285**	**(330)**	**7,261**
Facilities	10%	84	**59**	**(21)**	**122**
Machinery and equipment	10%	10	**-**	**(1)**	**9**
Furniture and fixtures	10%	-	**-**	**-**	**-**
Vehicles	20%	-	**-**	**-**	**-**
Computer equipment	20%	14	**-**	**(4)**	**10**
Communication equipment	20%	8	**-**	**(2)**	**6**
		7,422	**344**	**(358)**	**7,408**

	Annual rate of depreciation	2016	Acquisitions	Depreciation	2017
Buildings	4%	7,531	94	(319)	7,306
Facilities	10%	19	74	(9)	84
Machinery and equipment	10%	-	11	(1)	10
Furniture and fixtures	10%	-	-	-	-
Vehicles	20%	-	-	-	-
Computer equipment	20%	18	-	(4)	14
Communication equipment	20%	-	10	(2)	8
		7,568	189	(335)	7,422

6. Obligations with incentivized projects

These obligations are represented by financial resources (partial or total) already received in connection with projects to be implemented. The write-off of the liability occurs monthly, with the corresponding entry being the project revenue account, as resources received are used for the projects' implementation. Composition per project is as follows:

	Parent company and Consolidated	
	2018	**2017**
Johnson & Johnson Mamãe Bebê (i)	**-**	110
Kinder (ii)	**-**	16
Air France (ii)	**27**	28
Mega Matte (iv)	**28**	9
Amil (v)	**8**	139
Cyrella (vi)	**14**	-
DKT (vii)	**13**	-
	90	302

6. Obligations with incentivized projects – continued

(i) J&J Mamãe Bebê Project

"Mãe e Bebê" Project. No funds were raised during the 2018 fiscal year (2017 - BRL189) and BRL 110 were realized (2017 - BRL322), leaving a balance of zero on December 31, 2018 (2017 - BRL110).

(ii) Kinder Project

"Bolsas" Project. During the 2018 fiscal year, BRL 37 were raised (2017 - BRL23) and BRL53 were realized (2017 - BRL23), leaving a balance of zero on December 31, 2018 (2017 -BRL16).

(iii) Air France Project

"Aconchego Adolescentes" Project. During the 2018 fiscal year BRL44 were raised (2017 - BRL36) and BRL45 were realized (2017 - BRL54), leaving a balance of BRL27 on December 31, 2018 (2017 - BRL28).

(iv) Mega Matte Project

"Profissionalizante" Project. During the 2018 fiscal year, BRL32 were raised (2017 - BRL19) and BRL13 were realized (2017 – BRL19), leaving a balance of BRL 28 on December 31,2018 (2017 – BRL 9).

(v) Amil Project

"Profissionalizante" Project. No funds were raised during the 2018 fiscal year, (2017 - BRL 208) and BRL131 were realized (2017 – BRL 69), leaving a balance of BRL 8 on December 31, 2018 (2017 – BRL 139).

(vi) Cyrella Project

"Moradia" Project. During the 2018 fiscal year, BRL92 were raised and BRL78 were realized, leaving a balance of BRL14 on December 31, 2018.

(vii) Projeto DKT

"Aconchego Adolescentes" Project. During the 2018 fiscal year, BRL 29 were raised, leaving a balance of BRL13 on December 31, 2018.

7. Contingencies

Based on the opinion of its legal advisers, the Association's management concludes that there are no litigation or claims against the Association on December 31, 2018, as well as any other fact that may be considered a contingency.

8. Net equity

Represents the initial equity resulting from the initial allocation made by founders, plus surpluses (deficits) calculated from the date of organization.

The fiscal year's results are incorporated into the Net equity during the following year, after approval from the Supervisory Board, in accordance with the bylaws.

(In thousands of Brazilian reais)

8. Net Worth – continued

The income generated by Associação Saúde Criança Renascer is fully employed into the social objectives mentioned in Note 1.

In the event that the Association is terminated, which can only occur with the approval of two thirds of the members of its General Assembly, assets will be allocated to another non-profit organization of similar nature, and registered with the National Council for Social Assistance (CNAS), pending approval from the Public Prosecutors' Office.

9. Revenues

The Association develops social assistance projects aiming to serve the community. Expenses and disbursements related to these projects for the fiscal years of 2018 and 2017, as well as the base revenue, are as follows:

	Parent company and Consolidated	
	2018	**2017**
Revenues from donations		
Revenues from donations - individuals and legal entities	**1,146**	1,290
Revenues from tax exemptions	**1,258**	1,930
Revenues from voluntary work	**530**	538
Sales of goods	**656**	637
	3,590	4,395
Revenues from donations for programs and projects		
White Martins Praxair Foundation	**1,063**	952
Ursula Zindel Hilti Stifling Foundation	**657**	617
Kinder	**53**	23
Skoll Foundation	**-**	58
J&J Mamãe Bebê Project	**110**	322
Air France Project	**45**	54
Mega Matte Project	**13**	19
Amil Saúde Project	**131**	69
Cyrella Project	**79**	-
DKT Project	**16**	-
Instituto PHI Project	**125**	-
Total revenue from incentivized projects	**2,292**	2,114
Other revenues	**68**	53
Total operating revenues	**5,950**	6,562

(In thousands of Brazilian reais)

10. Assistance costs

	Parent company and Consolidated	
	2018	**2017**
Costs with personnel – assistance	**1,254**	1,022
Social assistance (medicine and food) – families	**942**	706
Costs with public services and occupation – assistance	**35**	9
Social security charges – personnel – assistance	**214**	152
Courses and training – families	**19**	28
Housing – maintenance, repairs and rent – families	**202**	213
Transportation– families	**84**	72
Donations to families	**70**	60
Services rendered – families	**4**	10
General costs – assistance	**150**	86
Professional services - assistance	**275**	99
Course materials – families	**20**	22
Medical examinations – families	**12**	20
Costs with communications – assistance	**7**	1
Assistance costs /gratuities – services	**3,288**	2,500
Transfers from projects to similar entities	**3**	112
Costs with personnel – replication	**59**	80
General costs with replication	**29**	27
Social security charges – personnel – replication	**6**	11
Assistance costs – replication (1)	**97**	230
Assistance costs	**3,385**	2,730

(1) Replication costs refer to expenses with advisory activities to programs developed by the Association, in accordance with Resolution nr. n° 27/2011, with the purpose of reproducing, systematizing and disseminating the methodology and form of action established by the Association to related Entities.

The Association’s management understands that the resources allocated to activities are adequate and meet the requirements of Law nr. 12101/09. Approval of the calculations, as well as the assumptions used by the Association, are linked to future renderings of accounts to the National Council for Social Assistance - CNAS.

(In thousands of Brazilian reais)

11. General and administrative expenses and others

	Parent Company		Consolidated	
	2018	2017	2018	2017
Personnel expenses	**914**	957	**914**	957
General and administrative expenses	**1,085**	827	**1,173**	911
Expenses with voluntary work	**67**	93	**67**	93
Provisions for tax exemptions (i)	**1,258**	1,930	**1,258**	1,930
	3,324	3,807	**3,412**	3,891
Expenses with services rendered	**240**	255	**240**	255
	3,564	4,062	**3,652**	4,146

(i) Amounts refer to the following taxes: Municipal Service Tax (ISS), Tax on the Circulation of Goods and Services (ICMS), Social Integration Program (PIS), Contribution for the financing of Social Security (COFINS), Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), as described in Note 2.11.

12. Net financial result

	Parent Company		Consolidated	
	2018	2017	2018	2017
Financial income				
Financial investments	**1,264**	1,721	**1,352**	1,805
Other income	**23**	9	**23**	9
	1,287	1,730	**1,375**	1,814
Financial expenses				
Banking expenses	**(54)**	(39)	**(54)**	(39)
Losses on investments(*)	**(324)**	(107)	**(324)**	(107)
Other expenses	**(24)**	(21)	**(24)**	(21)
	(402)	(167)	**(402)**	(167)
	885	1,563	**973**	1,647

(*) Losses with investments in 2018 and 2017 were essentially generated by the devaluation of certain bonds and securities.

13. Insurance coverage

The Association's policy is to purchase insurance against fire and miscellaneous risks for fixed assets in amounts considered sufficient to cover possible losses, which were defined under expert guidance and taking in consideration the nature of its activities and the level of risk involved. Given their nature, the risk assumptions adopted are not in the scope of a financial statement audit and were, therefore, not examined by our independent auditors.

13. Insurance coverage – continued

The Association has the following insurance coverage:

a) Real estate property - Rua das Palmeiras, 65, Rio de Janeiro - RJ

Events: fire, explosions and smoke of any kind - BRL1,800, theft and/or qualified theft of property and goods - BRL80, electrical damages - BRL30, windstorms - BRL5.

b) Real estate property - Rua Jardim Botânico, 86, Rio de Janeiro - RJ

Events: fire, lightning and explosions of any nature - BRL420, electrical damages - BRL20, windstorms - BRL10.

c) Vehicles: VW Kombi (2013) and Fiat Uno Mille (2013)

15. Miscellaneous information

a) Real estate property – Headquarters

The Association moved headquarters on October 3, 2016 to Rua das Palmeiras, 65, Botafogo, in the city of Rio de Janeiro, setting up in a building of its own, acquired on September 6, 2013 and which had been under renovations. This building is part of the historic cultural heritage of the city and the Association is responsible for its conservation, according to specifications and guidelines established by the National Historic and Artistic Heritage Institute – IPHAN. It is furthermore subject to the norms of the Brazilian Institute for the Environment and Renewable Natural Resources - IBAMA. In this manner, all expenses related to the building’s maintenance are reported as a corresponding entry against income and, until the date of conclusion of these financial statements, there was no obligation to be reported regarding a possible eviction from the property.

On August 16, 1995, the National Council for Social Assistance – CNAS, attested that Associação Saúde Criança Renascer is registered in that organ, as per resolution Nr. 83/95 from August 1995, published in the Federal Register (D.O.U.) of August 18, 1995 and based on the outcome of case nr. 28990.014753/1994-60.

On August 27, 2014, the National Council for Social Assistance granted a Social Assistance Beneficent Entity Certification – CEBAS to the Association, valid from March 18, 2010 to March 17, 2015.

15. Miscellaneous information - continued

b) Social Assistance Beneficent Entity Certification

The Association filed an application for the timely renewal of the certification on March 13, 2015 and was notified of its denial on October 30, 2017, with effect from the date of publication in the Federal Register (D.O.U.). The Entity has since filed a lawsuit against the Union in order to be granted tax immunity.

c) Sureties, pledges and guarantees

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