

Palhacos Sem Fronteiras Brasil

*Financial Statements for the
Years Ended December 31, 2021 and
2020 and Independent Auditors' Report*



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Management of
Palhaços Sem Fronteiras Brasil

Opinion

We have audited the accompanying financial statements of Palhaços Sem Fronteiras Brasil ("Entity"), which comprise the balance sheet as of December 31, 2021 and the Statements of Profit and Loss, Other Comprehensive Profit and Loss, Changes in Equity and the Statements of Cash Flows for the year then ended and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Palhaços Sem Fronteiras Brasil as of December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil applicable to medium and small size entities.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as Management determines 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, Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of 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 internal control of the Entity.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The accompanying financial statements have been prepared into English for the convenience of readers outside Brazil.

São Paulo, February 18, 2022



Andre Rafael de Oliveira
Audit Partner

PALHAÇOS SEM FRONTEIRAS BRASIL

BALANCE SHEETS AS OF DECEMBER 31, 2021 AND 2020
(In Brazilian reais - R\$)

<u>ASSETS</u>	<u>Note</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>LIABILITIES AND EQUITY</u>	<u>Note</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	3	38.858	52.708	Trade payables		-	15.931
Other		-	1.910	Taxes payable		2.648	2.545
Total current assets		<u>38.858</u>	<u>54.618</u>	Total current liabilities		<u>2.648</u>	<u>18.476</u>
				EQUITY			
				Retained profits		<u>36.210</u>	<u>36.142</u>
				Total equity		<u>36.210</u>	<u>36.142</u>
TOTAL ASSETS		<u><u>38.858</u></u>	<u><u>54.618</u></u>	TOTAL LIABILITIES AND EQUITY		<u><u>38.858</u></u>	<u><u>54.618</u></u>
		-					

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

PALHAÇOS SEM FRONTEIRAS BRASIL

STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Brazilian reais - R\$)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Donations and social projects	5	386.666	319.969
(-) Costs of social projects		<u>(224.985)</u>	<u>(236.813)</u>
Gross profit		161.681	83.156
Operating expenses	6	(158.401)	(113.621)
LOSS BEFORE FINANCIAL RESULT		<u>3.280</u>	<u>(30.465)</u>
FINANCIAL INCOME (EXPENSES)			
Finance income (expenses), net		(3.213)	(6.353)
PROFIT (LOSS) FOR THE YEAR		<u>68</u>	<u>(36.818)</u>

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

PALHAÇOS SEM FRONTEIRAS BRASIL

STATEMENTS OF COMPREHENSIVE PROFIT (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Brazilian reais - R\$)

	<u>2021</u>	<u>2020</u>
PROFIT (LOSS) FOR THE YEAR	68	(36.818)
Other comprehensive items	-	-
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR	<u>68</u>	<u>(36.818)</u>

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

PALHAÇOS SEM FRONTEIRAS BRASIL

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Brazilian reais - R\$)

	<u>Retained profits</u>	<u>Total</u>
BALANCES AS OF DECEMBER 31, 2019 (unaudited)	72.960	72.960
Loss for the year	(36.818)	(36.818)
BALANCES AS OF DECEMBER 31, 2020	<u>36.142</u>	<u>36.142</u>
Profit for the year	68	68
BALANCES AS OF DECEMBER 31, 2021	<u>36.210</u>	<u>36.210</u>

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

PALHAÇOS SEM FRONTEIRAS BRASIL

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Brazilian reais - R\$)

2021

CASH FLOW FROM OPERATING ACTIVITIES

Profit (Loss) for the year 68

Changes in operating assets and liabilities:

Other assets	1.910
Trade payables	(15.931)
Taxes payable	103

DECREASE IN CASH AND CASH EQUIVALENTS (13.850)

Cash and cash equivalents at the beginning of the year 52.708

Cash and cash equivalents at the end of the year 38.858

DECREASE IN CASH AND CASH EQUIVALENTS (13.850)

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

PALHAÇOS SEM FRONTEIRAS BRASIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Amounts in Brazilian reais - R\$)

1. GENERAL INFORMATION

Palhaços Sem Fronteiras Brasil (the "Entity") is a non profit entity located at Rua Itapura, 239, in the city of São Paulo, State of São Paulo, which is dedicated to social projects in Brazil. As from 2020 the Entity has also received financial support from the Forum-Civ based on Sweden.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation of the financial statements

The Company's financial statements have been prepared and are presented in conformity with accounting practices adopted in Brazil for Small and Medium Sized Entities.

a) Measurement basis

The financial statements have been prepared based on the historical cost, as described in the accounting policies below.

b) Functional and reporting currency

These financial statements are stated in Brazilian reais (R\$), the Company's functional currency.

2.2. Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are as follows:

2.2.1. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the underlying contract.

Loans and receivables

Include nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recorded in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as noncurrent assets. Comprise cash and cash equivalents and trade receivables.

2.2.2. Cash and cash equivalents

Include bank deposits and short-term bank investments.

2.2.3. Revenue and expense recognition

Revenue from donations/other related services and expenses are recorded on the accrual basis, deducted from any taxes.

3. CASH AND CASH EQUIVALENTS

	<u>2021/12/31</u>	<u>2020/12/31</u>
Bank deposits and short-term investments	<u>38,858</u>	<u>52,708</u>
	<u>38,858</u>	<u>52,708</u>

4. PROVISION FOR RISKS

As of December 31, 2020, the Entity had no tax or civil lawsuits assessed as probable loss.

5. DONATIONS AND SOCIAL PROJECTS

	<u>2021</u>	<u>2020</u>
Donations	378,373	200,020
Social Projects	8,730	126,262
(-) Taxes	<u>(437)</u>	<u>(6,313)</u>
	<u>386,666</u>	<u>319,969</u>

6. OPERATING EXPENSES

	<u>2021</u>	<u>2020</u>
Payroll	(101,216)	(52,800)
Administrative	(39,184)	(46,612)
Taxes	<u>(18,001)</u>	<u>(14,209)</u>
	<u>(158,401)</u>	<u>(113,621)</u>

7. FINANCIAL INSTRUMENTS

The Entity contracts financial instruments, particularly for its cash and cash equivalents and trade payables. The Entity does not make investments involving speculative derivatives.

a) Capital management

The Entity's purposes in managing its capital are to protect its ability to continue as a going concern and support its social projects.

b) Liquidity risk

It is the risk that the Entity may not have sufficient funds to honor its financial commitments as a result of mismatching of terms or volumes between expected amounts collectible from donations and payable.

8. APPROVAL OF THE FINANCIAL STATEMENTS FOR ISSUANCE

These financial statements were approved for issuance by the Entity's Management on February 18, 2021.

***Palhaços Sem Fronteiras
do Brasil***

Independent Auditor Report



INDEPENDENT AUDITOR REPORT

To the Management of
Palhaços sem Fronteiras Brasil – Org nr 3000-9470
São Paulo - Brazil

Opinion

We have on behalf of Palhaços sem Fronteiras Brasil audited the financial report regarding Palhaços sem Fronteiras Brasil, ForumCiv project number 3000-9470, reporting period 2021-01-01—2021-12-31. Total cost for the reporting period amounts to R\$226,800.

In our opinion, the above-mentioned financial report has been prepared in all material respects in accordance with Palhaços sem Fronteiras Brasil accounts and in accordance with the original agreement dated March 3, 2021 between ForumCiv and Palhaços sem Fronteiras Brasil.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent in relation to the Palhaços sem Fronteiras Brasil in accordance with the ethical requirements that are relevant to my audit of the financial report 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.

Emphasis of Matter

We draw attention to the fact that the financial report has been prepared in accordance with the instructions from ForumCiv to assist Palhaços sem Fronteiras Brasil meet the requirements from ForumCiv. It may not be suitable for other purposes. Our report is only intended for Palhaços sem Fronteiras Brasil and ForumCiv and may not be distributed to or used by parties other than Palhaços sem Fronteiras Brasil and ForumCiv.

Responsibilities of Management and Those Charged with Governance for the financial Statement

Management is responsible for the preparation and fair presentation of the financial report in accordance with the requirements of ForumCiv relevant to preparing such a financial report, and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing Palhaços sem Fronteiras Brasil ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management intends either to liquidate Palhaços sem Fronteiras Brasil or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Palhaços sem Fronteiras Brasil financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatements of the financial report, whether due to fraud or error, design and perform audit procedures responding 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, internal omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Palhaços sem Fronteiras Brasil'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 report 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 Palhaços sem Fronteiras Brasil to cease to continue as a going concern.

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 I identify during our audit.

São Paulo 18th February, 2022

COIMBRA PARTNERS
Auditores e Consultores S/S



André Rafael de Oliveira
Partner

APPENDIX

Financial report

Project: Arts for Change - ArCh

Intervention number: 300009470

Partners:

Palhaços Sem Fronteiras Brasil

Clowns Without Borders Sweden / Clowner utan gränser

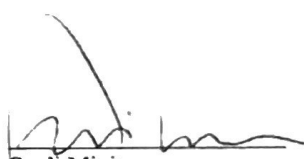
	Exchange rate	In BRL	In SEK
Budget in application	1 SEK = 0,62	R\$ 217.000,00	350.000,00 kr
Actual budget/ received	1 SEK = 0,648	R\$ 226.800,00	350.000,00 kr

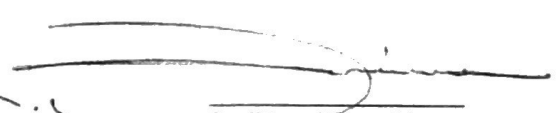
Revenue in BRL	R\$ 9.800,00
Revenue in SEK is equivalent to	15.123,46 kr

	Original in SEK	Original in BRL	Amended in SEK	Amended in BRL	Actual costs in SEK	Actual costs in BRL
General Coordinator	77.000,00 kr	R\$ 47.740,00	57.716,05 kr	R\$ 37.400,00	57.716,05 kr	R\$ 37.400,00
Financial officer	38.000,00 kr	R\$ 23.560,00	40.317,13 kr	R\$ 26.125,50	40.317,13 kr	R\$ 26.125,50
Project manager Brazil	38.000,00 kr	R\$ 23.560,00	32.407,41 kr	R\$ 21.000,00	32.407,41 kr	R\$ 21.000,00
Launching of communication campaign (incl. New website, advertisement, social media, communication officer)	50.000,00 kr	R\$ 31.000,00	53.395,06 kr	R\$ 34.600,00	58.194,44 kr	R\$ 37.710,00
Impact assessment method consultant and translation	12.000,00 kr	R\$ 7.440,00	11.574,07 kr	R\$ 7.500,00	11.791,53 kr	R\$ 7.640,91
Method development & training on inclusion and diversity (incl. Salary for artists, coordinator and translation)	30.000,00 kr	R\$ 18.600,00	28.549,38 kr	R\$ 18.500,00	28.549,38 kr	R\$ 18.500,00
Artistic training in Belem	8.000,00 kr	R\$ 4.960,00	6.944,44 kr	R\$ 4.500,00	6.944,44 kr	R\$ 4.500,00
Tour with performances in Sao Paulo (including artists salaries, food, transportation, photography)	60.000,00 kr	R\$ 37.200,00	66.917,99 kr	R\$ 43.362,86	62.510,03 kr	R\$ 40.506,50
Audit in Brazil	10.000,00 kr	R\$ 6.200,00	24.691,36 kr	R\$ 16.000,00	24.660,57 kr	R\$ 15.980,05
Admin costs in Brazil	27.000,00 kr	R\$ 16.740,00	27.487,10 kr	R\$ 17.811,64	26.909,01 kr	R\$ 17.437,04
	350.000,00 kr	R\$ 217.000,00	350.000,00 kr	R\$ 226.800,00	350.000,00 kr	R\$ 226.800,00

São Paulo, February 18, 2022


 André Rafael de Oliveira
 Auditor


 Sueli Migita
 President of PSFB


 Sueli Itomi Toyoshima
 Treasurer of PSFB

Palhaços Sem Fronteiras do Brasil

Management Letter



MANAGEMENT LETTER

To the Management of
Palhaços sem Fronteiras Brasil – Org nr 3000-9470
São Paulo - Brazil

Report on findings noted during the audit process of the financial report regarding Palhaços sem Fronteiras do Brasil, ForumCiv project number 3000-9470, reporting period 2021-01-01—2021-12-31, reporting total cost amounting to R\$226,800, in accordance with ForumCiv General conditions and audit instructions.

The audit process has revealed that the organization did not accrue some minor expenses following the accrual basis of accounting, recording them in a cash basis.

The following examples have been noted:

<u>Service provider</u>	<u>Invoice #</u>	<u>Date of service</u>	<u>Date of payment/record</u>
Gabirolba – Project Manager	055	January/2021	April 6, 2021
Gabirolba – Project Manager	058	February/2021	April 6, 2021
Gabirolba – Project Manager	059	March/2021	April6, 2021

To avoid such matter, we recommend Organization's Management to implement a routine process in conjunction with its accounting service provider, to record the service provide invoice following the date of the rendering of service, instead of receiving the invoice for the payment process.

São Paulo, 18th February 2022

COIMBRA PARTNERS
Auditores e Consultores S/S


André Rafael de Oliveira
Partner

Palhaços Sem Fronteiras do Brasil

Report of Factual Findings



REPORT OF FACTUAL FINDINGS

To the Management of
Palhaços sem Fronteiras Brasil – Org nr 3000-9470
São Paulo - Brazil

Assignment

I have performed the procedures agreed with you and enumerated below in accordance with ForumCiv General conditions and audit instructions regarding project number 3000-9470, reporting period 2021-01-01—2021-12-31. Total cost for the reporting period amounts to R\$226,800. Our Engagement was undertaken in accordance with International Standards on Related Services–ISRS applicable to agreed-upon procedures engagements. The procedures we performed are solely to assist you in reporting to ForumCiv in accordance with ForumCiv’s conditions for financial reporting as stipulated in the Decision Memo on grant from ForumCiv dated March 3, 2021 and summarized as follows:

1. Examine whether the funds are held in a bank account held by the organisation and that is signed for by at least two persons jointly.
2. Review, on a sample basis, whether salary costs charged to the project are regularly posted throughout the year in a systematic manner and whether salary costs can be verified by sufficient supporting documentation.
3. Check whether the financial report includes a comparison for each budget line between the actual outcome and the budget approved by ForumCiv regarding the costs of activities for the period in question.
4. Based on materiality and risk, the auditor will review whether the reported costs have sufficient supporting documentation.
5. Examine, on a sample basis, whether Palhaços sem Fronteiras Brasil complies with tax legislation and pays social security contributions.
6. Review, on a sample basis, whether Palhaços sem Fronteiras Brasil has followed the procurement regulations set out in the agreement and, where applicable, in the annex.
7. If Palhaços sem Fronteiras Brasil uses a modified cash basis (a hybrid between the cash basis accounting and the accrual accounting) as its accounting basis, the

auditor shall report on whether the chosen accounting basis is acceptable for the financial report that has been established.

8. Verify that the closing balance of the previous period is the same as the opening balance for the current period.
9. Verify the closing balance at the end of the financial year against Palhaços sem Fronteiras Brasil accounting.
10. Regardless of materiality, quantify amounts of costs, identified within these agreed-upon procedures, that lack sufficient supporting documentation.
11. Examine whether the collection and size of the own contribution meets the terms stipulated in ForumCiv's General Terms and Conditions.

We have noted the following observations

- a) With respect to the items 1, 2, 3, 4, 6, 8, 9, 10 and 11, for all the sample size I have been applied the procedures agreed upon, no exceptions have been noted.
- b) With respect to the item 5 we noted that all the project employees are not registered into the Payroll records. As stipulated with ForumCiv, the founder's members receive their monthly salaries having receipts as supporting documentation and the other administrative staff members issuing invoice bills as supporting documentation.
- c) With respect to the item 7, despite of no major cut-off effects has been noted, the Organization did not accrue some expenses in the proper accounting period, recording them in a cash basis instead of accrual basis of accounting.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Financial Report. Had we performed additional procedures, or had we performed an audit or review of the Financial Report of the beneficiary in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purposes or to be distributed to any other parties.

São Paulo, 18th February, 2022

COIMBRA PARTNERS
Auditores e Consultores S/S



André Rafael de Oliveira
Partner