

Colombo

INDEPENDENT AUDITORS' REPORT  
FINANCIAL STATEMENTS

To the Management of  
Palhacos Sem Fronteiras

Opinion

We have audited the

financial statements of

Palhacos Sem Fronteiras

for the years ended

December 31, 2020 and

2019 and independent

auditors' report

Management's response

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# **Palhacos Sem Fronteiras Brasil**

*Financial Statements for the  
Years Ended December 31, 2020 and  
2019 and Independent Auditors' Report*

# Coimbra Partners

## 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, 2020 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, 2020 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, April 23, 2021



André Rafael de Oliveira  
Partner



PALHAÇOS SEM FRONTEIRAS BRASIL

BALANCE SHEETS AS OF DECEMBER 31, 2020 AND 2019

(In Brazilian reais - R\$)

<u>ASSETS</u>	<u>Note</u>	<u>12/31/2020</u>	<u>12/31/2019</u> (unaudited)	<u>LIABILITIES AND EQUITY</u>	<u>Note</u>	<u>12/31/2020</u>	<u>12/31/2019</u> (unaudited)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash and cash equivalents	3	52.708	60.183	Trade payables		15.931	1.447
Other		1.910	19.045	Taxes payable		2.545	4.819
Total current assets		<u>54.618</u>	<u>79.228</u>	Total current liabilities		<u>18.476</u>	<u>6.266</u>
				<b>EQUITY</b>			
				Retained profits		<u>36.142</u>	<u>72.962</u>
				Total equity		<u>36.142</u>	<u>72.962</u>
<b>TOTAL ASSETS</b>		<u><u>54.618</u></u>	<u><u>79.228</u></u>	<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>54.618</u></u>	<u><u>79.228</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, 2020 AND 2019

(In Brazilian reais - R\$)

	Note	12/31/2020	12/31/2019 (unaudited)
Donations and social projects	7	319.969	219.258
(-) Costs of social projects		<u>(236.813)</u>	<u>(132.278)</u>
Gross profit		83.156	86.980
Operating expenses	8	(113.621)	(38.271)
LOSS BEFORE FINANCIAL RESULT		<u>(30.465)</u>	<u>48.709</u>
FINANCIAL INCOME (EXPENSES)			
Finance income (expenses), net		(6.353)	(1.890)
NET PROFIT (LOSS) FOR THE YEAR		<u>(36.818)</u>	<u>46.819</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, 2020 AND 2019  
(In Brazilian reais - R\$)

	<u>12/31/2020</u>	<u>12/31/2019</u> (unaudited)
NET PROFIT (LOSS) FOR THE YEAR	(36.818)	46.819
Other comprehensive items	-	-
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR	<u>(36.818)</u>	<u>46.819</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, 2020 AND 2019  
(In Brazilian reais - R\$)

	Retained profits	Total
BALANCES AS OF DECEMBER 31, 2018 (unaudited)	44.617	44.617
Net profit for the year	46.819	46.819
BALANCES AS OF DECEMBER 31, 2019 (unaudited)	91.436	91.436
Loss for the year	(36.818)	(36.818)
BALANCES AS OF DECEMBER 31, 2020	54.618	54.618

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, 2020 AND 2019  
(In Brazilian reais - R\$)

	<u>12/31/2020</u>	<u>12/31/2019</u> (unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit (loss) for the year	(36.818)	46.819
Changes in operating assets and liabilities:		
Other assets	17.135	(12.225)
Trade payables	14.484	(11.406)
Taxes payable	(2.276)	(600)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7.475)</u>	<u>22.588</u>
Cash and cash equivalents at the beginning of the year	60.183	37.595
Cash and cash equivalents at the end of the year	52.708	60.183
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7.475)</u>	<u>22.588</u>

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, 2020 AND 2019 (Amounts in Brazilian reais - R\$)**

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#### **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 Syds 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>31/12/2020</u>	<u>12/31/2019</u> (unaudited)
Bank deposits and short-term investments	52,708	60,183
	<u>52,708</u>	<u>60,183</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>12/31/2020</u>	<u>12/31/2019</u> (unaudited)
Donations	200,020	36,421
Social Projects	126,262	192,460
(-) Taxes	<u>(6,313)</u>	<u>(9,623)</u>
	<u>319,969</u>	<u>219,258</u>

6. OPERATING EXPENSES

	<u>12/31/2020</u>	<u>12/31/2019</u> (unaudited)
Payroll	(52,800)	-
Administrative	(46,612)	(38,271)
Taxes	<u>(14,209)</u>	-
	<u>(113,621)</u>	<u>(38,271)</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 April 23, 2021.

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