

(A free translation of the original in Portuguese)

**Instituto do Homem e Meio
Ambiente da
Amazônia - IMAZON**

**Financial statements at
December 31, 2013
and independent auditor's report**



(A free translation of the original in Portuguese)

Independent auditor's report

To the Management

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

We have audited the accompanying financial statements of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON (the "Institute"), which comprise the balance sheet as at December 31, 2013 and the statements of operations, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON as at December 31, 2013, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Brasília, June 2, 2014

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PricewaterhouseCoopers
Contadores Públicos Ltda.
CRC 2SP023173/O-4 "S" PA

A blue ink signature in cursive script, likely belonging to Fabiano Ricardo Tessitore.

Fabiano Ricardo Tessitore
Contador CRC 1SP216451/O-1 "S" PA

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Balance sheet at December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	2013	2012	Liabilities and equity	2013	2012
Current assets			Current liabilities		
Cash and cash equivalents (Note 4)	383	338	Suppliers	108	118
Funds related to projects (Note 5)	5,431	7,932	Payroll charges (Note 9)	812	1,058
Advances (Note 6)	390	367	Tax obligations	25	40
Contract credits and cooperation terms	1	228	Advances received (Note 10)	165	98
Prepaid expenses	19	37	Obligations with project funds (Note 11)	4,612	7,093
	<u>6,224</u>	<u>8,902</u>		<u>5,722</u>	<u>8,407</u>
Non-current assets			Equity		
Property and equipment (Note 7)	324	374	Equity	968	994
Intangible assets (Note 8)	43	99	Accumulated deficit	(99)	(26)
	<u>367</u>	<u>473</u>		<u>869</u>	<u>968</u>
Total assets	<u><u>6,591</u></u>	<u><u>9,375</u></u>	Total liabilities and equity	<u><u>6,591</u></u>	<u><u>9,375</u></u>

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

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statement of operations
Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	<u>2013</u>	<u>2012</u>
Net revenue (Note 15)	3,454	4,164
Costs		
Cost of services rendered	(364)	(414)
Salaries and social charges (Note 16)	<u>(1,658)</u>	<u>(1,627)</u>
Gross surplus	1,432	2,123
Service expenses	(266)	(783)
Administrative expenses (Note 17)	(1,212)	(1,282)
Other operating expenses, net	<u>(9)</u>	<u>(8)</u>
(Deficit) Surplus before finance costs, net	<u>(55)</u>	<u>50</u>
Finance income (Note 18)	48	7
Finance costs (Note 18)	<u>(92)</u>	<u>(83)</u>
Finance costs, net	<u>(44)</u>	<u>(76)</u>
Deficit for the year	<u><u>(99)</u></u>	<u><u>(26)</u></u>

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

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statement of changes in equity

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	<u>Equity</u>	<u>Accumulated (deficit)</u>	<u>Total</u>
At December 31, 2011	1,197	(203)	995
Incorporation of deficit	(203)	203	
Deficit for the year		(26)	(26)
At December 31, 2012	<u>994</u>	<u>(26)</u>	<u>968</u>
Incorporation of deficit	(26)	26	
Deficit for the year		(99)	(99)
At December 31, 2013	<u>968</u>	<u>(99)</u>	<u>869</u>

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

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statement of cash flows

Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Deficit for the year	(99)	(26)
Adjustments for:		
Depreciation and amortization	101	138
Net book value of property and equipment disposals	<u>9</u>	<u>8</u>
	11	120
Changes in assets and liabilities		
Decrease (increase) in funds related to projects	2,501	(1,959)
Decrease (increase) in advances paid	(22)	(67)
Decrease (increase) in contract credits and cooperation terms	227	(228)
Decrease (increase) in prepaid expenses	16	(12)
Increase (decrease) in suppliers	(10)	52
Increase (decrease) in social and labor obligations	(246)	354
Increase (decrease) in taxes payable	(15)	17
Increase (decrease) in advances received	68	52
Increase (decrease) in obligations with project funds	<u>(2,480)</u>	<u>1,940</u>
Net cash provided by operating activities	<u>50</u>	<u>269</u>
Cash flows from investing activities		
Purchases of property and equipment	(5)	(15)
Additions to intangible assets	<u></u>	<u>(29)</u>
Net cash used in investing activities	<u>(5)</u>	<u>(44)</u>
Increase in cash and cash equivalents	45	225
Cash and cash equivalents at January 1	<u>338</u>	<u>114</u>
Cash and cash equivalents at December 31	<u>383</u>	<u>339</u>

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

(A free translation of the original in Portuguese)

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

1 Operations

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON ("the "Institute") is a civil, private, not-for-profit and non-commercial entity, which was established on July 10, 1990. The mission of the Institute is to promote the sustainable development of the Amazon region, through studies, providing support for the formulation of public policies, extensive dissemination of its results and professional training. Its main objectives are:

- To develop studies and research on the sustainable use of the natural resources in the Amazon region.
- To contribute to the effective adoption of sustainable land uses and improved quality of life in the Amazon region.
- To promote educational programs and training courses focused on the sustainable development of the region.

The Institute is commonly referred to as a OSCIP (Public Interest Non-profit Entity), and its activities are carried out in the academic, cultural and scientific areas, to foster the engagement of Brazilian civil society with sustainable development and biodiversity conservation.

The intrinsic characteristics of the social programs are based on the following main factors: (i) obtaining financial resources to carry out programs through donation contracts and long-term international cooperation agreements, and (ii) developing and managing long-term programs. The achievement of the goals of the programs is directly related to the long-term technical, operational and financial planning, and to their governance.

The financial resources received by the Institute are sufficient for the financial management of the programs, considering its planning strategies. The existing strategies guide the ongoing programs, which continued in 2013 and will continue in the future.

For this reason, any surplus or deficit of the programs should not be interpreted as an indication of their feasibility, as these programs are being implemented over the long term, and the Institute's strategic planning considers all the financial resources to be received by it, as well as the timing and manner in which these funds will be spent.

The main risks are related to the Institute's donor base. The Institute's strategic actions are aimed at minimizing these risks through the expansion of this base, through institutional actions, which are guided by the transparency of the activities, the use of financial resources, the quality of the projects, the Institute's image within society and to its partners and donors, and the technical expertise of its collaborators.

In order to expand its activities, the Institute is adapting its actions as follows: (i) preparing the strategic plan for each program on a long-term basis, without necessarily considering the current fiscal and/or accounting year, and (ii) assuring program governability by programming the activities according to the needs of the projects.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

2 Basis of preparation

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements, guidelines and interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC).

The statement of comprehensive income is not being presented, since there are no amounts to be presented therein under this concept, that is, the deficit for the year is equal to the comprehensive deficit.

The authorization for the completion of these financial statements was granted by the Institute's management on April 17, 2014.

2.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Institute operates ("the functional currency"). The financial statements are presented in Brazilian reais, which is the functional and presentation currency.

2.2 Use of estimates and judgments

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and assumptions are regularly reviewed and any necessary adjustments to accounting estimates are recognized in the period of the review and in any future periods affected.

3 Summary of significant accounting policies

The accounting policies described in detail below have been consistently applied to the periods presented in these financial statements.

(a) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies on the balance sheet date are translated into the functional currency using the exchange rate on that date. The foreign exchange differences arising from the retranslation are recorded in the statement of operations.

(b) Financial instruments

(i) Non-derivative financial assets

The Institute initially recognizes loans and receivables and deposits at fair value on the date they are originated. All other financial assets are initially recognized on the trade date, when the Institute becomes a party to the underlying contract.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

The Institute derecognizes a financial asset when the contractual rights to receive cash flows from the asset expires, or when the Institute transfers the rights to receive contractual cash flows from a financial asset in a transaction in which essentially all ownership risks and benefits of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legal right to offset the recognized amounts, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized on the trade date when the Institute becomes a party to the underlying contract. The Institute derecognizes a financial liability when its contractual obligations are discharged, canceled or overdue.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Such financial liabilities are initially recognized at fair value, plus any attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

(c) Cash and cash equivalents

These mainly refer to balances in current accounts and short term, highly liquid financial investments, without a significant risk of change in value and that are readily convertible into cash.

(d) Property and equipment

(i) Recognition and measurement

The property and equipment of the Institute includes assets acquired through partnership contracts destined exclusively for the execution of the specific projects. These are classified separately in non-current assets as "restricted-use assets".

The restricted-use assets are recorded upon their acquisition and, at this same moment, a deduction account is recorded in Property and equipment as a contra entry to a deduction account in Obligations with project funds.

At the end of the project, in general, the residual value of the asset is recognized as revenue from donations and transferred to the property of the Institute, and, consequently, recorded as unrestricted property and equipment. This policy has been adopted since the assets have historically been donated to the Institute.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

Property and equipment are stated at their historical purchase or construction cost less accumulated depreciation and accumulated impairment losses, if any.

Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on the disposal of an item of property and equipment are determined by comparing the proceeds from the disposal with the carrying amount of the item and are recognized within "Other operating expenses, net".

(ii) Subsequent costs

The replacement cost of a component of a property and equipment item is recognized at its carrying amount if it is probable that the economic benefits of the component will flow to the Institute and its cost can be reliably measured. The carrying amount of the replaced component is written off. The costs incurred for the maintenance of property and equipment are recognized in the statement of operations as incurred.

(e) Intangible assets

Intangible assets include software acquired by the Institute, which is being amortized over its estimated useful life at the rates described in Note 8. Trademarks and patents are also presented in Intangible assets and have an indefinite useful life.

The restricted-use assets are recorded upon their acquisition and, at this same moment, a deduction account is recorded in Property and equipment as a contra entry to a deduction account in Obligations with project funds.

At the end of the project, in general, the residual value of the asset is recognized as revenue from donations and transferred to the property of the Institute, and, consequently, recorded as unrestricted property and equipment. This policy has been adopted since the assets have historically been donated to the Institute.

Property and equipment are stated at their historical purchase or construction cost less accumulated depreciation and accumulated impairment losses, if any.

Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on the disposal of an item of intangible assets are determined by comparing the proceeds from the disposal with the carrying amount of the item and are recognized within "Other operating expenses, net".

(f) Depreciation and amortization

Depreciation and amortization is calculated based on the depreciable or amortizable amount, which is the cost or deemed cost of an asset, during the term of the asset's useful life.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

Depreciation and amortization of the Institute's assets (assets without restriction) are recognized using the straight line method based on the estimated useful life of each asset, since this is the method that best reflects the consumption of the future economic benefits incorporated in the asset.

Depreciation and amortization of assets destined exclusively for the execution of projects (assets with restriction of use) are recorded against the deduction accounts of property and equipment and intangible assets, using the straight line method, over the estimated useful lives of each item.

Land is not depreciated.

The estimated useful lives for the current period are presented in Notes 7 and 8.

The depreciation and amortization methods, useful lives and residual values are reviewed at the end of each reporting period, and any adjustments are recognized as a change in accounting estimates.

(g) Impairment

The carrying amounts of the non-financial assets of the Institute are reviewed at each balance sheet date in order to assess whether there is any impairment loss. Should there be any such indication, the recoverability of the asset will be determined. The recoverable amount of an asset is considered as the higher of the value in use and the fair value, less selling expenses. An impairment loss is recognized at the amount by which an asset's carrying amount exceeds its recoverable amount. Impairment, when it exists, is recognized in the statement of operations.

Management did not identify any situation that indicates an impairment loss on its non-financial assets. Therefore, it was not necessary to estimate the recoverable amount of the assets.

(h) Employee benefits

Obligations for short-term benefits provided to employees are measured on an undiscounted basis and are charged to expenses as the related services are rendered by the employees.

(i) Provisions

Provisions are recognized when the Institute has a present legal or constructive obligation as a result of past events that can be reliably estimated, and it is probable that an outflow of resources will be required to settle the obligation.

(j) Operating revenue

Services rendered

The revenue from services rendered is recognized in the statement of operations based on stage of completion of the service at the reporting date of the financial statements. The stage of completion is determined through studies of the work carried out.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

Management fee

Management fee revenue is recognized in the statement of operations based on the management expenses incurred up to the limits established in the project contracts.

(k) Donations and subsidies received

Subsidies are recognized in the statement of operations as revenue throughout the period, and reconciled with the expenses that they are intended to offset, on a systematic basis, as long as there is reasonable assurance that the Institute will meet all of the conditions established. Donations and government subsidy revenue are recognized upon receipt only in cases in which there is no basis of allocation over the benefited periods.

(l) Obligations with project funds

Obligations with project funds are recorded upon receipt of the funds from the sponsors and are written off as the expenditures relating to the respective projects are incurred, which are recorded on the accrual basis of accounting.

(m) Funds related to projects

These are funds provided by the sponsors, which have not yet been used in the projects. They are restricted and only used in the execution of the projects.

4 Cash and cash equivalents

	<u>2013</u>	<u>2012</u>
Unrestricted financial funds		
Fixed funds	1	1
Banks	81	8
Financial investments	<u>301</u>	<u>329</u>
	<u>383</u>	<u>338</u>

5 Funds related to projects

	<u>2013</u>	<u>2012</u>
Banks	2,533	1,731
Financial investments	<u>2,898</u>	<u>6,201</u>
	<u>5,431</u>	<u>7,932</u>

The financial funds linked to projects are restricted to investments in the projects, in accordance with the contractual provisions.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements at December 31, 2013

All amounts in thousands of reais unless otherwise stated

	<u>2013</u>	<u>2012</u>
Bank Deposit Certificates (CDBs)	2,897	6,198
Savings account	<u>1</u>	<u>3</u>
	<u>2,898</u>	<u>6,201</u>

Management adopts a conservative cash management policy and invests available funds with leading Brazilian financial institutions, in financial investment funds linked to the Interbank Deposit Certificate (CDI) interest rate, in savings accounts and in Bank Deposit Certificates (CDBs) redeemable in the short term, whenever permitted by the donors. The income arising from these financial investments is reinvested in the project itself.

Financial investments substantially comprise Bank Deposit Certificates (CDB) and fixed-income funds. They earn interest at 100% of the Interbank Deposit Certificate (CDI) rate.

The income arising from financial investments linked to projects is recorded in liabilities, together with the proceeds from the projects. The income arising from the Institute's funds is recorded in the statement of operations, as finance income.

6 Advances

These refer to advances to employees, suppliers and partners, as follows:

	<u>2013</u>	<u>2012</u>
Advances to employees - salaries and vacation pay	100	109
Advances to suppliers	139	144
Loans to employees	1	5
Reimbursements from other entities	67	38
Travel advances	<u>83</u>	<u>71</u>
	<u>390</u>	<u>367</u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

7 Property and equipment

Unrestricted use assets		2012	Additions	Disposals	2013
Changes in cost					
Improvements and facilities		202		(7)	195
Machinery and equipment		103	2	(1)	104
Communication equipment		16	1		17
IT equipment		670	2	(17)	655
Furniture and fittings		98		(3)	95
		<u>1,089</u>	<u>5</u>	<u>(28)</u>	<u>1,066</u>
Changes in depreciation					
	Depreciation rates p.a.				
Improvements and facilities	2.50%	(15)	(4)		(19)
Machinery and equipment	10%	(53)	(9)		(62)
Communication equipment	10%	(6)	(2)		(8)
IT equipment	20 to 50%	(579)	(17)	16	(580)
Furniture and fittings	20%	(62)	(14)	3	(73)
		<u>(715)</u>	<u>(46)</u>	<u>19</u>	<u>(742)</u>
		<u>374</u>	<u>(41)</u>	<u>(9)</u>	<u>324</u>
Restricted-use assets					
Changes in cost					
Improvements and facilities		108		(3)	105
Vehicles		172			172
Machinery and equipment		86	21		107
Communication equipment		125	5		130
IT equipment		1,043	191	(1)	1,233
Furniture and fittings		237	2		239
		<u>1,771</u>	<u>219</u>	<u>(4)</u>	<u>1,986</u>
Changes in depreciation					
	Depreciation rates p.a.				
Improvements and facilities	2.50%	(5)	(3)		(8)
Vehicles	10%	(30)	(17)		(47)
Machinery and equipment	10%	(19)	(9)		(28)
Communication equipment	10%	(29)	(13)		(42)
IT equipment	20 to 50%	(659)	(171)	1	(829)
Furniture and fittings	20%	(104)	(45)		(149)
		<u>(846)</u>	<u>(258)</u>	<u>1</u>	<u>(1,103)</u>
		<u>925</u>	<u>(39)</u>	<u>(3)</u>	<u>883</u>
Property and equipment with and without restriction		1,299	(80)	(12)	1,207
Deduction of the property and equipment with restriction		(925)	40	3	(883)
Property and equipment, net		374	(41)	(9)	324

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

Useful life and depreciation rates

Restricted-use assets have as their estimated useful life the length of life of the asset. Historically, these assets are donated to the Institute and used for administration purposes.

The accountability of the Institute to its sponsors normally requires proof of the purchase and effective use of the assets established for each project which receives a specific allowance.

8 Intangible assets

Unrestricted-use assets	Amortization rate % p.a.	2012	Additions	2013
Software	20%	564		564
Patents and trademarks	Indefinite	1		1
Amortization		(466)	(56)	(522)
		99	(56)	43
Restricted-use assets	Amortization rate % p.a.	2012	Additions (disposals)	2013
Software	20%	1,841	268	2,109
Amortization		(731)	(337)	(1,068)
		1,110	(69)	1,041
Intangible assets with and without restriction		1,209	(125)	1,084
Deduction of the intangible assets with restriction		(1,110)	69	(1,041)
Net intangible assets		99	(56)	43

9 Salaries and social charges

	2013	2012
Provisions for vacation pay and social charges	784	759
Social security charges payable		269
Other	28	30
	812	1,058

10 Advances received

Research sponsors have adopted the utilization of a "Consortium", where a group of research institutions is formed, and one is appointed as the lead institution. The lead institution assumes all the rights and obligations of the Consortium before the sponsors. One of the obligations of the leader is to receive the full amount of the research resources and to distribute the previously agreed amounts to the consortium members. The leader also monitors the technical and financial use of the resources. At December 31, 2013 and 2012, the Institute had pass-through obligations to the following institutions:

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

	Partners	2013	2012
Advances from partners	Fundação Vale	97	98
	Sol Informática Ltda.	15	
	Clark University	45	
	Golf e Ebata	8	
		<u>165</u>	<u>98</u>

11 Obligations with project funds

The funds arising from partnerships, contracts and agreements which have destinations linked to specific projects are recorded upon receipt in the account "Obligations with project funds - proceeds", in current liabilities. The actual expenditure incurred is recorded in the same group, in the account "Outflow of resources", as a deduction account of the liabilities. The Institute's indirect costs are apportioned between the projects based on the budget of each partnership, contract and agreement, in accordance with their significance. All expenditure is segregated by donor, based on the utilization of human and material resources for each donor. No cost transfers are made between donors.

	2013	2012
Opening balance	7,092	5,453
Receipts	11,578	15,366
(-) Salaries, charges and benefits of the projects	<u>(8,746)</u>	<u>(8,576)</u>
	9,924	11,943
Consultancy and services	(2,214)	(1,655)
Property and equipment and intangible assets	(487)	(660)
Travel expenses	(1,049)	(916)
Publication, advertising and events	(208)	(288)
Expenses with maintenance	(65)	(37)
Rental expenses	(438)	(422)
Utilities and services	(342)	(295)
Restaurant expenses	(54)	(61)
Taxes and fees	(13)	(109)
Finance income	326	275
Finance costs	(126)	(91)
Insurance	(47)	(38)
Communication expenses	(279)	(272)
Expenses with materials	(86)	(60)
Other operating expenses	(5)	(2)
Costs for CGI training services	<u>(225)</u>	<u>(219)</u>
Total project management expenditures	<u>(5,312)</u>	<u>(4,851)</u>
Closing balance	<u>4,612</u>	<u>7,093</u>

Due to the relationship of the restricted-use assets to the projects, the depreciation expense is not recognized in the statement of operations of the Institute, but is recorded in the deduction account of property and equipment and intangible assets (restricted-use property and equipment and intangible assets). At the end of the project, the residual value of the asset is written off from the deduction account, the fair value of the asset is assessed and is recorded in the Institute as revenue from donations. The asset is then transferred to unrestricted property and equipment or intangible assets.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

12 Litigations and contingencies

The Institute does not have outstanding judicial and administrative proceedings in court or with government entities involving labor, civil or other matters.

13 Related parties

Key management remuneration

The remuneration of the key management personnel including salaries, fees and variable short-term benefits totaled R\$ 618 in the year ended December 31, 2013 (R\$ 847 in 2012).

14 Equity

(a) Equity

The Institute's capital is increased or decreased based on the incorporation of the surplus or absorption of the deficit for each year, after the approval of the Statutory Audit Board and Management.

(b) Accumulated deficit

This account records the deficit for the current year. After the approval by the Audit Board and Management, the amount is incorporated into the Institute's equity to be reinvested in social actions, as prescribed in its Charter.

15 Net revenue

	2013	2012
Administrative fees on projects and programs (i)	3,066	3,558
Sundry revenues		46
Services rendered	422	609
Deductions		
Social Contribution on Revenues (COFINS)	(13)	(18)
Services Tax (ISS)	(21)	(31)
Net revenue	<u>3,454</u>	<u>4,164</u>

(i) The administrative fees have the following characteristics:

- Fees not established - in this case, the donor permits the allocation of certain expenses, which are recorded as "Obligations with project funds".
- Mixed fees - these fees are established in the contracts together with the specification of certain expenses recorded in "Obligations with project funds".
- Established fees - administrative costs charged only through the "overhead" rate.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

Within each project, the sponsors accept a fee even if the utilization of funds exceeds the amount established for the individual categories by approximately 10%, provided that the total budget for the project is not exceeded. The time schedules for the projects differ from the fiscal year and, consequently, there may be situations in which a fiscal year includes two financing periods of the same project.

Notes on the current projects:

**(a) Associação Vale para o Desenvolvimento Sustentável
(Vale Association for Sustainable Development)**

Sustainable Amazon Project (Projeto Amazônia Sustentável): Monitoring of the Amazon, support to the consolidation of the state conservation units of the Pará North channel and to the Paragominas (Green municipality) initiative.

(b) Gordon and Betty Moore Foundation

Contract for the preservation and conservation of the Brazilian forests through the use of mapping systems and identification of areas of conservation.

(c) Skoll Foundation

Skoll PMV - Support for Imazon to help the State of Pará in creating its own governance structures for the Green Cities Program, at state and municipal levels.

Skoll 3 - The project aims at the traceability and monitoring of markets, through the use of geoprocessing tools.

**(d) National Bank for Economic and
Social Development (BNDES)**

Amazônia Fund - (i) contribute the mobilization of local entities in 11 municipalities of the State of Pará, with the objective of surveying environmental and land data of rural properties and speeding up the adhesion of owners to the Rural Environmental Register; (ii) monitor deforestation in these municipalities, through satellite images; (iii) provide support in the planning of the landscape and restoration of the deforested areas of the Uraim Basin in Paragominas - State of Pará.

(e) Porticus Latin America

Porticus CAR - Support to the Rural Environmental Register (CAR) in the State of Pará.

Porticus André - Monitor investments in infrastructure in the Amazon Basin and the impact on the local population.

Porticus IPS - Social Progress Index (IPS) Project in the Brazilian Amazon.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

(f) Mercy Corps

Reduction of deforestation in the Eastern Brazilian Amazon, through Environmental Management and Control at Municipal Level.

(g) WRI - World Resources Institute

Instituto Centro de Vida (ICV) entered into an agreement with WRI on July 6, 2012 and subcontracted Imazon to jointly perform the GFI Brasil Project - Phase 4 (improve processes of REDD and its forest governance activities).

Imazon was awarded a contract of US\$ 101 thousand in the fiscal year of 2012 by Instituto Centro de Vida, as a support to the GFI activities. Imazon received R\$ 209 in 2013 and of R\$ 116 of this amount was spent in 2013.

16 Salaries and payroll charges

	<u>2013</u>	<u>2012</u>
Salaries	675	667
National Institute of Social Security (INSS)	268	280
Meal vouchers	182	119
Medical assistance	113	116
Vacation pay	97	81
Bonuses	91	68
Government Severance Indemnity Fund for Employees (FGTS)	83	85
13th month salary	74	77
Life insurance	20	16
Bonuses	15	73
Other	40	45
	<u>1,658</u>	<u>1,627</u>

17 Administrative expenses

	<u>2013</u>	<u>2012</u>
Travel	45	62
Events	2	28
Maintenance	44	34
Rent	424	371
Utilities and services	213	182
Restaurant	53	60
Taxes and fees	8	106
Depreciation and amortization	101	139
Insurance	59	60
Communication	160	181
Materials	73	53
Other administrative expenses	30	6
	<u>1,212</u>	<u>1,282</u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

at December 31, 2013

All amounts in thousands of reais unless otherwise stated

18 Finance income and costs

	2013	2012
Finance income		
Interest on financial investments	48	7
	48	7
Finance costs		
Bank interest and expenses	(65)	(52)
Withholding Tax (IRRF) on financial investments	(24)	(7)
Tax on Financial Transactions (IOF)	(3)	(23)
Foreign exchange losses		(1)
	(92)	(83)
Finance costs, net	(44)	(76)

19 Exemptions and tax benefits

As the Institute is a Public Interest Non-profit Entity (OSCIP), it is exempt from paying certain taxes and has tax benefits such as:

- Corporate Income Tax (IRPJ);
- Social Contribution on Net Income (CSLL);
- Social Contribution on Revenues (COFINS) on its own revenues;
- Service Tax (ISSQN) on its own revenues.

20 Donation contracts

The Institute has already signed donation contracts with partners that ensure remittances subsequent to December 31, 2013, as shown in the table below:

Donors/Contracting parties	2013 remittances	Remittances after 2013 (Unaudited)	Total
Skoll Foundation	2,795	1,325	4,120
Gordon and Betty Moore Foundation	1,793	745	2,538
Vale Association for Sustainable Development	1,788	975	2,763
BNDES - National Bank for Economic and Social Development	1,774	1,422	3,196
Mercy Corps (Usaid)	1,457	4,098	5,555
Porticus Latin America	796	236	1,032
United States Depart.Of Agriculture Forest Service	622		622
State Secretariat of Environment (SEMA)	445		445
Ford Foundation	341		341
ICV - Instituto Centro De Vida	209	139	348
WRI - World Resources Institute	176	758	934
Climate Works Monitoramento	76	1,372	1,448
British Embassy	56		56
Fundación Avina	55	300	355
Martins Agropecuária S/A	38		38
Ebata Produtos Florestais	10	7	17
Golf Indústria E Comércio De Madeira Ltda	10	7	17
IEB - Inst. Internacional de Educação do Brasil (International Institute of Education of Brazil)			
	12,441	11,384	23,825

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements at December 31, 2013

All amounts in thousands of reais unless otherwise stated

21 Financial instruments

Credit risk

Credit risk is managed by the Institute and relates to cash and cash equivalents, deposits with banks and other financial institutions, as well as credit exposure on contracts and cooperation agreements. Transactions with banks and other financial institutions are limited to large and low-risk entities. Individual risk limits of creditors are established based on internal ratings in accordance with historical relationships.

Liquidity risk

The main risk related to liquidity refers to monitoring the funds received in advance and their use in the realization of projects.

Liquidity is managed through monitoring of the funds and obligations as follows:

	<u>2013</u>	<u>2012</u>
Funds related to projects	<u>5,431</u>	<u>7,932</u>
Obligations with project funds	<u>(4,612)</u>	<u>(7,093)</u>
Net exposure	<u>819</u>	<u>839</u>

22 Insurance cover

The Institute contracts insurance for assets subject to risks at amounts considered sufficient to cover eventual damages, considering the nature of its activity.

At December 31, 2013, the insurance cover of the Institute comprised R\$ 4,700 for fire, lightning, explosion, smoke and aircraft accidents, R\$ 202 for portable equipment (notebooks, geodetic GPS and photographic cameras) and R\$ 138 for vehicles.

Ana Cláudia F. Rodrigues
Accountant CRC/PA 9444

Verônica Oki Igacihalaguti
Administrative Officer

Andréia Cristina Brito Pinto
Executive Officer

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