

# Instituto do Homem e Meio Ambiente da Amazônia – IMAZON

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Financial statements and independent auditor's report

Financial statements December 31, 2018 and 2017



# Contents

	<b>Page</b>
Independent auditor's report	3
Financial statements	6
Notes to the financial statements for the year ended December 31, 2018	11

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail. See Note 17 to the financial statements.)

# Independent auditors' report

---

**Grant Thornton Auditores  
Independentes**

Rua Padre Carapuceiro, 752 - 6ª  
andar, Sala 601 Boa Viagem, Recife  
(PE) Brasil

T +55 81 3314-8886

To the Management of  
**Instituto do Homem e Meio Ambiente da Amazônia - IMAZON**  
Belém – PA

## Opinion

We have audited the financial statements of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON (the “Institute”), comprising the statement of financial position as of December 31, 2018 and the related statement of surplus (deficit), statement of comprehensive income, statement of changes in net assets, and statements of cash flows for the year then ended, and a summary of significant accounting policies and other notes to the financial statements.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON as of December 31, 2018, and the performance of its operations and cash flows for the financial year then ended, in conformity with Brazilian generally accepted accounting principles, applicable to small- and medium-sized entities (NBC TG 1000 – Accounting for small- and medium-sized entities, approved by Resolution No. 1.255/09, issued by the Federal Accounting Council).

## Basis for opinion

We conducted our audit in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Emphasis of matter

### Restatement of the corresponding figures

As mentioned in Note 2.e, in 2018, accounting adjustments relating to prior years were identified. Therefore, the figures corresponding to the financial information for the year ended December 31, 2017 (and respective opening statement of financial position as of January 01, 2017), presented for purposes of comparison, have been adjusted and are presented as required by the accounting practices adopted in Brazil applicable to small- and medium-sized entities. As part of our examination of the financial statements for the year ended December 31, 2018, we have also examined the adjustments described in Note 2.e, which were made to restate the financial information for the year ended December 31, 2017 (and respective opening statement of financial position as of January 01, 2017).

We concluded that such adjustments are appropriate and were correctly made. We have not been engaged to audit, review or apply any other procedures on the financial statements of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON as of December 31, 2017 (opening statement of financial position as of January 01, 2017). Therefore, we do not express any opinion or any form of assurance on said financial statements taken as a whole. Our opinion is not modified regarding this matter.

## Other matters

### Audit of the figures corresponding to the prior year

The financial statements of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON for the year ended December 31, 2017, originally prepared before the adjustments described in Note 2.e, were examined by other independent auditors, who issued an unqualified audit report thereon, dated June 11, 2018.

## Responsibilities of Management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Brazilian generally accepted accounting principles, applicable to small- and medium-sized entities (NBC TG 1000, approved by Resolution No. 1.255/09, issued by the Federal Accounting Council), 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 Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are those individuals responsible for overseeing the financial reporting process.

## Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

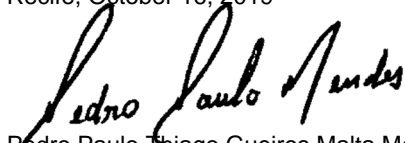
As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Institute to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including those regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Recife, October 16, 2019



Pedro Paulo Thiago Gueiros Malta Mendes  
Partner

Grant Thornton Auditores Independentes

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

**Statement of financial position as of December 2018, 2017 and January 01, 2017**

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

(In thousands of reais)

Assets	Note	12/31/18	12/31/17	01/01/17	Liabilities and net assets	Note	12/31/18	12/31/17	01/01/17
								Restated	Restated
<b>Current assets</b>					<b>Current liabilities</b>				
Cash and cash equivalents	4	9,353	11,073	7,141	Accounts payable		63	59	52
Advances paid	5	778	1,538	433	Payroll and labor obligations		505	469	367
Other receivables		-	95	2	Tax liabilities		60	62	62
Total current assets		<u>10,131</u>	<u>12,706</u>	<u>7,576</u>	Advances received	7	101	101	146
					Program funding obligations	8	<u>9,561</u>	<u>12,420</u>	<u>7,823</u>
<b>Noncurrent assets</b>					Total current liabilities		<u>10,290</u>	<u>13,111</u>	<u>8,450</u>
Property and equipment	6	593	624	700	<b>Noncurrent liabilities</b>				
Intangible assets		-	1	36	Program funding obligations	6	<u>371</u>	<u>345</u>	<u>388</u>
Total noncurrent assets		<u>593</u>	<u>625</u>	<u>736</u>	Total noncurrent liabilities		<u>371</u>	<u>345</u>	<u>388</u>
					<b>Net assets</b>				
<b>Total assets</b>		<u><u>10,724</u></u>	<u><u>13,331</u></u>	<u><u>8,312</u></u>	Net worth	11	<u>63</u>	<u>(125)</u>	<u>(526)</u>
					Total net assets		<u>63</u>	<u>(125)</u>	<u>(526)</u>
					<b>Total liabilities and net assets</b>		<u><u>10,724</u></u>	<u><u>13,331</u></u>	<u><u>8,312</u></u>

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

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

### Statements of surplus (deficit)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Financial years ended December 31, 2018 and 2017

(In thousands of reais)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Net income</b>			
Unrestricted income	12	1,536	2,845
Restricted income	12	<u>14,771</u>	<u>11,427</u>
Total net income		<u>16,307</u>	<u>14,272</u>
<b>Costs</b>			
Unrestricted costs	13	(939)	(1,582)
Restricted costs	13	<u>(14,771)</u>	<u>(11,427)</u>
Total costs		<u>(15,710)</u>	<u>(13,009)</u>
<b>Gross surplus</b>		<u><b>597</b></u>	<u><b>1,263</b></u>
Administrative expenses	14	(403)	(870)
<b>Surplus before finance income (costs), net</b>		<u><b>194</b></u>	<u><b>393</b></u>
Finance income	15	21	21
Finance costs	15	<u>(27)</u>	<u>(13)</u>
Finance income (costs)		<u>(6)</u>	<u>8</u>
<b>Surplus for the year</b>		<u><b>188</b></u>	<u><b>401</b></u>

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

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

### **Statements of comprehensive income**

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

**Financial years ended December 31, 2018 and 2017**

*(In thousands of reais)*

	<b>2018</b>	<b>2017</b>
Surplus for the year	188	401
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u><u>188</u></u>	<u><u>401</u></u>

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



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

### Statements of changes in net assets

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Financial years ended December 31, 2018 and 2017

(In thousands of reais)

	Net assets	Surplus (deficit) for the year	Total
<b>Balances at December 31, 2016 (originally stated)</b>	947	-	<b>947</b>
<b>Adjustment - correction of errors (Note 2.e)</b>	-	(1,473)	<b>(1,473)</b>
<b>Balances at December 31, 2016 (restated)</b>	<b>947</b>	<b>(1,473)</b>	<b>(526)</b>
Surplus for the year	-	401	401
Incorporation of surplus for the year	401	(401)	-
<b>Balances at December 31, 2017 (restated)</b>	<b>1,348</b>	<b>(1,473)</b>	<b>(125)</b>
Surplus for the year	-	188	188
Incorporation of surplus for the year	(1,285)	1,285	
<b>Balances at December 31, 2018</b>	<b>63</b>	<b>-</b>	<b>63</b>

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

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

### Statements of cash flows - Indirect method

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Financial years ended December 31, 2018 and 2017

(In thousands of reais)

	2018	2017
<b>Cash flows from operating activities</b>		
<b>Surplus for the year</b>	188	401
<b>Adjustments for:</b>		
Depreciation and amortization	65	97
Residual cost of property and equipment sold	5	2
	<u>258</u>	<u>500</u>
<b>Changes in assets and liabilities</b>		
Advances paid	760	(1,105)
Other receivables	95	(95)
Receivables under cooperation agreements	-	2
Accounts payable	4	7
Payroll and labor obligations	36	102
Tax liabilities	(2)	(1)
Advances received	-	(45)
Program funding obligations	(2,859)	4,597
	<u>(1,708)</u>	<u>3,962</u>
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(12)	(30)
	<u>(12)</u>	<u>(30)</u>
<b>Net cash used in investing activities</b>		
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(1,720)</u>	<u>3,932</u>
Cash and cash equivalents at the beginning of period	11,073	7,141
Cash and cash equivalents at the end of period	<u>9,353</u>	<u>11,073</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(1,720)</u>	<u>3,932</u>

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

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

## **Notes to the financial statements**

*(In thousands of reais)*

### **1 Operations**

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON (the “Institute” or “Entity”) is a private-law, not-for-profit, civil society organization founded on July 10, 1990, with its principal offices at Travessa Dom Romualdo de Seixas, 1698, 11<sup>o</sup> andar, Umarizal, in the city of Belém, State of Pará, Brazil. The Institute’s institutional mission is to promote sustainable development in the Amazon through research, support for policymaking, dissemination of research findings and professional training. Its principal objectives are to:

- Conduct research on sustainable use of natural resources in the Amazon region;
- Contribute to the effective adoption of sustainable resource uses and improvement of living standards in the Amazon region; and
- Provide educational programs and training with a focus on sustainable regional development.

The Institute is classified as a Public-Interest Civil Society Organization - OSCIP, - according to Law no. 9,790 dated on March 23, 1999. The Institute got the qualification certificate as OSCIP on March 3, 2006 issued by Brazil Justice Ministry, in accordance with ordinance no. 361 dated on July 27, 1999, and its activities are academic, cultural and scientific in nature and intended to promote the engagement of Brazilian civil society in achieving sustainable development and conservation.

The Institute’s social programs are reliant on the following key factors: (i) obtaining funding for program delivery through donation agreements and long-term international cooperation agreements, and (ii) developing and managing long-term programs. Achievement of program objectives is therefore directly dependent on long-term technical, operational and financial planning and governance.

The funding obtained by the Institute supports both program delivery and strategic planning by Management. There are strategies in place for ongoing programs, which continued in 2018 and will continue over the coming years.

A program surplus or deficit is therefore not interpreted as affecting a program’s financial feasibility, as all programs are implemented over the long-term and the Institute’s strategic planning accounts for projected total funds and the timing and nature of expenditures.

To expand its activities, the Institute is currently reformulating its management approach to: (i) develop program-specific strategic plans covering a long-term horizon and not limited by individual financial years or periods, and (ii) improve program governance through a program of activities aimed at project requirements.

## **2 Basis of presentation and preparation of the financial statements**

### **a. Statement of compliance**

The financial statements have been prepared in accordance with Brazilian generally accepted accounting principles, applicable to small- and medium-sized entities (NBC TG 1000 – Accounting for small- and medium-sized entities), applicable to not-for-profit entities (ITG 2002).

The issuance of these financial statements (which include all the relevant information corresponding to that used in managing the Entity) was approved by Management on October 16, 2019, considering the subsequent events occurred through that date.

Once the financial statements are issued, only the Entity's Management has authority to change them. For details on the Institute's accounting policies, see Note 3.

All the relevant information specific to the financial statements, and only them, are being evidenced, and correspond to those used by Management in its management.

### **b. Basis of measurement**

The financial statements have been prepared on the historical cost basis, unless stated otherwise.

### **c. Functional and presentation currency**

These financial statements are presented in Brazilian Real, which is the Institute's functional and presentation currency. All balances presented in thousands of Brazilian Real have been rounded off to the nearest whole number, except where specified otherwise.

### **d. Use of judgements and estimates**

The preparation of the financial statements in conformity with Brazilian generally accepted accounting principles, applicable to small- and medium-sized entities, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### **e. Restatement of the financial statements**

In 2018, Management identified prior-year adjustments relating to correction of accounting errors made in "Program funding obligations", in liabilities". As a result, the figures corresponding to the year ended December 31, 2017 and January 01, 2017 were adjusted for purposes of comparison, as required by Section 10 of CPC SMEs, which addresses accounting policies, changes in estimates and correction of errors. The adjustments had effects on noncurrent liabilities, in net assets.

*Instituto do Homem e Meio  
Ambiente da Amazônia – IMAZON  
Financial statements  
December 31, 2018 and 2017*

	<b>12/31/2017</b>			<b>01/01/2017</b>		
	Originally reported	Adjustment	Restated	Originally reported	Adjustment	Restated
<b>Noncurrent liabilities</b>						
Trade payables	59	-	59	52	-	52
Payroll and related taxes	469	-	469	367	-	367
Taxes payable	62	-	62	62	-	62
Advances received	101	-	101	146	-	146
Program funding obligations	10,947	1,473	12,420	6,350	1,473	7,823
<b>Total noncurrent liabilities</b>	<b>11,638</b>	<b>1,473</b>	<b>13,111</b>	<b>6,977</b>	<b>1,473</b>	<b>8,450</b>
<b>Net assets</b>						
Net worth	1,348	(1,473)	(125)	947	(1,473)	(526)
<b>Total net assets</b>	<b>1,348</b>	<b>(1,473)</b>	<b>(125)</b>	<b>947</b>	<b>(1,473)</b>	<b>(526)</b>

Additionally, the financial statements for the year ended December 31, 2017 (and financial information relating to the opening statement of financial position as of January 01, 2017) were reclassified for purposes of comparison, without modifying the total balances of assets, liabilities and surplus/deficit.

**f. New and revised standards and interpretations not yet effective and which were not early adopted by the Institute**

The Accounting Pronouncements Committee (CPC) issued new standards for large companies effective 2018. Some aspects of these standards, when included in Technical Pronouncement Accounting for Small- and Medium-sized Entities (SMEs), may impact the Entity's financial statements. Management will evaluate the effects of the new standards as soon as they are issued.

**3 Description of significant accounting policies**

The main accounting policies used to prepare these financial statements are as follows. These policies have been applied consistently to all the years presented in these financial statements.

**a. Foreign-currency transactions and balances**

Transactions in foreign currencies are translated to the Institute's functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to functional currency at the exchange rate calculated on that date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are reconverted to the functional currency at the exchange rate on the date that fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate on the date of transaction.

**b. Financial instruments**

**(i) *Non-derivative financial assets***

The Institute initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Institute becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Institute has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Institute classifies non-derivative financial assets and liabilities as loans and receivables.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

The Institute has the following non-derivative financial assets: cash and cash equivalents.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and short-term, investments maturing within three months or less as from the date they are procured, and which are subject to an insignificant risk of changes in value.

**(ii) *Non-derivative financial liabilities***

The Institute initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities stated at fair value in profit or loss) are recognized initially on the trade date, which is the date that the Institute becomes a party to the contractual provisions of the instrument. The Institute derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Institute classifies its non-derivative financial liabilities under other financial liabilities. These financial liabilities are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Institute has the following non-derivative financial liabilities: accounts payable and program funding obligations.

**(iii) *Derivative financial assets and liabilities***

The Institute did not use financial derivatives in the financial years ended December 31, 2018 and 2017.

**c. *Property and equipment***

**(i) *Recognition and measurement***

The Institute's property and equipment includes items purchased under partnership agreements and intended exclusively for program delivery. These items are classified separately in noncurrent assets as "restricted assets".

Restricted assets are recognized upon acquisition, at which time a reducing line item is recorded against a line item reducing "Program funding obligations", in current liabilities.

Simultaneously, the asset is recorded in property and equipment (restricted assets), with a contra entry to "Program funding obligations", in noncurrent liabilities.

At the end of the program, the balance of restricted property and equipment is transferred to unrestricted property and equipment and the liabilities-reducing line item is derecognized against donation revenue, as the items of property have been historically donated to the Institute.

Items of property and equipment are measured at the historic cost of acquisition or construction, minus accumulated depreciation and impairment, when applicable. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Cost includes expenses that are directly attributable to the purchase of an asset.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

**(ii) *Subsequent expenditure***

The cost of replacing a component of property and equipment is recognized at the book value of the item if it is probable that the economic benefits attributed to the component will flow to the Institute and the cost can be reliably measured. The carrying amount of a component replaced by another is written off. Maintenance costs of property and equipment are expensed as and when incurred.

**(iii) *Depreciation***

Depreciation is calculated on the depreciable amount, i.e. the cost of an asset or other equivalent cost, over the useful life of the item.

Depreciation of unrestricted assets is recognized in profit or loss using the straight-line method over the estimated useful life of each item of assets, as this method best reflects the consumption pattern of future economic benefits incorporated into the asset.

Depreciation of assets allocated exclusively to program delivery is recorded against a line item reducing property and equipment, with a contra entry to "Program funding obligations", in noncurrent liabilities, using the straight-line method over the estimated useful life of each item of property and equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and any adjustments are recognized as a change to accounting estimates.

The estimated depreciation rates for property and equipment are as follows:

Improvements and facilities	2.5%
Vehicles	10%
Machinery and equipment	10%
Communication equipment	10%
Computer equipment	20% to 50%
Furniture and fixtures	20%

**d. Intangible assets**

Intangible assets consist of software purchased by the Institute, which is being amortized over the estimated useful life of these assets of 5 years.

Intangible assets are measured at the historic cost of acquisition or construction, minus accumulated depreciation and impairment, when applicable.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of intangible assets (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

**e. Impairment**

**(i) Non-derivative financial assets**

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets have incurred impairment can include nonpayment or late payment by the debtor, restructuring of the amount owed to the Institute on terms that it would not normally accept in other transactions, signs that the debtor or issuer is going to enter bankruptcy proceedings or the disappearance of an active market for a security.

Management annually reviews the net book value of assets with the purpose of evaluating events or changes in economic, operational or technological circumstances that may indicate deterioration or loss of their recoverable value. If such evidence is identified and the net book value exceeds the recoverable amount, a provision for devaluation is recorded, adjusting the net book value to recoverable value.



**(ii) Non-financial assets**

The carrying amounts of the Institute's non-financial assets are reviewed at each reporting date for indications of impairment. If any such indication exists, then the asset's recoverable amount is determined. The recoverable value of an asset is the higher of the value in-use and fair value minus selling expenses. An impairment loss is recognized when the asset's carrying amount exceeds its estimated recoverable amount. Any impairment losses are recognized in profit or loss.

Management did not find any evidence of impairment in non-financial assets. It was not therefore necessary to estimate the recoverable value of non-financial assets.

**f. Provisions**

Provisions are recognized when the Institute has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and the value of such obligation can be reliably estimated. When the Entity expects that the amount of a provision will be reimbursed, whether wholly or partially (e.g. by virtue of an insurance agreement), the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. Expenses relating to any provision are recorded in the income statement, net of any reimbursements.

The provisions are determined by discounting expected future cash flows at a pretax rate that reflects current market valuations as to money value over time and risks specific for the related liability. The effects of the discount derecognition due to passage of time are recognized in surplus/deficit as finance cost.

Accrued liabilities arise from the legal obligation to record the employees' rights. For the accrual for vacation, the Institute calculate 1/12<sup>th</sup> plus 1/3<sup>rd</sup> of the employee's base pay each month until employees reach 12 consecutive months, when they are then entitled to take vacation days. For the 13<sup>th</sup> salary, the Institute calculates 1/12<sup>th</sup> of the employee's base pay each month, from January to December, when the 13<sup>th</sup> salary is paid. All employees are entitled to take a paid vacation period per year.

**g. Employee benefits**

Short-term employee benefit obligations are recognized as personnel expenditure as the respective service is provided. Liabilities are recognized by the amount of the expected payment if the Institute has a present legal or constructive obligation to pay this amount based on past service provided by the employee and the obligation can be estimated reliably.

The Institute does not provide long-term benefits to employees and members of management.

**h. Program funds**

Program funding obligations are recognized in "Program funding obligations" against "cash and cash equivalents" when funds are received, and derecognized when expenses are incurred and paid within the relevant programs, these being recognized on the accrual basis.

**i. Recognition of income and expenses**

Income and expenses are recognized on the accrual basis.

- **Receipt of funds:** Funds received are recognized under current liabilities in future expenditure on program funding obligations.
- **Consumption as expense:** When program expenditure is incurred, a debit is made to “Program funding obligations”, in current liabilities, with a contra entry to the liability relating to the supplier (for subsequent financial settlement). Simultaneously, restricted costs are recorded in surplus/deficit, with a contra entry to restricted income.
- **Provision of services:** Revenue from the provision of services is recognized in profit or loss according to the stage of completion at the reporting date. An assessment of realized costs is used to evaluate the stage of completion.
- **Management fee:** Management fee revenue is recognized in profit or loss based on management expenses incurred, up to the limits established by program agreements.
- **Donations and grants received:** Grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate, provided there is reasonable certainty that the Institute will perform all the respective conditions. Recognition of donations and government grants on a receipts basis would be acceptable only if no basis existed for allocating a grant over periods other than the one in which it was received.

**j. Financial income and financial expenses**

The financial income and expenses comprise:

- interest expenses and interest income;
  - net gains / losses on financial assets measured at fair value through profit or loss; and
  - net gains / losses from exchange variation on financial assets and liabilities.
- Interest income and expense are recognized in the income statement using the effective interest method.

**k. Taxation**

The Institute is a Public-Interest Civil Society Organization and therefore is exempt from income and social contribution taxes on that income.

Nonprofit entities are entities which do not record a surplus in their accounts or which, in the event such a surplus is recorded in a given financial year, fully allocate this surplus to the furtherance of their mission (Act 9.532/97, article 15(3), as amended by Act 9.718/98, article 10).

The Institute is also entitled to PIS exemption on own revenue.

#### 4. Cash and cash equivalents

	2018	2017 (Restated)
Short-term investments (a)	2	152
<b>Total unrestricted funds</b>	<b>2</b>	<b>152</b>
Banks - checking account	4,403	7,625
Short-term investments (a)	4,948	3,296
<b>Total restricted funds</b>	<b>9,351</b>	<b>10,921</b>
	<b>9,353</b>	<b>11,073</b>

- (a) Short-term investments refer mainly to bank certificates of deposit and fixed income funds, yielding from 90% to 100% of the interbank deposit rate (CDI), as shown below:

	2018	2017 (Restated)
Bank Certificates of Deposit (CDB)	4,872	3,368
Savings account	78	80
	<b>4,950</b>	<b>3,448</b>

Any cash funds earmarked for use in projects may only be used to execute the respective projects, as established in the underlying agreements.

Any finance income arising from financial investments involving cash funds earmarked for projects is recognized in liabilities, together with project-related funds. Whereas, finance income from funds belonging to the Entity are recorded in surplus/deficit, as finance income.

## 5. Advances paid

	<b>2018</b>	<b>2017 (Restated)</b>
Advances to partners (a)	499	1,245
Advances for travel expenses	45	106
Advances to employees	60	-
Advances to suppliers	35	33
Other	139	154
	<u><b>778</b></u>	<u><b>1,538</b></u>

(a) Advances made to third parties providing services during the execution of the projects.

## 6. Property and equipment

### a. Property and equipment - unrestricted items

	<b>Balance</b>			<b>Balance</b>			<b>Balance</b>
	<b>12/31/2016</b>	<b>Additions</b>	<b>Write-offs</b>	<b>12/31/2017 (Restated)</b>	<b>Additions</b>	<b>Write-offs</b>	<b>12/31/2018</b>
<b>Cost</b>							
Improvements and facilities	146	-	-	146	-	-	146
Machinery and equipment	110	-	(7)	103	12	-	115
Communication equipment	113	8	-	121	-	-	121
IT equipment	827	22	(42)	807	-	(25)	782
Furniture and fixtures	231	-	(16)	215	-	-	215
<b>Total cost</b>	<u><b>1,427</b></u>	<u><b>30</b></u>	<u><b>(65)</b></u>	<u><b>1,392</b></u>	<u><b>12</b></u>	<u><b>(25)</b></u>	<u><b>1,379</b></u>
<b>Depreciation</b>							
Improvements and facilities	(10)	(3)	-	(13)	(4)	-	(17)
Machinery and equipment	(84)	(8)	5	(87)	(8)	-	(95)
Communication equipment	(72)	(11)	-	(83)	(11)	-	(94)
IT equipment	(769)	(17)	42	(744)	(19)	20	(743)
Furniture and fixtures	(180)	(22)	16	(186)	(22)	-	(208)
<b>Total depreciation</b>	<u><b>(1,115)</b></u>	<u><b>(62)</b></u>	<u><b>63</b></u>	<u><b>(1,113)</b></u>	<u><b>(64)</b></u>	<u><b>20</b></u>	<u><b>(1,157)</b></u>
<b>Unrestricted property and equipment, net</b>	<u><u><b>312</b></u></u>	<u><u><b>(32)</b></u></u>	<u><u><b>(2)</b></u></u>	<u><u><b>279</b></u></u>	<u><u><b>(52)</b></u></u>	<u><u><b>(5)</b></u></u>	<u><u><b>222</b></u></u>

**b. Property and equipment – restricted assets**

	Balance			Balance			Balance
	12/31/2016	Additions	Write-offs	12/31/2017 (Restated)	Additions	Write-offs	12/31/2018
<b>Cost</b>							
Improvements and facilities	104	-	-	104	-	-	104
Company cars	118	-	-	118	-	-	118
Machinery and equipment	71	-	(5)	66	3	-	69
Communication equipment	39	11	(3)	47	5	-	52
IT equipment	720	75	(35)	761	152	-	913
Furniture and fixtures	78	-	(25)	53	-	-	53
<b>Total cost</b>	<b>1,130</b>	<b>86</b>	<b>(68)</b>	<b>1,148</b>	<b>160</b>	<b>-</b>	<b>1,309</b>
<b>Depreciation</b>							
Improvements and facilities	(7)	(3)	-	(10)	(2)	-	(12)
Company cars	(62)	(12)	-	(74)	(12)	-	(86)
Machinery and equipment	(34)	(7)	2	(39)	(7)	-	(46)
Communication equipment	(16)	(4)	1	(19)	(5)	-	(24)
IT equipment	(546)	(95)	33	(608)	(109)	-	(717)
Furniture and fixtures	(77)	(1)	25	(53)	-	-	(53)
<b>Total depreciation</b>	<b>(742)</b>	<b>(122)</b>	<b>61</b>	<b>(803)</b>	<b>(135)</b>	<b>-</b>	<b>(938)</b>
<b>Unrestricted property and equipment, net</b>	<b>388</b>	<b>(36)</b>	<b>(7)</b>	<b>345</b>	<b>25</b>	<b>-</b>	<b>371</b>
<b>Total property and equipment, net (a+b)</b>	<b>700</b>	<b>(68)</b>	<b>(9)</b>	<b>624</b>	<b>(27)</b>	<b>(5)</b>	<b>593</b>

Restricted assets are recorded in the accounts of the relevant programs against noncurrent liabilities in Program funding obligations.

The Institute keeps record of such assets until each program is completed, at which time the residual balance of the line item reducing liabilities is recorded as donation revenue.

In its reporting to donors the Institute is required to demonstrate that the assets planned for each program have been purchased and used as planned.

**7. Advances received**

	2018	2017 (Restated)
Fundação Vale	98	98
Golf e Ebata	3	3
	<u>101</u>	<u>101</u>

## 8. Program funding obligations

Funding received under agreements which is intended for a specific purpose in program delivery is classified, when received, as “Program funding obligations” under current liabilities.

The relevant expenses are recognized when incurred within the same group, in the line item reducing liabilities. Overhead expenses are allocated between programs as established in each agreement and in proportion to each program’s weight. Expenses are segregated by donor based on the use of the relevant human and material resources, with no transfers between donors.

	Notes	2018	2017 (Restated)
Opening balance - current liabilities		12,420	7,823
Restricted receivables		12,227	16,641
		<u>24,647</u>	<u>24,464</u>
Salaries, payroll taxes and benefits - projects	13	(5,267)	(5,246)
Consulting fees and services		(6,089)	(4,400)
Property and equipment		(121)	(161)
Travel expenses		(1,152)	(1,002)
Publication, dissemination and events		(35)	(47)
Rental expenses		(213)	(212)
Utilities and services		(99)	(78)
Taxes and fees		(26)	(105)
Communication expenses		(243)	(211)
Consumables		(49)	(36)
Finance income - income from financial investments		352	503
Finance costs		(159)	(235)
Insurance expenses		(26)	(28)
Maintenance expenses		(10)	(10)
Reimbursement of meals		5	5
Transfers to sub-contractors		(1,954)	(781)
<b>Total expenditures on projects</b>		<u>(15,086)</u>	<u>(12,044)</u>
<b>Closing balance - current liabilities</b>		<u>9,561</u>	<u>12,420</u>

## 9. Contingencies

The Institute is subject to judicial and administrative proceedings arising from the normal course of operations, involving tax, labor, civil and other matters.

Periodically, Management evaluates contingent risks, based on legal, economic and tax basis, in order to classify them, according to their chances of occurrence and liability as probable, possible or remote, taking into consideration, as the case may be, the analyzes of our legal advisors who sponsor the causes of the Institute.

The Board of Directors of Institute, based on the opinion of its legal advisors, understands that the provisions and legal provisions already taken in each situation are sufficient to preserve its net assets, and there are no indications of the need to recognize provisions and/or disclosures for contingencies in 2018 and 2017, on judicial, tax, labor or civil.

## 10. Related-party transactions

The Institute regards its key management personnel as related parties. As of December 31, 2018 and 2017, there are not assets or liabilities balances with related parties.

Key management compensation comprises salaries, management fees and variable benefits.

	<b>2018</b>	<b>2017 (Restated)</b>
Total compensation of key management personnel	<u>824</u>	<u>810</u>

## 11. Net assets

### Net worth

The Institute's net assets may change as surplus or deficit is recognized in each financial year. Surpluses are incorporated into net assets in accordance with the Institute's bylaws.

In the event the Institute is dissolved, its residual net assets must entirely revert to nongovernment, nonprofit organizations qualified as Public Interest Civil Society Organizations having similar objectives, pursuant to Law No. 9.790/99. The selection of such organizations would be made in the General Meeting at which the resolution to dissolve the Institute is made.

## 12. Net income

	<b>2018</b>	<b>2017 (Restated)</b>
Restricted income (i)	14,771	11,427
Administration fees - projects and programs (ii)	637	1,117
Sundry income	11	43
Service revenue	965	1,834
Deductions		
Cofins/ISS (service tax) (i)	<u>(77)</u>	<u>(149)</u>
<b>Net revenue</b>	<u><b>16,307</b></u>	<u><b>14,272</b></u>

<b>(i) Income by donor</b>	<b>2018</b>	<b>2017 (Restated)</b>
Gordon and Betty Moore Foundation <b>(a)</b>	5,566	2,689
BNDES Banco Nacional de Desenvolvimento Econômico e Social <b>(b)</b>	4,180	4,432
NORAD <b>(c)</b>	2,449	2,644
José Roberto Marinho <b>(d)</b>	1,106	972
Climate Works Monitoramento <b>(e)</b>	967	-
NORAD EDF <b>(c)</b>	262	245
IDH	230	85
Ibirapitinga	160	307
Instituto Alcoa	92	-
Instituto Clima e Sociedade	81	-
Instituto Juruti Sustentável	75	-
Instituto Arapyaú de Educ e Desenv Sustentável	42	-
World Resources Institute (WRI)	-	75
Good Energies Foundation	-	542
Pará 2030	-	249
CLUA	-	150
Other	198	154
	<hr/>	<hr/>
<b>Total restricted income/donations and administration fees</b>	<b>15,408</b>	<b>12,544</b>

(i) Administration fees can be:

- **Unrestricted** - In this case the donor allows certain expenses to be allocated to the line item “Other direct and indirect costs”;
- **Mixed** - Administration fees are specified in the relevant agreements but certain expenses can also be allocated to the line item “Other direct and indirect costs”; and
- **Restricted** - Administrative expenses are charged only to Overhead fees.

Programs have the flexibility to use the funds above in amounts exceeding the limits specified for each category by a typical donor-accepted tolerance of approximately 10%, provided such amounts to not exceed the program budget. Program schedules may differ from the financial year and therefore in some cases a financial year may include two financial periods for the same program.

**(a) Gordon and Betty Moore Foundation**

1. Support the implementation of a plan of protected areas, according to objectives set by federal and state agencies of protected areas.
2. Conserve 14.1 million hectare of Mosaico Calha Norte by supporting the development of sustainable financing and governance mechanisms and a territorial monitoring program.
3. Enhance the effectiveness of the conservation of meat and grains commitments with zero deforestation in Amazon, increasing transparency in its implementation, making knowledge widely available in form of online data platforms, publications or lessons learned and demonstrating the leadership of the State of Pará in the implementation of commitment related to meat and grains.
4. Support the preparation, distribution and publication of interdisciplinary georeferenced analyses to disclose the decisions made by governments and civil society of nine Amazon countries and support the consolidation of indigenous land and protected areas in the Xingu corridor, in Brazil.
5. Develop and operate an integrated portal based on the Brazilian Amazon protected areas to be used to access threats and opportunities and guide appropriate actions by the federal and state agencies.
6. Support the development and tests of the next generation of technology to monitor the use and coverage land using high resolution images and cutting-edge machine learning methods.
7. Support a collaborative network pioneering in innovative cloud processing methods and automated classification in Google Earth Engine to produce 32 years of annual land use, land cover and data on changes for the Brazilian Amazon, and provide the organization with training to produce such data for other Amazonian countries.
8. Support the conceptual development of the “Amazônia Terceira Via” initiative, a disruptive social and technological transformation towards a sustainable development pathway in the Amazon.



9. Disclosed the decisions made by preparing and disseminating interdisciplinary georeferenced analyses on the environmental and social dynamics in the Pan-Amazonian region, including the land use/cover and data on changes for the 1985-2018 period and comprehensive analyses of pressures and threats.

**(b) BNDES Banco Nacional de Desenvolvimento Econômico e Social**

1. Support (i) the strengthening of the environmental management in cities considered a priority for the development of policies on prevention and control of the Amazon biome deforestation; (ii) studies to perform land diagnoses of the States of Amazonas, Mato Grosso, Pará, and Rondônia, and (iii) improve the management of the state conservation units in Calha Norte, State of Pará.

2. Support the environmental conformity of rural properties in the legal Amazon by means of the following:

(i) Implementation of forestation restoration techniques by means of a land-based approach in Easter Pará; (ii) formation of multiplying agents; (iii) preparation of a flow to trace the areas under restoration, and (iv) foster forestry landscape restoration activities.

**(c) NORAD**

Provide incentives to eradicate deforestation: Global ambition, private and public finance, and supply chains with zero deforestation.

**(d) José Roberto Marinho**

1 – Project “Pará 2030”.

2 - Development of a project to create a Gastronomy and Biodiversity Center.

**(e) Climate and Land Use Alliance**

Analyze and confirm Prodes 2016 data on deforestation and provide institutional support to Imazon.

### 13. Operating costs

<b>Unrestricted costs</b>	<b>2018</b>	<b>2017 (Restated)</b>
Payroll and related taxes (i)	(280)	(169)
Services provided by third parties	(659)	(1,413)
Total unrestricted costs	<u>(939)</u>	<u>(1,582)</u>
<b>Restricted costs</b>	<b>2018</b>	<b>2017 (Restated)</b>
Payroll and related taxes (i)	(5,267)	(5,077)
Services provided by third parties	(9,504)	(6,350)
Total restricted costs	<u>(14,771)</u>	<u>(11,427)</u>

	Unrestricted		Restricted	
	2018	2017 (Restated)	2018	2017 (Restated)
<b>(i) Payroll and related taxes</b>				
Salaries	(133)	(60)	(2,073)	(1,913)
INSS (Social Security Contribution)	(40)	(20)	(740)	(795)
Meal allowance	(38)	(33)	(669)	(636)
Health care	(16)	(12)	(370)	(315)
Vacation	(6)	(7)	(267)	(291)
Bonuses	(12)	(5)	(475)	(474)
Severance Pay Fund (FGTS)	(13)	(6)	(231)	(250)
13 <sup>th</sup> salary	(6)	(7)	(215)	(222)
Life insurance	(4)	(4)	(70)	(73)
Compensation - Interns	(9)	(10)	(36)	(42)
PIS (tax on income)	(1)	(1)	(30)	(34)
Termination fine	-	(3)	(53)	3
Training	(2)	-	(27)	(24)
Tests and medicines	-	(1)	(11)	(11)
	<b>(280)</b>	<b>(169)</b>	<b>(5,267)</b>	<b>(5,077)</b>

## 14. Administrative expenses

	2018	2017 (Restated)
Travels	(7)	(329)
Events	(2)	(6)
Maintenance	(2)	(9)
Rental	(8)	(9)
Utilities and services	(12)	(62)
Cafeteria	(1)	6
Taxes and fees	(2)	(88)
Depreciation and amortization	(68)	(99)
Insurance	(3)	(13)
Communication	(31)	(60)
Materials	(2)	(19)
Consulting fees and outside services	(260)	(182)
Other administrative expenses	(5)	-
	<b>(403)</b>	<b>(870)</b>

## 15. Finance income (costs)

	2018	2017 (Restated)
Interest on short-term investments	21	21
<b>Total finance income</b>	<b>21</b>	<b>21</b>
Banking fees and interest expenses	(27)	(13)
<b>Total finance costs</b>	<b>(27)</b>	<b>(13)</b>
<b>Finance income (costs), net</b>	<b>(6)</b>	<b>8</b>

## 16. Financial instruments

The Institute is exposed to risks arising from the use of financial instruments. This note describes the objectives, policies and processes of the Institute to manage those risks and the methods used to measure them.

### **Main financial instruments**

The main financial instruments used by the Institute, including risks arising from financial instruments are as follows:

- Cash and banks
- Investments in investment funds; and
- Trade payables

The Institute's activities are subject to the following financial risks:

- Credit risk;
- Liquidity risk, and
- Market risk

### ***Credit risk***

Credit risk arises primarily from cash held in banks.

The Institute's credit risk primarily arises from bank deposits and short-term investments as Bank Certificates of Deposits (CDBs).

The Entity makes investments in bank certificates of deposits managed by prime financial institutions. The Institute does not contract derivatives to manage the credit risk. Quantitative, book-value disclosures of the Institute's exposure to credit risk in relation to financial assets, as at December 31, 2018 and 2017 are provided below.

	2018	2017 (Restated)
<b>Financial assets</b>		
Cash and cash equivalents	9,353	11,073
<b>Total financial assets</b>	<b>9,353</b>	<b>11,073</b>

### ***Liquidity risk***

Liquidity risk is the risk that the Institute will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation.

The Institute’s payment flows in connection with financial liabilities as at December 31, 2018 and 2017 are presented below (at book value):

<b>Financial liabilities</b>	<b>2018</b>	<b>2017 (Restated)</b>
Suppliers	63	59
Program funding obligations	9,561	12,420
<b>Total financial liabilities</b>	<b>9,624</b>	<b>12,479</b>

The Institute was not in default of any financial obligations as at December 31, 2018 and 2017.

***Market risk (interest rates)***

This risk arises from the possibility of the Entity incurring losses (or gains) due to fluctuations in the interest rates applicable to its assets and liabilities raised (invested) in the market. Financial instruments subject to market risk are represented by investments in bank certificates of deposit managed by prime financial institutions. As mentioned in Note 4, the volatility of the indexes to which these financial instruments are subject is low.

Management has a conservative cash management approach and invests cash on hand in bank certificates of deposit pegged to the CDI and in savings accounts, redeemable in the short term, when the respective donors allow. The income arising from these financial investments is reinvested in the Entity itself.

The Entity does not have significant transactions pegged to exchange rates.

**17. Explanation added to the translation for the English version**

The accompanying financial statements were translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices applied by the Entity that conform to those accounting practices adopted in Brazil may not conform to the generally accepted accounting principles in the countries where these financial statements may be used.

\* \* \*

**Executive Board**

Verônica Oki Igacihalaguti  
Administrative Director

Andréia Cristina Brito Pinto  
Executive Director

Gian Carlo Cruz Toppino  
Accountant CRC/PA 011577/O-0