

# **Financial Statements**

## **Instituto Clima e Sociedade**

December 31, 2018  
with Independent Auditor's Report

# Instituto Clima e Sociedade

## Financial statements

December 31, 2018 and 2017

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**A free translation from Portuguese into English of independent auditor's report on financial statements prepared in Brazilian currency in accordance with accounting policies adopted in Brazil, applicable to nonprofit organizations (ITG 2002 (R1))**

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## **Independent auditor's report on financial statements**

To the Board of Directors, Shareholders and Officers  
**Instituto Clima e Sociedade**  
Rio de Janeiro - RJ

### **Opinion**

We have audited the financial statements of Instituto Clima e Sociedade ("Institute"), which comprise the statement of financial position as at December 31, 2018 and the statements of surplus (deficit), of comprehensive surplus (deficit), of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Instituto Clima e Sociedade as at December 31, 2018, and its financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil, applicable to nonprofit organizations (ITG 2002 (R1)).

### **Basis for opinion**

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Institute in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil, applicable to nonprofit organizations (ITG 2002 (R1)), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of 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 responsible for overseeing the Institute's financial reporting process.

### **Auditor's 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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.



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- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Rio de Janeiro, June 27, 2019.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP015199/O-6

A handwritten signature in dark ink, appearing to read 'Diogo Afonso da Silva', written over the printed name.

Diogo Afonso da Silva  
Accountant CRC-1RJ114783/O-8

## Instituto Clima e Sociedade

Statements of financial position  
December 31, 2018 and 2017  
(In thousands of reais)

	Note	2018	2017
Current assets			
Cash and cash equivalents	4	19,398	6,896
Marketable securities	5	5,298	5,574
Receivables		246	117
Donations receivable	6	17,081	8,216
Project and partnership funds	7	10,127	6,545
		<b>52,150</b>	27,348
Noncurrent assets			
Donations receivable	6	1,227	7,110
Project and partnership funds	7	290	75
		<b>1,517</b>	7,185
Property and equipment			
Intangible assets	8	114	122
	8	9	14
		<b>1,640</b>	7,321
Total assets			
		<b>53,790</b>	34,669
Liabilities and equity			
Current liabilities			
Accounts payable		12	36
Tax liabilities		3	7
Labor and social liabilities	9	312	171
Funds for social projects	10	40,954	20,138
Partnership funds	11	10,127	6,545
		<b>51,408</b>	26,897
Noncurrent liabilities			
Funds for social projects	10	1,227	7,110
Partnership funds	11	290	75
		<b>1,517</b>	7,185
Equity			
Net asset value	12	587	220
Surplus for the year		278	367
		<b>865</b>	587
Total liabilities and equity			
		<b>53,790</b>	34,669

See accompanying notes.

## Instituto Clima e Sociedade

Statements of surplus (deficit)  
 Years ended December 31, 2018 and 2017  
 (In thousands of reais)

	<b>Note</b>	<b>2018</b>	<b>2017</b>
Operating revenues		<b>24,835</b>	18,460
With restrictions		<b>24,835</b>	18,438
Social programs	13.1	<b>24,477</b>	18,128
Financial returns	13.2	<b>353</b>	308
Exchange gains (losses)	13.3	<b>5</b>	2
Without restrictions	13.4	-	22
Voluntary contributions and donations		-	9
Other revenues		-	13
Social activity cost		<b>(20,647)</b>	(15,351)
Program activities	14	<b>(20,647)</b>	(15,351)
Gross surplus (deficit)		<b>4,188</b>	3,109
Operating expenses		<b>(3,910)</b>	(2,742)
Personnel expenses	15.1	<b>(1,583)</b>	(1,355)
Services rendered	15.2	<b>(526)</b>	(269)
Travel and lodging	15.3	<b>(908)</b>	(425)
General and administrative expenses	15.4	<b>(641)</b>	(510)
Tax expenses	15.5	<b>(221)</b>	(154)
Depreciation and amortization	8	<b>(31)</b>	(29)
Surplus for the year		<b>278</b>	367

See accompanying notes.

## Instituto Clima e Sociedade

Statements of comprehensive surplus (deficit)  
Years ended December 31, 2018 and 2017  
(In thousands of reais)

	<u>2018</u>	<u>2017</u>
Surplus for the year	<b>278</b>	367
Other comprehensive surplus (deficit)	-	-
Comprehensive surplus (deficit) for the year	<b><u>278</u></b>	<b><u>367</u></b>

See accompanying notes.



## Instituto Clima e Sociedade

Statements of changes in equity  
Years ended December 31, 2018 and 2017  
(In thousands of reais)

	<u>Net asset value</u>	<u>Surplus</u>	<u>Total equity</u>
Balances at January 1, 2017	34	186	220
Incorporation of surplus	186	(186)	-
Surplus for 2017	-	367	367
Balances at December 31, 2017	220	367	587
Incorporation of surplus	<b>367</b>	<b>(367)</b>	-
Surplus for 2018	-	<b>278</b>	<b>278</b>
Balances at December 31, 2018	<b>587</b>	<b>278</b>	<b>865</b>

See accompanying notes.

## Instituto Clima e Sociedade

Statements of cash flows  
Years ended December 31, 2018 and 2017  
(In thousands of reais)

	<u>2018</u>	<u>2017</u>
Cash flow from operating activities		
Surplus for the year	<b>278</b>	367
Adjustments to reconcile surplus to cash flow from operating activities:		
Depreciation/amortization	<b>31</b>	29
Adjusted surplus for the year	<b>309</b>	396
(Increase) decrease in assets		
Receivables	<b>(129)</b>	(92)
Increase in marketable securities	<b>276</b>	(1,092)
Donations receivable	<b>(2,982)</b>	(11,253)
Project and partnership funds	<b>(3,797)</b>	(557)
	<b>(6,632)</b>	(12,994)
Increase (decrease) in liabilities		
Labor, tax and social liabilities	<b>137</b>	9
Accounts payable	<b>(24)</b>	35
Funds for social projects	<b>14,933</b>	13,679
Increase in partnership funds	<b>3,797</b>	557
	<b>18,843</b>	14,280
Net cash from operating activities	<b>12,520</b>	1,682
Cash flow from investing activities		
Acquisition of property and equipment and intangible assets	<b>(18)</b>	(42)
Net cash from investing activities	<b>(18)</b>	(42)
Increase in cash and cash equivalents	<b>12,502</b>	1,640
Opening balance of cash and cash equivalents	<b>6,896</b>	5,256
Closing balance of cash and cash equivalents	<b>19,398</b>	6,896
Increase in cash and cash equivalents	<b>12,502</b>	1,640

See accompanying notes.

# Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

## 1. Operations

Instituto Clima e Sociedade ("iCS" or "Institute") is a nonprofit civil association under private law, located at Rua General Dionísio, nº 14 - parte, Humaitá - Rio de Janeiro - RJ, and registered with the Civil Registry of Legal Entities on May 11, 2015.

iCS is a philanthropic organization that raises funds and fosters projects that contribute to the development of climate crisis solutions. It is a bridge between financiers (international and national foundations and bilateral cooperation institutions) and local partners, including civil society organizations, academia, associations and governmental entities. The Institute's activities consist of managing donations, engaging society in climate change, implementing projects and institutional training of civil society organizations. In this sense, iCS establishes its four main actions:

- Producing evidence
- Promoting Advocacy
- Developing interaction areas
- Fostering knowledge and experience exchange

### Mission

Strengthening the conditions for leveraging long-lasting climate change mitigation and resilience practices.

### Vision

Brazil with neutral carbon with economic growth and social justice, compatible with 1.5°C.

### iCS actions focus on:

#### Power

Initiatives: I) Democratizing and decentralizing the power industry; II) Encouraging new renewable energies (solar, wind and biomass); III) Promoting energy efficiency, distributed generation and smart grid.

#### Low-carbon economy

Initiatives: I) Generating evidence for decision-making towards low-carbon economy; II) Directing investments and investors to opportunities according to the decarbonization goals of the economic sector; III) Quantifying low-carbon economy in public accounts.

# Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

## 1. Operations (Continued)

### Transportation

Initiatives: I) Engaging civil society in the design, monitoring and implementation of mobility policies; II) Deepening knowledge and discussion on transportation economy; III) Exploring interfaces between air quality and health with transportation policies and technologies.

### Climate policy and engagement

Initiatives: Supporting organizations that press, monitor and help Brazil to comply with the Nationally Determined Contribution (NDC); II) Monitoring the international climate policy; III) Seeking more and more engagement from agents in the climate agenda; IV) Fostering climate change to be part of the agenda of parliamentarians in the National Congress.

## 2. Basis of presentation

### a) Statement of compliance

The financial statements were prepared and are presented in accordance with accounting policies adopted in Brazil applicable to small and medium-sized enterprises (Brazil's National Association of State Boards of Accountancy (CFC) Resolution No. 1255/09, NBC TG (R1) 1000 - Accounting for Small and Medium-sized Enterprises, which approved PME technical pronouncement of the Brazilian FASB (CPC)), as well as in accordance with CFC Resolution No. 1409/12, dated September 21, 2012, which approved ITG 2002 - Nonprofit Organizations, amended and consolidated as ITG 2002 (R1) on August 21, 2015.

Institute management authorized the issue of the financial statements on June 27, 2019.

### b) Functional and reporting currency

Institute management defined that its functional currency is the Brazilian real, according to the standards described in Technical Pronouncement CPC PME - Accounting of Small and Medium-Sized Enterprises (Section 30 - Effect of changes in exchange rates and translation of financial statements).

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 2. Basis of presentation (Continued)

#### b) Functional and reporting currency (Continued)

Transactions denominated in foreign currency, i.e., those not carried out in the functional currency, are translated at the exchange rate of each transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate at the closing date.

Gains and losses on exchange rate differences on monetary assets and liabilities are recognized in the statement of profit or loss.

### 3. Summary of significant accounting policies

#### a) Cash and cash equivalents

Cash equivalents are held by the Company for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. Management considers cash equivalents a short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Revenue from these investments is reinvested in the Institute's social activities or directly in specific projects when required by the funder, as presented separately in the statement of surplus (deficit).

#### b) Marketable securities

Short-term investments are classified as financial assets held for trading, presented in the statement of financial position at fair value, with the corresponding gains or losses recognized in the statement of surplus (deficit). Such classification is due to management's intention to trade short-term investments should funds be needed to settle its obligations.

#### c) Donations receivable

These refer to agreements signed with donors whose receipt will occur in future years and are presented at their contractual value restated, when applicable, by the exchange differences for the period. At December 31, 2018 and 2017, Institute management did not record a provision for credit risk loss, because there is no expectation of non-receipt of these amounts.

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Summary of significant accounting policies (Continued)

d) Funds for social projects

Funds for social projects correspond to the Institute's continuing obligations to invest funds from agreements signed with donors in the portfolio of social projects to be supported by the Institute and to carry out institutional activities restated, when applicable, by the exchange differences for the period.

e) Partnership funds and project and partnership funds

These correspond to transfer obligations in future years and rights to receive rendering of accounts of these funds, as provided for in the donation agreements entered into between the Institute and its partners, which are presented at their contractual value.

f) Property and equipment

These are recorded at acquisition, buildup or construction cost less accumulated depreciation.

Depreciation is calculated under the straight-line method at rates considering the estimated economic useful lives of assets.

A property, plant and equipment item is derecognized on disposal or when no future economic benefit is expected from its use. Gains or losses, if any, arising therefrom are the difference between the net disposal proceeds and the book value of the asset, and are classified in the statement of surplus (deficit) for the year in which the fact is incurred.

The residual value and useful life of the assets and depreciation methods are reviewed at year-end and adjusted prospectively, as applicable.

g) Equity

It is represented by the net asset value of Instituto Clima e Sociedade - iCS plus annual surplus or deficit, as the case may be.

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Summary of significant accounting policies (Continued)

#### h) Revenue recognition

##### *Operating revenue*

Revenues with restrictions record the funds received from agreements and focused on social activities developed by the Institute. These are recognized as an obligation of the Institute vis-à-vis donors and are initially recorded as liabilities. These obligations are recognized in a revenue account based on the actual realization of expenses.

Unrestricted revenues record the funds from the provision of services and voluntary contributions and donations. Revenues from voluntary donations are variable, there being no agreement between the parties related to the amount to be donated, and usually vary depending on the level of assistance that the donor is willing to offer to the Institute. As such, these revenues are only recognized when their realization is certain, i.e., they are recognized only when they are received. The impossibility of recognizing these revenues on an accrual basis is due to the Institute not having prior knowledge of the amounts that will be received; therefore, these donations are recognized when they are received. Revenue is not recognized if there is a significant uncertainty as to its collection.

##### *Finance income*

Finance income covers interest income on short-term investments and effect of exchange differences arising from foreign currency transactions. Interest income is recognized in profit or loss through the effective interest method.

#### i) Tax liabilities and exemptions

The Institute, for its purpose and objectives and to meet the requirements of current legislation, is exempt from the Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL). Income and capital gains earned on short-term investments that, according to the tax rule, are withheld at source are not covered by the income tax exemption.

#### j) Current and noncurrent assets and liabilities

Assets are recognized in the statement of financial position when their future economic benefits are likely to flow to the Institute and their cost or value can be reliably measured.

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Summary of significant accounting policies (Continued)

#### j) Current and noncurrent assets and liabilities (Continued)

Liabilities are recognized in the statement of financial position when the Institute has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Due to uncertainties with respect to their timing and amount, certain liabilities are estimated as incurred and recorded by means of a provision. The provisions are recorded based on the best estimate of the risk involved.

Current and noncurrent assets are stated at the amounts through which they would be realized, considering the monetary restatements according to the contractual conditions.

Current and noncurrent liabilities are recorded in settlement amounts considering each statement of financial position date, including accrued interest and monetary restatements, based on contractual conditions.

Assets and liabilities are classified as current when assets are realizable and liabilities are payable within the following twelve months.

#### k) Costs and expenses

##### *Social activity cost*

Expenses for carrying out social projects that are the subject of donation agreements entered into between the Institute and the grantees.

##### *Operating expenses*

Expenses related to personnel, services rendered, travel and lodging, administrative and other expenses necessary for maintaining the Institute.

##### *Finance costs*

Finance costs mainly cover bank fee and exchange difference costs. They are appropriated to profit or loss as incurred or to the extent that benefits are transferred to the Institute on an accrual basis.



## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Summary of significant accounting policies (Continued)

#### l) Accounting judgments, estimates and assumptions

The preparation of the financial statements in accordance with accounting policies adopted in Brazil requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities reported in the financial statements and their accompanying notes. Significant items subject to these estimates and assumptions include the economic useful life and residual value of property and equipment, impairment of assets, among others. The use of estimates and judgments is complex and considers various future projections and assumptions; therefore, the settlement of transactions can result in different estimated values. The Institute reviews its estimates and assumptions at least annually.

### 4. Cash and cash equivalents

These include cash, current account balances, short-term investments and amounts in transit.

	<u>2018</u>	<u>2017</u>
Cash and banks	145	2
Short-term investments (i)	18,091	6,646
Amounts in transit (ii)	1,162	248
	<u>19,398</u>	<u>6,896</u>

(i) These are highly liquid short-term investments held at Banco Bradesco as automatic investments called Invest Plus.

(ii) Amounts in transit - donations received from international sources, whose foreign exchange contract procedures will be completed during the next fiscal year.

### 5. Marketable securities

	<u>2018</u>	<u>2017</u>
Short-term investments	5,298	5,574
	<u>5,298</u>	<u>5,574</u>

The Institute structured its short-term investments in first-tier institutions through investments redeemable at any time without significant variation in value and yielding between 95% and 97% of CDI (Interbank Deposit Certificate), valued daily at Cetip (Brazil's OTC Clearing House).

These refer to funds that can be invested in Bank Deposit Certificates, and the finance income from such investments is reinvested in the Institute's social activities or directly in specific projects, at the funder's request.

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 6. Donations receivable

Funds from donations receivable for the performance of statutory activities arising from agreements are recognized in assets, matched against Institute's liability with donors and/or partners. These liabilities are recognized in profit or loss accounts in accordance with the realization of expenses established in the agreement signed.

The amounts related to the donations of international funds are translated into Brazilian reais using the exchange rates on the effective dates of the agreements, incorporating the foreign exchange differences up to the statement of financial position closing date.

The transfer of funds by the donor is subject to verification of the activities performed, which is carried out through periodic rendering of accounts and by presenting the audited financial statements.

The balance of this group is broken down as follows:

Description	2018	2017
Donations receivable - current assets	17,081	8,216
Donations receivable - noncurrent assets	1,227	7,110
	<b>18,308</b>	<b>15,326</b>

  

Description	Agreement	2018	2017
<b>Donations receivable - current assets</b>			
The Children's Investment Fund Foundation - CIFF (i)	1606-01318	5,811	4,962
Climateworks Foundation - CWF (ii)	17-1077	2,677	1,373
The Children's Investment Fund Foundation - CIFF (iii)	1606-01319	-	466
European Climate Foundation - ECF (iv)	-	-	14
European Climate Foundation - ECF (iv)	1811-58910	44	-
European Climate Foundation - ECF (v)	1805-02101	107	-
Smart Energy (vi)	-	688	-
DeutscheGesellschaft fur International - GIZ (vii)	832266011	-	6
OAK Foundation - OAK (vii)	OCAT 17-645	775	1,395
OAK Foundation - OAK (vii)	18-593	6,979	-
		<b>17,081</b>	<b>8,216</b>
<b>Donations receivable - noncurrent assets</b>			
The Children's Investment Fund Foundation - CIFF (i)	1606-01318	-	4,962
Climateworks Foundation - CWF (ii)	17-1077	539	1,373
OAK Foundation - OAK (vi)	OCAT-17-645	-	775
Smart Energy (vi)		688	-
		<b>1,227</b>	<b>7,110</b>

Donations receivable are in the respective currencies and amounts shown below:

- (i) Agreement in dollars of US\$ 1,500 in 2019.
- (ii) Agreement in dollars of US\$ 415 in 2018, US\$ 276 in 2019 and US\$ 139 in 2020.

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 6. Donations receivable (Continued)

- (iii) Agreement in dollars of US\$ 141.
- (iv) Agreement in euros of EUR\$ 10
- (v) Agreement in dollars of US\$ 28.
- (vi) Agreement in euros of EUR\$ 155 in 2019 and EUR\$ 155 in 2020
- (vii) Agreement in reais.

### 7. Project and partnership funds

Funds from the Institute's donations to partners are conditional and subject to the fulfillment of obligations under the agreements; therefore, the total amount of funds provided for in the agreement is appropriate on the date of commencement of the agreement.

The balance of this group is broken down as follows:

	<u>2018</u>	<u>2017</u>
Project and partnership funds - current assets	10,127	6,545
Project and partnership funds - noncurrent assets	290	75
	<u>10,417</u>	<u>6,620</u>

#### Funds for projects and partnerships

Total funds provided for in the agreements, less the amounts transferred to partners. The balance reflects the amounts to be transferred.

Changes by agreement are as follows:

<u>ID</u>	<u>Partners</u>	<u>Contract amount / balance payable 2018</u>	<u>Amount paid in 2018</u>	<u>Balance payable</u>
<b>2016 agreements</b>		<b>989</b>	<b>989</b>	<b>-</b>
G-16-00112	CIDADE ATIVA	250	250	-
G-16-00022	IEI - Int'l Energy Initiative	124	124	-
G-16-00046	LABMOB / PROURB / UFRJ	175	175	-
G-16-00015	OC - Observatorio do Clima	300	300	-
G-16-00016	WRI - World Resource Institute	140	140	-

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 7. Project and partnership funds (Continued)

#### Funds for projects and partnerships (Continued)

ID	Partners	Contract amount / balance payable 2018	Amount paid in 2018	Balance payable
<b>2017 agreements</b>		<b>5,631</b>	<b>5,256</b>	<b>375</b>
G-17-00151	BIKE ANJO	175	175	-
G-17-00154	ESC. ATIVISMO	150	150	-
G-17-00169	ESCOLHAS	875	875	-
G-17-00170	CBC (Forum)	270	270	-
G-17-00172	GCCA	100	100	-
G-17-00174	CBCS	175	175	-
G-17-00179	CPI	170	170	-
G-17-00181	PURPOSE	125	125	-
G-17-00185	CASA FLUMINENSE	145	145	-
G-17-00186	ITDP	499	499	-
G-17-00187	IDEC	400	400	-
G-17-00192	IEMA	800	500	300
G-17-00199	ENGAJAMUNDO	150	150	-
MG-17-00201	DIALOGO CHINO	22	22	-
G-17-00206	AOKA LABS	143	143	-
G-17-00211	CDP	170	170	-
G-17-00212	ISA	123	123	-
G-17-00214	SITAWI	100	100	-
G-17-00222	IDESAM	30	30	-
G-17-00223	350.ORG	250	175	75
G-17-00228	IIS	80	80	-
G-17-00234	IESP	268	268	-
G-17-00242	CAPTAMOS	45	45	-
MG-17-00245	Fund Network	24	24	-
G-17-00247	WRI	342	342	-
<b>2018 agreements</b>		<b>20,230</b>	<b>10,188</b>	<b>10,042</b>
18-00238	IEMA	1,242	530	712
18-00248	IDG - Museu do Amanhã	150	150	-
18-00254	WRI BRASIL	300	150	150
18-00255	CBC / FBMC	187	187	-
18-00257	IEI	12	12	-
18-00259	CONECTAS Dir. Hum.	115	57	58
18-00260	CLIMAINFO	1,190	-	1,190
18-00261	ESCOLHAS	600	300	300
18-00262	OC	1,000	490	510
18-00263	UPDATE	210	100	110
18-00267	CASA FLUMINENSE	275	138	137
18-00268	NOSSA BH	250	250	-
18-00271	ITDP	1,000	500	500
18-00272	CCMob	250	250	-
18-00273	ISS	250	125	125
18-00275	ICCT	250	125	125
18-00276	PURPOSE	425	213	212
18-00277	IDEC	525	263	262
18-00279	CIDADES SUST.	150	75	75
18-00280	GREENPEACE	161	81	80
18-00283	GCCA	166	83	83
18-00286	ICV	320	160	160

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
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### 7. Project and partnership funds (Continued)

#### Funds for projects and partnerships (Continued)

ID	Partners	Contract amount / balance payable 2018	Amount paid in 2018	Balance payable
18-00287	GBC	180	180	-
18-00288	ESCOLHAS	745	375	370
18-00289	IEI	693	350	343
18-00294	ISA (Roraima)	210	105	105
18-00296	CEBDS	100	100	-
18-00297	SITAWI	340	112	228
18-00299	ProScience	843	843	-
18-00300	CentroClima	180	-	180
18-00305	CBC / FBMC	1,000	1,000	-
18-00306	ISER	250	125	125
18-00309	NOVA DEM	200	100	100
18-00313	IEI	88	66	22
18-00314	PPE (Schaeffer)	170	170	-
18-00317	MANDACARU (WDCD project)	80	80	-
18-00318	COALIZÃO BCFA	420	420	-
18-00319	WTT	47	47	-
18-00320	LABMOB / PROURB	118	118	-
18-00321	PPE (Schaeffer)	30	30	-
18-00322	ICE	50	50	-
18-00323	IEMA	201	201	-
18-00324	ALZIRAS	25	25	-
18-00327	IDEC	235	210	25
18-00328	Quebrando Tabu	50	50	-
18-00330	CLIMATE VENTURES	270	270	-
18-00331	WWF	110	-	110
18-00334	IONS	50	50	-
18-00336	ADVOCACY HUB	30	30	-
18-00337	BRICS / PUC-Rio	50	50	-
18-00338	ECOFALANTE	35	35	-
18-00339	DIEESE	110	110	-
18-00340	IDESAM	340	153	187
18-00341	CPI	290	290	-
18-00342	GIFE	30	30	-
18-00344	MOVING FORWARD	75	75	-
18-00346	CLIMAINFO	35	35	-
18-00347	Pipe.Social	64	64	-
18-00348	JVN	72	-	72
18-00360	CPI	809	-	809
18-00380	IMAZON	800	-	800
18-00381	ARCPLAN	600	-	600
18-00382	GEODATIN	240	-	240
18-00383	ECOSTAGE	130	-	130
18-00384	FUNAPE	100	-	100
18-00385	AGROICONE	707	-	707
<b>Total</b>		<b>26,850</b>	<b>16,433</b>	<b>10,417</b>

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
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### 8. Property and equipment and intangible assets

These represent the amounts and changes in Institute's assets for the year. The Institute understands that the depreciation rates applied are reasonably related to the useful lives of the assets:

	Annual depreciation rates	Net amount 12/31/2017	Acquisitions	Depreciation / amortization	Net amount 12/31/2018
IT	20%	50	16	(16)	50
Furniture and fixtures	10%	32	-	(4)	28
Machinery and equipment	10%	40	2	(6)	36
<b>Total property and equipment</b>		122	18	(26)	114
Intangible assets - software	20%	14	-	(5)	9
<b>Total intangible assets</b>		14	-	(5)	9

  

	Annual depreciation rates	Net amount 12/31/2016	Acquisitions	Depreciation / amortization	Net amount 12/31/2017
IT	20%	54	12	(16)	50
Furniture and fixtures	10%	36	-	(4)	32
Machinery and equipment	10%	14	30	(4)	40
<b>Total property and equipment</b>		104	42	(24)	122
Intangible assets - software	20%	19	-	(5)	14
<b>Total intangible assets</b>		19	-	(5)	14

Management did not identify changes in circumstances or any indication of technological obsolescence or evidence suggesting that its assets will not be recoverable based on the financial performance and concluded that a provision for loss on property and equipment was not needed.

### 9. Labor and social liabilities

	2018	2017
Accrued vacation pay and related charges	312	171
	<b>312</b>	<b>171</b>

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
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### 10. Funds for social projects

Such funds are derived from donation agreements entered into with several national and international institutions, to be invested in the portfolio of social projects to be supported by the Institute and to carry out institutional activities.

The funds are recorded in liabilities at the total amount of the agreement entered into between the Institute and the institutional donor, net of amounts recorded in profit or loss for the current period and exchange differences, when applicable. International funds are translated into the functional currency at the exchange rate prevailing on the initial date of the term of the donation, plus exchange differences up to the settlement date of such transactions.

The breakdown of the account balance by institutional donor is as follows:

Institutional donors	Balances in Dec/17 to be executed	Donations appropriated in 2018	Execution	Returns	Subtotal	Donations to be appropriated	Balances in 2018 to be executed
Arapyau	379	1,000	(1,234)	-	145	-	145
CIFF	13,149	2,939	(6,755)	-	9,333	849	10,182
CWF	5,352	2,668	(3,483)	-	4,537	470	5,007
ECF	55	368	(446)	-	(23)	151	128
German Embassy	102	421	(463)	(44)	16	-	16
GIZ	-	40	(40)	-	-	-	-
Good Energies Foundation	-	421	(421)	-	-	-	-
HEWLETT	3,273	8,939	(5,268)	-	6,944	-	6,944
Instituto Humanidade	-	300	(200)	-	100	-	100
Mott Foundation	-	586	(77)	-	509	-	509
OAK	4,197	18,232	(4,829)	-	17,600	-	17,600
Smart Energy	-	120	(120)	-	-	1,377	1,377
Pisces Foundation	-	573	(457)	-	116	-	116
Porticus	741	-	(684)	-	57	-	57
<b>Total</b>	<b>27,248</b>	<b>36,607</b>	<b>(24,477)</b>	<b>(44)</b>	<b>39,334</b>	<b>2,847</b>	<b>42,181</b>

  

	2018	2017
Current liabilities	40,954	20,138
Noncurrent liabilities	1,227	7,110
<b>Total</b>	<b>42,181</b>	<b>27,248</b>

### 11. Partnership funds

Funds provided for in the donation agreements entered into between the Institute and the grantees. The amounts are represented by the total amount of the agreement signed, net of transfers.

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
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### 11. Partnership funds (Continued)

The amounts to be transferred to projects and partnerships are commitments assumed based on an agreement entered into with the grantees. However, the release of funds is subject to compliance by the grantees with the obligations established in the contractual clauses.

The balances are segregated between current and noncurrent liabilities according to the schedule of transfers to the grantees provided for in each signed agreement.

The breakdown of the amounts to be transferred to the grantees is as follows:

ID	Partners	Contract amount / balance payable 2018	Amount paid in 2018	Balance payable	Amount payable in 2019	Amount payable in 2020	Total
<b>2016 agreements</b>		<b>989</b>	<b>989</b>	-	-	-	<b>375</b>
G-16-00112	CIDADE ATIVA	250	250	-	-	-	-
G-16-00022	IEI - Int'l Energy	124	124	-	-	-	-
G-16-00046	LABMOB/PROURB/UFRJ	175	175	-	-	-	-
G-16-00015	Observatório dO Clima	300	300	-	-	-	-
G-16-00016	WRI - World Resource	140	140	-	-	-	-
<b>2017 agreements</b>		<b>1,050</b>	<b>675</b>	<b>375</b>	<b>375</b>	-	<b>375</b>
G-17-00192	IEMA	800	500	300	300	-	300
G-17-00223	350.ORG	250	175	75	75	-	75
<b>2018 agreements</b>		<b>15,028</b>	<b>4,986</b>	<b>10,042</b>	<b>9,752</b>	<b>290</b>	<b>10,042</b>
18-00238	IEMA	1,242	530	712	712	-	712
18-00254	WRI BRASIL	300	150	150	150	-	150
18-00259	CONNECTAS Dir. Hum.	115	57	58	58	-	58
18-00260	CLIMAINFO	1,190	-	1,190	900	290	1,190
18-00261	ESCOLHAS	600	300	300	300	-	300
18-00262	OC	1,000	490	510	510	-	510
18-00263	UPDATE	210	100	110	110	-	110
18-00267	CASA FLUMINENSE	275	138	137	137	-	137
18-00271	ITDP	1,000	500	500	500	-	500
18-00273	ISS	250	125	125	125	-	125
18-00275	ICCT	250	125	125	125	-	125
18-00276	PURPOSE	425	213	212	212	-	212
18-00277	IDEC	525	263	262	262	-	262
18-00279	CIDADES SUST.	150	75	75	75	-	75
18-00280	GREENPEACE	161	81	80	80	-	80
18-00283	GCCA	166	83	83	83	-	83
18-00286	ICV	320	160	160	160	-	160
18-00288	ESCOLHAS	745	375	370	370	-	370
18-00289	IEI	693	350	343	343	-	343
18-00294	ISA (Roraima)	210	105	105	105	-	105
18-00297	SITAWI	340	112	228	228	-	228
18-00300	CentroClima	180	-	180	180	-	180
18-00306	ISER	250	125	125	125	-	125
18-00309	NOVA DEM	200	100	100	100	-	100
18-00313	IEI	88	66	22	22	-	22
18-00327	IDEC	235	210	25	25	-	25
18-00331	WWF	110	-	110	110	-	110
18-00340	IDESAM	340	153	187	187	-	187
18-00348	JVN	72	-	72	72	-	72
18-00360	CPI	809	-	809	809	-	809
18-00380	IMAZON	800	-	800	800	-	800
18-00381	ARCPLAN	600	-	600	600	-	600
18-00382	GEODATIN	240	-	240	240	-	240
18-00383	ECOSTAGE	130	-	130	130	-	130
18-00384	FUNAPE	100	-	100	100	-	100
18-00385	AGROICONE	707	-	707	707	-	707
<b>Total</b>		<b>17,067</b>	<b>6,650</b>	<b>10,417</b>	<b>10,127</b>	<b>290</b>	<b>10,417</b>



## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
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(In thousands of reais, unless otherwise stated)

### 12. Equity

a) Net asset value

The net asset value of the Institute is comprised of surpluses (deficits) of prior years approved by the Decision-Making Board.

b) Accumulated surplus

This refers to current year's profit or loss. After approval at the Meeting, these amounts are incorporated into the net asset value of the Institute, and any profits will be reinvested in social objectives, as provided for in the bylaws.

### 13. Operating revenues

#### 13.1. Revenues with restriction

These refer to social assistance programs, considered "restricted" because they depend on the fulfillment of certain conditions established in the agreements to be appropriated to surplus (deficit) on an accrual basis. Donation revenues are as follows:

	<u>2018</u>	<u>2017</u>
Childrens Investment Fund Foundation	6,755	2,639
The William and Flora Hewelett Foundation	5,268	3,377
OAK Foundation	4,829	6,318
Climate Works Foundation	3,483	4,061
Instituto Arapyau	1,234	1,062
Porticus	684	-
German Embassy	464	122
PISCES Foundation	457	-
ECF – European Climate Foundation	446	78
Good Energie Foundation	421	-
Instituto Humanidade	200	-
SMART Energy for Europe	119	-
MOTT Foundation	77	-
GIZ no Brasil	40	150
Larci - Latin America Regional Climate Initiative	-	221
Open Societ	-	75
Netherlands consulate-general in São Paulo	-	25
	<u>24,477</u>	<u>18,128</u>

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
December 31, 2018 and 2017  
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### 13. Operating revenues (Continued)

#### 13.2. Financial returns

	<u>2018</u>	<u>2017</u>
Financial returns	362	319
Finance costs	(9)	(11)
	<u>353</u>	<u>308</u>

#### 13.3. Exchange gains (losses)

	<u>2018</u>	<u>2017</u>
Exchange gains	6	2
Exchange losses	(1)	-
	<u>5</u>	<u>2</u>

#### 13.4. Revenues without restriction

Unconditional funds received from donations or voluntary contributions from partners and provision of services:

	<u>2018</u>	<u>2017</u>
Voluntary contributions and donations	-	9
Other revenues	-	13
Rendering of services	-	-
	<u>-</u>	<u>22</u>

### 14. Social activity cost

Expenses incurred with program activities established in social actions related to climate, electricity and urban mobility.

	<u>2018</u>	<u>2017</u>
Projects and partnerships (i)	(16,433)	(11,878)
Seminars and events	(76)	(168)
Third-party services	(2,376)	(1,654)
Human resources	(1,762)	(1,651)
	<u>(20,647)</u>	<u>(15,351)</u>

- (i) Project and partnership funds refer to donation agreements entered into between the Institute and the grantees and are subject to the fulfillment of obligations between the parties. The recognition of expenses was made based on the transfer of funds to the grantees, according to the agreements.

# Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
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## 15. Operating expenses

### 15.1. Personnel expenses

	<u>2018</u>	<u>2017</u>
Compensation	(1,022)	(896)
Social charges	(390)	(306)
Benefits (i)	(171)	(153)
	<u>(1,583)</u>	<u>(1,355)</u>

(i) The most relevant amounts of benefits refer to healthcare and dental health plan expenses.

### 15.2. Services rendered

Expenses incurred with the engagement of services provided by individuals and legal entities, as shown in the table below:

	<u>2018</u>	<u>2017</u>
Services provided - Individuals	(158)	(29)
Services provided - Legal entities (i)	(368)	(240)
	<u>(526)</u>	<u>(269)</u>

(i) Expenses incurred with services provided by legal entities refer to consulting and/or advisory services, such as audit, accounting, legal advisory and IT, among others.

### 15.3. Travel and lodging

Expenses incurred with tickets, lodging and other travel-related expenses, such as transportation, snacks and insurance, as shown in the table below:

	<u>2018</u>	<u>2017</u>
Air tickets	(536)	(222)
Lodging	(261)	(153)
Transportation and meal expenses	(111)	(50)
	<u>(908)</u>	<u>(425)</u>

### 15.4. General and administrative expenses

These refer to expenses for office maintenance and general activities, as shown in the table below:

	<u>2018</u>	<u>2017</u>
Infrastructure	(468)	(421)
Store and supplies	(173)	(89)
	<u>(641)</u>	<u>(510)</u>

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
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### 15. Operating expenses (Continued)

#### 15.5. Tax expenses

The recorded amount refers to IR (income tax) on short-term investments and IOF (Tax on Financial Transactions) on exchange transactions generated by the donations received.

	<u>2018</u>	<u>2017</u>
Income tax on investments	(38)	(63)
Tax on Financial Transactions (IOF)	(134)	(89)
Fines on accessory returns	(49)	(2)
	<u>(221)</u>	<u>(154)</u>

### 16. Financial instruments

#### Financial risk management

##### *Overview*

The Institute is exposed to the following risks arising from the use of financial instruments:

The information below summarizes the Institute's exposure to each of the risks above, the Institute's purposes, policies and processes for measuring and managing risk and managing capital. Additional quantitative disclosures are included throughout these financial statements.

#### Risk management structure

The Institute assesses the risks in its financial instruments and defines the appropriate and acceptable limits considering its operations and objectives.

##### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates of short-term investments, influence the gains earned on the basis of its portfolio or the value of its holdings in financial instruments. The Institute manages market risks through short-term investments in low market risk funds and with low financial leverage, always in first-tier financial institutions.

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
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### 16. Financial instruments (Continued)

#### Risk management structure (Continued)

##### *Currency risk*

Currency risk arises from the possibility of the Institute having its economic-financial statements impacted by exchange rate fluctuations.

The Institute has assets indexed to foreign currency, especially the US dollar and euro, arising from donations received by international organizations, which causes volatility in its profit or loss and cash flow proportionally to exchange rate fluctuations.

##### *Credit risk*

Cash and cash equivalents presented in the table below represent the maximum credit exposure to these assets.

	<u>2018</u>	<u>2017</u>
Cash and banks	145	2
Short-term investments	18,091	6,646
Amounts in transit	1,162	248
	<u>19,398</u>	<u>6,896</u>

##### *Liquidity risk*

This refers to difficulties that the Institute may face to comply with obligations related to its financial liabilities, which are settled through cash payments or payments made with other financial assets. The purpose of the Institute's liquidity risk management is to ensure that the Institute has sufficient liquidity to meet its obligations falling due, under normal and stress conditions without causing unacceptable losses or risking the Institute's reputation.

As at December 31, the Institute maintained the following short-term funds:

	<u>2018</u>	<u>2017</u>
Short-term funds	24,696	12,470
	<u>24,696</u>	<u>12,470</u>

Below is the aging list of the Institute's financial liabilities, corresponding to the remaining period in the statement of financial position until the contractual maturity date. The amounts disclosed in the table consist of contractual undiscounted cash flows.

## Instituto Clima e Sociedade

Notes to the financial statements (Continued)  
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### 16. Financial instruments (Continued)

#### Risk management structure (Continued)

##### *Liquidity risk* (Continued)

	<u>Within 1 year</u>
At December 31, 2018	
Trade accounts payable and other liabilities	<u>12</u>
	<u>12</u>
At December 31, 2017	
Trade accounts payable and other liabilities	<u>36</u>
	<u>36</u>

#### a) Market value of financial instruments

The balances of cash and cash equivalents (banks and short-term investments) and current liabilities (accounts payable) correspond to market value because they mature on a date close to the statement of financial position date.

#### b) Other types of financial instruments

The Institute did not carry out derivative financial instrument transactions for the year ended December 31, 2018.

### 17. Transactions with related parties

#### Key management personnel compensation

The members of the Institute's Boards do not receive compensation, as provided for in the Bylaws. The Institute does not grant any type of compensation, advantage or benefit, directly or indirectly, in any way, by virtue of their powers, functions or activities attributed to them.

In order to be transparent, the Institute emphasizes that Mr. Leonardo Vieira Lacerda is a member of the Decision-Making Board and holds the position of Environment Program Officer at the OAK Foundation in Geneva, Switzerland. The OAK Foundation also finances Instituto Clima e Sociedade.