



ASSOCIAÇÃO OPERAÇÃO SORRISO DO BRASIL

FINANCIAL STATEMENTS
DECEMBER 31, 2018
With independent auditor's report

ASSOCIAÇÃO OPERAÇÃO SORRISO DO BRASIL

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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Independent auditor's report

To the Management and Associates Associação Operação Sorriso do Brasil São Paulo - SP

Opinion

We have audited the financial statements of Associação Operação Sorriso do Brasil (“Association”), which comprise the statement of financial position as at December 31, 2018, the statement of surplus or deficit, statement of comprehensive surplus or deficit, statement of changes in net worth and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Associação Operação Sorriso do Brasil as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil applicable to non-profit entities.

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 Association in accordance with the relevant ethical principles set out in the Code of Ethics for Professional Accountants and professional standards issued by the Federal Accounting Board (“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.

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

The management of the Association is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil applicable to non-profit entities, 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 Association’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 Association or to cease its operations, or has no other realistic alternative but to do so.

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

As part of an audit conducted 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 audit 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 Association'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 Association'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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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.

São Paulo, April 22, 2019.

Crowe Macro Auditores Independentes
CRC 2SP033508/O-1

A handwritten signature in blue ink, reading "Fábio Debiaze Pino". The signature is written in a cursive style and is positioned above the printed name and title.

Fábio Debiaze Pino
Accountant - CRC1SP 251154/O-9

Associação Operação Sorriso do Brasil

Statements of financial position at December 31

In reais (R\$)

Assets	Note	2018	2017	Liabilities and net worth	Note	2018	2017
Current assets				Current liabilities			
Cash and cash equivalents	4	590,733	189,537	Accounts payable	10	60,784	36,807
Accounts receivable	5	-	408,000	Labor and social security obligations	11	70,494	53,758
Inventories	6	194,255	117,471	Tax obligations	12	1,574	809
Other receivables	7	188,768	189,205			132,852	91,374
		973,756	904,213	Noncurrent liabilities			
				Provision for contingent liabilities	13	139,151	139,151
Noncurrent assets						139,151	139,151
Property and equipment	8	152,683	175,849	Net worth			
Intangible assets	9	320	4,325	Net worth	14	750,981	630,432
		153,003	180,174	Donations reserve		102,881	102,881
				Surplus for the year		894	120,549
						854,756	853,862
Total assets		<u>1,126,759</u>	<u>1,084,387</u>	Total liabilities and net worth		<u>1,126,759</u>	<u>1,084,387</u>

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

Associação Operação Sorriso do BrasilStatements of surplus or deficit for the years ended December 31
In reais (R\$)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Operating revenues			
With restriction			
Volunteer work	16.1	425,674	251,688
Without restriction			
Individual donations		97,580	84,233
Corporate donations	16.2	1,804,105	1,222,393
Anonymous donations		21,587	13,062
Donations from abroad	16.2	562,211	651,042
Donations of products and services	16.2	514,582	491,728
Revenues from events		-	4,816
Other revenues		2,638	15,392
Total revenues without restriction		3,002,703	2,482,666
Total operating revenues		3,428,377	2,734,354
Costs of programs			
Cost of assistance programs	17	(1,710,952)	(1,270,952)
Volunteer work	16.1	(425,674)	(251,688)
Total costs of programs		(2,136,626)	(1,522,640)
Operating expenses			
Personnel expenses	18	(520,444)	(409,807)
Administrative expenses	19	(713,214)	(576,066)
Other expenses, net		(50,853)	(96,723)
		(1,284,511)	(1,082,596)
Surplus before finance income (costs)		7,240	129,118
Finance income (costs), net	20	(6,346)	(8,569)
Surplus for the year		894	120,549

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

Associação Operação Sorriso do Brasil

Statements of comprehensive surplus or deficit for the years ended December 31
In reais (R\$)

	<u>2018</u>	<u>2017</u>
Surplus for the year	894	120,549
Other comprehensive surplus (deficit)	-	-
Total comprehensive surplus (deficit)	<u>894</u>	<u>120,549</u>

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

Associação Operação Sorriso do Brasil

Statements of changes in net worth

In reais (R\$)

Description	Net worth	Donations reserve	Surplus for the year	Total
Balances at December 31, 2016	615,418	102,881	15,014	733,313
Transfer of surplus for the prior year	15,014	-	(15,014)	-
Surplus for the year	-	-	120,549	120,549
Balances at December 31, 2017	630,432	102,881	120,549	853,862
Transfer of surplus for the prior year	120,549	-	(120,549)	-
Surplus for the year	-	-	894	894
Balances at December 31, 2018	750,981	102,881	894	853,862

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

Associação Operação Sorriso do Brasil

Statements of cash flows for the years ended December 31

In reais (R\$)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Surplus for the year	894	120,549
Adjustments to reconcile surplus for the year to funds from operating activities		
Depreciation and amortization	28,266	28,558
	<u>29,160</u>	<u>149,107</u>
Cash flows from operating activities		
Accounts receivable	408,000	(74,301)
Inventories	(76,784)	(2,240)
Other receivables	437	(174,012)
Accounts payable	23,977	24,763
Labor and social security obligations	16,736	5,132
Tax obligations	765	(1,738)
	<u>402,291</u>	<u>(73,289)</u>
Net cash generated by (used in) operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(1,095)	(4,986)
Net cash used in investing activities	<u>(1,095)</u>	<u>(4,986)</u>
	<u>401,196</u>	<u>(78,275)</u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	189,537	267,812
Cash and cash equivalents at the end of the year	590,733	189,537
Net increase (decrease) in cash and cash equivalents	<u>401,196</u>	<u>(78,275)</u>

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

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

1. General information

Associação Operação Sorriso do Brasil (“Association”) is a non-profit civil association governed by private law and engaged in philanthropic activities, whose operations started on December 8, 2006. The Association is located at Avenida Brigadeiro Faria Lima, nº 2.413, São Paulo, SP, and its activities are governed by its statutes, the provisions of Law 9,790 of March 23, 199 and Decree 3,100 of June 30, 1999, and other applicable legal provisions. The Association was established to operate for an indeterminate period of time.

The purpose of the Association is to provide support and assistance for the carrying out of scientific, medical and educational actions in the areas of reconstructive plastic surgery and aesthetic surgery for children, teenagers and youth, and occasionally to underprivileged adults as well, in compliance with the provisions of the sole paragraph of Article 3 of Law 9,790 of March 23, 1999.

2. Presentation and preparation of the financial statements

2.1 Statement of compliance in respect of accounting practices

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the provisions of Resolution 2015/ITG2002(R1) of the Federal Accounting Council (CFC), which approved Technical Interpretation ITG 2002 (R1) - “Non-profit Entities”.

The financial statements were approved by the Association’s management on April 22, 2019.

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for non-derivative financial instruments that are measured at fair value through profit or loss.

2.3 Functional currency

These financial statements are presented in Brazilian reais (R\$), which is the Association’s functional currency. All financial information presented in reais has been rounded to the nearest thousand, unless otherwise indicated.

2.4 Use of estimates and judgments

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

3. Summary of significant accounting policies

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

(a) Financial instruments

Under IFRS 9 / NBC TG 48, on initial recognition, a financial asset is classified as: at amortized cost; at fair value through other comprehensive income ("FVOCI") - debt instrument; at FVOCI - equity instrument; and at fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 / NBC TG 48 is substantially based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. The new significant accounting policies are described below:

Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. The interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- the financial asset is held within a business model with the objective of holding assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Association's financial assets are substantially represented by investments (Note 4) classified as at fair value through profit or loss. The adoption of IFRS 9 / NBC TG 48 did not result in modifications in the financial statements.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

In accordance with IFRS 9 / NBC TG 48, on initial recognition, financial liabilities were classified as measured at amortized cost or at fair value through profit or loss. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value, and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently carried at amortized cost using the effective interest method. Interest expenses and exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Association's financial liabilities are substantially represented by trade payables (Note 10), which are classified as subsequently measured at amortized cost. In relation to financial liabilities, the adoption of IFRS 9 / NBC TG 48 did not result in modifications in the financial statements.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks readily convertible into a known amount of cash and subject to an insignificant risk of change in value. They are stated at cost, plus yield accrued which does not exceed their fair value.

(c) Accounts receivable

Accounts receivable comprise donations received from domestic or foreign companies that commit to making donations.

(d) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation calculated under the straight-line method at annual rates that take into consideration the estimated useful life and residual value of the assets (see note 8).

(e) Intangible assets

Software licenses acquired are capitalized on the basis of the costs incurred to acquire and bring the software to its specific use. These costs are amortized over the estimated useful life under the straight-line method.

(f) Impairment testing of assets

Management reviews annually the net carrying amount of the assets to assess events or changes in economic, operating or technological circumstances that may indicate evidences of impairment. Whenever these evidences are identified, and the net carrying amount exceeds the recoverable amount, a provision for impairment is recognized adjusting the net carrying amount to the recoverable amount.

(g) Provision for contingent liabilities

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

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

(h) Net worth

This balance comprises donations received from third parties, plus or less the surplus or deficit for each year.

The transfer of surplus/deficit to net worth occurs upon approval of the associates' meeting.

(i) Other noncurrent assets and liabilities

Current and noncurrent assets and liabilities are stated at known or estimated amounts, plus, when applicable, the related charges, inflation adjustment and/or exchange rate changes through the end of the reporting period.

(j) New technical pronouncements, revisions and interpretations

Amendments to standards that were initially adopted for annual periods beginning on or after January 1, 2018:

NBC TG 47 - "Revenue from Contracts with Customers". This new standard establishes criteria for recognition of revenues from customers. Management assessed the effects arising from the first-time adoption of this standard and did not identify changes to and/or impacts on its financial statements.

NBC TG 48 - "Financial Instruments". This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces new hedge accounting rules. Management assessed the standard and, considering its current transactions, did not identify changes that could have a material impact on the financial statements.

Amendments to standards not yet effective:

NBC TG 06 (R3) - "Leases" (effective from January 1, 2019) replaces the existing lease standard, and establishes the principles for recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. Management assessed the new standard and, considering the lease of the administrative headquarters located in São Paulo, identified impact on the financial statements as from its effective date. The amount to be considered is being calculated by Management.

4. Cash and cash equivalents

Description	2018	2017
Cash	839	42
Banks	10	10
Financial investments	589,884	189,485
Total	590,733	189,537

The Association has investment policies that determine investments in low-risk securities with a yield based on percentages of the CDI (interbank deposit certificate rate) variation. This balance refers basically to investments in low-risk investment funds at traditional institutions.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

5. Accounts receivable

Description	2018	2017
Accounts receivable from donations	-	408,000
Total	-	408,000

6. Inventories

Description	2018	2017
Inventories	194,255	117,471
Total	194,255	117,471

The inventory amounts refer to materials to be used in future programs. Durable materials return to the storeroom at the end of each program. The inventories comprise materials or consumer goods that will be used in the provision of services.

7. Other receivables

Description	2018	2017
Advances to suppliers	167,260	167,260
Other receivables	21,508	21,945
Total	188,768	189,205

The "Advance to suppliers" line item comprises substantially an import of equipment in progress which is pending the licenses required by the Brazilian Health Surveillance Agency (ANVISA) for its proper nationalization.

8. Property and equipment

Description	Depreciation rate	2018		2017	
		Cost	Accumulated depreciation	Net	Net
Machinery and equipment	10%	1,330	(930)	400	533
Furniture and fixtures	10%	28,158	(9,946)	18,212	21,028
Medical equipment	10%	180,100	(49,708)	130,392	148,402
Computers and peripherals	20%	27,478	(23,799)	3,679	5,886
		237,066	(84,383)	152,683	175,849

Changes in 2018

Description	2017	Additions	Write-offs	2018
Cost				
Machinery and equipment	1,330	-	-	1,330
Furniture and fixtures	28,158	-	-	28,158
Medical equipment	180,100	-	-	180,100
Computers and peripherals	26,383	1,095	-	27,478
Total cost	235,971	1,095	-	237,066
(-) Accumulated depreciation	(60,122)	(24,261)	-	(84,383)
Property and equipment, net	175,849	(23,166)	-	152,683

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

Changes in 2017

Description	2016	Additions	Write-offs	2017
Cost				
Machinery and equipment	1,330	-	-	1,330
Furniture and fixtures	28,158	-	-	28,158
Medical equipment	175,114	4,986	-	180,100
Computers and peripherals	26,383	-	-	26,383
Total cost	230,985	4,986	-	235,971
(-) Accumulated depreciation	(35,588)	(24,534)	-	(60,122)
Property and equipment, net	195,397	(19,548)	-	175,849

9. Intangible assets

Description	Amortization rate	2018			2017
		Cost	Accumulated amortization	Net	Net
Software	10%	4,325	(4,005)	320	4,325
		4,325	(4,005)	320	4,325

There were no additions or write-offs of software in 2018 and 2017, and the only changes reported, totaling R\$ 4,005 and R\$ 4,024, respectively, consisted exclusively of amortization.

10. Accounts payable

Description	2018	2017
Suppliers	53,353	25,793
Professional services payable	3,386	3,386
Rentals payable	3,600	7,183
Independent contractors	445	445
Total	60,784	36,807

11. Labor and social security obligations

Description	2018	2017
Provision for vacation pay and related charges	52,682	31,108
Payroll taxes payable	17,812	22,650
Total	70,494	53,758

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

12. Tax obligations

Description	2018	2017
IRRF (withholding income tax)	1,126	580
PIS/COFINS (taxes on revenue) and CSLL (social contribution on profit)	302	91
ISS (service tax) payable	146	138
Total	1,574	809

13. Provision for contingent liabilities

In the normal course of its activities, the Association is subject to tax, civil and labor lawsuits. As at December 31, 2018 and 2017, the Association was not a party to any lawsuits.

Management, based on the opinion of its legal counsel and experts, when applicable, assesses the matters that may give rise to future challenges and determines the need to recognize a provision for contingent liabilities. The balances as at December 31, 2018 and 2017 amounting to R\$ 139,151 refer to potential labor liabilities under discussion, for which there are no administrative or judicial proceedings in progress at the moment.

14. Net worth

Net worth is presented in inflation adjusted amounts and comprises the opening net worth, plus the surplus less the deficit incurred since the Association's foundation date.

15. Tax aspects

(a) Corporate Income Tax (IRPJ) and Social Contribution on Profit (CSLL)

Since the Association is a non-profit entity, it is entitled to exemption from the federal taxes levied on profit, in accordance with Articles 167 to 174 of the Income Tax Regulation approved by Decree 3,000 of March 26, 1999 and Article 195 of the Federal Constitution.

(b) PIS and COFINS

As regards the social contribution to the Social Integration Program (PIS), the Association is subject to the payment of this contribution, calculated on the payroll at the rate of 1%, as provided for in Article 13 of Executive Act 2,158-35 of August 24, 2001.

In regard to the Social Contribution for Social Security Financing (COFINS), the Association is entitled to exemption from the payment of this tax on revenues related to its activities, pursuant to Laws 9,718/98 and 10,833/03, and is subject to the payment of this tax on its other revenues.

16. Operating revenues

16.1 Operating revenues with restriction

The corrective surgeries of Operação Sorriso do Brasil are performed by a team of volunteer health professionals. This work is recognized as donation and accounted for through "working hours" in accordance with the professional category, and the rate per professional is determined according to the table disclosed and collective agreements of the labor unions of each category. In 2018, the amount determined was R\$ 425,674 (R\$ 251,688 in 2017).

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

16.2 Operating revenues without restriction

(a) Corporate donations

These consist of donations made by companies through deposits into the Association's current account, as follows:

Description	2018	2017
Atlântica – CPFL	521,685	-
Energia Sustentável do Brasil S.A	501,120	408,000
Voltalia Usina de Energia	355,131	324,574
Comerc Comercializadora de Energia Elétrica	92,400	100,800
Johnson & Johnson BR Ind. e Com. Ltda.	60,850	63,849
Associação Cidadesperança	50,000	50,000
Icatu Seguros S.A.	50,000	50,000
Aumund Ltda.	43,862	37,287
Andressa Nunes da Silva ME	36,100	37,030
Pepsi	-	27,222
Alfa Computer	-	25,545
Schiwartz Advogados	-	20,000
Others	92,957	78,086
Total	1,804,105	1,222,393

(b) Donations from abroad

These are funds received in foreign currency from the parent company (Operation Smile Inc.) or from international partner organizations, as follows:

Description	2018	2017
Operation Smile	29,953	425,718
Temasek	377,912	11,380
United Way - White Martins	154,346	146,209
Others	-	67,735
Total	562,211	651,042

(c) Individual donations

These consist of donations made by individuals through direct deposits into the Association's current account.

(d) Donations of products and services

These comprise donations of surgical products from manufacturers of these products, as well as services rendered to the Association on a pro-bono basis, and are broken down as follows:

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

Description	2018	2017
Azul Linhas Aéreas	227,236	199,253
Johnson & Johnson BR Ind. e Com. Ltda.	14,120	146,664
LDS Church	130,769	78,950
Abbvie	13,545	27,382
Alfa Computer	35,100	-
Others	93,812	39,479
Total	514,582	491,728

17. Costs of programs

In compliance with the provisions of item VI of Article 3 of Decree 2,536/98, in 2018 and 2017 the Association granted the following gratuities for the execution of assistance programs:

Description	2018	2017
Air tickets	(383,170)	(181,493)
Meals	(73,002)	(22,996)
Medical supplies	(327,021)	(323,531)
Lodging services	(234,317)	(149,958)
Cargo storage services	(49,229)	(45,790)
Transportation services	(324,652)	(36,821)
Customs clearance	(45,976)	(10,684)
Forms of materials	(6,891)	(15,081)
Phone calls	(4,370)	(5,400)
Advisory services	(43,397)	(27,552)
Press advisory services	(4,167)	(4,929)
Distribution of gifts/prizes/presents/kits	(18,150)	(250)
Training and education	(42)	(11,456)
Non-medical supplies	(44,161)	(20,668)
Personnel expenses	(113,568)	(122,218)
Others	(38,901)	(40,141)
	(1,710,952)	(1,018,968)

18. Personnel expenses

Description	2018	2017
Personnel expenses (salaries)	(429,753)	(321,784)
Personnel charges	(90,691)	(88,023)
Total	(520,444)	(409,807)

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

19. Administrative expenses

Description	2018	2017
Meals	(3,293)	(5,185)
Rentals	(43,137)	(43,093)
Office equipment lease	(11,504)	(7,785)
IT advisory services	(35,100)	(2,746)
Office supplies	(2,610)	(8,371)
Lodging	(2,251)	(7,066)
Website expenses	(4,400)	(9,719)
Accounting advisory services	(20,363)	(19,320)
Transportation services	(52,316)	(23,233)
Audit services	-	(14,231)
Postal/motorcycle delivery/express delivery (DHL) services	(5,262)	(7,148)
Advisory and consulting services	(422,040)	(296,779)
Phone calls	(15,059)	(12,819)
Others	(95,879)	(118,571)
Total	(713,214)	(576,066)

20. Finance income (costs), net

Description	2018	2017
Finance income	8,279	6,564
Finance costs	(14,625)	(15,133)
Total	(6,346)	(8,569)

21. Insurance coverage

The Association has insurance coverage in amounts considered sufficient by Management to cover any risks on its assets and/or liabilities.

The scope of the work of our auditors does not include the issuance of an opinion on the sufficiency of the insurance coverage.

22. Financial instruments and risk management

The Association carries out transactions involving financial instruments, but not derivatives. These instruments are managed through operating strategies and internal controls that aim at ensuring liquidity, profitability and security. The control policy consists of ongoing monitoring of the contracted conditions against prevailing market conditions. The Company does not carry out transactions involving derivatives or any other risk assets for speculative purposes. The results obtained from these transactions are consistent with the policies and strategies defined by its management.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2018 and 2017

In reais (R\$)

23. Exemptions enjoyed and tax relief

In compliance with ITG 2002 (R1) – Non-profit Entities, approved by CFC Resolution 1,409/12, the Association presents below the amount of tax relief determined in 2018 and 2017 if the tax obligation was due. Therefore, in our judgment, we considered the following taxes and contributions and related rates and point out that they refer to estimated calculations of tax relief covering the main taxes and contributions, since the Association is not required to maintain tax bookkeeping. The amounts are comprised as follows:

Below we present the amount of tax relief determined:

Description	2018	2017
PIS and COFINS (3.65% on revenues)	125,136	93,867
IRPJ and CSLL (34% on the surplus for the year)	304	71,254
Total	125,440	165,121

24. Events after the reporting period

In compliance with Brazilian accounting standards, Management has made its assessments and reached the conclusion that there are no significant events to be disclosed between the end of the reporting period and the date of approval of the financial statements.

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