



**ASSOCIAÇÃO OPERAÇÃO SORRISO DO BRASIL**

FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
With independent auditor's report

# ASSOCIAÇÃO OPERAÇÃO SORRISO DO BRASIL

## FINANCIAL STATEMENTS

DECEMBER 31, 2020

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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, 2020, 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, 2020, 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, March 18, 2021.

**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.

**Fábio Debiaze Pino**  
Accountant - CRC1SP 251154/O-9

**Associação Operação Sorriso do Brasil**

Statements of financial position as at December 31

In reais (R\$)

<b>Assets</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>	<b>Liabilities and net worth</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4	1,001,745	750,516	Accounts payable		70	70,607
Inventories	5	101,515	379,303	Labor obligations	8	96,752	81,383
Other receivables	6	170,491	175,030	Tax obligations		267	445
		<b>1,273,751</b>	<b>1,304,849</b>			<b>97,089</b>	<b>152,435</b>
				<b>Current liabilities</b>			
				Provision for contingent liabilities	9	139,151	139,151
						<b>139,151</b>	<b>139,151</b>
<b>Noncurrent assets</b>				<b>Net worth</b>			
Property and equipment	7	257,854	170,506	Net worth	10	1,080,888	972,542
		<b>257,854</b>	<b>170,506</b>	Donations reserve		102,881	102,881
				Surplus for the year		111,596	108,346
						<b>1,295,365</b>	<b>1,183,769</b>
<b>Total assets</b>		<b>1,531,605</b>	<b>1,475,355</b>	<b>Total assets</b>		<b>1,531,605</b>	<b>1,475,355</b>

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

**Associação Operação Sorriso do Brasil**

Statements of surplus or deficit for the years ended December 31

In reais (R\$)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Operating revenues</b>			
<b>With restriction</b>			
Volunteer work	<b>12.1</b>	<b>121,827</b>	<b>310,782</b>
<b>Without restriction</b>			
Individual donations		58,763	56,899
Corporate donations	<b>12.2</b>	1,022,617	1,876,059
Anonymous donations		53,314	16,525
Donations from abroad	<b>12.2</b>	833,096	503,407
Donations of products and services	<b>12.2</b>	120,471	446,102
Revenues from events		-	74,574
<b>Total revenues without restriction</b>		<b>2,088,261</b>	<b>2,973,566</b>
<b>Total operating revenues</b>		<b>2,210,088</b>	<b>3,284,348</b>
<b>Costs of programs</b>			
Cost of assistance programs	<b>13</b>	(1,020,359)	(1,681,539)
Volunteer work	<b>12.1</b>	(121,827)	(310,782)
<b>Total costs of programs</b>		<b>(1,142,186)</b>	<b>(1,992,321)</b>
<b>Operating expenses</b>			
Personnel expenses	<b>14</b>	(460,689)	(466,273)
Administrative expenses	<b>15</b>	(491,556)	(865,465)
Other income (expenses), net		(1,118)	134,440
		<b>(953,363)</b>	<b>(1,197,298)</b>
<b>Surplus before finance income (costs)</b>		<b>114,539</b>	<b>94,729</b>
Finance income (costs), net	<b>16</b>	(2,943)	13,617
<b>Surplus for the year</b>		<b>111,596</b>	<b>108,346</b>

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>2020</u>	<u>2019</u>
Surplus for the year	111,596	108,346
Other comprehensive surplus (deficit)	-	-
<b>Total comprehensive surplus (deficit)</b>	<b><u>111,596</u></b>	<b><u>108,346</u></b>

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\$)

<b>Description</b>	<b>Net worth</b>	<b>Donations reserve</b>	<b>Surplus for the year</b>	<b>Total</b>
<b>Balances at December 31, 2018 (Restated)</b>	<b>971,648</b>	<b>102,881</b>	<b>894</b>	<b>1,075,423</b>
Transfer of surplus for the prior year	894	-	(894)	-
Surplus for the year	-	-	108,346	<b>108,346</b>
<b>Balances at December 31, 2019</b>	<b>972,542</b>	<b>102,881</b>	<b>108,346</b>	<b>1,183,769</b>
Transfer of surplus for the prior year	108,346	-	(108,346)	-
Surplus for the year	-	-	111,596	<b>111,596</b>
<b>Balances at December 31, 2020</b>	<b>1,080,888</b>	<b>102,881</b>	<b>111,596</b>	<b>1,295,365</b>

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>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Surplus for the year	<b>111,596</b>	<b>108,346</b>
<b>Adjustments to reconcile surplus for the year to funds from operating activities</b>		
Residual value of property and equipment written off	1,118	-
Depreciation and amortization	39,307	26,182
	<b>152,021</b>	<b>134,528</b>
<b>Cash flows from operating activities</b>		
Inventories	277,788	35,619
Other receivables	4,539	13,738
Accounts payable	(70,537)	9,823
Labor obligations	15,369	10,889
Tax obligations	(178)	(1,129)
<b>Net cash generated by (used in) operating activities</b>	<b>379,002</b>	<b>203,468</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(127,773)	(43,685)
<b>Cash used in investing activities</b>	<b>(127,773)</b>	<b>(43,685)</b>
<b>Net increase in cash and cash equivalents</b>	<b>251,229</b>	<b>159,783</b>
Cash and cash equivalents at the beginning of the year	750,516	590,733
Cash and cash equivalents at the end of the year	1,001,745	750,516
<b>Net increase in cash and cash equivalents</b>	<b>251,229</b>	<b>159,783</b>

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

## **Associação Operação Sorriso do Brasil**

Notes to the financial statements at December 31, 2020 and 2019  
In reais (R\$)

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### **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, 1999 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.

Recently, the World Health Organization - WHO declared that the outbreak of the Coronavirus COVID-19 constitutes a pandemic on a global scale. This pandemic has already caused significant impacts, including the closure of business premises, the creation of challenging working conditions and the interruption of the global supply chain, which could affect the availability of certain social benefits normally met by the Association.

The Association has been following the guidance of the WHO and the local Health Authorities and has taken several measures to protect its employees from the pandemic, seeking to maintain operational activity. There were no layoffs in the period and the entire staff has been working remotely since March 17, 2020.

Although the surgical missions projected for Santarém, state of Pará (October/2020) and Porto Velho, state of Rondônia (December/2020) have been canceled, the Association continued to care for its patients using remote assistance strategies (telemedicine), promoted actions for training of its healthcare professional volunteers and donated PPE, medicines and equipment to hospitals and partner institutions that operated in the front lines of the combat against Covid-19.

The Association’s Management believes that there was no impact on the financial statements for the year ended December 31, 2020, and emphasizes that there was a positive balance of donations, considering the significant contribution of funds received from the private sector, individual donors and international partners to support healthcare professionals and hospitals in the context of the Covid-19 pandemic. It is important to mention the termination of the sponsorship agreement with Voltalia for missions in Mossoró. The last sponsored mission was in January 2020.

### **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 March 18, 2021.

## **Associação Operação Sorriso do Brasil**

Notes to the financial statements at December 31, 2020 and 2019  
In reais (R\$)

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### **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.

## **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 it is not designated as measured at FVTPL:

- debt instrument that is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and

## **Associação Operação Sorriso do Brasil**

Notes to the financial statements at December 31, 2020 and 2019

In reais (R\$)

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• its contractual terms 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.

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, which are classified as subsequently measured at amortized cost.

### **(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 7).

### **(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.

## Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2020 and 2019  
In reais (R\$)

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### (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.

### (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 standards, revisions and interpretations

**Amendments to standards that were initially adopted for annual periods beginning on or after January 1, 2019:**

- **IFRS 16 / NBC TG 06 (R3) - Leases** This standard replaces the existing standard on leases and establishes the principles for the recognition, measurement, presentation and disclosure of leases for both lessors and lessees. The Association's management assessed the new standard and, considering its current transactions, did not identify changes that could have impact on its financial statements.

## 4. Cash and cash equivalents

Description	2020	2019
Cash	16	252
Banks	10	10
Financial investments	1,001,719	750,254
<b>Total</b>	<b>1,001,745</b>	<b>750,516</b>

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.

## 5. Inventories

Description	2020	2019
Supplies inventory	101,515	281,092
Inventories in transit	-	98,211
<b>Total</b>	<b>101,515</b>	<b>379,303</b>

## Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2020 and 2019

In reais (R\$)

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 assignments of the Association. The significant decrease in 2020 arises from donations of PPE (Personal Protection Equipment), medical supplies, medicines and medical equipment to partner hospitals, such as Hospital Regional do Baixo Amazonas (Santarém, state of Pará) and Hospital de Base de Porto Velho (Porto Velho, state of Rondônia), among others, as a contribution for the combat against the Covid-19 pandemic.

### 6. Other receivables

Description	2020	2019
Advances to suppliers	167,475	167,348
Other receivables	3,016	7,682
<b>Total</b>	<b>170,491</b>	<b>175,030</b>

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.

### 7. Property and equipment

Description	Depreciation rate	2020		2019	
		Cost	Accumulated amortization	Net	Net
Machinery and equipment	10%	1,330	(1,153)	177	280
Furniture and fixtures	10%	28,257	(14,567)	13,690	15,396
Medical equipment	10%	328,183	(100,366)	227,817	133,183
Computers and peripherals	20%	63,956	(47,786)	16,170	21,647
		<b>421,726</b>	<b>(163,872)</b>	<b>257,854</b>	<b>170,506</b>

#### Changes in 2020

Description	2019	Additions	Disposals	2020
<b>Cost</b>				
Machinery and equipment	1,330	-	-	1,330
Furniture and fixtures	28,158	2,375	(2,276)	28,257
Medical equipment (i)	202,785	125,398	-	328,183
Computers and peripherals	48,289	-	(2,647)	45,642
<b>Total cost</b>	<b>280,562</b>	<b>127,773</b>	<b>(4,923)</b>	<b>403,412</b>
(-) Accumulated depreciation	(110,056)	(39,307)	3,805	(145,558)
<b>Property and equipment, net</b>	<b>170,506</b>	<b>88,466</b>	<b>(1,118)</b>	<b>257,854</b>

(i) The addition refers to surgical instruments for use in humanitarian missions.

## Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2020 and 2019  
In reais (R\$)

### Changes in 2019

Description	2018	Additions	Disposals	2019
<b>Cost</b>				
Machinery and equipment	1,330	-	-	1,330
Furniture and fixtures	28,158	-	-	28,158
Medical equipment	180,100	22,685	-	202,785
Computers and peripherals	27,478	21,000	(189)	48,289
<b>Total cost</b>	<b>237,066</b>	<b>43,685</b>	<b>(189)</b>	<b>280,562</b>
(-) Accumulated depreciation	(84,383)	(25,862)	189	(110,056)
<b>Property and equipment, net</b>	<b>152,683</b>	<b>17,823</b>	-	<b>170,506</b>

### 8. Labor obligations

Description	2020	2019
Provision for vacation pay and related charges	65,542	61,706
Payroll taxes payable	31,210	19,677
<b>Total</b>	<b>96,752</b>	<b>81,383</b>

### 9. 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, 2020 and 2019, 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, 2020 and 2019 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.

### 10. 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.

### 11. 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.

## Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2020 and 2019  
In reais (R\$)

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.

### 12. Operating revenues

#### 12.1 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 2020, the amount determined was R\$ 121,827 (R\$ 310,782 in 2019).

#### 12.2 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	2020	2019
Energia Sustentável do Brasil S.A. – <b>ESBR</b>	486,056	400,000
Banco Citibank S.A.	133,000	-
Comerc Comercializadora de Energia Elétrica - <b>COMERC</b>	100,800	100,800
Associação Citiesperança	50,000	50,000
Icatu Seguros S.A.	50,000	50,000
Cooperativa de Economia e Crédito Mútuo dos Empregados da J&J	42,740	32,640
Andressa Nunes da Silva ME – <b>DAY PHARMA</b>	36,190	36,574
SAP Brasil	35,000	39,000
Johnson & Johnson BR Ind. e Com. Ltda. – <b>J&amp;J</b>	26,721	136,839
Usina de Energia Eólica Santo Cristo SPE S.A - <b>VOLTALIA</b>	-	827,231
Bradesco Saúde S.A.	-	50,000
Aumund Ltda.	-	44,400
Irmãos Guimarães Correto de Seguros Ltda.	-	21,000
Others	62,110	87,575
<b>Total</b>	<b>1,022,617</b>	<b>1,876,059</b>

##### (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	2020	2019
Operation Smile	788,198	471,940
Pepsi Cola Industrial da Amazônia Ltda.	42,832	31,467
United Way - White Martins	2,066	-
<b>Total</b>	<b>833,096</b>	<b>503,407</b>

## Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2020 and 2019

In reais (R\$)

### (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:

Description	2020	2019
Belcorp do Brasil Distr. de Cosméticos Ltda.	48,781	-
Alfa Computer Assessoria em Informática	39,600	39,144
Schivartche Advogados	25,000	20,000
Azul Linhas Aéreas	-	239,374
Johnson & Johnson BR Ind. e Com. Ltda.	-	38,258
Cristália Prod. Químico Farmacêuticos Ltda.	-	67,497
SAP Brasil	-	21,000
Others	7,090	20,829
<b>Total</b>	<b>120,471</b>	<b>446,102</b>

### 13. Costs of programs

In compliance with the provisions of item VI of Article 3 of Decree 2,536/98, in 2020 and 2019 the Association granted the following gratuities for the execution of assistance programs:

Description	2020	2019
Personnel expenses	(309,395)	(282,592)
Covid-19 donations program	(298,667)	-
Air tickets	(89,172)	(513,538)
Warehousing	(66,797)	(54,985)
Lodging services	(63,913)	(183,043)
Medical supplies	(59,515)	(311,787)
Transportation services	(44,043)	(187,088)
Meals	(23,758)	(61,883)
Customs clearance	(12,995)	(13,795)
Distribution of gifts/prizes/presents/kits	(5,902)	(7,822)
Forms of materials	(4,764)	(7,064)
Non-medical supplies	(2,488)	(16,478)
Others	(38,950)	(41,464)
	<b>(1,020,359)</b>	<b>(1,681,539)</b>

### 14. Personnel expenses

Description	2020	2019
Personnel expenses (salaries)	(314,331)	(316,462)
Personnel charges	(146,358)	(149,811)
<b>Total</b>	<b>(460,689)</b>	<b>(466,273)</b>

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### 15. Administrative expenses

Description	2020	2019
Advisory and consulting services	(256,291)	(552,250)
IT advisory services	(42,155)	(40,124)
Depreciation	(39,307)	(26,182)
Rentals	(37,024)	(40,206)
Accounting advisory services	(23,728)	(21,677)
Common area maintenance fees and water	(19,146)	(31,033)
Telephone	(13,981)	(12,726)
Postal/motorcycle delivery/express delivery (DHL) services	(8,863)	(7,380)
Office supplies	(3,967)	(14,721)
Website expenses	(2,773)	(6,451)
Maintenance	(1,721)	(64,092)
Office equipment lease	(789)	(4,744)
Others	(41,811)	(43,879)
<b>Total</b>	<b>(491,556)</b>	<b>(865,465)</b>

### 16. Finance income (costs), net

Description	2020	2019
Finance income	6,549	27,305
Finance costs	(9,492)	(13,688)
<b>Total</b>	<b>(2,943)</b>	<b>13,617</b>

### 17. Risk management

Through its operations, the Association is exposed to the following financial risks:

- Credit risk;
- Liquidity risk.

As in all other businesses, the Association is exposed to risks arising from the use of financial instruments. This note describes the Association's objectives, policies and processes to manage these risks and the methods used to measure them. Further quantitative information on these risks is presented throughout these financial statements.

#### General objectives, policies and processes:

Management has overall responsibility for determining the Association's risk management objectives and policies and holds the ultimate responsibility for them. It has assigned the authority to design and operate processes that ensure the effective implementation of the objectives and policies to the Association's finance function.

Management's general objective is to establish policies that seek to reduce the risk, to the extent possible, without inappropriately affecting the Association's competitiveness and flexibility. Further details on these policies are presented below.

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### a) Credit risk

Credit risk is the risk of financial loss to the Association if an associate or counterparty to a financial instrument does not fulfill its contractual obligations. The financial instruments potentially subject to credit risk for the Association comprise mainly cash and cash equivalents, which are held with creditworthy financial institutions and can be redeemed at any moment upon request.

The carrying amount of the financial assets represents the maximum credit exposure. All cash and cash equivalents are held with first tier Brazilian banks.

### b) Liquidity risk

Liquidity risk is the risk of the Association not being able to fulfill its financial obligations as they become due. The Association's policy is to ensure that it will always have sufficient cash to enable it to fulfill its obligations when they become due, under normal and stress conditions, without incurring unacceptable losses or risking damages to the Association's reputation.

The key to success in liquidity management is the degree of certainty in cash flow projections. If the future cash flows are very uncertain, the liquidity risk increases.

The Association monitors the risk of cash shortage by monitoring the maturity dates of the existing financial liabilities. The Association's financial liabilities are comprised of trade payables and labor and tax obligations.

## 18. 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.

## 19. 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 2020 and 2019 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	2020	2019
PIS and COFINS (3.65% on revenues)	80,668	119,879
IRPJ and CSLL (34% on the surplus for the year)	37,943	36,838
<b>Total</b>	<b>118,611</b>	<b>156,717</b>

## **Associação Operação Sorriso do Brasil**

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### **20. Events after the reporting period**

In conformity with Brazilian accounting standards, Management 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.

However, due to the intensification of the Covid-19 outbreak, Associação Operação Sorriso continued to implement actions for donations of PPE, medical supplies and medicines to partner hospitals, as well as to provide remote healthcare assistance for its patients and training for its volunteers and healthcare professionals. The Association continues to determine that its employees work remotely, following the safety and health protocols recommended by WHO.

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