



ASSOCIAÇÃO OPERAÇÃO SORRISO DO BRASIL

FINANCIAL STATEMENTS
DECEMBER 31, 2021
With independent auditor's report

ASSOCIAÇÃO OPERAÇÃO SORRISO DO BRASIL

FINANCIAL STATEMENTS

DECEMBER 31, 2021

Contents

Independent auditor's report	3
Financial statements	
Statements of financial position.....	6
Statements of surplus or deficit	7
Statements of comprehensive income.....	8
Statements of changes in equity	9
Statements of cash flows	10
Notes to the financial statements	11

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, 2021, 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, 2021, 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 11, 2022.

Crowe Macro Auditores Independentes
CRC 2SP033508/O-1

A handwritten signature in blue ink, appearing to read "Roberson de Sousa Cardoso".

Roberson de Sousa Cardoso
Accountant - CRC1SP 325546/O-9

A handwritten signature in blue ink, appearing to read "Fabio Debiaze Pino".

Fabio Debiaze Pino
Accountant - CRC1SP 251154/O-9

Associação Operação Sorriso do Brasil

Statements of financial position as at December 31

In reais (R\$)

Assets	Note	2021	2020	Liabilities and net worth	Note	2021	2020
Current assets				Current liabilities			
Cash and cash equivalents	4	605,452	1,001,745	Accounts payable		1,052	70
Inventories	5	83,880	101,515	Labor obligations	8	126,034	96,752
Other receivables	6	24,114	170,491	Tax obligations		280	267
		713,446	1,273,751			127,366	97,089
Noncurrent assets				Current liabilities			
Property and equipment	7	1,273,859	257,854	Provision for contingent liabilities	9	247,918	139,151
		1,273,859	257,854			247,918	139,151
Net worth				Net worth			
				Net worth	10	1,192,484	1,080,888
				Donations reserve		102,881	102,881
				Surplus for the year		316,656	111,596
						1,612,021	1,295,365
Total assets		1,987,305	1,531,605	Total assets		1,987,305	1,531,605

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>2021</u>	<u>2020</u>
Operating revenues			
With restriction			
Volunteer work	12.1	143,476	121,827
Without restriction			
Individual donations		89,928	58,763
Corporate donations	12.2	406,150	1,022,617
Anonymous donations		130,471	53,314
Donations from abroad	12.2	4,399,303	833,096
Donations of products and services	12.2	292,853	120,471
Total revenues without restriction		5,318,705	2,088,261
Total operating revenues		5,462,181	2,210,088
Costs of programs			
Cost of assistance programs	13	(3,669,263)	(1,020,359)
Volunteer work	12.1	(143,476)	(121,827)
Total costs of programs		(3,812,739)	(1,142,186)
Operating expenses			
Personnel expenses	14	(700,094)	(460,689)
Administrative expenses	15	(659,410)	(491,556)
Other income (expenses), net		-	(1,118)
		(1,359,504)	(953,363)
Surplus before finance income (costs)		289,938	114,539
Finance income (costs), net	16	26,718	(2,943)
Surplus for the year		316,656	111,596

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>2021</u>	<u>2020</u>
Surplus for the year	316,656	111,596
Other comprehensive surplus (deficit)	-	-
Total comprehensive surplus (deficit)	<u>316,656</u>	<u>111,596</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, 2019	972,542	102,881	108,346	1,183,769
Transfer of surplus for the prior year	108,346	-	(108,346)	-
Surplus for the year	-	-	111,596	111,596
Balances at December 31, 2020	1,080,888	102,881	111,596	1,295,365
Transfer of surplus for the prior year	111,596	-	(111,596)	-
Surplus for the year	-	-	316,656	316,656
Balances at December 31, 2021	1,192,484	102,881	316,656	1,612,021

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>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Surplus for the year	316,656	111,596
Adjustments to reconcile surplus for the year to funds from operating activities		
Provision for contingent liabilities	108,767	-
Residual value of property and equipment written off	-	1,118
Depreciation and amortization	98,964	39,307
	524,387	152,021
Cash flows from operating activities		
Inventories	17,635	277,788
Other receivables	146,377	4,539
Accounts payable	982	(70,537)
Labor obligations	29,282	15,369
Tax obligations	13	(178)
	718,676	379,002
Net cash generated by operating activities		
	718,676	379,002
Cash flows from investing activities		
Purchase of property and equipment	(1,114,969)	(127,773)
Cash used in investing activities	(1,114,969)	(127,773)
	(396,293)	251,229
Net increase (decrease) in cash and cash equivalents		
	(396,293)	251,229
Cash and cash equivalents at the beginning of the year	1,001,745	750,516
Cash and cash equivalents at the end of the year	605,452	1,001,745
	(396,293)	251,229
Net increase (decrease) in cash and cash equivalents		
	(396,293)	251,229

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

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020
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, 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.

The COVID-19 pandemic, decreed in 2020 by the World Health Organization - WHO, continued in 2021 as one of the great challenges around the world. In 2020, the Association started the movement Together for you, with the aim of raising funds to buy and donate personal protective equipment (PPE) to health professionals who worked in hospitals on the front line of the pandemic. The campaign had the participation of the public, companies and partners.

In 2021, the movement continued and gained even more strength, and was essential in saving lives. The Association mobilized important donations from partners and Operation Smile International to acquire and donate equipment that allowed the expansion of intensive care unit (ICU) beds used in the care of Covid patients in serious condition.

In addition, the Association continues to follow the guidance of the WHO and the local health authorities and has taken several measures to protect its employees from the epidemic, seeking to maintain operational activity. The entire staff has been working remotely since March 17, 2020. As of the second half of 2021, the Association adopted the hybrid work regime, in which employees work partially in a remote way and partially on-site, always considering their safety with a small number of people in the office and the adoption of security protocols such as wearing masks and social distancing.

In 2021, the Association’s surgical programs were resumed, being held in the cities of Santarém/state of Pará (November) and Porto Velho/state of Rondônia (December). Both followed strict protocols to prevent the spread of COVID-19, which resulted in two safe surgical programs and without any case of contamination among the participants.

The Association’s Management believes that, once again, the Covid-19 pandemic had no impact on the financial statements for the year ended December 31, 2021 and 2020, and emphasizes that there was a positive balance of donations, considering the continuation of 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, as well as for the direct care programs for people with cleft lip and palate in Brazil.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020
In reais (R\$)

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 11, 2022.

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

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020
In reais (R\$)

- 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
- 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.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020
In reais (R\$)

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.

(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.

4. Cash and cash equivalents

Description	2021	2020
Cash	16	16
Banks	10	10
Financial investments	605,426	1,001,719
Total	605,452	1,001,745

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	2021	2020
Supplies inventory	83,880	101,515
Total	83,880	101,515

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 decrease in 2021 arises from donations of personal protective equipment (PPE), 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.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020
In reais (R\$)

6. Other receivables

Description	2021	2020
Advances to suppliers	17,159	167,475
Other receivables	6,955	3,016
Total	24,114	170,491

7. Property and equipment

Description	Depreciation rate	2021			2020
		Cost	Accumulated amortization	Net	Net
Machinery and equipment	10%	3,578	(1,302)	2,276	177
Furniture and fixtures	10%	28,257	(17,323)	10,934	13,690
Medical equipment	10%	1,353,165	(177,548)	1,175,617	227,817
Computers and peripherals	20%	133,381	(48,349)	85,032	16,170
		1,518,381	(244,522)	1,273,859	257,854

Changes in 2021

Description	2020	Additions	Disposals	2021
Cost				
Machinery and equipment	1,330	2,248	-	3,578
Furniture and fixtures	28,257	-	-	28,257
Medical equipment (i)	328,183	1,024,982	-	1,353,165
Computers and peripherals	45,642	87,739	-	133,381
Total cost	403,412	1,114,969	-	1,518,381
(-) Accumulated depreciation	(145,558)	(98,964)	-	(244,522)
Property and equipment, net	257,854	1,016,005	-	1,273,859

(i) The additions refer to 5 anesthesia machines, medical and surgical equipment to reduce import costs and allow greater autonomy for the Association in scheduling surgical programs in Brazil.

Changes in 2020

Description	2019	Additions	Disposals	2020
Cost				
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
Total cost	280,562	127,773	(4,923)	403,412
(-) Accumulated depreciation	(110,056)	(39,307)	3,805	(145,558)
Property and equipment, net	170,506	88,466	(1,118)	257,854

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020
In reais (R\$)

8. Labor obligations

Description	2021	2020
Provision for vacation pay and related charges	93,859	65,542
Payroll taxes payable	32,175	31,210
Total	126,034	96,752

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, 2021 and 2020, 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, 2021 amounting to R\$ 247,918 (R\$ 139,151 on December 31, 2020) 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.

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 2021, the amount determined was R\$ 143,476 (R\$ 121,827 in 2020).

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020
In reais (R\$)

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	2021	2020
Engie Brasil Energia S.A. – ENGIE	145,250	-
Comerc Comercializadora de Energia Elétrica - COMERC	100,800	100,800
Associação Citiesperança	50,000	50,000
Icatu Seguros S.A.	50,000	50,000
SAP Brasil	40,000	35,000
Andressa Nunes da Silva ME – DAY PHARMA	9,000	36,190
Energia Sustentável do Brasil S.A. – ESBR	-	486,056
Banco Citibank S.A.	-	133,000
Cooperativa de Economia e Crédito Mútuo dos Empregados da J&J	-	42,740
Johnson & Johnson BR Ind. e Com. Ltda. – J&J	-	26,721
Others	11,100	62,110
Total	406,150	1,022,617

(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	2021	2020
Operation Smile	3,743,418	788,198
United Way - White Martins	223,695	2,066
Temasek	205,920	-
White Martins	182,019	-
Pepsi Cola Industrial da Amazônia Ltda.	44,251	42,832
Total	4,399,303	833,096

(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, 2021 and 2020

In reais (R\$)

Description	2021	2020
Azul Linhas Aéreas	125,000	-
Alfa Computer Assessoria em Informática	39,840	39,600
Cristália Prod. Químico Farmacêuticos Ltda.	39,500	-
Johnson & Johnson BR Ind. e Com. Ltda.	29,775	-
Schivartche Advogados	25,000	25,000
Silimed	24,840	-
Hasbro	7,692	-
Belcorp do Brasil Distr. de Cosméticos Ltda.	-	48,781
Others	1,206	7,090
Total	292,853	120,471

13. Costs of programs

In compliance with the provisions of item VI of Article 3 of Decree 2,536/98, in 2021 and 2020 the Association granted the following gratuities for the execution of assistance programs:

Description	2021	2020
Covid-19 donations program – (a)	(2,124,139)	(298,667)
Medical supplies	(422,110)	(59,515)
Air tickets	(322,411)	(89,172)
Personnel expenses	(313,257)	(309,395)
Transportation services	(186,158)	(44,043)
Lodging services	(107,415)	(63,913)
Meals	(38,343)	(23,758)
Warehousing	(27,025)	(66,797)
Courses and training	(19,412)	-
Non-medical supplies	(17,413)	(2,488)
Training and education	(14,274)	(318)
Forms of materials	(13,766)	(4,764)
Distribution of gifts/prizes/presents/kits	(7,455)	(5,902)
Customs clearance	-	(12,995)
Others	(56,085)	(38,632)
	(3,669,263)	(1,020,359)

- (a) Costs related to the donation program to combat Covid-19 on an exceptional basis, consisting of deliveries of PPE, medical supplies, medicines and equipment (such as respirators) to partner hospitals across the country.

14. Personnel expenses

Description	2021	2020
Personnel expenses (salaries)	(492,296)	(314,331)
Personnel charges	(207,798)	(146,358)
Total	(700,094)	(460,689)

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020

In reais (R\$)

15. Administrative expenses

Description	2021	2020
Advisory and consulting services	(137,477)	(256,291)
Contingencies	(108,767)	-
Depreciation	(98,964)	(39,307)
IT advisory services	(74,292)	(42,155)
Courses and training	(51,864)	-
Rentals	(39,000)	(37,024)
Accounting advisory services	(23,608)	(23,728)
Common area maintenance fees and water	(19,163)	(19,146)
Telephone	(13,490)	(13,981)
Postal/motorcycle delivery/express delivery (DHL) services	(12,524)	(8,863)
Maintenance	(6,288)	(1,721)
Office supplies	(5,911)	(3,967)
Website expenses	(3,083)	(2,773)
Office equipment lease	(120)	(789)
Others	(64,859)	(41,811)
Total	(659,410)	(491,556)

16. Finance income (costs), net

Description	2021	2020
Finance income	37,110	6,549
Finance costs	(10,392)	(9,492)
Total	26,718	(2,943)

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.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020

In reais (R\$)

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.

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 2021 and 2020 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	2021	2020
PIS and COFINS (3.65% on revenues)	199,370	80,668
IRPJ and CSLL (34% on the surplus for the year)	107,663	37,943
Total	307,033	118,611

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2021 and 2020

In reais (R\$)

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.

* * *