INSTITUTO SERRAPILHEIRA

Financial Statements as at 31 December 2019 and Independent Auditor's Report

Independent Auditor's Report on Financial Reporting

To the Executive Team and Members of the Board
INSTITUTO SERRAPILHEIRA

Opinion

We have audited the financial statements of INSTITUTO SERRAPILHEIRA (the “Institute”), which comprise the statement of financial position as at 31 December 2019 and the respective statement of profit or loss, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the fiscal year then ended, notes to the financial statements including the summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial and equity position of INSTITUTO SERRAPILHEIRA as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the applicable practices adopted in Brazil for small and medium-sized entities.

Basis of Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the “Auditor’s Responsibilities for the Audit of Financial Statements" section of our report. We are independent of the Institute, in accordance with the ethical principles contained in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Institute's directors are responsible for proper financial reporting in accordance with the accounting practices adopted in Brazil for small and medium-sized entities (Technical Pronouncement issued by the Accounting Pronouncement Committee (CPC) for Small and Medium-sized Entities (SMEs), Revision 1 (R1)) and for the internal controls that the directors determine necessary for preparing financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for evaluating the Institute's ability to continue as a going concern when preparing financial statements, and, when applicable, must disclose issues related to its going concern and using the going concern basis of accounting for preparing financial statements unless the directors either intend to liquidate the Institute or to cease operations or have no realistic alternative but to do so.

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Those charged with governance of the Institute are responsible for supervising Serrapilheira Institute's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 carried out in accordance with Brazilian and international auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered to be material when, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in conformity 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 distortion in financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain appropriate and sufficient audit evidence to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

- 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.

INSTITUTO SERRAPILHEIRA

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 the internal control that we identify during the audit. Ribeirão Preto (SP), April 27, 2020

Ribeirão Preto (SP), 27 April 2020

Valor Up

ValorUp Auditores Independentes
CRC 2SP028585/O-0 “S” RJ

André Luiz Corrêa
CRC Accountant 1SP198337/O-2 “S” RJ

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INSTITUTO SERRAPILHEIRA

Statement of financial position as at 31 December 2019
In Brazilian reals

Assets	Note	2019	2018
Current assets			
Cash and cash equivalents	5	11,075,977	9,750,260
Advance to suppliers	7	1,455	134,400
Other assets		6,958	
		11,084,390	9,884,660
Non-current assets			
Long-term assets			
Security deposit		39,000	39,000
Trading securities	6	672,028,485	506,233,445
		672,067,485	506,272,445
Property, Plant and Equipment	8	220,328	737,382
Intangible assets	9	104,320	139,749
		672,392,133	507,149,576
Total assets		683,476,523	517,034,236

Liabilities and net assets	Note	2019	2018
Current liabilities			
Trade payables	10	19.198	84,003
Employee benefits	11	186,159	205,958
Tax payables	12	3,225	34,467
Other liabilities		14,607	13,914
Total liabilities		223,189	338,342
Net assets			
Net assets	13	516,695,894	457,025,789
Accumulated surplus		166,557,440	59,670,105
Total net assets		683,253,334	516,695,894
Total liabilities and net assets		683,476,523	517,034,236

The accompanying notes form an integral part of the financial statements.

INSTITUTO SERRAPILHEIRA

Statement of profit or loss
Years ended at 31 December
In Brazilian reals

	Note	2019	2018
Revenues from volunteer work	24	400,000	
Revenues from services rendered	14	217,638	
Donations	14	90,000	
Sponsorships	14	3,869	
Total revenues		711,507	
Operating expenses			
Donations	15	(10,133,083)	(8,835,743)
General and administrative expenses	16	(6,277,394)	(5,081,723)
Personnel expenditures	17	(2,720,832)	(2,389,912)
Depreciation and amortization	8 and 9	(554,327)	(848,729)
Tax expenditure	18	(1,924,162)	(621,959)
Expenses from volunteer work	24	(400,000)	
Net operating losses		(21,298,291)	(17,778,066)
Financial revenues	19	187,872,942	77,452,444
Financial expenses	19	(17,211)	(4,273)
Financial income		187,855,731	77,448,171
Profit for the year		166,557,440	59,670,105

The accompanying notes form an integral part of the financial statements.

INSTITUTO SERRAPILHEIRA

Statement of comprehensive income
Years ended at 31 December
In Brazilian reals

	2019	2018
Profit for the year	166,557,440	59,670,105
Other components of comprehensive income	-	-
Total comprehensive income for the year	166,557,440	59,670,105

The accompanying notes form an integral part of the financial statements.

INSTITUTO SERRAPILHEIRA

Statement of changes in net assets
In Brazilian reals

	Note	Net assets	Accumulated earnings	Total
As at 31 December 2017		414,771,677	42,254,112	457,025,789
Transfer to net assets	13	42,254,112	(42,254,112)	
Earnings for the year	13		59,670,105	59,670,105
As at 31 December 2018		457,025,789	59,670,105	516,695,894
Transfer to net assets	13	59,670,105	(59,670,105)	
Earnings for the year	13		166,557,440	166,557,440
As at 31 December 2019		516,695,894	166,557,440	683,253,334

INSTITUTO SERRAPILHEIRA

Statement of cash flows
Years ended at 31 December
In Brazilian reals

	2019	2018
Cash flows from operating activities		
Profit for the year	166,557,440	59,670,105
Adjustments to reconcile non-cash income and expenses:		
Depreciation and amortization	554,328	848,728
Disposal of fixed asset at residual value		39
	167,111,768	60,518,872
Changes in assets and liabilities		
Advance to suppliers	132,945	(43,365)
Other assets	(6,958)	
Trade payables	(64,805)	84,003
Employee benefits	(19,799)	31,626
Tax payables	(31,242)	(2,893)
Other liabilities	693	(33,156)
Net cash provided by (used in) operating activities	167,122,602	60,555,087
Cash flow from investing activities		
Investments in trading securities		(5,000)
Proceeds from sale of trading securities	20,906,225	
Gains (losses) from trading securities	(186,701,265)	(76,183,999)
Acquisition of property, plant and equipment	(1,845)	(326,834)
Acquisition of intangible assets		(66,141)
Net cash provided by (used in) investment activities	(165,796,885)	(76,581,974)
Increase (decrease) in cash and cash equivalents	1,325,717	(16,026,887)
Cash and cash equivalents beginning of period	9,750,260	25,777,147
Cash and cash equivalents end of period	11,075,977	9,750,260

The accompanying notes form an integral part of the financial statements.

1 General information

1.1 Operations

INSTITUTO SERRAPILHEIRA ("the Institute") is a private non-profit organization established on 9 November 2015 for an indefinite term and based in Rio de Janeiro, Rio de Janeiro.

The goal of the Institute is to identify and provide support to projects that aim to encourage scientific production and outreach in the exact and natural sciences. The Institute may engage in the following activities so long as they are in line with the pursuit of the Institute's stated goals:

(i) Developing, fostering and supporting programs, projects and scientific research related to the stated goals even through funding;

(ii) Promoting and sponsoring research, courses, lectures, symposia and conferences;

(iii) Entering into agreements, contracts and partnerships with schools, associations, companies, agencies, entities or any other institution, public or private, Brazilian or international;

(iv) Raising, managing and donating funds for financial, technical and material support;

(v) Developing and publishing materials by any means, including on electronic and virtual channels, for guiding, supporting or overseeing activities to promote, foster and advance science;

(vi) Granting awards and other incentives in the Institute's areas of expertise; and

(vii) Carrying out any other lawful activities related to the Institute's goals.

At 31 December 2019 the Institute had three founding members, namely:

- João Moreira Salles;
- Branca Maria Vianna Moreira Salles; and
- Brasil Warrant Administração de Bens e Empresas S.A.

The initial capital investment made by the founding members in March 2016 established the Institute's endowment, which is entirely made up of financial resources and will remain heavily invested in trading securities; the yield on the financial investments is to be the Institute's main source of funding for the pursuit of its goals.

The Administration approved the issue of the Institute's financial statements on 27 April 2020.

1.2 Administration

The Institute's administration is overseen by the following bodies:

(a) General Assembly

The General Assembly, the Institute's governing body, will be made up of members in full enjoyment of their rights. The Assembly will hold its regular meetings once a year to:

(i) Assess the Administration's Annual Report;

(ii) Approve the the financial statements once they have been approved by the Board of Trustees and the Audit Board (when established), and

(iii) Elect and discharge members of the Board of Trustees and the Audit Board.

(b) Board of Trustees

The Board of Trustees is made up of no less than three (3) and no more than fifteen (15) members appointed by the General Assembly from a pool of members and non-members, alike, who will perform their duties in a collegial manner for a three-year term and can seek re-election. The Board of Trustees will meet regularly every four months and extraordinarily at the discretion of the Chair, if and when necessary. The Board of Trustees is responsible for:

(i) Appointing members of the Financial Advisory Board, the Scientific Advisory Board and the Executive Team, assigning them their respective roles, responsibilities and remuneration, where appropriate;

(ii) Approving, based on the Executive Team's proposal and reflecting the provisions set out in the by-laws, the Internal Regulation of the Institute and the Institute's Code of Conduct;

(iii) Defining the Institute's action strategy, reviewing and approving the annual sponsorship plan, including its respective selection process, among other duties.

(c) Scientific Advisory Board

Advisory body made up of three (3) to fifteen (15) members appointed by the Board of Trustees from a pool of members and non-members, alike, who are to perform their duties during staggered three-year terms and can seek re-election. The Scientific Advisory Board is responsible for:

(i) Issuing opinions about each of the Institute's areas of expertise and their respective guidelines.

(ii) Advising the Board of Trustees and the Executive Team on issues related to the Institute's goals and activities, including the evaluation of the Institute's annual sponsorship plan proposal and the performance of the respective selection processes; among other duties.

(d) Executive Team

The Institute's Executive Team will be made up of an (1) Executive Director and up to three (3) Directors, to be designated according to the definitions set out by the Board of Trustees upon their respective appointments. The Executive Team serves a three-year term and can seek re-election. The Institute's Executive Team is responsible for the administration of the Institute's overall activities in conformity with the definitions laid out in by-laws.

1.3 Taxes and benefits

At present, the Institute is subject to making the following contributions: (i) Social Integration Program (PIS) – a payment of 1% on payroll totals; and (ii) National Institute of Social Security (INSS) – payment of the due payroll tax contribution.

Since the Institute is a private non-profit organization, it is exempt from paying corporate income tax (IRPJ) and the Social Contribution on Net Income (CSLL) in relation to its regular operations. Additionally, it is also exempt from paying the Contribution for the Financing of Social Security (COFINS) and PIS on revenue from its core activity.

The Institute is also subject to Withholding Income Tax (IRRF) on the redemption of financial investments.

2 Summary of significant accounting policies

The significant accounting policies implemented in these financial statements are set out below. These policies have been consistently implemented in all fiscal years, unless otherwise stated.

2.1 Basis of Preparation

The financial statements were prepared and are being presented in conformity with Revision 1 of the Technical Pronouncement issued by the Accounting Pronoucements Committee for Small and Medium-Sized Entities (CPC SMEs (R1)). The financial statements have been prepared with a historical cost-based valuation and certain financial instruments were considered on a fair value basis.

Preparing financial statements in conformity with CPC SME (R1) requires that certain critical accounting estimates be used and that the Institute's administration exercise sound judgement in applying accounting policies. The areas that involve a higher degree of sound judgement or complexity, as well as those whose assumptions and estimates are significant for financial statements are disclosed in Note 3.

2.2 Presentation of Financial Statements

The Institute's financial statements have been prepared in accordance with the accounting practices adopted in Brazil as issued by the Accounting Pronouncements Committee (CPC) and contemplated by the Brazilian Accounting Standards, specifically those applicable to non-profit entities (ITG 2002 (R1)).

The items included in the financial statements are measured using the currency of the primary economic environment in which the Institute operates ("functional currency"). The financial statements are presented in Brazilian reals, which is the Institute's functional currency as well as its presentation currency.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, other short-term highly liquid investments with original maturity dates in up to three months, with low exposure to risk of change in value and guaranteed account balances, when applicable.

2.4 Financial assets

2.4.1 Classification

The Institute classifies its financial assets under the following measurement categories:

- Measured on a fair value basis (either through other comprehensive income or through profit or loss).
- Measured at amortized cost.

(a) Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value though other comprehensive income are measured at fair value through profit or loss. Any gains or losses in a debt instruments that is subsequently measured at fair value through profit or loss will be recognized in the income (profit or loss) statement and presented at their net value in other gains/(losses) in the period in which they occur.

(b) Amortized Cost

Assets maintained for collecting contractual cash flows, when such cash flows are solely payments of principal and interest, are measured at amortized cost. Interest revenue from these financial assets is recorded under financial revenue using the effective interest rate method. Gain (loss) from derecognition of assets is directly recognized in the profit or loss and presented under other gains/(losses). Impairment losses are presented as a separate line item on the statement of profit or loss.

2.4.2 Recognition, derecognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Institute commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Institute has transferred substantially all the risks and rewards of ownership.

At initial recognition the Institute measures a financial asset at its fair value plus or minus; in the case of a financial asset not measured at fair value through profit or loss, transaction costs are directly attributable to the acquisition or issue of the financial asset. Transaction costs for financial assets at fair value through profit or loss are recorded as expenses on the statement of profit or loss.

2.4.3 Offsetting Financial Instruments

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when the Institute currently has a legally enforceable right to offset the recognized amounts and intends to either settle on a net basis or realize and settle the liability simultaneously. The legal right of offset shall not be contingent on a future event and must be enforceable in the normal course of business or in the event of default, insolvency or bankruptcy of one or all the counterparties.

2.4.4 Impairment of financial assets

The Institute makes an assessment at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are recognized only if there is objective evidence of impairment as a result of a loss event or events that occurred after the initial recognition of the asset and that the loss event or events had an impact on the estimated future cash flows of the financial asset or group of financial assets and a reliable estimate of the loss amount can be made.

The criteria the Institute uses to determine whether there is objective evidence of impairment loss boil down to identifying significant difficulty of the obligor, a breach of contract or default.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the Institute shall reverse the previously recognized impairment loss on the profit or loss statement.

2.5 Derivative financial instruments

The Institute does not have any derivative financial instruments.

2.6 Property, plant and equipment

An item of Property, Plant and Equipment is carried at its historical cost of acquisition less the amount of depreciation and any accumulated impairment loss. The historical cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the administration.

Depreciation is calculated using the straight-line method to allocate its costs less the residual value over the useful life of the asset, which is estimated as disclosed in Note 8.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted as needed whenever an indication of significant change arises since the latest reporting date.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss is included under other revenues (expenses) in the Statement of Comprehensive Income.

2.7 Intangible assets

Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. These costs are amortized over the useful life of the sofware, between three (3) and five (5) years.

2.8 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events and circumstances indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels of separately identifiable cash flows (cash-generating units (CGU)). Non-financial assets that have been impaired are subsequently reviewed for possible reversal of the impairment on each reporting date.

2.9 Trade payables

Trade payables are debt obligations to be paid to suppliers for goods or services acquired from them in the normal course of business, and are classified as current liabilities if payment is due within a year. If that is not the case, then such payables are reflected as line items under non-current liabilities.

2.10 Other current/non-current liabilities

These are stated as known or estimated amounts, including, where applicable, related charges and adjustments for inflation.

2.11 Revenue recognition and income measurement

Financial revenue

Interest revenue is recognized on the time proportion basis after taking into account the outstanding principal and the effective interest rate to maturity, when it is determined that the revenue will be paid to the Institute, in addition to possible market value adjustments.

2.12 Other income and expenses

Other income and expenses are also recognized on an accrual basis.

3 Critical accounting estimates and assumptions

Accounting estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events.

In 2019 and 2018 no events or assumptions were identified that could have a significant risk of causing adjustments to the Institute's financial statements.

4 Financial instruments by category

Assets per the statement of financial position	**Classifi-cation**	**2019**	**2018**
Cash and cash equivalents - Cash and banks	(i)	54,998	25,446
Cash and cash equivalents - Debentures	(ii)		9,724,814
Cash and Cash Equivalents - Financial investments	(ii)	11,020,979	
Trading securities - Investment fund	(ii)	672,028,485	506,233,445
Advance to suppliers	(i)	1,455	134,400
Other assets	(i)	6,958	
Security Deposit	(i)	39,000	39,000
		683,151,875	516,157,105

Liabilities per the statement of financial position	**Classifi-cation**	**2019**	**2018**
Trade payables	(iii)	19.198	84,003
Other liabilities	(iii)	14,607	13,914
		33,805	97,917

Classification
(i) Assets at amortized cost
(ii) Assets at fair value through profit or loss
(iii) Liabilities at amortized cost

5 Cash and cash equivalents

	2019	2018
Financial investments (i)	11,020,979	
Cash at bank and on hand	54,998	25,446
Debentures (ii)		9,724,814
	11,075,977	9,750,260

(i) In 2019 the Institute redeemed its debentures and invested the proceeds in a fixed income investment fund tied to the CDI (interbank deposit certificate) rate by investing in shares of other funds that allocate at least 95% of their funds in bonds or loans linked to this indicator.

(ii) The debentures had an original maturity of three years, but were taken on as repurchase agreements; in other words, these securities had a daily buyback guarantee from the selling institution. Additionally, the remuneration of the debentures was equivalent to 101.8% of CDI rate.

6 Trading securities

Represented as a financial investment in an exclusive investment fund by the name of Amarante II Fundo de Investimento Multimercado Crédito Privado Investimento no Exterior ("the Fund").

The Fund was organized as a closed-end fund with a 20-year term that kicked off with its initial public offering (IPO) in July 2013. However, the fund was not operational until March 2016. The goal of the Fund is to invest in a range of financial asset types with different features, characteristics and risks while not being committed to concentrating on any asset or risk factor in particular. The strategy adopted upholds and reflects the Fund's investment policy as described in its regulations. Furthermore, the shares will not be bought back in full until the end of the Fund's term; however, partial liquidation of the shares is possible given that a sole liquidation date will be allowed in each 12-month period.

At 31 December 2019 and 2018, the Fund asset portfolio was largely made up of publicly-traded fixed-income NTN-B (inflation-linked) bonds whose maturity dates are later than 365 days after the reporting date.

The breakdown of the financial assets in the fund and changes thereto is as follows:

	2019	2018
Opening balance	506,233,445	430,044,446
Investments		5,000
Earnings from trading securities	186,701,256	76,183,999
Liquidation of shares	(12,7,40,602)	
Liquidation of income	(6,934,398)	
Withholding Income Tax (IRRF)	(1,231,225)	
Closing balance	67,028,485	506,233,445

7 Current advances to suppliers

This relates to the amounts the Institute paid its suppliers for services that will be rendered according to contractual conditions.

8 Property, plant and equipment

(a) Changes in balances

	Computer equipment	Comm-unication & network equipment	Furniture & Fixtures	Leasehold improvement	Total
Balance as at 1 January 2018	25,570		189,248	1,016,643	1,231,461
Purchases	30,137	7,603	31,953	257,141	326,834
Disposals				(39)	(39)
Depreciation	(7,861)	(560)	(22,225)	(790,228)	(820,874)
Balances as at 31 December 2018	47,846	7,043	198,976	483,517	737,382
Total cost	57,853	7,603	229,483	1,621,975	1,916,914
Accumulated depreciation	(10,007)	(560)	(30,507)	(1,138,458)	(1,179,532)
Residual value	47,846	7,043	198,976	483,517	737,382
Balances as at 1 January 2019	47,846	7,043	198,976	483,517	737,382
Purchases		1,845			1,845
Disposals					
Depreciation	(11,570)	(868)	(22,944)	(483,517)	(518,899)
Balances as at 31 December 2019	36,276	8,020	176,032		220,328
Total cost	57,853	9,448	229,483	1,621,975	1,918,759
Accumulated depreciation	(21,577)	(1,428)	(53,451)	(1,621,975)	(1,698,431)
Residual Value	36,276	8,020	176,032		220,328
Average annual depreciation rates - %	20%	20%	10%	33%	

(b) Comments on property, plant and equipment

(i) Leasehold improvements are depreciated over 36 months as is set out in the property lease agreement.

9 Intangible assets

(a) Changes in balances

	Software
Balance as at 1 January 2018	101,462
Purchases	66,141
Amortization	(27,854)
Balances as at 31 December 2018	139,749
Total cost	177,145
Accumulated amortization	(37,396)
Residual Value	139,749
Balance as at 1 January 2018	139,749
Purchases	
Amortization	(35,429)
Balances as at 31 December 2019	104,320
Total cost	177,145
Accumulated amortization	(72,825)
Residual Value	104,320
Annual amortization rate - %	20%

10 Trade payables

Trade payables relate to obligations to suppliers for goods and services purchased by the Institute. These obligations have a 30-day maximum maturity.

11 Employee benefits

	2019	**2018**
Provision for short-term employee benefits	186,159	130,670
Social security (INSS) payable		31,545
Withholding Income Tax (IRRF) payable		34,580
Guarantee Fund for Length of Service (FGTS) payable		8,145
Social Integration Program (PIS) payable		1,018
	186,159	205,958

12 Tax payables

	2019	2018
Third party withholding income tax (IRRF) payable	2,920	15,807
Taxes withheld per Law 10.833/03	245	1,370
Municipal service tax (ISS) payable	60	18
Third party social security (INSS) payable		17,272
	3,225	34,467

13 Net assets

Includes the initial recognition of net assets, including profit (loss) and other adjustments, as applicable.

The income (profit or loss) together with other comprehensive income for the year is transferred to the net assets line once it has been approved by the management.

14 Net revenue

	2019	2018
Services rendered - Nature Conference ticket sales	249,014	
Donations	90,000	
Sponsorships	3,869	
Gross revenue	342,883	
(-) Deductions		
Contribution for the Financing of Social Security (COFINS)	(18,925)	
Program for Social Integration (PIS)	(12,451)	
	(31,376)	
Net revenue	311,507	

15 Donations

A substantial portion of the donations is represented by the funds provided to the Arthur Bernardes Foundation (FUNARBE) and to the Association of the Brazilian Institute for Pure and Applied Mathematics (IMPA), among other disbursements and donations accounted for as follows:

	2019	**2018**
Support for Scientific Research Projects - (FUNARBE)	(7,695,845)	(7,039,986)
Brazilian Institute for Pure and Applied Mathematics Association (IMPA)	(700,000)	(194,000)
The Weizmann Institute of Science	(532,280)	
The Foundation for the Development of the State University of São Paulo (FUNDUNESP)	(200,000)	
The Foundation for Support to Technical Services, Education and Research Promotion (ASTEF Foundation)	(162,640)	
Genero e Numero Comunicação LTDA EPP	(100,000)	
Olabi.ORG	(100,000)	
Silo – Rural Art and Latitude	(100,000)	
Quatro Cinco Um Association	(99,800)	
Numinalabs Comunicação LTDA	(99,700)	
N Participações LTDA	(98,000)	
Cientista Beta Institute	(95,947)	
Barbara Barreto Marcel da Fonseca	(95,011)	
Reproducibility Project - Olavo Amaral (CBPF)		(1,112,944)
Brazilian Academy of Sciences		(120,000)
Support for Scientific Research Projects - 2017 Call for Proposals (FEESC)		(92,000)
São Paulo State University (UNESP)		(88,200)
Other projects	(53,860)	(188,613)
	(10,133,083)	(8,835,743)

16 General and administrative expenses

General and administrative expenses are stated as follows:

	2019	2018
Events	(2,620,682)	(2,371,499)
Services rendered by legal entities	(1,849,307)	(1,254,695)
Air tickets	(787,604)	(451,998)
Property Leases	(169,732)	(174,065)
Travel and lodging	(163,556)	(105,687)
Visual communication	(137,505)	(67,291)
Services rendered by individuals	(128,331)	(208,799)
Telephone	(75,672)	(49,449)
Transportation	(62,735)	(57,045)
Meals	(53,406)	(39,138)
Awards	(40,000)	
Equipment leases	(30,479)	(36,330)
Social security (INSS) on services	(25,703)	(44,011)
Contribution to trade associations	(23,397)	
Projects and events	(19,332)	(66,123)
Condo fees	(15,199)	(16,366)
Maintenance and repairs	(13,348)	(69,894)
Office materials	(11,815)	(11,381)
Kitchen and pantry	(7,968)	(5,636)
Electricity	(7,562)	(8,094)
Shipping	(6,371)	(6,735)
Notary expenses	(3,849)	(9,179)
Internet		(18,148)
Other general and administrative expenses	(23,841)	(10,160)
	(6,277,394)	(5,081,723)

17 Personnel expenditure

Personnel expenditure is stated as follows:

	2019	2018
Wages and salaries	(942,499)	(848,923)
Compensation	(520,918)	(463,850)
Social security (INSS) contributions	(442,357)	(396,244)
Healthcare	(188,373)	(196,596)
Bonuses	(156,294)	(108,000)
Workers' Food Program (PAT)	(140,394)	(84,107)
Holidays	(122,850)	(99,737)
Guarantee Fund for Length of Service (FGTS)	(98,300)	(82,390)
13th salary	(87,814)	(79,799)
Social Integration Program (PIS) payroll contribution	(11,579)	(10,139)
Termination benefits expense	(6,762)	(6,732)
Training		(11,335)
Other personnel expenditure	(2,692)	(2,060)
	(2,720,832)	(2,389,912)

18 Tax expenditure

Tax expenditure is stated as follows:

	2019	2018
Withholding Income Tax (IRRF) on financial investments	(1,775,592)	(567,212)
IRRF on foreign operations	(94,157)	
Gift and estate tax (ITD)	(26,614)	
Urban real estate tax (IPTU)	(16,911)	(11,962)
Tax on financial transactions (IOF)	(10,138)	(5,985)
Other	(750)	(36,800)
	(1,924,162)	(621,959)

19 Profit or loss from financial assets

	2019	2018
Financial revenue arising from:		
Revenue from financial investments	1,167,573	1,266,933
Gains/earnings from trading securities (Note 6)	186,701,265	76,183,999
Positive effects of changes in foreign exchange rates	3,671	1,488
Discounts obtained	405	
Adjustment for inflation	28	24
	187,872,942	77,452,444
Financial expenses arising from:		
Negative effects of changes in foreign exchange rates	(5,824)	(3,059)
Bank expenses	(1,866)	(898)
Interest expense	(620)	(105)
Fines	(8,901)	(211)
	(17,211)	(4,273)
Financial income	187,855,731	77,448,171

20 Related parties

The parties related to the Institute are represented by the founding members, trustees and directors. With the exception of the executive team, which is made up of professionals who are compensated for their service, the other related parties that have a relationship with the Institute do so on a volunteer basis (see Note 24).

The key administrative personnel includes members of the executive team. In 2019, total compensation paid or payable for the services rendered by these professionals, including pertinent charges, amounted to R$ 677,212 (2018 - R$ 571,850).

21 Contingency fund

The Institute is unaware of any contingent assets or liabilities to be recorded as at 31 December 2019 and 2018.

22 Insurance coverage

As a policy the Institute insures its assets against risks for amounts considered sufficient to cover possible claims in light of the nature of the Institute's activities. Given their nature, the risk assumptions made are not covered by the scope of the audit of the financial statements; consequently, they have not been reviewed by our independent auditors.

Insurance policies were purchased to cover rental property and the Institute's property, plant and equipment.

23 Forward commitments

The Institute has property leases of different terms that are renewable. As at 31 December 2019, the annual commitments of future payments related to these leases amount to approximately R$ 175,260 per year.

24 Volunteer work

Volunteer work must be recognized at the fair value of the service rendered to the Institute in conformity with CFC Resolution No. 1409 dated 21 September 2012, approved by the NBC ITG 2002 (R1) for non-profit entities.

The volunteer work provided to the Institute was measured on an estimated market value basis for the following services:

	2019	**2018**
Volunteer work performed by:		
Individuals	70 ,000	
Legal entities	330 ,000	
	400 ,000	

The amounts estimated in 2018 were considered to be negligible for record-taking and disclosing purposes.

25 Events after reporting period

The outbreak of a novel coronavirus strain (Sars-CoV-2) was reported in Wuhan, China in December 2019. The World Health Organization (WHO) declared COVID-19, the disease caused by the virus, a "public health emergency of international concern." The number of COVID-19 cases has grown rapidly and has already had a major impact on global and Brazilian financial markets and may be directly reflected in the price of financial assets invested by the Institute through its investments in trading securities (Note 6).

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EXPLANATION ON INSTITUTO SERRAPILHEIRA'S FINANCIAL STATEMENTS

Instituto Serrapilheira, headquartered in Rio de Janeiro, Rio de Janeiro (RJ), registered under CNPJ (corporate tax ID) number 23.827.151/0001-13, has supported its core activities through donations from its members since it was established on December 10, 2015.

In March 2016, out of concern for the Institute's perpetuity, the executive team and founding members created an endowment.

The endowment is exclusively made up of long-term NTN-Bs (inflation-linked bonds) that yield the Expanded Brazilian Consumer Price Index (IPCA) in addition to an interest rate. This interest rate is sufficient for covering Instituto Serrapilheira's overhead.

The net asset value of the NTN-Bs fluctuates with the market, which explains why the endowment may have appear to have financial profits or losses that could only be realizable from the sale of the bonds. Since these securities are not to be sold, given that they ensure the continuity of the Institute's basic activities, such profits or losses are merely stated for accounting purposes and have no impact whatsoever on the Institute's management.

Sincerely,

The Administration
Instituto Serrapilheira