

Individual and Consolidated Financial Statements

Associação Saúde Criança Renascer

December 31st, 2016 and 2015
with Independent Auditor's Report

Associação Saúde Criança Renascer

Financial Statements

December 31st, 2016 and 2015

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Independent Auditor's Report on Individual and Consolidated Financial Statements

Tom the Managers of
Associação Saúde Criança Renascer
Rio de Janeiro - RJ

Opinion

We have audited the financial statements of Associação Saúde Criança Renascer ("Entity"), which comprise the balance sheet as of December 31st, 2016, and the related income statement, comprehensive income statement, statement of changes in shareholders' equity, and cash flow statement for the year ended on that date, and relevant notes, including a summary of main accounting policies.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the equity and financial position of Associação Saúde Criança Renascer as of December 31st, 2016. It also presents fairly the performance of its operations and its cash flows for the year ended on that date, in accordance with accounting practices adopted in Brazil, including specific rules applicable to foundations and non-profit entities, in particular the CFC Resolution 1409/12 - Non-profit Entities.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. According to said standards, our responsibilities are described in the following section entitled "Auditor's Responsibilities regarding the Financial Statements Audit." We are independent from the Entity, in accordance with the relevant ethical principles set forth in the Professional Accountant's Code of Ethics and the professional standards issued by the Conselho Federal de Contabilidade (Brazilian Federal Board of Accountants), and we comply with all ethical responsibilities according to said norms. We believe that the audit evidence we have acquired is sufficient and appropriate to support our opinion.

Management and Governance Responsibilities for the Financial Statements

Management is responsible for the financial statements fair preparation and presentation in accordance with accounting practices adopted in Brazil, including specific rules applicable to foundations and non-profit entities, particularly the CFC Resolution 1409/12 - Non-profit Entities. Management is also responsible for the internal controls that it has determined as required to have the financial statements prepared free of material misstatement by fraud or error.



In preparing the financial statements, the Management is responsible for assessing the entity's ability to continue operating. Therefore, it must also disclose, when applicable, matters related to its operational continuity and the use of this accounting basis in the financial statements preparation, unless Management intends to liquidate the Entity or have its operations ceased, or has no realistic alternative to prevent operations from terminating.

Those responsible for the Entity's governance are those responsible for overseeing the financial statements preparation process.

Auditor's Responsibility of the Financial Statements Audit

Our objectives are to obtain reasonable assurance that the financial statements, when taken as a whole, are free from material misstatement by fraud or error, and convey our opinion through an audit report. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted in accordance with Brazilian and international auditing standards will always detect any relevant distortions. Distortions may be due to fraud or error, and are considered relevant when they can influence, either severally or jointly and from a reasonable perspective, the users' economic decisions based on said financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercised our professional judgment and maintained professional skepticism throughout the audit. Additionally:

- We identified and evaluated the risks of material financial statements misstatement by fraud or error; planned and implemented audit procedures in response to said risks; and acquired appropriate and sufficient audit evidence to support our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that resulting from error, since fraud may involve circumvention of internal controls, collusion, forgery, omission, or false intentional representations.
- We learned about internal controls that were relevant to the audit, in order to plan audit procedures that would be appropriate to the circumstances, but not to express an opinion on Entity's internal controls effectiveness.
- We evaluated the adequacy of accounting policies used and reasonableness of accounting estimates and respective disclosures made by Management.



- We have drawn a conclusion on the adequacy of Management's use of operational continuity accounting basis and, based on the audit evidence obtained, whether there is material uncertainty regarding events or conditions that may raise significant doubt on Company's capability for operational continuity. If we conclude that material uncertainty exists, then we should draw attention in our audit report to the respective financial statement disclosures or include changes in our opinion if said disclosures are inadequate. Our conclusions are based on audit evidences obtained up to the date of our report. However, future events or conditions may cause the Entity to lose its operational continuity.
- We evaluated the financial statements' overall presentation, structure, and content. We also evaluated disclosures and whether the financial statements represent the relevant transactions and events, and if they are consistent with the objective of producing an appropriate presentation.

We established communications with those in charge of governance regarding, but not limited to, audit's planned scope, timing, and significant findings, including any significant deficiency in internal controls identified during our work.

Rio de Janeiro, May 31st, 2017.

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

Wilson J. O. Moraes
Accountant CRC-1RJ107211/O-1

Associação Saúde Criança Renascer

Balance Sheet

December 31st, 2016 and 2015

(In thousands of Brazilian reais)

	Note	Parent Company		Consolidated	
		2016	2015	2016	2015
Assets					
Current assets					
Cash and cash equivalents	3	1,569	2,209	1,571	2,211
Marketable securities	4	7,481	6,826	7,488	6,828
Receivables		88	47	88	47
Retainers		15	28	15	28
Taxes to recover		4	3	4	3
Inventories		63	76	63	76
Prepaid expenses		2	2	2	2
Total current assets		9,222	9,191	9,231	9,195
Non- current assets					
Marketable securities	4	4,272	4,321	4,272	4,321
Fixed assets	5	7,568	6,181	7,568	6,181
Intangible		65	151	65	151
Total non-current assets		11,905	10,653	11,905	10,653
Total assets		21,127	19,844	21,136	19,848
Liabilities and shareholders' equity					
Current liabilities					
Contractors		92	147	101	151
Social and labor charges		31	51	31	51
Tax liabilities		37	32	37	32
Labor provisions		176	156	176	156
Obligations with incentive projects	6	378	1,394	378	1,394
Miscellaneous liabilities		2	3	2	3
Total current liabilities		716	1,783	725	1,787
Shareholder's equity					
Assets and Liabilities	8	18,061	16,361	18,061	16,361
Accrued surplus		2,350	1,700	2,350	1,700
Total shareholders' equity		20,411	18,061	20,411	18,061
Total liabilities and shareholders' equity		21,127	19,844	21,136	19,848

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

Associação Saúde Criança Renascer

Income Statement

Years ended December 31st, 2016 and 2015

(In thousands of Brazilian reais)

	Note	Parent Company		Consolidated	
		2016	2015	2016	2015
Operating income	9				
Assistance incomes		7,102	6,369	7,102	6,369
Sales of goods		644	620	644	620
Miscellaneous income		147	45	147	45
		7,893	7,034	7,893	7,034
Cost					
Costs of assistance	10	(2,617)	(2,639)	(2,617)	(2,639)
Cost of sales		(136)	(104)	(136)	(104)
		(2,753)	(2,743)	(2,753)	(2,743)
Gross surplus		5,140	4,291	5,140	4,291
General and administrative expenses	11	(4,405)	(3,742)	(4,458)	(3,756)
Services provided		(358)	(381)	(358)	(381)
Operating surplus		377	168	324	154
Financial income	12	2,104	1,881	2,157	1,895
Financial expenses	12	(131)	(349)	(131)	(349)
Financial result, net		1,973	1,532	2,026	1,546
Surplus for the year		2,350	1,700	2,350	1,700

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

Associação Saúde Criança Renascer

Comprehensive Income Statement
Years ended December 31st, 2016 and 2015
(In thousands of Brazilian reais)

	Parent company and consolidated	
	2016	2015
Surplus for the year	2,350	1,700
Other comprehensive income	-	-
Total comprehensive income for the year	2,350	1,700

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

Associação Saúde Criança Renascer

Statement of Changes in Shareholders' Equity
Years ended December 31st, 2016 and 2015
(In thousands of Brazilian reais)

	Equity social	Surplus (deficit) accumulated	Total
Balance as of December 31st, 2014	15,451	910	16,361
Incorporation of accumulated surplus	910	(910)	-
Surplus for the year	-	1,700	1,700
Balance as of December 31st, 2015	16,361	1,700	18,061
Incorporation of accumulated surplus	1,700	(1,700)	-
Surplus for the year	-	2,350	2,350
Balance as of December 31st, 2016	18,061	2,350	20,411

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

Associação Saúde Criança Renascer

Cash Flow Statement

Years ended December 31st, 2016 and 2015

(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	2016	2015	2016	2015
Cash flow from social activities				
Surplus for the year	2,350	1,700	2,350	1,700
Adjustments to reconcile the year's surplus with the cash flow from operating activities				
Financial result not realized	(1,800)	(1,441)	(1,800)	(1,441)
Depreciation and amortization	292	180	292	180
(Increase) decrease in assets and increase (decrease) in liabilities				
Inventories	13	(47)	13	(47)
Receivables	(41)	(19)	(41)	(19)
Retainers	13	(16)	13	(16)
Taxes to recover	(1)	(2)	(1)	(2)
Contractors	(55)	135	(55)	135
Tax liabilities	5	20	5	20
Labor and social charges provisions	1	7	1	7
Obligations with incentive projects	(1,016)	525	(1,016)	525
Miscellaneous	(1)	(5)	(1)	(5)
Net cash provided by (used in) operating activities	(240)	(1,037)	(240)	1,037
Cash flows from financing activities				
Income from Financial Investments	(47)	-	(47)	-
Net cash generated from (used in) financing activities	(47)	-	(47)	-
Cash flows from investing activities				
Redemption of securities	1,241	2,690	1,241	2,690
Acquisition of fixed assets and intangible assets	(1,594)	(2,709)	(1,594)	(2,709)
Net cash used in investing activities	(353)	(19)	(353)	(19)
Increase (decrease) in cash and cash equivalents	(640)	1,018	(640)	1,018
Cash and cash equivalents at beginning of the year	2,209	1,191	2,211	1,193
Cash and cash equivalents at the end of the year	1,569	2,209	1,571	2,211

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

Associação Saúde Criança Renascer

Notes to the Financial Statements
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

1. General information

The Associação Saúde Criança Renascer ("Associação") is a civil company of philanthropic character, established and domiciled in Brazil, with headquarters in Rio de Janeiro - RJ, organized on October 25th, 1991, to carry out social assistance and human development activities, and to provide support for needy children and their family at the Lagoa Hospital during hospitalization and, especially, after hospital discharge. This support is given when the families' socioeconomic deficiencies are verified, and the families are sent to the Association through an introduction letter from the Lagoa Hospital's multidisciplinary screening committee.

The Association is financially supported by spontaneous donations and members donations, which can be made in cash or items such as food, medicine, and clothing, and provision of services, among others means. In order to serve the families better, the Association implemented several social projects, such as Madrinha, Aconchego, and Moradia.

In order to achieve its objectives, the Associação Saúde Criança Renascer is organized around the following areas:

- Health - Donation of food, medicine, medical devices, among others, as well as free support for families by psychologists, psychiatrists, nutritionists, and social workers, with referrals to health units.
- Citizenship - Help to obtain documents and social and legal guidance, in order to guarantee the family access to basic rights of citizenship.
- Housing - Ensure that the family home has the minimum living conditions, such as running water, treated sewage, walls and roof without infiltrations, in short, provide a healthy environment in which the child can recover and maintain their health.
- Education - Family awareness about the importance of education for the future of children and parents, with follow-up of the child's school life and support in areas where need is detected.
- Income Generation - Professional courses according to the interests and abilities of those in charge of the family, so that the family can be self-supported and independent.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

1. General Information - Continued

The Associação Saúde Criança Renascer is exempt from income tax and social contribution tax, in accordance with the Act No. 9532/97, whose article 15 provides that the Association shall meet all the following conditions, in order to remain exempted:

- (a) Do not remunerate its leaders for the services provided, in any way.
- (b) Fully implement resources in maintaining and developing its social objectives.
- (c) Provide full bookkeeping of income and expenses in books prepared according to formalities that ensure their accuracy.
- (d) Maintain in good order, for a period of five years from the issue date, documents proving the origin of revenues and payment of expenses, as well as the performance of any other act or operation that would change its financial situation.
- (e) Submit the income statement annually.

2. Main accounting policies

The main accounting policies applied in the preparation of these financial statements are defined below. These policies were consistently applied in the years presented, unless otherwise indicated.

2.1. Preparation and presentation basis

On May 31st, 2017, the Executive Board authorized to be issued the individual and consolidated financial statements of Associação Saúde Criança Renascer for the year ended December 31st, 2016.

The Entity's individual and consolidated financial statements for the years ended December 31st, 2016 and 2015, were prepared and presented in accordance with accounting practices adopted in Brazil. Said practices include Pronouncements, Guidelines, and Interpretations issued by the CPC (Comitê de Pronunciamentos Contábeis, or Accounting Pronouncements Committee), and in the provisions applicable to non-profit entities issued by the CFC (Conselho Federal de Contabilidade, or Federal Board of Accountants), in particular the CFC Resolution 1409 - Non-profit Entities, dated September 21st, 2012.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

2. Summary of main accounting policies – Continued

2.2. Consolidation

As the Association has an exclusive fund, it presented consolidated financial statements, which include the consolidation of said fund. The Association has no controlled entities.

2.3. Functional currency and presentation currency

The financial statements are prepared in Brazilian reais, which is the functional currency of presentation.

2.4. Cash and cash equivalents

They include cash and bank deposits, stated at cost, and short-term and highly-liquidity financial investments with low exposure to value changes, stated at cost plus income earned through the balance sheet date, with the relevant year income as corresponding entry.

2.5. Financial assets

2.5.1. Classification

In the initial recording, the Association classifies its financial assets under the following categories: measured at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired mainly sale in the short term. Assets in this category are classified as current assets.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

2. Summary of main accounting policies – Continued

2.5. Financial assets - Continued

2.5.1. Classification --Continued

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those with a maturity of more than 12 months after the balance sheet date (these are classified as non-current assets). The loans and receivables of the Association comprise "Cash and cash equivalents" and "Accounts receivable", which essentially refers to sales by credit card.

2.5.2. Recording and measurement

Purchases and sales of financial assets are normally recorded on the trade date. Investments are initially recorded at fair value, plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recorded at fair value, and transaction costs are debited to the income statement. Financial assets are written-off when rights to receive cash flows expire, or are transferred; in the latter case, provided that the Association has significantly transferred all the risks and benefits of ownership. Financial assets measured at fair value through profit or loss are subsequently accounted for at fair value. Loans and receivables are recorded at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are presented in the operations statement under "Financial income, net" in the period in which they occur.

Dividends on financial assets measured at fair value through profit or loss are recorded in the income statement as part of "Financial income, net", when the right of the Association to receive dividends is established.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

2. Summary of main accounting policies – Continued

2.5. Financial assets - Continued

2.5.2. Recording and measurement -- Continued

The fair values of publicly traded investments are based on current purchase prices. If the market for a financial asset (and securities not listed in the Stock Exchange) is not active, the Association establishes the fair value through valuation techniques. Said techniques include the use of recent transactions with third parties, reference to other substantially similar instruments, analysis of discounted cash flows and option pricing models that make the most use of market-generated information and rely as little as possible on information generated by the Association's administration itself.

2.5.3. Impairment of financial assets

Assets measured at amortized cost

On the date of each balance sheet, the Association assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. An asset or group of financial assets is impaired, and impairment losses happen, only if there is objective evidence of impairment resulting from one or more events occurring after the initial recording of the assets (a "loss event") and said event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The impairment loss amount is measured as the difference between the assets' book value and the present value of the estimated future cash flows (excluding future credit losses that were not incurred), discounted at the original interest rate of the financial assets. The book value of the asset is reduced, and the amount of the loss is recorded in the Association's income statement.

2.5.4. Derivative financial instruments

There were no derivative financial instruments operations during 2016.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

2. Summary of main accounting policies – Continued

2.6. Inventories

Inventories represented by purchased inputs and finished products related to the "Anzol" project were valued at their cost value or realizable value, deducted, when applicable, by provision for losses on their realization, with a specific entry in year income as corresponding entry.

2.7. Permanent assets

Property, plant and equipment items are stated at historical cost less depreciation and any accumulated non-recoverable loss. Historical cost includes directly attributable expenses required to prepare the asset for the intended use by management.

Depreciation is calculated based on the straight-line method for cost allocation, less the residual value over life cycle, which is estimated as follows.

The estimated life cycles are:

Furniture and wares	10 years
Computers and peripherals	5 years
Facilities and equipment	10 years
Vehicles	10 years
Building	10 years

2.8. Intangible assets

Software licenses are capitalized based on costs incurred in acquiring the software and making it ready for use, and the same criteria applies to the software developed "on-demand" for the Association. Said costs are amortized over the software's estimated life cycle of five years. Costs related to software maintenance are recorded as expense, as incurred.

2.9. Provisions and current and non-current liabilities

A provision is recorded in the balance sheet when the Association has a legal or constituted obligation because of a past event, and it is probable that an economic resource will be required to meet said obligation. Provisions are recorded based on the best estimates for the risk involved.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
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2. Summary of main accounting policies – Continued

2.9. Provisions and current and non-current liabilities - Continued

Current and non-current liabilities are stated at known or estimated amounts, plus, when applicable, the related charges and monetary variations incurred until the balance sheet date.

2.10. Obligations with incentive projects

Contributions to the Association's projects carried out by the sponsors (agreements) are recorded in liability accounts and deducted from the expenses incurred by each project at each end of the month, with the revenue account of sponsored projects as corresponding entry. Such a policy is applied since the administration of the Association has the contractual obligation to comply with rules on the use of donations, as well as the obligation of accountability, and said obligations are reviewed and submitted to sponsors' approval.

Therefore, expenses and costs incurred in sponsors' projects that the Association manages are recorded in the same proportion of the revenues, so that, at the end of the year, said revenues and expenses do not influence the Association's exercise result.

2.11. Year surplus calculation and donations income recording

The year surplus is calculated in accordance with the accrual basis of accounting.

Income from donations and third-party voluntary contributions originate from individuals and legal entities donations. Said donations are accounted for when received, as it is not possible to determine their values and the dates they were received, or when they were used in educational projects that the Association develops.

The Association records revenue when: (i) the amount of revenue can be measured reliably; (ii) the Association may enjoy future economic benefits; and (iii) when specific criteria have been met for each of the Association's activities, as described below.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

2. Summary of main accounting policies – Continued

2.11. Year surplus calculation and donations income recording

--Continued

a) Related donations and agreements

Donations received and linked to projects are recorded as liabilities (Deferred Income) when received, and are appropriated to results on a monthly and linear basis, as resources are applied in accordance with the rules stipulated by donor/sponsor.

b) Financial income

Financial revenues essentially cover interest income on financial investments. Financial income is recorded through the effective interest rate method. Financial income from resources for projects is recorded as liabilities, if they have not been fully realized yet.

c) Gratuities

The Interpretation - ITG 2002 of the Federal Board of Accountants (CFC) determines the measurement and accounting of benefits granted as gratuities, such as: voluntary labor, exemption of real estate leases, tax exemptions, and contribution exemptions.

- (i) The voluntary labor value is measured by the Association's Management, based on values available in market and that the Association practices in similar services. The amount calculated in 2016 was BRL 444 (2015 - BRL 344).
- (ii) The amount of the federal tax exemptions and federal contributions exemptions is calculated based on the presumed profit methodology, as well the total revenue the Association received and on its payroll in terms of employer's INSS, as described in Note 2.12, in compliance with the Act no. 12101/2009. The amount recorded in 2016 was BRL 2,212 (2015 - BRL 1,825).
- (iii) The value of the Association headquarters' property lease exemption (Note 15) is calculated based on price of square meter available in the Rio de Janeiro real estate market. The amount calculated in 2016 was BRL 109 (2015 - BRL 145).

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

2. Summary of main accounting policies – Continued

2.11. Year surplus calculation and donations income recording

--Continued

c) Gratuities--Continued

None of the aforementioned amounts had the corresponding cash disbursement, and they were recorded in 2016 as revenue and expense/cost in the surplus statement, in equal amounts, with no effect on the year surplus.

2.12. Taxes and contributions

The Association is exempt from payment of Income Tax, Social Contribution, and COFINS (Contribuição para Financiamento da Seguridade Social, or Social Security Financing Contribution), and the INSS' employer quota.

Until November 2015, the Association collected PIS at 1% levied on the monthly payroll, as defined by Labor Legislation. However, the decision on the ORDINARY/TAX PROCEDURE - no. 0059775-49.2015.4.02.5101 (2015.51.01.059775-0) of November 6th, 2015, from the 7th Federal Court of Rio de Janeiro, declared that there was no legal relationship between the Association and the Union that could be subjected to tax assessment pursuant to Article 13, III, of Provisional Measure No. 2158-35/2001. Therefore, the Association has not collected the tax since then.

2.13. Cash Flow Statement

The cash flow statement was prepared according to the indirect method.

3. Cash and cash equivalents

	Parent Company		Consolidated	
	2016	2015	2016	2015
Cash	13	22	13	22
Banks	528	411	530	413
Financial investments (*)	1,028	1,776	1,028	1,776
	1,569	2,209	1,571	2,211

(*) Short-term, highly liquidity financial investments are readily convertible into a known amount of cash, and are subject to insignificant risk of value change. The Association has financial investments in referenced fixed income investment funds.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

4. Marketable securities

	Parent Company	
	2016	2015
At fair value through profit or loss		
Short term		
Saúde Criança FIM - investment abroad (a)	7,481	5,832
Riverside Fundo de Investimentos (b)	-	994
	7,481	6,826
Long term		
Saúde Criança FIM - investment abroad (a)	4,272	4,321
	4,272	4,321
	11,753	11,147

- (a) The Saúde Criança Multi-Market Investment Fund is an exclusive investment of the Association, and is part of the "Renascer para Sempre" project. This project aims at strengthen the Association's equity sustainability through a long-term policy, ensuring minimum financial stability for a good institutional performance without relying on erratic donations. Fund's resources are invested in Brazilian reais as follows:

	Parent Company	
	2016	2015
Matched transactions	478	49
Investment funds shares	7,010	5,785
Government bonds	4,272	4,321
Amounts payable	(9)	(4)
Availabilities	2	2
	11,753	10,153

- (b) The Riverside is Multi-Market Investment Funds Share Investment Fund organized as an open-ended condominium with an indefinite term, i.e., it is a pool of resources intended for investment in securities, as well as any other assets available in the financial market and capital market. In 2016, there is no fund balance, as the fund was fully redeemed (in 2015 BRL 994).

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
(In thousands of Brazilian reais)

5. Fixed assets

	Rate annual depreciation	2016			2015
		Cost	Accumulated depreciation	Net	Net
Buildings	4%	7,965	(434)	7,531	279
Facilities and equipment	10%	90	(71)	19	12
Machinery and equipment	10%	66	(66)	-	2
Furniture and wares	10%	64	(64)	-	5
Vehicles and accessories	20%	106	(106)	-	21
Computer equipment	20%	172	(154)	18	2
Communication equipment	20%	6	(6)	-	-
Fixed assets in progress		-	-	-	5,860
		8,469	(901)	7,568	6,181

Movements

	Rate annual depreciation	2015	Acquisitions	Low/ disposals	Transfers	Depreciation	2016
Buildings	4%	279	70	-	7,350	(168)	7,531
Facilities and equipment	10%	12	15	-	-	(8)	19
Machinery and equipment	10%	2	-	-	-	(2)	-
Furniture and wares	10%	5	-	-	-	(5)	-
Vehicles and accessories	20%	21	-	-	-	(21)	-
Computer equipment	20%	2	18	-	-	(2)	18
Communication equipment	20%	-	-	-	-	-	-
Fixed assets in progress (*)		5,860	1,490	-	(7,350)	-	-
		6,181	1,593	-	-	(206)	7,568

(*) The fixed assets in progress account recorded all expenses incurred in the purchase of the Association's new headquarters at Rua das Palmeiras, in Botafogo. The property was modernized to receive the Association's activities, all the expenses with the property purchase and related fees taxes were recorded in said account, the same occurred with expenses incurred in property renovation.

	Rate annual depreciation	2014	Acquisitions	Low/ disposals	Transfers	Depreciation	2015
Buildings	4%	301	-	-	-	(22)	279
Facilities and equipment	10%	20	-	-	-	(8)	12
Machinery and equipment	10%	8	-	-	-	(6)	2
Furniture and wares	10%	11	-	-	-	(6)	5
Vehicles and accessories	20%	42	-	-	-	(21)	21
Computer equipment	20%	13	18	-	-	(29)	2
Communication equipment	20%	1	-	-	-	(1)	-
Fixed assets in progress		3,169	2,691	-	-	-	5,860
		3,565	2,709	-	-	(93)	6,181

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
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6. Obligations with incentive projects

The projects to be incurred represent obligations that the Association regarding respective projects' implementation, because of financial resources already (partially or totally) received. The liabilities write-off is on monthly basis, with corresponding entry being the project revenue account, as the resources received are used in projects implementation. The composition on December 31st, 2016 and 2015 is as follows:

	Parent company and consolidated	
	2016	2015
White Martins Praxair Foundation (i)	-	592
Skoll Foundation (ii)	58	118
Johnson & Johnson Family of Companies (iii)	-	2
Construtora Queiroz Galvão S.A. (iv)	-	32
Ursula Zindel Hilti Stifling Foundation (v)	-	367
Johnson & Johnson Mamãe Bebê (vi)	243	245
Kinder (vii)	16	5
Metro (viii)	-	3
Air France (ix)	46	24
RWJF (x)	-	6
Mega Matte (xi)	15	-
	378	1,394

(i) White Martins - Praxair Foundation

"Criança" Project. In 2016, BRL 971 (2015 - BRL 984) were raised, and during 2016, BRL 1,563 (2015 - BRL 764) were realized, maintaining a zero balance (2015 - BRL 592) on December 31st, 2016.

(ii) Skoll Foundation

Projects called "Replicação" and "Fortalecimento". In 2016, there was no funding (as in 2015), and BRL 60 were realized in 2016 (2015 - BRL 60), maintaining on a balance on December 31st, 2016 of BRL 58 (2015 - BRL 118). A significant part of the Skoll Foundation's resources were employed in the development of an Assistance Service Software for the Association, and liabilities are being written off on a straight-line basis in accordance with the amortization of said software.

(iii) Johnson & Johnson Family of Companies

Projects called "Aconchego Mães" and "Aconchego Adolescentes". In 2016, there was no funding (as in 2015), and BRL 2 were realized in 2016 (2015 - BRL 95), resulting in a zero balance on December 31st, 2016 (2015 - BRL 2).

(iv) Construtora Queiroz Galvão S.A.

"Moradia" Project. In 2016, there was no funding (2015 - BRL 90), and BRL 32 were realized in 2016 (2015 - BRL 194), resulting in a zero balance on December 31st, 2016 (2015 - BRL 32).

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
December 31st, 2016 and 2015
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6. Obligations with incentive projects – Continued

(v) Ursula Zindel Hilti Stifling Foundation

Projects called "Replicação" and "Saúde", including indirect costs to carry out said projects. In 2016, BRL 792 were raised (2015 - BRL 623), and BRL 1,159 were realized (2015 - BRL 271), resulting in a zero balance on December 31st, 2016 (2015 - BRL 367).

(vi) J&J Mamãe Bebê Project

"Mãe e Bebê" project. During 2016, BRL 271 (2015 - BRL 305) were raised, and BRL 273 (2015 - BRL 84) were realized, with a balance of BRL 243 (2015 - BRL 245) on December 31st, 2016.

(vii) Kinder Project

"Bolsas" Project. During 2016, BRL 26 (2015 - BRL 28) were raised, and BRL 15 (2015 - BRL 24) were realized, with a balance of BRL 16 (2015 - BRL 5) on December 31st, 2016.

(viii) Metro Project

"Profissão Beleza" Project. During 2016, there was no funding (as in 2015), and BRL 2 were realized (no realization in 2015), resulting in a zero balance (2015 - BRL 2) on December 31st, 2016.

(ix) Air France Project

"Aconchego Adolescentes" project. During 2016, BRL 60 (2015 - BRL 29) were raised, and BRL 38 (2015 - BRL 5) were realized, with a balance of BRL 46 (2015 - BRL 24) on December 31st, 2016.

(x) RWJF Project

"Profissionalizante" project, during 2016, there was no funding (as in 2015), and BRL 6 were realized (2015 - BRL 5), resulting in a zero balance on December 31st, 2016 (2015 - BRL 6).

(xi) Mega Matte Project

"Profissionalizante" Project. During 2016, BRL 30 were raised, and BRL 15 were realized, with a balance of BRL 15 on December 31st, 2016.

7. Contingencies

Based on the opinion of its legal advisors, the Association's Management concludes that there is no litigation or claim against the Association on December 31st, 2016. Additionally, there is no other fact that may be considered contingency.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
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8. Assets and Liabilities

It is the initial equity resulting from initial funding from founders, plus surpluses (deficits) calculated since the organization date.

The result of the fiscal year is incorporated into equity during the following year, after approval from Board of Auditors in accordance with Bylaws.

The income generated by the Associação Saúde Criança Renascer is fully employed in its social objectives commented on in Note 1.

In the event of extinction of the Association, which will happen only after approval by two thirds of the shareholders' meeting attendees, the assets will be assigned to another non-profit association of a similar nature and registered with the CNAS (Conselho Nacional de Assistência Social, or National Board of Social Assistance), after the Government Attorney's Office approves.

9. Incomes

The Association develops assistance projects that serve the community. Expenses and disbursements related to said projects for the years 2016 and 2015, as well as the base revenue, are as follows:

	<u>Parent company and consolidated</u>	
	<u>2016</u>	<u>2015</u>
Income from donations		
Income from donations from individuals and corporate entities	1,172	2,327
Income from tax exemption and subsidy	2,321	2,163
Revenue from voluntary work	444	344
Sales of goods	644	620
	<u>4,581</u>	<u>5,454</u>
Income from programs and projects donations		
White Martins Praxair Foundation	1,563	764
Ursula Zindel Hilti Stifling Foundation	1,159	271
Construtora Queiroz Galvão S.A.	32	194
RWJF Project	6	6
Johnson & Johnson Family of Companies	2	95
Unimed Rio Coop. de Trab. Médicos do Rio de Janeiro	-	11
Concessão Metroviária do Rio de Janeiro S.A. - MetrôRio	2	-
Kinder	15	24
Skoll Foundation	60	60
J&J Mamãe Bebê Project	273	84
Unesco	-	18
Vale Project	-	3
Air France Project	38	5
Mega Matte Project	15	-
	<u>3,165</u>	<u>1,535</u>
Total revenue from incentive projects		
	<u>147</u>	<u>45</u>
Miscellaneous income		
	<u>7,893</u>	<u>7,034</u>
Total operating revenues		

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
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10. Costs of assistance

	Parent company and consolidated	
	2016	2015
Staff costs - assistance	871	767
Health (medicine and food) - families	771	655
Cost of public services and occupation - assistance	117	155
Staff charges - assistance	112	149
Courses and trainings - families	16	28
Housing - maintenance, repair, and rentals - families	143	162
Transportation - families	88	97
Donations to families	75	38
Services provided - families	18	21
General costs - assistance	41	47
Donation of work tools - family	6	2
Professional services - assistance	85	85
Course material - family	11	6
Medical examinations - families	38	24
Cost of communication - assistance	-	-
Basic basket - families	-	3
Costs of assistance/gratuities - service	2,392	2,239
Transfers from projects to similar entities	52	232
Staff costs - replication	106	126
General replication costs	53	30
Staff charges - replication	14	12
Costs of assistance - replication (a)	225	400
Costs of assistance	2,617	2,639

(a) The replication costs refer to expenses with financing of programs the Association develops. Said programs are aimed at reproducing in related Entities the Association's same proven methodology and form of action.

The Association Management understands that the resources allocated to activities are adequate and meet the requirements of the Act 12101/09. The calculations approval and the Association assumptions are subject to delivery of disbursement accounts to the CNAS (Conselho Nacional de Assistência Social, or National Board of Social Assistance).

Social Assistance Beneficent Association Certificate

On August 16th, 1995, the National Board of Social Assistance certified that the Associação Saúde Criança Renascer is registered with that office pursuant to Resolution No. 83/95 of August 1995, published in the Federal Official Gazette of August 18th, 1995, based on decision on procedures no. 28990.014753/1994-60.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
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10. Costs of assistance - Continued

On August 27th, 2014, the National Board of Social Assistance granted the Associação Saúde Criança Renascer the CEBAS (Certificado de Entidade Beneficente de Assistência Social, or Social Assistance Beneficent Association Certificate), valid from March 18th, 2010 to March 17th, 2015.

The Association timely filed the application for renewal of said certification on March 13th, 2015. The certificate is valid until there is a decision on procedures, pursuant to art. 24, paragraph 2 of the Act no. 12101, of November 30th, 2009, and art. 8 of Decree No. 8242, of May 23rd, 2014.

11. General and administrative expenses

	Parent Company		Consolidated	
	2016	2015	2016	2015
Personnel expenses	1,217	1,092	1,217	1,092
General and administrative expenses	900	544	953	558
Expenses with voluntary work	76	88	76	88
Provision for exempt taxes (i)	2,212	2,018	2,212	2,018
	4,405	3,742	4,458	3,756

- (i) Values related to the following taxes: Tax on services (ISS), Tax on goods and services circulation (ICMS), Social integration program (PIS), Contribution for social security financing (COFINS), Social Security (INSS), Corporate income tax (IRPJ), and Social Contribution (CSLL), as described in Note 2.11.

12. Net financial result

	Parent Company		Consolidated	
	2016	2015	2016	2015
Financial income				
Financial investments	2,074	1,861	2,127	1,875
Miscellaneous income	30	20	30	20
	2,104	1,881	2,157	1,895
Financial expenses				
Bank expenses	(56)	(52)	(56)	(52)
Losses on investments (*)	(55)	(265)	(55)	(265)
Miscellaneous expenses	(20)	(32)	(20)	(32)
	(131)	(349)	(131)	(349)
	1,973	1,532	2,026	1,546

- (*) Losses with investments in 2016 and 2015 were essentially due to securities devaluation.

Associação Saúde Criança Renascer

Notes to the financial statements - Continued
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13. Insurance coverage

The Association's policy require the purchase of insurance against fire and miscellaneous risks for fixed assets, in amounts considered sufficient to cover any claim, and said amounts were established by expert guidance and take into consideration the nature of activities and the degree of risk involved. Given the nature of risk assumptions adopted, they are in the scope of financial statements audit, and consequently were not examined by our independent auditors.

The Association has insurance coverage as follows:

- a) Property - Rua Jardim Botânico, 414, Rio de Janeiro - RJ: Events: fire, lightning and explosions of any kind - BRL 500; theft and/or qualified theft of goods and merchandise - BRL 5; electric damages - BRL 20; gale - BRL 5.
- b) Property - Rua Jardim Botânico, 86, Rio de Janeiro - RJ: Events: fire, lightning and explosions of any kind - BRL 350; theft and/or qualified theft of goods and merchandise - BRL 5; electric damages - BRL 20; gale - BRL 5.
- c) Vehicles - VW Kombi (2013) and Fiat Uno Mille (2013)
- d) Property - Rua das Palmeiras, 65, Rio de Janeiro - RJ: Events: fire, lightning and explosions of any kind - BRL 1,500; theft and/or qualified theft of goods and merchandise - BRL 80; electric damages - BRL 30; gale - BRL 5.

14. Miscellaneous information

- a) Real property - headquarters

The Associação Saúde Criança Renascer changed its headquarters on October 03rd, 2016, to Rua das Palmeiras, 65, Botafogo, in the city of Rio de Janeiro. Now the Association is installed in a building of its own acquired on September 06th, 2013. Said building was in being renovated, and the former headquarters at Rua Jardim Botânico, 414, Parque Lage, in the city of Rio de Janeiro, a building provided by the Federal Government, by means of a free-use assignment agreement dated May 23rd, 2002, and the authorization published in the Federal Official Gazette, Section I, of August 6th, 1999. The term of occupation was indeterminate, but said property was returned to Instituto Chico Mendes de Biodiversidade - ICM-Bio on November 23rd, 2016 totally vacant and free of people and goods, and in perfect use conditions.

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14. Miscellaneous information - Continued

a) Real property - headquarters - Continued

This property is part of Rio de Janeiro city's historic cultural heritage. The Association is responsible for its conservation according to specifications and guidelines from the IPHAN (Instituto do Patrimônio Histórico e Artístico Nacional, or National Historical and Artistic Heritage Institute). The property is also subject to regulations from the IBAMA (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis, or Brazilian Institute for the Environment and Renewable Natural Resources). Accordingly, all property maintenance expenses are recorded as a corresponding entry against income, and until the date these financial statements were completed, there was no obligation to be recorded due to possible eviction from property.

b) Sureties, bonds, and guarantees

The Association delivered no guarantees, neither took part in any transactions as guarantor, during the 2016 and 2015 financial years.