

# INSTITUTE FOR HEALTH POLICY STUDIES

Financial statements on  
December 31, 2020 and 2019

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KPMG Independent Auditors  
Rua do Passeio, 38 - Sector 2 - 17th floor - Downtown  
20021-290 - Rio de Janeiro/RJ - Brazil  
PO Box 2888 - CEP 20001-970 - Rio de Janeiro/RJ - Brazil  
Telephone: +55 (21) 2207-9400  
kpmg.com.br

### **Independent Auditor's Report on the Financial Statements**

To the Members and Directors of the  
**INSTITUTE FOR HEALTH POLICY STUDIES**  
Rio de Janeiro - RJ

#### **Opinion**

We have examined the financial statements of the Instituto de Estudos para Políticas de Saúde ("IEPS" or "Institute"), which comprise the balance sheet on December 31, 2020 and the respective statements of income, comprehensive income, changes in equity and cash flows for the year ended on this date, as well as the corresponding explanatory notes, including significant accounting policies and other clarifying information.

In our opinion, the aforementioned financial statements fairly present, in all material respects, the equity and financial position of the Institute on December 31, 2020, the performance of its operations and its respective cash flows for the year then ended on that date, in accordance with accounting practices adopted in Brazil applicable to small and medium-sized companies.

#### **Basis for Opinion**

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities under these standards are described in the section below entitled "Auditors' Responsibility for the Audit of the Financial Statements". We are independent from the Institute, in accordance with the relevant ethical principles set out in the Accountant's Code of Professional Ethics and in the professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Management and Governance Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil applicable to small



and medium-sized companies, and for the internal controls that it has determined to be necessary to enable the preparation of financial statements free from material misstatement, regardless of whether caused by fraud or error.

In preparing the financial statements, Management is responsible for evaluating the Institute's ability to continue to operate, disclosing, when applicable, matters related to its going concern and the use of this accounting basis in the preparation of the financial statements, unless the Management intends to liquidate the Institute and its subsidiaries or to cease operations, or has no realistic alternative to avoid closing operations.

Those responsible for the administration of the Institute are also responsible for supervising the process of preparing the financial statements.

### **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit performed in accordance with Brazilian and international auditing standards always detects any material misstatements that may exist. Misstatements may result from fraud or error and are considered material when, individually or jointly, may influence, within a reasonable perspective, the economic decisions of users based on the aforementioned financial statements.

As part of the audit performed in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatement in the financial statements, whether caused by fraud or error, plan and perform audit procedures in response to such risks, and obtain sufficient appropriate audit evidence on which to base our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that arising from error, as fraud may involve the act of circumventing internal controls, collusion, falsification, omission or intentional misrepresentation.
- We obtain an understanding of internal controls 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 controls.
- We evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the adequacy of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty in relation to events or conditions that may raise significant doubt in relation to the company's ability to continue as a going concern. If we conclude that there is material uncertainty, we must draw attention in our audit report to the related disclosures in the financial statements or include a modification of our opinion if the disclosures are



inadequate. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent related transactions and events in a manner consistent with the objective of fair presentation.

We communicate with management regarding, among other aspects, the planned scope, timing of the audit and significant audit findings, including any relevant deficiencies in internal controls that we identify during our work.

Rio de Janeiro, June 23, 2021.

KPMG Independent Auditors  
CRC SP-014428/O-6 F-RJ

Thiago de Barros Albuquerque  
Accountant CRC-RJ-115847/O-1

## INSTITUTE FOR HEALTH POLICY STUDIES - IEPS

CNPJ No. 32.121.994/0001-90 (Headquarters Rio de Janeiro) and 32.121.994/0002-71 (São Paulo Branch)

### Balance Sheets

Fiscal year ended on December 31, 2020 and 2019

(Values expressed in Reais - BRL)

ASSETS	Note	2021	2020	LIABILITIES	Note	2021	2020
<b>CURRENT</b>				<b>CURRENT</b>			
Cash and cash equivalents	4	11,980	14,898	Accounts payable	8	39,530	2,450,000
Marketable securities	5	561,418	38,454	Tax obligations		677	104
Receivables		1,023	232	Labor and social obligations	9	104,439	50,813
Donations to receive	6	1,169,157	-	Resources for social projects	10	1,438,790	-
		<b>1,743,578</b>	<b>53,584</b>			<b>1,583,436</b>	<b>2,500,813</b>
<b>NON-CURRENT</b>				<b>NON-CURRENT</b>			
Donations to receive	6	2,234,843	-	Resources for social projects	10	2,234,843	-
Fixed asset	7	425,870	477,208			<b>2,234,843</b>	-
Intangible	7	18,326	19,745	<b>NET WORTH</b>			
		<b>2,679,039</b>	<b>496,954</b>	Equity	11	(1,950,379)	-
				Surplus/(deficit) for the year		2,554,717	(1,950,379)
						<b>604,338</b>	<b>(1,950,379)</b>
<b>TOTAL ASSETS</b>		<b>4,422,617</b>	<b>550,537</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,422,617</b>	<b>550,537</b>

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

**INSTITUTE FOR HEALTH POLICY STUDIES - IEPS**

CNPJ No. 32.121.994/0001-90 (Headquarters Rio de Janeiro) and 32.121.994/0002-71 (São Paulo Branch)

**Income Statement****Fiscal year ended on December 31, 2020 and 2019***(Values expressed in Reais - BRL)*

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>OPERATING INCOME</b>		<b>5,780,867</b>	<b>-</b>
<b>With restrictions</b>		<b>38,367</b>	<b>-</b>
Social Programs and Projects		38,367	-
<b>No restrictions</b>		<b>5,742,500</b>	<b>-</b>
Contributions and Voluntary Donations		5,700,000	-
Service Rendering		42,500	-
<b>COST OF SOCIAL ACTIVITIES</b>		<b>(1,764,303)</b>	<b>(187,500)</b>
Program Activities	12	(1,764,303)	(187,500)
<b>GROSS BALANCE</b>		<b>4,016,564</b>	<b>(187,500)</b>
<b>OPERATIONAL EXPENSES</b>		<b>(1,461,847)</b>	<b>(1,762,879)</b>
Personnel expenses	13	(878,388)	(812,684)
Services provided	14	(142,224)	(568,938)
Travel expenses		(3,858)	(21,774)
General and Administrative Expenses	15	(325,645)	(289,312)
Depreciation and amortization	7	(115,630)	(75,008)
Charges and Taxes		(13,162)	-
Net Financial Result	16	17,060	4,837
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>2,554,717</b>	<b>(1,950,379)</b>

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

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**INSTITUTE FOR HEALTH POLICY STUDIES - IEPS**

CNPJ No. 32.121.994/0001-90 (Headquarters Rio de Janeiro) and 32.121.994/0002-71 (São Paulo Branch)

**Comprehensive Income Statement**

Fiscal year ended on December 31, 2020 and 2019

*(Values expressed in Reais - BRL)*

	<u>2020</u>	<u>2019</u>
Surplus/(deficit) for the Year	<b>2,554,717</b>	<b>(1,950,379)</b>
Other comprehensive results	<u>-</u>	<u>-</u>
<b>Comprehensive results for the year</b>	<b><u>2,554,717</u></b>	<b><u>(1,950,379)</u></b>

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

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## INSTITUTE FOR HEALTH POLICY STUDIES - IEPS

CNPJ No. 32.121.994/0001-90 (Headquarters Rio de Janeiro) and 32.121.994/0002-71 (São Paulo Branch)

### Statement of Changes in Equity

Fiscal year ended on December 31, 2020 and 2019

(Values expressed in Reais - BRL)

	Equity	Surplus	Total Net Worth
<b>Balances on December 31, 2018</b>	-	-	-
Deficit of the year ended on December 31, 2019	-	(1,950,379)	(1,950,379)
<b>Balances on December 31, 2019</b>	-	<b>(1,950,379)</b>	<b>(1,950,379)</b>
Incorporation of the previous year's Deficit	(1,950,379)	1,950,379	-
Surplus of the year ended on December 31, 2020	-	2,554,717	2,554,717
<b>Balances on December 31, 2020</b>	<b>(1,950,379)</b>	<b>2,554,717</b>	<b>604,338</b>

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

## INSTITUTE FOR HEALTH POLICY STUDIES - IEPS

CNPJ No. 32.121.994/0001-90 (Headquarters Rio de Janeiro) and 32.121.994/0002-71 (São Paulo Branch)

### Statement of Cash Flows

Fiscal year ended on December 31, 2020 and 2019

(Values expressed in Reais - BRL)

	2020	2019
<b>Cash flow from operating activities</b>		
Surplus/(deficit) for the year	2,554,717	(1,950,379)
<b>Adjustments to reconcile surplus to cash flow from operating activities:</b>		
Depreciation/Amortization	115,630	75,008
<b>Surplus/(deficit) for the Adjusted Period</b>	<b>2,670,347</b>	<b>(1,875,371)</b>
<b>(Increase) Decrease in Assets</b>		
Receivables	(791)	(232)
Marketable securities	(522,965)	(38,454)
	<b>(523,755)</b>	<b>(38,686)</b>
<b>Increase (Decrease) of Liabilities</b>		
Labor, fiscal and social obligations	54,200	50,916
Accounts payable	(2,410,470)	2,450,000
Resources for social projects	3,673,633	-
	<b>1,317,363</b>	<b>2,500,916</b>
<b>Net cash from operating activities</b>	<b>3,463,954</b>	<b>586,860</b>
<b>Cash flow from investment activities</b>		
Acquisition of assets (fixed and intangible assets)	(62,872)	(571,962)
<b>Net cash from investment activities</b>	<b>(62,872)</b>	<b>(571,962)</b>
<b>Cash flow from financing activities</b>		
Donations to receive	(3,404,000)	-
<b>Net cash from financing activities</b>	<b>(3,404,000)</b>	<b>-</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(2,918)</b>	<b>14,898</b>
<b>Opening balance of cash and cash equivalents</b>	<b>14,898</b>	<b>-</b>
<b>Closing balance of cash and cash equivalents</b>	<b>11,980</b>	<b>14,898</b>
<b>Increase in cash and cash equivalents</b>	<b>(2,918)</b>	<b>14,898</b>

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

## 1. **SOCIAL CONTEXT**

The Institute for Health Policy Studies (“IEPS” or “Institute”), constituted on October 10, 2018 under the corporate name of Instituto de Estudos da Saúde, had its corporate name changed on July 1, 2019, upon approval at the Extraordinary General Meeting of its Founding Members, and its first advance of donations on January 16, 2019.

The Institute is a non-profit, independent and non-partisan civil association, headquartered in Rio de Janeiro, at Avenida Ataulfo de Paiva, n° 1100, 7th floor, part, Leblon, with a branch in São Paulo, at Rua Itapeva, n° 286, room 81 to 84, Bela Vista.

IEPS has as its corporate purpose the analysis of the health sector in Brazil and its components, with a view to contributing to the improvement of public policies relevant to the area.

The Institute defends the idea that the entire Brazilian population should have access to quality health care and that the use of resources and the regulation of the health system should be as effective as possible. And we advocate that access to health should respect the principle of equity, with the Brazilian State playing a relevant role, of a distributive nature, in this process.

Initially, IEPS will have four axes of action:

1. Scientific research production
2. Formulation of public policy proposals
3. Strengthening of the public administration
4. Promotion of a culture of health

The Institute also proposes to be a meeting and articulation space that facilitates and encourages an open dialogue on all matters related to the health system, rigorous research and coherence in the formulation of public health policies.

The Institute has an indefinite duration and its dissolution can only be effected by means of a decision in an Extraordinary General Meeting, specially convened for this purpose, when it becomes impossible to continue with its activities.

In the event of its social dissolution, the remaining assets will be allocated to another non-profit entity, preferably with the same purpose, under the terms of the applicable legislation.

To manage its activities, the Institute has the following structure:

- a. The General Meeting is the sovereign body - the meeting of members, held with the purpose of deliberating on matters of interest to IEPS.
- b. The Executive Board (Officers) is the body responsible for the management and representation of IEPS. It consists of 1 CEO, 1 Research Officer, 1 Public Policy officer and 1 Administrative-Financial Officer. The term of office of the Executive Board is three years, reelection permitted.

- c. The Advisory Board is an advisory body for the Board of Directors and Founding Members, composed of at least 3 members, with a term of office of 3 (three) years, reelection permitted.
- d. The Supervisory Board is a collegiate body, composed of 2 (two) members, with a term of office of 3 (three) years, reelection permitted.

**COVID-19:** The institution, together with its members and collaborators, continues to do its part to prevent the spread of COVID-19.

Following the recommendations and guidelines of the Ministry of Health and also of the state (Rio de Janeiro and São Paulo) and municipal governments (Rio de Janeiro and São Paulo), where its offices are located, the institution implemented measures in order to preserve and ensure the health and safety of its employees and collaborators. In this sense, since March/20, a telework regime was adopted, face-to-face events were canceled and travel reduced, the use of teleconferencing and videoconferencing technologies was adopted for internal and external meetings.

**Impacts of COVID-19** - Even with the unprecedented situation and the impact of the pandemic on the economy, the institution maintained its operations at stable levels, ensuring the normality of the activities planned for the year 2021.

**Continuity of activities and effects of the COVID-19 pandemic** - The leadership, in the management and monitoring of risks, with the help of existing structures and based on the information existing at the time of this assessment, did not identify any evidence of events that could interrupt its operations in the foreseeable future.

## **2. BASIS FOR PREPARATION**

### **a) Declaration of Conformity**

The financial statements were prepared in accordance with accounting practices adopted in Brazil and applicable to small and medium-sized companies (Federal Accounting Council Resolution - CFC No. 1255/09, NBC TG (R1) 1000 - Accounting for Small and Medium-sized Companies, which approved the PME technical pronouncement of the Accounting Pronouncements Committee - CPC) and in accordance with CFC Resolution No. 1,409/12, of September 21, 2012, which approved ITG 2002 - Non-profit entities, amended and consolidated on August 21 of 2015 as ITG 2002 (R1).

The Institute's Management authorized the issuance of the financial statements on June 18, 2021.

### **b) Basis for Measurement**

The Institute's financial statements were prepared based on historical cost, except for non-derivative financial instruments designated at fair value through profit or loss, measured at fair value as described in the accounting practices below.

**c) Functional Currency and Presentation Currency**

The Institute's financial statements are presented in Brazilian Real, which is the Institute's functional currency. All financial information presented in Brazilian Reals (BRL) has been rounded, unless otherwise indicated.

**d) Use of Estimates and Judgment**

The cases where the management had to use judgment to determine the value of items in the financial statements refer to the determination of the concept of useful life of property, plant and equipment and provisions for labor liabilities.

**3. KEY ACCOUNTING PRACTICES**

The accounting policies described in detail below have been applied consistently to all years presented in these financial statements.

**a. Financial instruments**

**(i) *Non-derivative financial assets***

The Institute recognizes loans, receivables and deposits initially on the date they were originated. All other financial assets are initially recognized on the trade date when IEPS becomes a party to the contractual provisions of the instrument.

*Financial assets recorded at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is identified as held for trading and designated as such at the time of initial recognition. Financial assets are designated at fair value through profit or loss if the Institute manages its investments and makes purchase and sale decisions based on their fair values in accordance with documented risk management and investment strategies. Transaction costs, after initial recognition, are recognized in the form of profit or loss when incurred. They are measured at fair value and changes in the fair value of these assets are recognized in profit or loss for the year.

*Loans and Receivables*

These are financial assets with fixed and calculable payments that are not quoted in the active market. Such assets are initially recognized at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

*Cash and cash equivalents*

They comprise the amounts of cash and financial investments available in bank accounts with unrestricted movement. These investments are classified in the "Financial assets at fair value through profit or loss" category.

**(ii) Non-derivative financial liabilities**

The Institute recognizes loans, receivables and deposits initially on the date they were originated. The Institute writes off a financial liability when its contractual obligations are withdrawn, canceled or expired.

Financial assets and financial liabilities are offset and the net amount is presented on the balance sheet when, and only when, it has the legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

On December 31, 2020 and 2019, the Institute had the following non-derivative financial liabilities: accounts payable, labor and social obligations and funds for social projects.

Such financial liabilities are initially recognized at fair value plus any attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

**b. Determination of results and recognition of income and expenses**

Donations and contributions received for operational funding are accounted for in revenue accounts, which are divided into Restricted Income and Unrestricted Income.

Receipt of resources with restrictions – records the resources received, signed in contractual instruments and destined to the social activities developed by the Institute. They are recognized as an obligation of the Institute to donors and are initially accounted for as liabilities. These obligations are added to income accounts as of the actual realization of the expenses.

Receipt of unrestricted resources – records the resources from service provision and voluntary contributions and donations. Revenues from voluntary donations vary depending on the level of assistance the donor is willing to provide to the Institute. These resources are recorded directly in the income statement, under Operating Income.

Expenses are recognized in accordance with the accrual basis of accounting.

**c. Derivative financial instruments**

There were no transactions with derivative financial instruments during the years ended December 31, 2020 and 2019, including hedging transactions.

**d. Fixed assets**

**(i) Recognition and measurement**

Property, plant and equipment items are measured at the historical cost of acquisition or construction, less accumulated depreciation and accumulated impairment losses, when necessary. Costs include expenses that are directly attributable to the acquisition of an asset.

An item of property, plant and equipment is written off after disposal or when there are no future economic benefits resulting from the continued use of the asset. Gains and losses on the write-off or sale of an item of property, plant and equipment, calculated as the difference between the proceeds from the sale and the book value of the property, plant and equipment, are recognized in other operating income/expenses in profit or loss.

**(ii) Depreciation**

Depreciation of property, plant and equipment items is recognized based on the estimated economic useful life of each asset using the straight-line method.

Property, plant and equipment items are depreciated from the date they are installed and available for use, or in the case of assets built in-house, from the day construction is completed and the asset is available for use. Depreciation methods, useful life and residual values will be reviewed at each financial year end and any adjustments are recognized as changes in accounting estimates.

The estimated useful lives for the current year are as follows:

	2020	2019
Furniture and utensils	10 years	10 years
IT equipment	5 years	5 years
Improvements to third-party properties	42 months	42 months

**e. Intangibles**

Intangible assets comprise assets acquired from third parties (software) and are measured at total acquisition cost. Amortization was calculated using the straight-line method, with an estimated useful life of 5 years.

**f. Reduction to recoverable value**

A financial asset not measured at fair value through profit or loss is evaluated at each reporting date to determine whether there is objective evidence that an impairment loss has occurred. An asset is impaired if objective evidence indicates that a loss event occurred after initial recognition of the asset and that loss event had a negative effect on projected future cash flows that can be estimated reliably. The Institute did not identify any asset with a reduction in its recoverable value.

**g. Current and non-current liabilities**

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

**h. Equity**

Represents the Institute's initial equity, plus or minus the surpluses/deficits calculated monthly since the date of its incorporation, fully employed in the Institute's social objectives.

**i. Tax obligations, immunities and exemptions**

The Institute, for its purpose and objectives and for meeting the requirements of the legislation in force (Article 15 of Law No. 9532/97 and Article 170 of the Income Tax Regulation - RIR), has exemption from Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL). The income and capital gains earned on financial investments that, according to the tax rules, are withheld at source are not covered by the income tax exemption.

**j. Calculation of surplus or deficit**

Expenses are recognized in accordance with the accrual basis of accounting.

**4. CASH AND CASH EQUIVALENTS**

The bank account is used to receive funds from the Institution's operations and settle current expenses, with no restrictions, as well as legal blocks for their transactions.

<b>Description</b>	<b>2020</b>	<b>2019</b>
Cash and banks	11.980	14.898
	<u>11.980</u>	<u>14.898</u>

**5. MARKETABLE SECURITIES**

The Institute has financial investments that refer substantially to investments in Fixed Income Funds, detailed below:

<b>Description</b>	<b>2020</b>	<b>2019</b>
Financial Investments - Fixed Income Fund	561.418	38.454
	<u>561.418</u>	<u>38.454</u>

**6. DONATIONS TO RECEIVE**

Funds from donations receivable, intended for the execution of statutory activities and signed in contractual instruments, are recognized as assets in return for an obligation of the Institute towards donors and/or partners. These obligations are recognized in the income statement according to the realization of expenses provided for in the contract signed.

The amounts related to the donations of international funds are converted into reais (BRL), using the exchange rates on the effective dates of the contracts, incorporating the exchange variations that occurred up to the balance sheet closing date.

The transfer of funds by the donor is conditioned to proof of the activities performed, which is carried out by sending the periodic rendering of accounts and presentation of audited financial statements.



The Institute has donations receivable, divided into short-term and long-term, which are detailed below:

Description	2020	2019
Donations receivable - short term	1.169.157	-
Donations receivable - long term	2.234.843	-
	<u>3.404.000</u>	<u>-</u>

The amounts refer to appropriations of Umane's donation contracts.

## 7. FIXED ASSETS

Description	Annual Depreciation Rates	Net Value 12/31/2019	Acquisitions	Write-offs	Depreciation/Amortization	Net Value 12/31/2020
IT equipment	20%	113.695	55.975	-	(30.433)	139.238
Furniture and utensils	10%	175.928	3.765	-	(19.672)	160.021
Machinery and equipment	20%	28.331	-	-	(3.063)	25.268
Improvements to third-party properties		159.255	-	-	(57.911)	101.344
<b>Total Fixed Assets</b>		<u>477.209</u>	<u>59.740</u>	<u>-</u>	<u>(111.079)</u>	<u>425.870</u>
Intangible - Software	20%	19.745	3.132	-	(4.551)	18.326
<b>Total intangibles</b>		<u>19.745</u>	<u>3.132</u>	<u>-</u>	<u>(4.551)</u>	<u>18.326</u>

Improvements in third-party properties are amortized based on the term of the property's lease agreement.

The Institute did not identify signs of devaluation of the recoverable value of its fixed assets, as provided for in the CPC PME.

## 8. ACCOUNTS PAYABLE

Advances granted in 2019 by one of the Institution's Funding Members were paid off in July 2020. In May 2020, SEFAZ-RJ (Rio de Janeiro State Treasury Department) granted the request for recognition of tax exemption for donations received.

Description	2020	2019
Suppliers	9.898	-
Third-party advances	-	2.450.000
Members compensation	29.632	-
	<u>29.632</u>	<u>2.450.000</u>

## 9. LABOR AND SOCIAL OBLIGATIONS PAYABLE

<u>Description</u>	<u>2020</u>	<u>2019</u>
Provisioning for vacations	104.439	50.813
	<u>104.439</u>	<u>50.813</u>

## 10. RESOURCES FOR SOCIAL PROJECTS

The Institute has donations receivable, divided into short-term and long-term, which are detailed below:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Donation resources - short term	1.438.790	-
Donation resources - long term	2.234.843	-
	<u>3.673.633</u>	<u>-</u>

The amounts refer to appropriations of Umane's donation contracts (<https://umane.org.br/>). The Umane-IEPS partnership, recorded in a donation contract, which contains a detailed work plan, has as its general objective the design and implementation of a series of projects, research and diagnoses in public policies, in addition to activities to raise awareness of the Executive, Legislative and and Judiciary branches, focusing on Primary Health Care.

## 11. EQUITY

IEPS equity is represented by funds originated from the annual results and from the donations of goods and resources received, to be used in the achievement of the social objectives of the Institute.

In the event that the Institute loses the attribution conferred by Law No. 9,790 of March 23, 1999, the Institute's assets must be transferred to other qualified legal entity(ies).

The Articles of Incorporation prohibit the distribution of any portion of the social equity or the surplus calculated, and must be applied solely to the Institute's operations.

## 12. PROGRAM ACTIVITIES

Description	2020	2019
Scholarship programs - FGV	139.625	187.500
Events	500	-
Third-party services	582.005	-
Personnel expenses	1.042.173	-
	<u>1.764.303</u>	<u>187.500</u>

Personnel expenses related to "Program Activities" refer to IEPS contracted staff working directly on various programs under IEPS management linked to the objectives of the Bylaws.

### 13. PERSONNEL EXPENSES

Description	2020	2019
Compensation	614.936	573.908
Social charges	148.212	177.877
Benefits	115.240	60.899
	<u>878.388</u>	<u>812.684</u>

Personnel expenses refer to the IEPS contracted team, including the Executive Board, which has an operational and/or institutional role.

### 14. SERVICES PROVIDED BY THIRD PARTIES

Description	2020	2019
Services provided by individuals	-	4.000
Trainees	-	868
Services provided by legal entities	7.309	499.033
Accounting advice	46.000	50.600
Legal services	1.456	-
IT services	55.639	8.569
Accounting audit	20.500	-
Cleaning services	6.120	5.868
Management consulting	5.200	-
	<u>142.224</u>	<u>568.938</u>

## 15. GENERAL AND ADMINISTRATIVE EXPENSES

Description	2020	2019
<b><u>Infrastructure</u></b>		
Rent and Condominium fee	271.860	210.103
Telephone	6.763	5.450
Electricity	8.458	4.547
Conservation and Maintenance of the Property	-	4.474
Conservation and Maintenance of Equipment	2.080	20.432
Permanent Assets	-	2.319
Rentals	-	350
Internet	16.368	10.680
Site	2.129	1.651
<b><u>Administrative Expenses</u></b>		
Computer and Office Supplies	694	11.110
Cleaning and Kitchen Material	707	3.120
Snacks and meals	1.911	3.873
Staff Parties	12.416	-
Prints, copies and bindings	155	-
Legal, judicial and notary fees	662	8.012
Mail	-	207
Insurance	-	319
Delivery and freight services	501	1.001
Books, newspapers and magazines	-	85
Transport, parking and toll	790	1.464
Annuities	150	113
	<u>325.644</u>	<u>289.310</u>

## 16. NET FINANCIAL RESULT

KPMG Auditores Independentes, a Brazilian partnership and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Auditores Independentes Ltda, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Description	2020	2019
<b><u>Financial income</u></b>		
Financial income	23.436	6.670
<b><u>Financial expenses</u></b>		
Income Tax on Financial Investment	(4.712)	(952)
Taxes on Financial Operations (IOF)	(1.427)	(610)
Bank Fees	(160)	(30)
Exchange Variation (losses)	(28)	-
Fines and Interest on Late Payment	(49)	(241)
	<u>17.060</u>	<u>4.837</u>

## 17. **FINANCIAL INSTRUMENTS**

The Institute only operates with non-derivative financial instruments that include short-term investments and cash and cash equivalents, whose amounts are representative of the respective market values.

### **Fair value estimate**

The Institute's Management assesses its financial assets and liabilities in relation to market values using available information and appropriate methodologies, a procedure that requires considerable judgment and reasonable estimates to produce fair value. The consistency of this fair value is reviewed by Management.

The book values included in the balance sheet, when compared with the values that could be obtained in their trading in an active market or, in their absence, with the net present value adjusted based on the prevailing interest rate in the market, substantially approximated, of their corresponding market values. During this year, the Institute did not carry out operations with derivatives.

Due to the characteristics and form of these operations, as well as the equity and financial position on December 31, 2020 and 2019, the Institute is subject to credit and liquidity risks.

### **(i) Credit risk**

Credit risk is the risk that the Institute incurs financial losses if a financial instrument fails to fulfill its contractual obligations. The amounts of cash and cash equivalents in a financial institution, presented in the table below, represent the maximum credit exposure on these assets:

Description	2020	2019
Cash and Banks	11.980	14.898
Liquidity interbank applications	561.418	38.454
Receivables	1.023	232
Donation to receive	1.169.157	-
	<u>1.743.578</u>	<u>53.584</u>

(ii) **Liquidity risk**

Liquidity risk is the risk that the Institute will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Institute's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its obligations as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation.

(iii) **Fair value hierarchy**

When measuring the fair value of an asset or a liability, the Institute uses observable market data as much as possible. Fair values are classified at different levels in a hierarchy based on the information (inputs) used in the valuation techniques as follows:

- **Level 1** – Prices negotiated (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – Other information available, except for Level 1, where quoted prices (unadjusted) are for similar assets and liabilities, in non-active markets, or other information that is available and can be used indirectly (derived from prices);
- **Level 3** – Information that is not available due to little or no market activity and that is significant for defining the fair value of assets and liabilities.

The process of measuring the fair value of the Institute's financial instruments is classified as Level 2 (represented by financial investments).

## 18. **RELATED PARTS**

The Founding Members, Officers, members of the Advisory Board and one of the members of the Supervisory Board are related parties to the Institute.

**Founding Partners** – The Institute has a lease agreement for the Rio de Janeiro office with Gávea Investimentos, which has among its partners one of the Founding Members of the Institute. The contractual value of the rent is compatible with the values practiced in the market for similar properties.

**Executive Board Members** – The Institute's Bylaws provide for compensation to the members of the Board of Executive Officers for their performance and the provision of specific services.

**Advisory Board and Supervisory Board** – as determined by the Bylaws, the members of the Advisory and Supervisory boards are not remunerated. Therefore, the Institute does not grant any type of compensation, due to the competences, functions or activities assigned to them by the respective articles of incorporation.

## 19. **PROVISION FOR CONTINGENCIES**

KPMG Auditores Independentes, a Brazilian partnership and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Auditores Independentes Ltda, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

On December 31, 2020, there were no labor claims against the Institute classified as probable and/or possible loss that would require a provision for contingencies.

## 20. SUBSEQUENT EVENTS

Up to the date of authorization for its issuance, there were no events that could significantly alter these Financial Statements and there are no indications that the Institute's activities and operations are compromised.

Miguel de Ouro Preto Corrêa do Lago  
CEO

Angelita Gonçalves Rangel  
Accountant CRC/RJ 062.161-4