

Financial Statements

**ASSOCIAÇÃO BRAZIL FOUNDATION
(‘BRAZIL FOUNDATION ASSOCIATION’)**

31st December 2016 and 2015

with the Report of the Independent Auditors



São Paulo, 20th March 2017

To the members of the board and management of

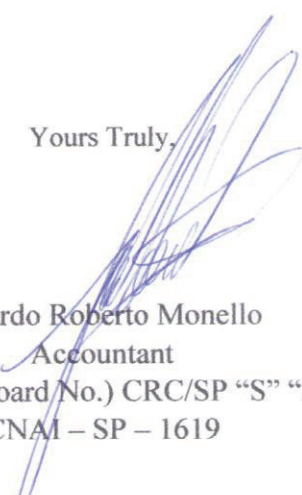
ASSOCIAÇÃO BRAZIL FOUNDATION
(‘BRAZIL FOUNDATION ASSOCIATION’)
Av. Calógeras, nº 15 – 13th floor
City Center – Rio de Janeiro
Postcode: 20.030-070

Re.: Report of the Independent Auditors on the Financial Statements

Dear Sirs and Madams,

We hereby submit to your care the Report of the Independent Auditors on the Financial Statements for the years ended on 31st December 2016 and 2015 of **ASSOCIAÇÃO BRAZIL FOUNDATION**.

Yours Truly,



Ricardo Roberto Monello
Accountant
(Regional Accounting Board No.) CRC/SP “S” “RJ” 161.144/O-3
CNAI – SP – 1619

**ASSOCIAÇÃO BRAZIL FOUNDATION
(‘BRAZIL FOUNDATION ASSOCIATION’)**

Financial Statements

31st December 2016 and 2015

CONTENTS

REPORT OF THE INDEPENDENT AUDITORS.....	4
BALANCE SHEET.....	7
INCOME STATEMENT.....	9
STATEMENT OF CHANGES IN NET ASSETS.....	10
STATEMENT OF CASHFLOWS.....	11
ACCOMPANYING NOTES.....	12



**ASSOCIAÇÃO BRAZIL FOUNDATION
(‘BRAZIL FOUNDATION ASSOCIATION’)****CNPJ (Legal Entity Registration No.): 04.839.572/0001-10****“INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS”****Opinion**

We have examined the financial statements of **ASSOCIAÇÃO BRAZIL FOUNDATION**, comprised of the balance sheet on 31st December 2016 and the corresponding statements of income, of changes in net assets, and of cashflows, for the financial year ended on that date, as well as the accompanying notes, including the summary of the main accounting practices.

In our opinion, the aforementioned financial statements adequately present, in all material respects, the Entity’s asset and financial position on 31st December 2016, the performance of its operations, and its cashflows for the financial year ended on that date, according to accounting practice accepted in Brazil.

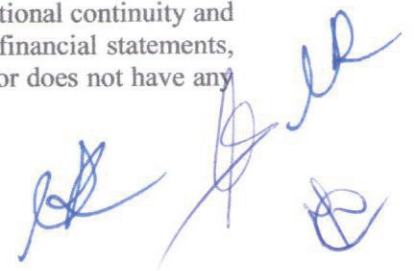
Basis for opinion

Our audit was conducted in accordance with Brazilian and International audit standards. Our responsibilities, under such standards, are described in the section “Auditors’ responsibilities for the audit of the financial statements”, below. We are independent with relation to the Entity, in accordance with the applicable ethical principles of the Accountant’s Professional Code of Ethics (‘Código de Ética Profissional do Contador’) and professional standards issued by the Federal Accounting Board (‘Conselho Federal de Contabilidade’), and we comply with the other ethical requirements of these standards. We believe that the audit evidence that has been obtained is a sufficient and appropriate basis for our opinion.

Management’s responsibilities for the financial statements

Management is responsible for adequately preparing and presenting the financial statements in accordance with accounting practice accepted in Brazil, and for internal controls it has deemed necessary to allow the financial statements to be free of material distortion, whether caused by fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s capacity to continue operating, disclosing, when appropriate, issues related to its operational continuity and the use of that assumption as an accounting basis for the preparation of the financial statements, unless management intends to liquidate the Entity or to cease its operations, or does not have any realistic alternative to avoid the end of operations.



The individuals responsible for the Entity's management are those with responsibility for the supervision of the preparation of financial statements.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable confidence that the financial statements, taken as a group, are free of material distortion, whether caused by fraud or error, and issue an audit report containing our opinion. Reasonable confidence is a high degree of confidence, but not a guarantee that an audit carried out in line with Brazilian and International audit standards always detects material distortions that may exist. Distortions may result from fraud or error, and are deemed material when, individually or as a group, they may reasonably influence economic decisions based on the financial statements.

As part of the audit that was carried out, in line with Brazilian and international audit standards, we exercised professional judgement and maintained professional skepticism throughout the audit. In addition to this:

- We identified and assessed risks of material distortion in the financial statements, whether caused by fraud or error; planned and executed audit procedures in response to such risks; and obtained appropriate and sufficient audit evidence on which to base our opinion. The risk of not detecting material distortion resulting from fraud is greater than that resulting from error, as fraud can involve deliberate circumvention of internal controls, collusion, forgery, omission or intentionally false representation.
- We obtained an understanding of the internal controls that were relevant to the audit, to plan audit procedures that were appropriate in the circumstances, but not with the objective of expressing an opinion on the efficacy of the Entity's internal controls.
- We assessed the adequacy of the accounting policies used and the reasonableness of the accounting estimates and the corresponding disclosures made by management.
- We reached a conclusion on the adequacy of management's use of the accounting basis of operational continuity and, based on audit evidence obtained, whether there is material uncertainty with relation to events or conditions that may raise significant doubts regarding the Entity's capacity to continue operating as a going concern. If we conclude that there is material uncertainty, we must draw attention in our audit report to the corresponding disclosures in the financial statements, or, if the disclosures are inadequate, qualify our opinion. Our conclusions are based on the audit evidence obtained until the date of our report. However, future events or conditions may cause the Entity to cease operating.



We communicated with management regarding, among other topics, the planned reach, the period of the audit and the significant audit findings, including possible significant deficiencies in internal controls identified during our work.

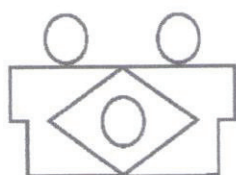
São Paulo - SP, 20th March 2017

AUDISA AUDITORES ASSOCIADOS
(‘AUDISA ASSOCIATED AUDITORS’)
(Regional Accounting Board No.) CRC/SP 2SP “S” “RJ” 024298/O-3



Ricardo Roberto Monello
Accountant

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ASSOCIAÇÃO BRAZIL FOUNDATION (BRAZIL FOUNDATION ASSOCIATION)

CNPJ 04.839.572/0001-10

Balance Sheet

(Values in US\$)

For the financial year ended 31st of December 2016

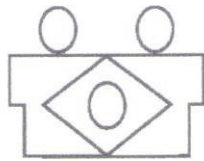
	Note	2016	2015
ASSETS			
CURRENT ASSETS		1.496.848,16	1.242.998,03
CASH AND EQUIVALENTS	4a	1.495.082,17	1.219.785,21
ACCOUNTS RECEIVABLE	4c	-	18.834,69
OTHER CREDITS	4e	-	1.981,15
PREPAID EXPENSES	4f	1.765,99	2.396,98
NON-CURRENT ASSETS		4.036,08	4.628,69
PROPERTY & EQUIPMENT	5	26.033,33	21.728,44
(-) ACCUMULATED DEPRECIATION		-22.211,94	-17.458,23
INTANGIBLES	5	1.073,92	896,33
(-) ACCUMULATED AMORTIZATION		-859,22	-537,86
TOTAL ASSETS		1.500.884,24	1.247.626,72

The accompanying notes are an integral part of the financial statements

Rio de Janeiro, 31st of December 2016.

SALTANAT KURMANBAEVA DE SOUZA
ACCOUNTANT CRC-RJ: 116.998/O
CPF: 060.009.867-26

ASSOCIAÇÃO BRAZIL FOUNDATION
MONICA FARIA DE ROURE
EXECUTIVE DIRECTOR CPF: 773.163.717-49



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ASSOCIAÇÃO BRAZIL FOUNDATION (BRAZIL FOUNDATION ASSOCIATION)
CNPJ 04.839.572/0001-10

Balance Sheet

(Values in US\$)
For the financial year ended 31st of December 2016

LIABILITIES	Note	2016	2015
CURRENT LIABILITIES		566.844,17	651.038,75
SUPPLIERS AND CONTRACTORS		-	76,76
PAYROLL AND RELATED CHARGES	4i	5.668,02	4.407,23
TAXES PAYABLE	4j	3.514,59	3.823,75
PROVISIONS FOR VACATIONS AND CHARGES	4l	21.972,93	16.939,70
PROJECTS TO UNDERTAKE	6	535.688,63	625.791,30
NET ASSETS	7	934.040,08	596.587,97
CONTRIBUTED CAPITAL		532.009,31	444.035,94
RETAINED SURPLUSES (DEFICITS)		402.030,76	152.552,02
TOTAL LIABILITIES AND NET ASSETS		1.500.884,24	1.247.626,72

The accompanying notes are an integral part of the financial statements

Rio de Janeiro, 31st of December 2016.

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ASSOCIAÇÃO BRAZIL FOUNDATION (BRAZIL FOUNDATION ASSOCIATION)
CNPJ 04.839.572/0001-10

Income Statement


(Values in US\$)


For the financial year ended 31st of December 2016

	Note	2016	2015
Gross Operating Revenue		2.034.026,72	1.785.241,48
Operating and Program Revenue - BF Rio		258.832,71	340.918,52
Operating and Program Revenue - BF NY		387.033,22	157.266,06
Revenue for Donations		1.104.938,31	755.954,09
Partnership Revenue		138.598,01	46.097,11
Financial Revenue		144.624,47	115.165,39
Revenue from Services Rendered		-	369.840,31
Other Operating Revenue		10.052,74	7.375,54
Revenue from Voluntary Services Rendered		10.052,74	7.375,54
Deductions from Gross Revenue		-	(17.361,38)
ISS (Service Tax) on Services Rendered		-	(17.361,38)
Net Operating Revenue		2.044.079,46	1.775.255,64
Expenses		(1.824.824,66)	(1.610.683,75)
Expenses - BF Rio		(161.506,08)	(128.578,87)
Program Expenses		(140.676,83)	(102.381,62)
Personnel and Related		(107.133,06)	(60.185,15)
Annual Project Selection		(10.033,23)	(3.053,17)
BF Manager Training		(23.308,68)	(38.892,15)
Project Monitoring		(201,86)	(251,16)
Institutional Development Expenses		(20.829,26)	(26.197,25)
Institutional Visits and Events		(11.994,92)	(8.405,15)
Printed Material - Institutional Development		(2.943,14)	(3.272,99)
Technology/Website		(5.891,20)	(14.519,11)
Gala Expenses		(186.734,19)	(160.039,70)
NY Gala		(2.409,16)	(6.411,90)
Miami Gala		(9.370,64)	(3.939,20)
SP Gala		(117.708,63)	(141.365,51)
Other Expenses - BF NY		(47.965,24)	(8.323,09)
Minas Dinner - Expenses		(9.280,52)	-
Operating Expenses		(337.487,99)	(318.530,89)
Operating Expenses		(337.487,99)	(318.530,89)
Personnel		(55.975,85)	(73.011,31)
Benefits		(40.380,52)	(26.618,79)
Payroll Taxes and Charges		(58.064,89)	(45.529,45)
Service Providers		(127.414,04)	(121.900,33)
Expenses with Voluntary Services		(10.052,74)	(7.375,54)
Functioning Expenses		(37.475,80)	(30.131,45)
Depreciation/Amortization		(1.509,66)	(1.030,53)
Financial Expenses		(6.614,49)	(12.933,50)
Endowment Expenses		(1.139.096,39)	(1.003.534,28)
Fundo Carioca (Rio Fund) - Expenses		(929,17)	(2.090,12)
Fundo Carioca - Operating Expenses		-	(1.077,40)
Fundo Carioca - Tyco Project		(929,17)	(1.012,72)
Expenses - Partnerships		(33.228,92)	(245.490,07)
Instituto HSBC (HSBC Institute)		-	(7.129,58)
ZIFF Brothers Investments - ZBI		-	(2.915,56)
CSP Project		(15.143,61)	(220.500,54)
Votorantim Project		(12.027,86)	(13.564,91)
BOVESPA Partnership		(1.444,04)	(125,49)
Open House and Talks		(1.188,32)	(439,50)
Exchange Fund - Travel		(3.425,09)	(814,49)
Expenses with Donations		(1.104.938,31)	(755.954,09)
Expenses with Donations		(1.104.938,31)	(755.954,09)
Surplus for the Period		219.254,80	164.571,89

The accompanying notes are an integral part of the financial statements

Rio de Janeiro, 31st of December 2016.


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ASSOCIAÇÃO BRAZIL FOUNDATION (BRAZIL FOUNDATION ASSOCIATION)
CNPJ 04.839.572/0001-10

Statement of Cashflows


(Values in US\$)

For the financial year ended 31st of December 2016

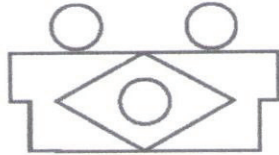
Note 11	2016	2015
Surplus for the period	219.254,80	164.571,89
Exchange rate variations		
Non-monetary items depreciation and amortization	(4.482,47)	
Non-monetary items net equity	118.197,30	
Depreciation and Amortization	5.075,08	1.030,53
Provisions for Vacations and Charges	5.033,22	3.381,95
Adjusted Result for the Period	343.077,93	168.984,38
Cashflow from Operating Activities		
Changes in Current Assets		
(Increase)/Reduction in Accounts Receivable	18.834,69	(18.834,69)
(Increase)/Reduction in Other Credits	1.981,15	(1.173,64)
(Increase)/Reduction in Prepaid Expenses	630,99	(1.176,15)
Changes in Current Liabilities		
Increase/(Reduction) in Accounts Payable to Suppliers and Contractor	-76,76	76,76
Increase/(Reduction) in Payroll and Related Charges Payable	1.260,79	(167,91)
Increase/(Reduction) in Labor and Pension Obligations		
Increase/(Reduction) in Tax Obligations	-309,15	1.616,93
(Increase)/Reduction in Accounts Payable - Projects	-90.102,68	(223.514,47)
CASH FROM OPERATING ACTIVITIES	275.296,96	(74.188,79)
Cashflow from Investing Activities		
(Increase)/Reduction in Property & Equipment		(514,49)
(Increase)/Reduction in Sales of Property & Equipment		-
Cash generated/(used) in investing activities	-	(514,49)
Increase (Reduction) in Cash and Equivalents	275.296,96	(74.703,28)
Cash and Equivalents at the beginning of the period	1.219.785,21	1.294.488,49
Cash and Equivalents at the end of the period	1.495.082,17	1.219.785,21
Increase/(Reduction) in Cash and Equivalents	275.296,96	(74.703,28)

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Rio de Janeiro, 31st December 2016.


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STATEMENT OF CHANGES TO NET ASSETS

ASSOCIAÇÃO BRAZIL FOUNDATION (BRAZIL FOUNDATION ASSOCIATION) - CNPJ: 04.839.572/0001-10 - On the 31st of December 2016
(Values in US\$)

	Contributed Capital	Accumulated Supruses (Deficits)	Net Assets
On 31/12/2014	<u>652.763,93</u>	<u>(17.670,04)</u>	<u>635.093,89</u>
Surplus/Deficit for the period		164.571,89	164.571,89
Translation Difference	(208.727,99)	5.650,18	(203.077,80)
On 31/12/2015	<u>444.035,94</u>	<u>152.552,03</u>	<u>596.587,98</u>
Surplus/Deficit for the period		219.254,80	219.254,80
Translation Difference	87.973,37	30.223,93	118.197,30
On 31/12/2016	<u>532.009,31</u>	<u>402.030,76</u>	<u>934.040,08</u>

The accompanying notes are an integral part of the financial statements

Rio de Janeiro, 31st December 2016.

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