

(Convenience translation into English from the original previously issued in Portuguese)

SITAWI

Independent auditor's report

Financial statements
As at December 31, 2016 and 2015

SITAWI

Financial statements
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the
Management of
SITAWI
Rio de Janeiro - RJ

Opinion

We have audited the financial statements of SITAWI (the Entity), which comprise the statement of financial position as at December 31, 2016 and the respective statements of activities, comprehensive income, changes in net assets and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SITAWI as at December 31, 2016, its financial performance and its cash flows for the year then ended, in accordance with the Brazilian accounting practices.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Brazilian accounting practices, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Independent Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, June 05, 2017.

SITAWI

Statements of financial position As at December 31, 2016 and 2015 (In Brazilian Reais)

Assets				Liabilities and net assets			
	Note	2016	2015		Note	2016	2015
Current				Current			
Cash and cash equivalents	3	2,833,709	2,056,901	Labor liabilities	10	6,324	30,351
Accounts receivable	4	84,210	-	Tax liabilities	11	3,193	7,662
Environmental and social loans	5	679,659	763,392	Other accounts payable	12	2,065	67,468
Recoverable taxes and contributions		-	36,271	Obligations with transfers	13	3,187,954	2,116,768
Prepaid expenses	6	5,989	-			3,199,536	2,222,249
Other receivables	7	4,752	-				
		3,608,319	2,856,564				
Noncurrent				Net assets			
Environmental and social loans	5	596,557	412,184	Social fund	14	1,090,057	1,059,629
Deposits and guarantees	8	29,154	-			1,090,057	1,059,629
		625,711	412,184				
Fixed assets				Total liabilities and net assets			
	9	55,563	13,130			4,289,593	3,281,878
		55,563	13,130				
Total assets		<u>4,289,593</u>	<u>3,281,878</u>				

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

SITAWI

Statements of activities As at December 31, 2016 and 2015 (In Brazilian Reais)

	Note	2016	2015
Net operating revenue			
Revenue from services	18	288,849	307,140
Revenue from donations	15	1,160,781	1,253,847
Net revenues with loans	15	61,778	159,522
Reversal of funds	15	191,552	96,407
		<u>1,702,960</u>	<u>1,816,916</u>
Operating revenues (expenses)			
Expenses on personnel	16	(538,686)	(442,472)
General and administrative expenses	17	(1,196,245)	(992,029)
Other operating revenues (expenses)		(90)	-
		<u>(1,735,021)</u>	<u>(1,434,501)</u>
Financial income, net	19	86,011	68,030
		<u>86,011</u>	<u>68,030</u>
Surplus for the year		<u><u>53,950</u></u>	<u><u>450,445</u></u>

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

SITAWI

Statements of comprehensive income As of December 31, 2016 and 2015 (In Brazilian Reais)

	2016	2015
Surplus for the year	53,950	450,445
Other comprehensive income	-	-
Total comprehensive income for the year	<u>53,950</u>	<u>450,445</u>

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

SITAWI

Statements of changes in net assets As at December 31, 2016 and 2015 (In Brazilian Reais)

	Social fund	Accumulated surplus	Total
Balances as at December 31, 2014	422,044	216,619	638,663
Surplus for the year	-	450,445	450,445
Others	-	(29,480)	(29,480)
Appropriation to net assets	637,585	(637,585)	-
Balances as at December 31, 2015	1,059,629	-	1,059,629
Surplus for the year	-	53,950	53,950
Others	-	(23,522)	(23,522)
Appropriation to net assets	30,428	(30,428)	-
Balances as at December 31, 2016	1,090,057	-	1,090,057

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

SITAWI

Statements of cash flows As at December 31, 2016 and 2015 (In Brazilian Reais)

	2016	2015
Cash flows from operating activities		
Surplus for the year	53,950	450,446
Adjustment to reconcile surplus of the year with cash from operating activities		
Depreciation	6,027	2,067
Others	(23,522)	(29,480)
Adjusted surplus for the year	36,455	423,033
Changes in current and noncurrent operating assets		
Recoverable taxes	36,272	(11,300)
Accounts receivable	(84,210)	-
Others	(39,906)	-
Environmental and social loans	(100,640)	(381,031)
	(188,484)	(392,331)
Changes in operating liabilities		
Obligations with transfers	1,071,186	748,403
Tax liabilities	(4,469)	(12,866)
Payroll and social charges	(24,027)	30,093
Other liabilities	(65,403)	60,116
	977,287	825,746
Net cash from operating activities	825,258	856,448
Cash flows from investing activities		
Addition of fixed assets	(48,450)	-
Net cash from investing activities	(48,450)	-
Net increase in cash and cash equivalents	776,808	856,448
Cash and cash equivalents at beginning of year	2,056,901	1,200,453
Cash and cash equivalents at end of year	2,833,709	2,056,901
Net increase in cash and cash equivalents	776,808	856,448

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

1. General information

SITAWI ("Entity") is a nonprofit organization linked to no parties or religion, which has been working for 10 years in Brazil to develop financial solutions for social and environmental impact. Since 2010, the Entity has the certificate of Civil Society Organization in Public Interest (OSCIP).

The Entity's work is developed in partnership with local organizations and groups, either profit or nonprofit, whose mission is to have great social and environmental impact.

The experience indicates that more capital, more types of capital and a greater efficiency in allocating and using capital transform more lives. Thus, SITAWI also works with families, financial institutions and companies, supporting their strategies of allocating charitable or investment funds.

The Entity's purpose, according to its articles of organization, is to promote social-economic development by providing credit and technical and managing guidance to nonprofit organizations, micro and medium-sized companies, associations, cooperative companies and similar legal entities that intend to implement projects of significant environmental and social impact and that are excluded from the Brazilian financial system, considering their characteristics, size, credit risk and/or impossibility to offer guarantees.

2. Presentation of financial statements and main accounting practices

2.1. Presentation of the financial statements

The Entity's financial statements are being presented according to the accounting standards adopted in Brazil, which include the Resolutions of the Federal Association of Accountants (CFC) and Pronouncements of the Accounting Pronouncements Committee (CPCs).

As the Entity is a non-profit organization, the financial statements were mainly prepared in accordance with ITG 2002 - Non-profit entity, approved by Decision No. 1.409 of September 21, 2012, by Technical Notice CTG 2000, approved by Decision No. 1.159 of February 13, 2009, of the CFC, and by NBC TG 1000 - Accounting for Small and Mid-sized entities, for the aspects not addressed by ITG 2002.

2.2. Significant accounting practices adopted

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, as follows:

a. Functional currency

The Entity's management established that its functional currency is the Brazilian Real, according to the provisions of CPC Technical Pronouncement No. 02 (effects on changes in exchange rates and translation of financial statements).

b. Cash and cash equivalents

These include bank demand deposits and financial investments realizable within ninety (90) days from investment date or considered of immediate liquidity or convertible into a known cash amount, subject to an insignificant risk of change in value. They are recorded at cost plus income earned up to balance sheet date, not exceeding their market or realization value.

c. Recognition of revenues and expenses

Expenses are recorded on the accrual basis and revenues from donations are recorded on cash basis, except for financial revenues, which are also recorded on the accrual basis. The surplus resulting from the Entity's activities is added to net assets only at the end of each fiscal year.

d. Fixed assets

These are stated at cost, less accumulated depreciation calculated using the straight-line method at annual rates that consider the useful economic lives of the assets.

Fixed assets, other non-current assets and material current assets are reviewed annually for impairment. Management tested its assets pursuant to CPC 01, approved by CVM Resolution No. 527/2007 and found no signs of impairment. The assets are realized within satisfactory periods.

e. Other current and noncurrent assets and liabilities

They are stated at known or payable amounts, plus, when applicable, the respective charges and monetary variations.

f. Surplus for the year

It is added to net assets by the end of fiscal year.

g. Tax liabilities

As a not-for-profit entity, it is exempt from Income Tax (IRPJ) and Social Contribution Tax (CSLL) in accordance with article 15 of Law No. 9.532/97. It is also exempt from other federal taxes, such as COFINS and PIS (taxes on sales).

h. Financial instruments

Financial assets and liabilities are recorded at fair value plus, when applicable, transaction costs directly attributed to acquisition or to the issue of financial assets or liabilities. These are measured according to the classification of financial instruments in the following categories: financial assets measured at fair value through surplus (deficit), held-to-maturity investments and financial assets available for sale; and financial liabilities measured at fair through surplus (deficit) and other financial liabilities.

i. Accounting estimates

These are used to measure and recognize certain assets and liabilities of the Entity's financial statements. Experiences from past and current events, assumptions regarding future events and other objective and subjective factors were considered to determine those estimates. Transaction settlement involving those estimates may result in amounts significantly different from those recorded in the financial statements, due to the inherent inaccuracy of the estimates. The Entity reviews these estimates and assumptions once a year.

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3. Cash and cash equivalents

	2016	2015
Bank accounts	1,345	31,845
Highly-liquid financial investments	2,832,364	2,025,056
	<u>2,833,709</u>	<u>2,056,901</u>

The financial investments in local currency refer to shares of investment funds which have immediate liquidity and no loss of interest upon redemption. All the investments bear interest at Interbank Deposit Rates (CDI) variation.

4. Accounts receivable

	2016	2015
Natura Cosméticos	84,210	-
	<u>84,210</u>	<u>-</u>

5. Environmental and social loans

These refer to loans of funds for profit or nonprofit organizations which have social or environmental missions, for example, healthcare, shelter, education, gender, race and ethnic equality, or conservation of the ecosystem. Breakdown of loans as at December 31, 2016, is stated as follows:

	Rate p.a.	2016		2015	
		Current	Noncurrent	Current	Noncurrent
Cooperativa Agroindustrial	12.75	58,330	-	64,261	-
Solidarium	Variable	84,930	-	169,861	84,929
Inova Urbis	14.25	29,010	-	51,803	-
Peabiru	11	-	-	20,990	-
Ecoservice	11	24,176	-	24,176	-
Ebenezer	variable	38,402	11,247	166,527	47,317
Flexmedical	variable	258,628	21,310	290,659	279,938
Feira Preta	variable	60,531	-	-	-
Inocas	variable	58,590	-	-	-
Alpha Lumen	variable	33,740	-	-	-
Cies	variable	58,297	156,480	-	-
Egalite	variable	-	407,520	-	-
Allowance for doubtful accounts (PECLD)		(24,975)	-	(24,885)	-
		<u>679,659</u>	<u>596,557</u>	<u>763,392</u>	<u>412,184</u>

On June 01, 2015, an agreement between SITAWI and Cooperativa Agroindustrial 8 de Junho (Coperjunho) was entered into for the SITAWI to finance the activities of Coperjunho. The agreement was established in the amount of R\$ 75,000 to be paid in eighteen installments with the last installment maturing on January 05, 2017, and bearing annual interest of 12.75%.

On August 09, 2013, an agreement between the Entity and Solidarium Comércio de Artesanato Ético e Justo Ltda. was entered into for the Entity to finance the activities of Solidarium. The agreement was established in the amount of R\$ 64,735 to be paid in eight installments with the last installment maturing on March 10, 2014, and bearing annual interest of 8.5%. On December 21, 2012, another agreement between the SITAWI and Solidarium Comércio de Artesanato Ético e Justo Ltda. was entered into for the Entity to finance the activities of Solidarium. However, the disbursement only occurred on January 15, 2013. This agreement was established in the amount of R\$ 254,790, adjusted by Central Bank Overnight Rate (SELIC), and its amortization will occur as from 2016.

On September 11, 2014, an agreement between the Entity and Instituto Peabiru was entered into for the Entity to finance Instituto Peabiru' activities. The agreement was established in the amount of R\$ 55,100 to be paid in eighteen installments with the last installment maturing on March 21, 2016, and bearing annual interest of 11%.

On August 01, 2014, an agreement between the Entity and A3S-Aquecimento Solar e Soluções Sustentáveis Ltda. (Ecoservice) was entered into for the Entity to finance the activities of Ecoservice. The agreement was established in the amount of R\$ 64,440 to be paid in eighteen installments with the last installment maturing on February 21, 2016, and bearing annual interest of 11%.

On December 22, 2014, agreements between the Entity and Associação Beneficente Ebenezer (Ebenezer) and between the Entity and Fleximedical Indústria e Comércio de Equipamentos Médicas Ltda. (Fleximedical) were entered into for the Entity to finance both companies' activities. Until December 31, 2014, the amount of R\$ 245,945 was disbursed to Ebenezer and the amount of R\$ 194,370 was disbursed to Fleximedical. Until December 31, 2015, the amount of R\$ 570,000 was disbursed to Fleximedical. Both agreements are paid in 36 installments with the last installment maturing on December 21, 2017 in both cases. Interest corresponds to 11.75% p.a. with adjustments each six months according to SELIC rate.

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On November 26, 2015, an agreement between the SITAWI and Inova Urbis Consultoria de Projetos Ltda. was entered into for the Entity to finance the activities of Inova Urbis. The agreement was established in the amount of R\$ 51,808 to be paid in eighteen installments with the last installment maturing on June 21, 2016, and bearing annual interest of 14.25%.

On September 28, 2016, agreements between the SITAWI and Feira Preta were entered into for the Entity to finance the activities of Feira Preta. The agreement was established in the amount of R\$ 60,000.00 to be paid in one single installment on January 21, 2018.

On September 28, 2016, agreements between the SITAWI and Inocas were entered into for the Entity to finance the activities of Inocas. The agreement was established in the amount of R\$ 58,000.00 to be paid in one single installment on May 21, 2017.

On September 16, 2016, agreements between the SITAWI and Alpha Lumem were entered into for the Entity to finance the activities of Alpha Lumem. The agreement was established in the amount of R\$ 60,623.00 to be paid in installments, the last maturing on February 23, 2017.

On September 16, 2016, agreements between the SITAWI and CIES were entered into for the Entity to finance the activities of CIES. The agreement was established in the amount of R\$ 200,000.00 to be paid in 42 installments.

On December 22, 2016, agreements between the SITAWI and Egalit  were entered into for the Entity to finance the activities of Egalit . The agreement was established in the amount of R\$ 400,000.00 to be paid in installments.

6. Prepaid expenses

	2016	2015
Transportation pass	625	-
Meal voucher	737	-
Contribution	4,627	-
	<u>5,989</u>	<u>-</u>

7. Other receivables

	2016	2015
Advances to suppliers	4,752	-
	<u>4,752</u>	<u>-</u>

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8. Deposit and guarantees

	2016	2015
Collateral deposit	<u>29,154</u>	<u>-</u>
	<u>29,154</u>	<u>-</u>

The caption refers to a guarantee deposit for rent with Poseydon Participações e Empreendimentos Ltda.

9. Fixed assets

	Depreciation rate %	2015	Additions	Depreciation	2016
IT equipment	20	276	19,161	(3,085)	16,352
Machinery and equipment	10	12,351	2,966	(1,491)	13,826
Furniture and fixtures	10	503	26,333	(1,451)	25,385
		<u>13,130</u>	<u>48,450</u>	<u>(6,027)</u>	<u>55,563</u>

Fixed asset items are not object of guarantee.

10. Labor liabilities

	2016	2015
Salaries payable	-	2,600
Provision for vacation pay	4,634	-
Vacation pay charges	1,552	-
Social security tax (INSS) payable	138	10,663
Self-employed worker payable	-	16,896
Withholding income tax (IRRF) on management fees payable	-	99
Employers' trade association payable	-	93
	<u>6,324</u>	<u>30,351</u>

11. Tax liabilities

	2016	2015
IRRF - Legal entity	163	68
IRRF -loans	8	5,348
PIS, COFINS and Social Contribution (PCC)	611	282
Tax on Services (ISS)	1,800	450
Tax on Financial Transactions (IOF)	-	1,514
Withheld Tax on Services (ISS)	611	-
	<u>3,193</u>	<u>7,662</u>

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12. Other accounts payable

	2016	2015
Customers' advances	-	66,858
Reimbursement of expenses	-	610
Accounts payable	2,065	-
	<u>2,065</u>	<u>67,468</u>

13. Obligations with transfers

These refer to obligations to transfer funds to partners as agreed upon in the partnership agreements entered into between parties. The breakdown of these transfers is stated below:

	2016	2015
Família C	1,515,207	1,334,049
PE	37,709	80,000
Projeto Fundo Mais Unidos	838,924	599,981
Sou Minas - Projeto Mariana	-	102,738
Fundação BMW	229	-
Fundo Ellen Macarthur	262,631	-
Sistema B	317,713	-
Ford Foundation	108,794	-
Caf Rio + B	5,998	-
Fundo FIIMP	100,749	-
	<u>3,187,954</u>	<u>2,116,768</u>

The social fund Família C was created on December 06, 2012, and its established term is five years. The invested funds may be used for the realization of loan agreements, payment of expenses, acquisition and assignment of equipment, contracts of performance, consulting, and payment of allowances.

Dá Pé - Moved by the wish to reforest the country, the program "Um Pé de Quê?", created and produced by Pindorama Filmes and Canal Futura, and hosted by Regina Casé, launched in partnership with SOS Mata Atlântica Foundation the crowdfunding "Dá Pé". It aims to raise funds for planting 20 thousand seedlings, initially, of native trees of the Atlantic Forest, recovering 1.33 km of riparian forest along Rio Una, in the basin of Paraíba do Sul river, supplying the states of São Paulo, Rio de Janeiro and Minas Gerais.

The agreement with Fundo Mais Unidos is annually renewed with each member of the fund. The values received by SITAWI shall be used exclusively as transfers to programs defined by "Grupo + Unidos" and for own expenses, as defined by the Managing Committee. The program currently approved is "Unidos pela Amazônia". The target for annual reversal for financial management support is 4.7% of funds received in the calendar year.

The Fund Plataformas was created on August 08, 2014. The purpose of the agreement is to support the project "Doe Mais Doe Melhor" and "Desafio Brasil de Crowdfunding" in the amount of R\$ 100,000.

The Fund FBMV was created on November 01, 2014. The agreement was established in the amount of R\$ 71,980 to exclusively invest in supporting the activities of Fundação BMW in Brazil in 2014.

Sou Minas - In December 2015, artists such as Caetano Veloso, Criolo, Maria Gadú and Tulipa Ruiz performed in benefit concerts for the benefit of the families affected by the dam collapse in Mariana, state of Minas Gerais. The concerts gathered over 13 thousand supporters and the value collected through the tickets sales assigned to Fundo Filantrópico SouMinasGerais, managed by SITAWI Finanças do Bem. The amount of R\$ 450 thousand was collected and transferred to the project RiodeGente supporters, an independent research, coordinated by Greenpeace, to measure the impacts of the disaster and point solutions for rebuilding Rio Doce Basin in Minas Gerais.

Ford Foundation - Nuvem - Nuvem (Cloud) is a rural station developed for experiments, research and creation linked to technology and sustainability. SITAWI is responsible for the financial management of the donations from Ford Foundation for the development of the activities of the project.

Ford Foundation - Fórum Justiça - With the support of Ford Foundation, Fórum Justiça has the purpose of discussing justice public policy. The discussion on a democratic justice system is held considering the Latin America context and the dimensions of recognition and redistribution. The project was granted with 200 thousand US dollars for the performance of its activities during two years.

Rio+B is a project to incentive companies and business networks to evaluate and become aware of their social and environmental impact, aiming to engage the private sector in the sustainability agenda of the city of Rio de Janeiro. Carried out by Sistema B, in partnership with the Municipal Government of Rio de Janeiro and Ellen MacArthur Foundation, the project uses globally known, free online tools for measuring the social and environmental impact of organizations in the metropolitan region of Rio de Janeiro.

Ellen MacArthur Foundation (EMF) is an English foundation with the purpose of inspiring a generation to rethink, redesign and build a positive future through the transition for a circular economy that is regenerative and restorative. In order to achieve that, it established the Circular Economy 100 (CE100), a pre-competitive innovation program established to enable organizations to develop new opportunities and realize their circular economy ambitions faster. In one single platform, it brings together corporates, governments and cities, academic institutions, emerging innovators and affiliates. In 2015, EMF launched in Brazil the first local network for the program, CE100 Brasil, creating a fund with SITAWI for the financial management of the Brazilian program.

FIIMP - Fundações e Institutos de Impacto was inspired by recommendation No. 2 of the Social Finance Task Force, dealing with the protagonist of Institutes and Foundations. Donations and investments are suggested to allow pilot and innovative initiatives in the area of Social Finance and Impact Businesses. The group acts independently, with its own governance structure and believes that through collaboration it is possible to influence the area of social finance and increase the funds available to social and environmental businesses, inspiring other social players to also do it.

It is part of this group: Childhood, Fundação BMW, Fundação Grupo Boticário de Proteção à Natureza, Fundação Lemann, Fundação Otacílio Coser (FOCO), Fundação Raízen, Fundação Telefônica Vivo, Fundação Tide Setúbal, Fundo Vale, Instituto Ayrton Senna, Instituto Coca-Cola Brasil, Instituto Cyrela, Instituto de Cidadania Empresarial (ICE), Instituto EDP, Instituto Holcim, Instituto InterCement, Instituto Phi, Instituto Sabin, Instituto Samuel Klein, Instituto Vedacit, Instituto Votorantim and Oi Futuro.

Sistema B - Fund set up from the donation of BMW Foundation to support the operations of Sistema B in Brazil.

14. Net assets

Net assets are made up of the funds totally paid in from the initial donation and the surpluses resulting from the Entity's activities, calculated at the end of each fiscal year.

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15. Private grants

These record donation funds received by SITAWI to realize its core expenses (donations) and supplemental expenses:

	2016	2015
Donations	1,160,781	1,253,847
Net revenues from loans	61,778	159,522
Reversal of funds	191,552	96,407
	<u>1,414,111</u>	<u>1,509,776</u>

The fund reversals refer to amounts that the Entity reverses to use in its finances arising from amounts received from the social funds. Taking into consideration the agreement entered into with each fund, these funds are used to maintain the Entity's operating activities.

16. Personnel expenses

	2016	2015
Management compensation	245,775	263,726
Salaries	39,828	24,315
Vacation pay	7,601	2,580
Year-end bonus	3,475	2,903
Interns	127,350	51,510
Selection and trainings	4,645	-
Bonuses	12,566	-
Life insurance	179	151
Transportation pass	6,366	2,583
Workers' Meal Program	7,571	3,995
Health insurance	14,080	8,507
Social Security Tax (INSS)	10,222	62,819
Severance pay fund (FGTS)	3,183	2,047
Vacation pay charges	2,546	-
Year-end bonus charges	1,164	-
Social Contribution (PIS) on payroll	463	256
INSS on management fees	51,668	-
Remuneration of self-employed workers	-	17,080
	<u>538,686</u>	<u>442,472</u>

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17. Administrative expenses

	<u>2016</u>	<u>2015</u>
Rent - sundry	751	-
Rent and HOA fees	143,948	80,656
Subscriptions and publications	3,184	-
Transportation	22,779	-
Maintenance, conservation and repairs	24,032	-
Depreciation and amortization	6,027	2,667
Expenses on permanent assets	6,440	9,122
Communication expenses	9,415	7,297
Expenses on vehicles	154	-
Sundry expenses	3,413	17,560
Legal expenses	4,100	-
Freight	3,199	-
Taxes, fees and contributions	6,905	17,373
Electricity	13,387	4,895
Office supply/materials	6,526	911
Insurance	1,875	-
Services rendered - Natural person	8,669	58,677
Services rendered - Legal entity	710,676	510,908
Travel and lodging	163,141	121,439
Meals and snacks	31,700	22,428
Mail services	1,074	2,079
Graphic services	2,776	-
Gifts	500	90,460
Union Dues	10,048	645
INSS self-employed workers	1,677	-
Property Tax (IPTU)	9,849	-
Events and promotions	-	1,373
Advisory services	-	12,667
Costs on IT	-	5,012
Kitchen	-	975
Losses on credits	-	24,885
	<u>1,196,245</u>	<u>992,029</u>

18. Revenue from services rendered

It mainly refers to revenues from advisory services rendered in 2016 in the amount of R\$ 288,849 (R\$ 307,140 in 2015).

Notes to the financial statements
As at December 31, 2016 and 2015
(In Brazilian Reais)

19. Financial income (loss), net

	<u>2016</u>	<u>2015</u>
Financial revenues		
Interest gains	18	1,931
Discounts obtained	253	-
Return on financial investments	<u>104,467</u>	<u>73,531</u>
	104,738	75,462
Financial expenses		
Interest losses	(199)	(256)
Discounts granted	(2)	-
Bank expenses	(1,502)	(1,350)
Income tax on financial investment	(16,237)	-
Selling expenses	(193)	-
Monetary losses	-	(4,284)
IOF	<u>(594)</u>	<u>(1,542)</u>
	<u>(18,727)</u>	<u>(7,432)</u>
	<u><u>86,011</u></u>	<u><u>68,030</u></u>

20. IRPJ (Corporate Income Tax) exemption

The Entity, given its purpose and goals and pursuant to article 170 of the Income Tax Regulation (RIR), is not subject to the Corporate Income Tax. The Entity annually files the Legal Entity Income Tax Return (DIPJ) - Tax and Accounting Bookkeeping (ECF).

21. Financial instruments

The existing financial transactions involve usual assets and liabilities related to the Entity's business activity, especially short-term investments, accounts receivable and payable. These transactions are presented in the statements of financial position at cost plus related revenues and expenses which, in view of the nature of the transactions and maturities, approximate market values. During 2016 and 2015, the Entity did not conduct transactions with derivatives.

The Entity is exposed to the following risks resulting from the use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

21.1. Risk management structure

The Entity evaluates the risks of its financial instruments and defines which limits are appropriate and acceptable considering their operations and goals.

21.2. Credit risk

Credit risk is the risk of financial deficit of the Entity, if a counterparty, in any of the agreements, fails to fulfill its contractual obligations, which arise mainly from its receivables. Historically, the Entity has not incurred significant losses resulting from customers not meeting their financial obligations with their financing agents.

21.3. Liquidity risk

It results from the possibility of the Entity finding difficulties to comply with the obligations associated to its financial liabilities settled through payments in cash or through other financial assets. The Entity's approach in the management of this risk is to guarantee enough liquidity to meet its obligations at maturity, under regular or unusual conditions, with no unacceptable losses or risking the Entity's reputation.

21.4. Market risk

Market risk is the risk that market price changes, such as financial investment interest rates, affect the Entity's gains due to its portfolio or the amount of its interest in financial instruments. The Entity manages the market risks through financial investments in low risk market funds and with low financial leverage, always with top-tier financial institutions.

22. Contingencies

In the ordinary course of conducting its business, the Entity is subject to labor, civil and tax actions. Management, relying on its legal counsel's opinion or that of other technical specialists, when applicable, evaluates the possible outcome of ongoing lawsuits, and the need for setting up provisions for contingencies arising from them.

As at December 31, 2016, based on the opinion of its legal counselors, there are no ongoing lawsuits; therefore, no provision for amounts of such nature was made.

23. Subsequent events

Until the present date, there were no events that may significantly affect the financial statements or the Entity's operations.