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Audit of the Fund Accountability Statement of USAID resources managed by SITAWI under Cooperative Agreement AID-512-A-17-00002 regarding "The Middle Juruá Territory Program" funded by USAID and managed by SITAWI, for the period from January 1, 2019 to December 31, 2019.

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1. EXECUTIVE SUMMARY

This report presents the results of our audit of the fund accountability statement on funds provided by the United States Agency for International Development (USAID) under Cooperative Agreement AID-512-A-17-00002 to establish and provide financial and technical support to implement a Territorial Development Plan in the region, involving a wide base of stakeholders to scale the impact of social, environmental and economic development initiatives, managed by SITAWI, for the period from January 1, 2019 to December 31, 2019.

1.1. BACKGROUND

On June 28, 2017, the U.S. Agency for International Development (USAID), mission to Brazil approved the Middle Jurua Territory Program through Cooperative Agreement No. AID 512-A-17-00002 to provide USD 2,421,840 in grant funds to SITAWI. The effective date of this agreement is June 30, 2017, with an estimated completion date of June 29, 2020. Through Modification No. 3 dated June 11, 2020, the agreement was extended until January 29, 2021 (no cost extension).

The Middle Juruá Territory Program is an initiative, focused on the Middle Juruá region of the Carauari municipality in Brazil's Amazonas state to be implemented by SITAWI in partnership with the members of the Middle Juruá Territory Forum. This group includes two corporations (Natura and Coca-Cola), civil society organizations (SITAWI, ASPROC, FAS, AMECSARA and AMARU, among others), local enterprises (CODAEMJ and Açaí Tupã) and government bodies, including environmental protection agencies (ICMBio and DEMUC) and the Carauari municipality.

SITAWI Finance for Good is a pioneer organization in the development of financial solutions for social impact and in the analysis of the social and environmental performance of companies and financial institutions. Founded in 2008, SITAWI has offices in Rio de Janeiro and São Paulo. The Social Finance program is responsible for the development of Social Impact Bonds (SIBs) in Brazil and for the management of the Philanthropic Funds (FF – "Fundos Filantrópicos") and the Social and Environmental Revolving Funds (FSR – "Fundos Sociais Rotativos"), from which donations, loans and impact investments are made to organizations and businesses that are committed to impact, independent if they are nonprofit or for-profit organizations. Historically, these operations were made exclusively with SITAWI's capital, and recently we added collective formats, anchored by SITAWI (crowdlending, crowdequity). This program is hosted in the SITAWI's nonprofit entity.

"Middle Juruá Territory and other key actors to implement a territorial development plan" Program proposal

The objective of the program is to implement a Territorial Development Plan in the region, involving a wide base of stakeholders to scale the impact of social, environmental and economic development initiatives. The plan looks at two main strategies: (i) investment in socio-biodiverity sustainable value chains managed by riverbank populations (Amazonian communities living alongside rivers) living in or close to conservation areas, and (ii) execution of development programs, which seek solutions to local challenges relating to basic human necessities and the creation of well-being.

The concept driving this approach is that the biodiversity can be conserved through the sustainable usage of that biodiversity, the empowerment of local communities and improvements in quality of life in those communities. Environmental protection agencies play an important role in ensuring that the region's biodiversity is used sustainably, and community members have the potential to act increasingly as stewards of this biodiversity, in that they regard their own wellbeing as being linked to its conservation.

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The concepts and priorities behind the social aspects of this program are based on the Social Progress framework, as developed by economists since 2010, led by Michael E. Porter and asserting that GDP is only a partial model to understand social and environmental growth and progress, as a holistic understanding of human needs, wellbeing and opportunities goes beyond the purely economic. The annual global Social Progress Index (SPI), first published in 2013, measures and tracks countries based on their performance within this framework. In 2014, the first sub-national study using this methodology was completed, looking at Brazil's Amazonia region. Taking their inspiration from this study, the members of the Forum commissioned the first ever community-level and interview-based SPI study in order to 1) evaluate fifteen years of interactions between the private sector and river communities in the Middle Juruá and 2) identify future priorities. On reviewing the results in early 2015, Forum members were able to identify the following areas as priorities for its activities over the next three years:

1. Ecosystems, biodiversity and sustainable value chains
   a. Flora / b. fauna / c. ecosystems / d. climate change
2. Education
   a. School education / b. advanced education
3. Water and sanitation
4. Energy
5. Information and communication

These focus areas were then used to identify and align programs that followed principles of technological innovation for social and environmental impact, scalability on a territory-basis, co-creation and replicability.

Program approaches include strengthening the region's value chains, supporting more sustainable educational solutions geared towards the local context, implementing community-based solutions in water and sanitation, renewable energy and communications. These results will be accompanied every two years by a renewed SPI study.

Cost sharing

According to Cooperative Agreement AID-512-A-17-0002 the Natura Cosmetics and Coca-Cola corporations agree to contribute with at least USD 2,322,447,00 in cost sharing during the term of the agreement.

Program budget

The approved budget for the period from June 30, 2017 to January 29, 2021 by Modification No. 3 dated June 11, 2020 it was a non-cost extension through January 29, 2021, totaled USD 2,421,836.00, as detailed below:

Personnel	534,063
Fringe benefits	283,605
Travel	263,516
Equipment	325,106
Supplies	228,725
Contractual	556,559
Training, workshops, and communication activities	187,307
Construction	-
Indirect costs	42,955
Total	2,421,836

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2. TITLE

Audit of the Fund Accountability Statement on USAID resources managed by SITAWI, under Cooperative Agreement No. AID 512-A-17-00002 to support the Middle Jurua Territory Program for the period from January 1, 2019 to December 31, 2019.

3. OBJECTIVES OF THE AUDIT

The objective of this engagement is to conduct a financial audit of the USAID resources, managed by SITAWI to support the Middle Jurua Territory Program - AID 512-A-17-00002 - for the period from January 1, 2019 to December 31, 2019, in accordance with:

- USAID Financial Audit Guide for Foreign Organizations (hereafter Guide);
- U.S. Generally Accepted Government Auditing Standards33 (the Yellow Book); hereafter referred to as GAGAS, issued by the Comptroller General of the United States Government Accountability Office; and, as applicable;
- International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), in conjunction with GAGAS.

We were engaged to design steps and procedures. A closeout financial audit of the funds provided by USAID must be performed in accordance with GAGAS, or other approved standards where applicable, and accordingly includes such tests of the accounting records as deemed necessary under the circumstances.

A. AUDIT OF USAID FUNDS

Auditors must design steps and procedures in accordance with GAGAS. A financial audit of the funds provided by USAID must be performed in accordance with GAGAS, or other approved standards where applicable, and accordingly includes such tests of the accounting records as deemed necessary under the circumstances. The specific objectives of the audit of the USAID funds are to:

- Express an opinion on whether the fund accountability statement for the USAID-funded awards presents fairly, in all material respects in relation to the recipient's financial statements as a whole, and in revenues received, costs incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreements and generally accepted accounting principles.
- Evaluate and obtain a sufficient understanding of the recipient's internal controls related to the USAID-funded, assess control risk, and identify reportable conditions, including material internal control weaknesses. This evaluation must include the internal controls related to required cost-sharing contributions.
- Perform tests to determine whether the recipient complied, in all material respects, with agreement terms (including cost-sharing contributions/ matching contributions, if applicable) and applicable laws and regulations related to USAID-Funded programs. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred must be identified. Such tests must include the compliance requirements related to any required cost-sharing contributions.

In addition, if applicable:

- Determine if the recipient has taken adequate corrective action on prior audit report recommendations.

- Review cost-sharing/ matching contributions to determine whether cost-sharing/ matching contributions were provided and accounted for by the recipient in accordance with the terms of the agreement. The auditors will review the cost-sharing/ matching table to determine if the computation is fairly presented in accordance with the basis of accounting used by the recipient to prepare the schedule. The auditors should question all cost-sharing/ matching contributions that are either ineligible or unsupported costs.

4. AUDIT SCOPE

We have performed the following procedures as a basis for the preparation of our audit programs and review. They were not considered in their totality, or of a restrictive nature and do not constitute a substitute for the exercise of function, professional care and judgment.

A. Audit procedures

We reviewed the following documents deemed necessary for the execution of the audit:

a. The agreement between USAID and the recipient.
b. The sub agreements between the recipient and other implementing entities, as applicable.
c. Contracts and subcontracts with third parties, if any.
d. The budgets, implementation letters, and written procedures approved by USAID.
e. USAID Automated Directives System Chapter 636 – "Program Funded Advances"
f. 2 CFR Part F on Audit and 2CFR 700 on Cost Principles.
g. Federal Acquisition Regulation (FAR), Part 31, Contract Cost Principles and Procedures.
h. USAID Acquisition Regulation (AIDAR), which supplements the FAR.
i. Mandatory Standard Provisions for Non-U.S. Nongovernmental Grantees (USAID Automated Directives System, Chapter 303 Internal Mandatory References).
j. All program financial and progress reports; and charts of accounts, organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, warehousing and distribution procedures for materials, as necessary to successfully complete the required work.
k. Any previous audits, financial reviews, etc., that directly relate to the objectives of the audit.

B. Fund Accountability Statement

We have audited the Fund Accountability Statement of the USAID resources provided under Cooperative Agreement AID 512-A-17-00002, managed by SITAWI, including the amounts budgeted by category and items most relevant; the revenue received from USAID for the period covered by the audit and the costs incurred by SITAWI during that period.

Our audits of financial transactions for the period from January 1, 2019 to December 31, 2019 included, among others, the following procedures:

1. The direct costs incurred were reviewed, identifying, and quantifying the questionable costs. All costs that are not supported with proper documentation or are not in compliance with the terms of the agreement have been questioned and reported.
2. We have reviewed the general balance sheets and management reports to determine if the costs incurred have been duly recorded. We verified whether there was reconciliation of direct costs presented with the general balance sheets and management reports.

3. Were viewed the internal control procedures used to manage the funds received from USAID. We have also reviewed the bank accounts and controls on these accounts. We have confirmed positive bank balances.
4. We verified that fund advances have been adequately supported with documentation, including reconciliations of disbursed, received and available funds. We are comfortable that all funds received from USAID have been duly recorded in the accounting records of SITAWI and that these records have been periodically reconciled with the information provided by USAID.
5. We analyzed whether the program received amounts were eligible expenditures in accordance with program objectives or deducted from program costs, in accordance with USAID regulations and terms and conditions of the agreement.
6. Purchasing procedures have been reviewed to determine whether competitive business practices have been used, prices and quality are reasonable, and whether controls on quantities received are appropriate.
7. Direct social charges have been reviewed to determine if salary rates are in compliance with USAID-approved rates, where applicable, and whether they are adequately supported by payroll records. We reviewed whether the overtime, allowances and benefits charged to the program were in accordance with the applicable cooperation agreement, laws and regulations.
8. We review travel and transportation expenses to determine if they have been duly approved and are adequately supported.
9. We conducted procedures to review existing controls to ensure the safety and control of commodities purchased by SITAWI and whether such goods were used for specific purposes in accordance with the terms of the cooperation agreement.
10. We have reviewed the technical assistance contracts and services signed by SITAWI for use in the program to confirm that they have been used for the purposes set out in the terms of the cooperation agreement.

C. Cost Sharing Contributions Schedule

We analyzed the cost sharing contributions schedule to determine if they were properly valued, justified, and in accordance with the needs of the program and the terms of the cooperative agreement. Our audit procedures and audits of the cost-sharing included, among others:

1. Determine whether the costs provided and accounted for are in accordance with the terms of the cooperation agreement.
2. Review the cost-sharing schedule to determine if the schedule is reasonably presented and in accordance with the accounting regime used by SITAWI to prepare the schedule.

D. Internal Control

We reviewed and evaluated SITAWI's internal control structure to obtain a sufficient understanding of the policies and procedures of controls relevant to that of Cooperative Agreement AID 512-A-17-00002, and whether these policies and procedures have been put into operation.

1. Obtained a sufficient understanding of the structure of internal controls to plan the audit and determine the nature, timing, and extent of the examinations to be performed.
2. Assessed the inherent risk and risk of control and determine the combined risk.
3. Summarized the risk assessments for each statement in the working papers.
4. Evaluated the control environment, the adequacy of accounting systems and control procedures. Emphasize policies and procedures pertaining to SITAWI's ability to record, process, summarize and report financial data consistent with the statements contained in each statement of accountability of the resource fund with USAID.

Emphasis was be placed, but not limited to, control systems for:

a) Ensuring that the costs for the program are appropriate and supported;
b) Management of cash in cash and bank accounts (bank reconciliations);

c) Acquisition of goods and services;
d) Personnel management, such as hour, salary and benefits controls;
e) Management of consumer goods (such as vehicles, equipment, etc.) purchased by SITAWI; and
f) Ensuring compliance with the terms of the agreement, applicable laws and regulations that collectively have a material impact on the fund's accountability statement.

5. We evaluated the internal control established to ensure compliance with the requirements for cost sharing contributions, when applicable, including the provision and management of contributions.
6. We included in the review the evaluation of other policies and procedures that may be relevant if they are pertinent to the data used by the auditor in the execution of the work.

E. Compliance with Agreement Terms, Applicable Laws and Regulations

The purpose of our procedures for determining compliance with the terms of the agreement, as well as laws and regulations that we have determined may have a material effect on the fund accountability statement related to the USAID program.

Our analysis included, among other procedures, the following:

1. We have identified the terms of the cooperative agreement, as well as relevant laws and regulations, and have determined which of these, if not observed, would have a material direct effect on the fund accountability statement. In this sense:

    a) We listed all the standard provisions and specific determinations of the programs contained in the agreement that cumulatively, if not observed, could have a direct and relevant effect on the fund accountability statement.
    b) We estimated the inherent risk and risk of occurrence of nonconformity relevant to each compliance requirement listed in paragraph 1.a. above.
    c) We determined the nature, duration, and extent of the steps and procedures to be followed for reasonably certain detection of unintentional, errors, fraud, and illegal acts relating to the agreement, applicable laws and regulations, which may have a material effect on the fund accountability statement. This procedure shall be based on the risk estimate referred to in paragraph 1.b. above
    d) We prepared a single summary along with the audit documentation that identified each specific compliance requirement included in the review, the results of the inherent risk, control risk and detection risk estimates for each compliance requirement.
2. We looked at whether payments were made under the terms of the agreement, applicable laws and regulations.
3. We have reviewed whether the funds were used for unauthorized purposes or in violation of the terms of the agreement.
4. All irregular expenses were identified, classifying and explaining the reasons for their questioning.
5. We analyzed whether purchases of consumer goods directly purchased by SITAWI exist and have been used within the purposes for which they were intended in accordance with the terms of the agreement.
6. We analyzed whether the technical assistance and services obtained by SITAWI were used for the purposes for which they were intended, according to the agreement.
7. We analyzed whether the amount of resources for cost sharing expenses was properly calculated and accounted for, in accordance with the requirements of the cooperative agreement.
8. We analyzed whether the resources allocated to cost sharing expenses were provided under the terms of the agreement and quantified the deficiencies identified.
9. We evaluated the recipients of the services and whether the benefits were regularly eligible to receive them (eligible).
10. We verified whether the SITAWI financial reports and requirements for advances and reimbursements contain information corroborated by the relevant books and records.
11. We verified whether the SITAWI has maintained USAID resources in an interest-bearing account, and whether it has returned the interest earned from these advances to USAID, with the exception of up to USD 500.00 per year, that may be kept for administrative expenses.

F. Follow-Up of Previous Years Audit Recommendations

The audit of funds awarded to SITAWI refers to the eighteen months of Cooperative Agreement AID 512-A-17-00002, managed by SITAWI, thus, there are no prior audit recommendations related to this program.

5. AUDIT RESULTS

A. Fund Accountability Statement

In our opinion, the fund accountability statement, under Cooperative Agreement AID 512-A-17-00002, managed by SITAWI present fairly in all material respects program, revenues and costs incurred and reimbursed for the period from January 1, 2019 to December 31, 2019, in accordance with the terms of the agreement and in conformity with the accounting policies described in Note 1.

B. Cost Sharing Contributions Schedule

Based on our review, nothing came to our attention that caused us to believe that SITAWI did not fairly present the cost sharing contribution schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing contribution schedule.

C. Internal Control

We consider SITAWI's internal controls in planning the audit procedures to be performed for the specific purpose of expressing our opinion on the fund accountability statement and not to provide assurance on internal controls.

Our internal control reviews and evaluations have not revealed any material deviations that we believe are necessary in this report.

The matters identified by us in the internal control procedures that in our judgment did not affect the ability to record, process, summarize and report financial information in accordance with the management's claims in the fund accountability statement and cost sharing schedule, but we consider that could be improved by SITAWI as described in our management letter along with management's comments.

D. Compliance with Agreement Terms Applicable Laws and Regulations

In order to obtain reasonable assurance that the fund accountability statement is free from material misstatement, we conducted analyses and tests to determine compliance with the terms of the agreement, as well as with laws and regulations.

In our tests and analyses, we have not identified significant instances of non-compliance to be included in this report, in accordance with US Government's Auditing Standards, for the period from January 1, 2019 to December 31, 2019.

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Audit of the Fund Accountability Statement of USAID resources managed by SITAWI under Cooperative Agreement AID-512-A-17-00002 to support "The Middle Juruá Territory Program" for the period from January 1, 2019 to December 31, 2019.

Independent Auditor's Report on the Fund Accountability Statement

To the Board of Directors
SITAWI
Rio de Janeiro - RJ

We have audited the fund accountability statement of SITAWI, for the period from January 1, 2019 to December 31, 2019. The fund accountability statement is the responsibility of SITAWI's management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit of the fund accountability statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraph 4.16 of U.S. Government Auditing Standards. However, our current program provides for at least 80 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We do not have an external quality control review by an unaffiliated audit organization as required by Chapter 5, paragraphs 5.025 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Brazil. We believe that the effects of this departure from U.S. Government Auditing Standards is not material once we have been required to comply with the External Quality Review Program Administrator Committee (CRE) in Brazil. This Committee was established by the Federal Accounting Council (CFC) and IBRACON - Institute of Independent Auditors of Brazil and is responsible to evaluate the procedures adopted by the accountants and audit firms, with a view to ensuring the quality of the work developed.

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, program revenues, and costs incurred and reimbursed for the period from January 1, 2019 to December 31, 2019, then ended in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note 1.

In accordance with U.S. Government Auditing Standards, we have also issued our reports dated July 28, 2020, on our consideration of SITAWI internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent's Auditor's report in considering the results of our audit.

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This report is intended for the information of SITAWI Finance for Good (SITAWI) and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Rio de Janeiro, July 28, 2020

Mazars Auditores Independentes
CRC 2SP023701/O-8

Cleber de Araujo
Accountant CRC 1SP213655/O-8

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	Agreement Budget			Actual revenues and expenditures		Cummulative revenue and expenditures	Questionable costs		
	From June 30, 2017 to Dec 31, 2018	From January 1st to Dec 31, 2019	From June 30, 2017 to Dec 31, 2019 (total)	From June 30, 2017 to Dec 31, 2018	From January 1st to Dec 31, 2019	From June 30, 2017 to Dec 31, 2019 (total)			
	USD	USD	USD	USD	USD	USD			
Revenue:							**Ineligible**	**Without support documentation**	**Notes**
Funds received Cooperative Agreement	**1,233,458**	**807,280**	**2,040,738**	**904,993**	**696,955**	**1,601,948**			**Note 2**
Costs:									
Personnel	262,820	181,129	443,949	160,241	168,468	328,709			
Fringe benefits	139,863	96,357	236,220	54,774	63,571	118,345			
Travel	131,981	89,079	221,060	65,074	67,421	132,495			
Equipment	197,768	117,020	314,788	135,426	88,746	224,172			
Supplies	122,405	72,002	194,407	103,143	115,515	218,658			
Contractual	263,277	195,828	459,105	163,852	109,924	273,776			
Training, workshops and communication activities	98,255	55,227	153,482	36,426	33,226	69,652			
Indirect cost	25,888	12,413	38,301	22,863	14,124	36,987			
	1.242,257	**819,055**	**2,061,312**	**741,799**	**660,995**	**1,402,794**			**Note 3**
		Balance available		**163,194**	**35,960**	**199,154**			**Note 4**

(*) The total proportional budget has considered the period from June 30, 2017 to December 31, 2019 budget based on the detailed projected budget presented by Sitawi - TMJ.

The accompanying notes from management are an integral part of this fund accountability statement.

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NOTES TO THE FUND ACCOUNTABILITY STATEMENT

1. GENERAL INFORMATION AND SUMMARY OF ACCOUNTING POLICIES

SITAWI is a pioneer organization in the development of financial solutions for social impact and in the analysis of the social and environmental performance of companies and financial institutions. Founded in 2008, SITAWI has offices in Rio de Janeiro and São Paulo**.** SITAWI work with a broad vision of the capital spectrum and the types of organization that focus on positive social and environmental impact. In recent years, the predominant logic of separating traditional companies (with revenues from selling product and services, dividend payments and a focus on financial return) and traditional NGOs (with revenues from donations, no dividends and a focus on social impact) has been replaced by a continuum combining a range of options for each of these categories.

The program's fund accountability statement has been prepared in accordance with the governmental audit requirements issued by the United States Comptroller General's Office. The accounting policies adopted by management are defined as follows:

(a) **Statement of responsibility for the fund:** Because SITAWI uses its own financial management system to report on the Program's operations, the chart of accounts used has the classification of budget headings. The fund accountability statement of the funds provided by the United States Agency for International Development (USAID), Cooperative Agreement under AID-512-A-17-00002, to support the Middle Juruá Territory Program administered by ,SITAWI was prepared using the cash basis method of accounting, which consists in accounting for revenues only when they are actually received and costs and expenses only when they are actually paid.

(b) **Revenue:** Revenues are recorded on the date the funds transferred by USAID to SITAWI are made available in SITAWI's bank account.

(c) **Exchange rate:** The fund accountability statement provided to the auditor by the recipient is stated in Real. The USD exchange rate retained by the auditor to convert is the 1 USD = 4.0307 Reais. Thus, the figures in U.S. dollars do not correspond to the amounts recorded in USAID financial systems because the transactions were converted to dollar at various exchange rates.

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BASIS OF PREPARATION OF BUDGET

Budget of the project presented at the fund accountability statement has been prepared in accordance with budget approved by USAID. This budget is expressed in USD.

	Budget for 3 years	1st year	2nd year	Budget (in USD) 3rd year
Total USAID resources	2,421,836	783,727	899,461	738,647
	2,421,836	**783,727**	**899,461**	**738,647**
Personnel	534,063	172,538	180,564	182,427
Fringe benefits	283,605	91,624	96,477	96,970
Travel	263,516	86,092	91,777	87,113
Equipment	325,106	91,800	211,935	22,837
Supplies	228,725	85,454	73,901	70,836
Contractual	556,559	165,636	195,281	197,108
Training, workshops and communication activities	187,307	77,586	41,338	69,849
Construction	-	-	-	-
Indirect cost	42,955	18,862	14,052	11,508
	2,421,836	**783,727**	**899,461**	**738,647**

2. REVENUES RECEIVED BY USAID

From January 1, 2019 to December 31, 2019 the recipient SITAWI received from USAID a total amount of USD 696,955. This amount is detailed by the following receptions:

Date	Nature	Description	Amount in BRL	Amount in USD
01/31/19	Transfer	Bank transfer received from USAID, advance for February	187,883	50.601
02/20/19	Transfer	Bank transfer received from USAID, advance for March	121,171	32.555
03/22/19	Transfer	Bank transfer received from USAID, advance for April	139,519	36.239
04/24/19	Transfer	Bank transfer received from USAID, advance for May	211,972	54.618
05/22/19	Transfer	Bank transfer received from USAID, advance for June	209,526	52.671
06/28/19	Transfer	Bank transfer received from USAID, advance for July	123,698	32.221
07/30/19	Transfer	Bank transfer received from USAID, advance for August	286,672	76.712
08/29/19	Transfer	Bank transfer received from USAID, advance for September	528,000	129.571
09/27/19	Transfer	Bank transfer received from USAID, advance for October	525,499	128.421
10/29/19	Transfer	Bank transfer received from USAID, advance for November	353,126	85.961
12/02/19	Transfer	Bank transfer received from USAID, advance for December	60,403	14,378
12/27/19	Transfer	Bank transfer received from USAID, advance for December	12,350	3,007
Accumulated amounts from January 1, 2019 to December 31, 2019			**2,759,819**	**696.955**

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3. EXPENSES

During the period from January 1, 2019 to December 31, 2019, SITAWI and Sub-awardees incurred the following expenses:

	Accumulated from January 1, 2019 to December 31, 2019					
	SITAWI	**AMARU**	**AMECSARA**	**ASPROC**	**FAS**	**Total**
DIRECT COSTS						
Personnel	89,504	20,914	7,132	23,803	27,115	168,468
Fringe benefits	36,000	2,394	1,947	12,415	10,815	63,571
Travel	23,278	-	7,670	7,138	29,335	67,421
Equipment	754	1,017	-	77,473	9,502	88,746
Supplies	2,340	15,614	69,296	20,564	7,701	115,515
Contractual	52,903	-	-	43,014	14,007	109,924
Training, workshops and communications activities	2,566	-	26,006	4,654	-	33,226
Indirect cost	14,124	-	-	-	-	14,124
	221,469	**39,939**	**112,051**	**189,061**	**97,475**	**660,995**

4. RECONCILIATION OF AVAILABLE FUNDS

The reconciliation between the excess of revenues over incurred costs with available cash in bank accounts as of December 31, 2019 is detailed as follows:

	BRL	**USD**	
Available balance on December 31, 2018	**635,899**	**163,194**	
Funds received	2,759,817	696,955	
Accumulated expenses incurred	(2,663,717)	(660,995)	
Available balance as of December 31, 2019	**731,999**	**199,154**	
Adjustments:			
Expenditures not yet allocated in the project	(332,255)	(82,432)	
Expenditures incurred in 2019, reported in 2020	(9,548)	(2,346)	**2**
Advances not reconciled	(2,508)	(600)	**3**
(-) Effect of exchange variation on bank balance translation	-	(17,570)	
Cash and cash equivalents as of December 31, 2019	**387,778**	**96,206**	
Breakdown of cash[1]:			
Banco Itaú S.A. Nº 08500-7	**387,778**	**96,206**	**1**

[1] Exchange rate used for conversion BRL 4.0307 / USD 1.00 on December 31, 2019.
Project funds of SITAWI were kept in an interest-bearing account.

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[2] Expenses that were paid in 2019 and included in 2020 liquidations.

[3] This amount refers to the difference between the advances not allocated in projects yet (BRL 344,311) and management control for these advances (BRL 341,803).

5. SITAWI ACTIVITIES PROGRAM (Sub-awardees)

SITAWI managed four sub-awardees, Fundação Amazonas Sustentável "FAS", Associação dos Moradores Agroextrativista da Reserva de Desenvolvimento Sustentável "AMARU", Associação dos Moradores Extrativistas da Comunidade São Raimundo "AMECSARA", Associação dos Produtores Rurais de Carauari "ASPROC", which received transfers of funds from the implementing unit for the Program. The sub-awardees managed its own bank accounts and accounting and has an independent administration. The amount approved in the contract to be allocated to AMARU, AMECSARA, ASPROC, FAS amounted to USD 1,815,388 in accordance with item A.15 of the Cooperative Agreement.

The funds transferred to sub-awardees during the period from January 1, 2019 to December 31, 2019 were as presented below:

(in USD) January 1, 2019 to December 31, 2019	AMARU	AMECSARA	ASPROC	FAS	Total
Funds advanced	45,423	108,212	182,697	75,932	412,264
Total	**45,423**	**108,212**	**182,697**	**75,932**	**412,264**

Total funds advanced by the sub-awardees under the sub-agreement from January 1, 2019 to December 31, 2019 amounted to USD 412,264.

During the audit period we only had access to the information about sub-awardees contracts in real currency. For this reason, we needed to make a proportional balance between the real and dollars amount.

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Audit of the Fund Accountability Statement of USAID resources managed by SITAWI under Cooperative Agreement AID-512-A-17-00002 to support "The Middle Juruá Territory Program" for the period from January 1, 2019 to December 31, 2019

Independent Auditor's Report on Internal Control

To Board of Directors
SITAWI
Rio de Janeiro - RJ

We have audited the fund accountability statement of *SITAWI* as of and for the period from January 1, 2019 to December 31, 2019 and have issued our report on it dated July 28, 2020. We also reviewed the separate cost-sharing/matching contributions schedule.

Except for not having a fully satisfactory continuing education program and having an external quality control review by an unaffiliated audit organization (as described in our report on the fund accountability statement), we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. In planning and performing our audit, we considered the entity's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended for the information of *SITAWI* and the U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Rio de Janeiro, July 28, 2020

Mazars Auditores Independentes
CRC 2SP023701/O-8

Cleber de Araujo
Accountant CRC 1SP213655/O-8

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Audit of the Fund Accountability Statement of USAID resources managed by SITAWI under Cooperative Agreement AID-512-A-17-00002 to support "The Middle Juruá Territory Program" for the period from January 1, 2019 to December 31, 2019

Independent Auditor's Review Report on the Cost Sharing Contribution Schedule

To Board of Directors
SITAWI
Rio de Janeiro - RJ

We have reviewed the accompanying cost sharing contributions schedule of SITAWI, for the period from January 1, 2019 to December 31, 2019. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants (AICPA). The purpose of our review was to determine if the cost sharing contributions schedule is fairly presented in accordance with the basis of accounting described in note 6 to the cost sharing contributions schedule. We also considered internal control related to the provision of and accounting for cost sharing contributions.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is to express an opinion on the cost sharing contributions schedule. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that SITAWI did not fairly present the cost sharing contributions schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost sharing contributions schedule.

This report is intended for the information of SITAWI and the U.S. Agency for International Development (USAID). However, upon release by USAID, this report is a matter of public record and its distribution is not limited.

Rio de Janeiro, July 28, 2020

Mazars Auditores Independentes
CRC 2SP023701/O-8

Cleber de Araujo
Accountant CRC 1SP213655/O-8

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SITAWI
COST SHARING SCHEDULE
FOR THE PERIOD FROM JUNE 30, 2017 TO DECEMBER 31, 2019

	Budget Contributions	Contributions from June 1, 2017 to December 31, 2018	Contributions from January 1, 2019 to December 31, 2019	Cumulative contributions as of December 31, 2019	Ineligible	Unsupported	Notes
Coca-Cola and Natura Cosmetics	2.322.447	1.070.085	708.308	1.778.393			
	2.322.447	**1.070.085**	**708.308**	**1.778.393**			

The accompanying notes are an integral part of the cost sharing contributions schedule.

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NOTES TO THE COST SHARING SCHEDULE

1. SUMMARY OF ACCOUNTING POLICIES

The accompanying cost sharing schedule was prepared in order to comply with Cooperation Agreement AID-512-A-17-00002 between the United States Agency for International Development (USAID) and SITAWI. The main accounting practices adopted by management in the preparation of the cost sharing schedule are summarized below:

(a) **Cost sharing expenses:** The cost sharing schedule of SITAWI relating to Cooperative Agreement No. AID-512-A-17-00002 was prepared under the accrual method of accounting, which consists of the register of revenues and expenses when incurred.

(b) **Currency and exchange rate:** The financial records of the Program are maintained in Real, Brazilian currency. Exchange rate used is BRL 3.14/ USD 1.00, which is the exchange rate ruling at the date when the Award was signed.

2. COST SHARING CONTRIBUTIONS

Cost sharing expenditure: For the program of the period from January 1, 2019 to December 31, 2019 (one year), SITAWI presented as cost sharing contributions a total amount of USD 708,308.

			(In USD)
Agreement AID 512-A-17-00002	**From June 30, 2017 to June 30, 2020 (BUDGET)**	**From June 30, 2017 to January 29, 2021 (ACTUAL)**	**Balance to be provided until June 30, 2020**
Incurred costs			
Coca-Cola and Natura	2,322,447	1,778,393	544,054
	2,322,447	**1,778,393**	**544,054**

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Audit of the Fund Accountability Statement of USAID resources managed by SITAWI under Cooperative Agreement AID-512-A-17-00002 to support "The Middle Juruá Territory Program" for the period from January 1, 2019 to December 31, 2019

Independent Auditor's Report on Compliance with Agreement Terms, Applicable Laws and Regulations

To Board of Directors
SITAWI
Rio de Janeiro - RJ

We have audited the fund accountability statement of SITAWI, for the period from January 1, 2019 to December 31, 2019, and have issued our report on it dated July 28, 2020. We also reviewed the separate cost sharing contributions schedule.

Except for not having a fully satisfactory continuing education program and having an external quality control review by an unaffiliated audit organization, we conducted our audit in accordance with U.S. *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund accountability statement amounts.

Compliance with agreement terms and laws and regulations is the responsibility of SITAWI's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of to SITAWI's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We also performed tests of to SITAWI's compliance with certain provisions of agreement terms and laws and regulations applicable to the provision of cost-sharing contributions.

The results of our tests disclosed no instances of noncompliance that are required to be reported here under U.S. Government Auditing Standards.

This report is intended for the information of SITAWI and the U.S. Agency for International Development (USAID). However, upon release USAID, this report is a matter of public record and its distribution is not limited.

Rio de Janeiro, July 28, 2020

Mazars Auditores Independentes
CRC 2SP023701/O-8

Cleber de Araujo
Accountant CRC 1SP160918/O-2

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