



**Lopes, Machado**  
Auditors, Tax, Consultants & Business Advisers

Independent Member of

**B K R**  
International

***FUNDAÇÃO DE APOIO À UNIVERSIDADE  
DE SÃO PAULO - FUSP***

***FINANCIAL STATEMENTS AT DECEMBER  
2019 AND 2018 AND INDEPENDENT  
AUDITOR'S REPORT***



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## **FUNDAÇÃO DE APOIO À UNIVERSIDADE DE SÃO PAULO - FUSP**

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## **INDEPENDENT AUDITOR'S REPORT**

**To**  
**Management and Board Members to**  
**Fundação de Apoio à Universidade de São Paulo - FUSP**  
**São Paulo - SP**

### **Opinion**

We have audited the accompanying financial statements of Fundação de Apoio à Universidade de São Paulo - FUSP ("Foundation"), which comprise the balance sheet as of December 31, 2019 and the statements of surplus, comprehensive surplus, changes in social equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Foundation's financial position on December 31, 2019, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

### **Basis for opinion**

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with these standards, are described in the following section entitled "Auditor's responsibilities for auditing the financial statements". We are independent from the Entity in accordance with the relevant ethical principles set out in the Accountant's Code of Professional Ethics and in the professionals, standards issued by the Federal Accounting Council and we comply with other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

### **Audit of values corresponding to the previous year**

The financial statements of the Fundação de Apoio à Universidade de São Paulo - FUSP, for the year ended December 31, 2018, presented for comparison purposes, were examined by other independent auditors, who issued a report dated February 15, 2019, without caveats.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil 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 ability of the Foundation 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 Foundation or cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Foundation.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable security is a high level of security, but not a guarantee that the audit carried out in accordance with Brazilian and international auditing standards will always detect any relevant existing distortions. The distortions can be due to fraud or error and are considered relevant when, individually or jointly, they can influence, within a reasonable perspective, the economic decisions of users made based on said financial statements.

As part of an audit carried out in accordance with Brazilian and international auditing standards, we exercise professional judgment, and maintain professional skepticism throughout the audit. Besides that:

- 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 the internal controls relevant to the audit in order to plan 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 controls.
- 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 a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Foundation 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 inappropriate, 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 Foundation to cease to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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 control that we identify during our audit.

São Paulo, March 06, 2020



Fernando Luis de Barros  
Partner CRC-SP: 1SP292087/O-3

**FUNDAÇÃO DE APOIO A UNIVERSIDADE DE SÃO PAULO - FUSP**  
**Balance Sheet at December 31, 2019 and 2018**  
**(All amounts in thousand of Reais)**

<b>Assets</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>Liabilities and social equity</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
Current assets				Current liabilities			
Cash and cash equivalents	5	589	585	Labor and tax liabilities	9	2.390	2.096
Restricted cash equivalents	6	28.119	17.452	Credits to be identified	10	<u>5.481</u>	<u>2.169</u>
Advances to projects	7	1.068	899			<u>7.870</u>	<u>4.265</u>
Others assets		<u>225</u>	<u>362</u>				
		<u>30.002</u>	<u>19.299</u>	Non-current liabilities			
Non-current assets				Labor and tax liabilities	9	1.923	1.636
				Provision of contingencies	11	<u>119</u>	<u>103</u>
Judicial deposits		216	85			<u>2.042</u>	<u>1.739</u>
Property and equipment	8	2.800	2.799	Total Liabilities		<u>9.912</u>	<u>6.004</u>
Intangible		<u>66</u>	<u>70</u>	Social equity	12		
		<u>3.082</u>	<u>2.954</u>	Social equity		14.944	8.446
				Carrying value adjustments		1.283	1.305
				Accumulated surplus		<u>6.944</u>	<u>6.498</u>
				Total equity social		<u>23.172</u>	<u>16.249</u>
Total assets		<u><u>33.084</u></u>	<u><u>22.253</u></u>	Total liabilities and social equity		<u><u>33.084</u></u>	<u><u>22.253</u></u>

The accompanying notes are an integral part of these financial statements

**FUNDAÇÃO DE APOIO A UNIVERSIDADE DE SÃO PAULO - FUSP**  
**Statement of Surplus/Déficits**  
**Years ended December 31, 2019 and 2018**  
**(All amounts in thousand of Reais)**

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Revenue	13	10.166	9.808
Revenue from volunteer work	14	248	230
<b>Total revenue</b>		<u>10.414</u>	<u>10.038</u>
<b>Operating income (expenses)</b>			
Expenses with volunteer work	14	(248)	(230)
General and administrative expenses	15	(7.725)	(7.250)
Others expenses		<u>(86)</u>	<u>(36)</u>
<b>Surplus before financial result</b>		<u>2.354</u>	<u>2.522</u>
Finance income	16	5.196	5.475
Finance costs	16	<u>(627)</u>	<u>(1.519)</u>
Financial result		<u>4.569</u>	<u>3.956</u>
<b>Surplus for the year</b>		<u><u>6.923</u></u>	<u><u>6.477</u></u>

The accompanying notes are an integral part of these financial statements



**FUNDAÇÃO DE APOIO A UNIVERSIDADE DE SÃO PAULO - FUSP**  
**Statement of Comprehensive Income**  
**Years ended December 31, 2019 and 2018**  
**(All amounts in thousand of Reais)**

	<u>2019</u>	<u>2018</u>
<b>Surplus of the year</b>	6.923	6.477
Others components of comprehensive surplus	<u>-</u>	<u>-</u>
<b>Total comprehensive surplus for the year</b>	<u>6.923</u>	<u>6.477</u>

The accompanying notes are an integral part of these financial statements

**FUNDAÇÃO DE APOIO A UNIVERSIDADE DE SÃO PAULO - FUSP**  
**Statement of Changes in Social Equity**  
**Years ended December 31, 2019 and 2018**  
**(All amounts in thousand of Reais)**

	<u>Note</u>	<u>Social Equity</u>	<u>Carrying value adjustments</u>	<u>Accumulated Surplus</u>	<u>Total</u>
<b>December 31, 2017</b>		3.415	1.326	5.031	9.772
Allocation of prior year's surplus		5.031	-	(5.031)	-
Realization of deemed cost revaluation surplus	12(b)	-	(21)	21	-
Surplus of the year		<u>-</u>	<u>-</u>	<u>6.477</u>	<u>6.477</u>
<b>December 31, 2018</b>		8.446	1.304	6.498	16.249
Allocation of prior year's surplus	12(a)	6.498	-	(6.498)	-
Realization of deemed cost revaluation surplus	12(b)	-	(21)	21	-
Surplus of the year		<u>-</u>	<u>-</u>	<u>6.923</u>	<u>6.923</u>
<b>December 31, 2019</b>		<u>14.944</u>	<u>1.283</u>	<u>6.944</u>	<u>23.172</u>

The accompanying notes are an integral part of these financial statements

**FUNDAÇÃO DE APOIO A UNIVERSIDADE DE SÃO PAULO - FUSP**  
**Statement of cash flows**  
**Years ended December 31, 2019 and 2018**  
**(All amounts in thousand of Reais)**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
<b>Surplus for the year</b>	6.923	6.477
<b>Adjustments to reconcile surplus with net cash inflow from operating activities</b>		
Depreciation and amortization (Note 8)	54	67
Provision for contingencies (Note 11)	<u>16</u>	<u>38</u>
	<u>6.993</u>	<u>6.582</u>
<b>Changes in assets and liabilities</b>		
Others assets	137	(54)
Advances to projects	(169)	(117)
Judicial deposits	(131)	(76)
Labor and tax liabilities	580	(278)
Provision for contingencies	-	39
Credits to be identified	<u>3.312</u>	<u>-</u>
<b>Net cash inflow from operating activities</b>	10.722	6.096
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets (Note 8)	<u>(51)</u>	<u>(105)</u>
<b>Net cash used in investing activities</b>	<u>(51)</u>	<u>(105)</u>
<b>Cash flow from financing activities</b>		
Increase (decrease) in restricted cash equivalents (Note 6)	<u>(10.667)</u>	<u>(6.122)</u>
<b>Net cash from (invested in) financing activities</b>	<u>(10.667)</u>	<u>(6.122)</u>
<b>Increase (Decrease) in cash and cash equivalents</b>	<u>4</u>	<u>(131)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>585</u>	<u>716</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>589</u></u>	<u><u>585</u></u>

The accompanying notes are an integral part of these financial statements

# Fundação de Apoio à Universidade de São Paulo - FUSP

## Notes to the financial statements

December 31, 2019

All amounts in Thousands of Reais

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### 1. Operations

#### (a) General Information

Fundação de Apoio à Universidade de São Paulo - FUSP ("Foundation") is a non-profit private limited company, incorporated on June 10, 1992 in the city of São Paulo, state of São Paulo, where it carries out its activities.

According to its articles of incorporation, the Foundation's main objectives are:

- ✓ To provide the University of São Paulo (USP) with the means for the proper deployment of human and material resources required to perform the activities related to teaching, research and extension programs;
- ✓ To assist in the organization and oversight of community-oriented activities in the segments of education, culture, social welfare, environment, sports and health; and
- ✓ To provide services aimed at assisting and fostering research, generation of technologies, and dissemination of scientific and technical knowledge.

The Foundation's main activity is the management of research projects for public and private areas, coordinated by professors from USP.

According to the bylaws, the Foundation to Support the University of São Paulo can only be extinguished upon approval by the vote of 2/3 of the members of the Board of Trustees, after hearing the Public Prosecutor's Office for Foundations of the Public Ministry. In the event provided for in this article, any remaining assets will be allocated to the University of São Paulo - USP or to the entity registered with the National Council for Social Assistance - CNAS, through a simple majority vote of the members of the Board of Trustees.

#### (b) Foundation's Management

The Foundation is managed by the following administrative bodies:

##### (b.1) Board of Trustees

The Board is formed by nine members, appointed as follows: one chairman, who is necessarily the President of USP; five members appointed by the President, whose terms of office coincide with that of the President; and three members appointed by USP's University Board, with a term of office of four years. Among other duties, the Board of Trustees is responsible for establishing and promoting the policies to govern the Foundation's activities; appointing and removing members of the Executive Board (item b.2) and the Statutory Audit Board (item b.3); and approving (i) the internal regulation, (ii) the receipt of donations or legacies; (iii) the Foundation's budget proposal; (iv) the financial statements and activities report prepared by the Executive Board and (v) amendments to the articles of incorporation and rules on procurement and contracts.

##### (b.2) Executive Board

The Executive Board is formed by the Executive Officer, Alternate Officer, and Financial Officer, with terms of office of two years. Among other duties, this Board is responsible for managing the Foundation; preparing the budgetary proposal and preparing the proposal on internal rules and regulations to be submitted to the Board of Trustees.

##### (b.3) Fiscal Council

The Fiscal Council is made up by three members appointed by the Board of Trustees, who have a term of office of two years, and the possibility of successive reinstatement. Among other duties, the Statutory Audit Board issues its opinion on the Foundation's financial performance and

# **Fundação de Apoio à Universidade de São Paulo - FUSP**

## **Notes to the financial statements**

**December 31, 2019**

**All amounts in Thousands of Reais**

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financial position reports, reviews and issues its opinion on the annual report on the Executive Board's activities, financial statements, and rendering of accounts for the previous year.

### **(c) Tax and social security aspects**

Currently, the Foundation is subject to the payment of contributions to: (i) the Social Integration Program (PIS), calculated as 1% on the payroll amount; and (ii) the National Institute of Social Security (INSS), calculated based on the payroll.

As a non-profit entity, the Foundation is exempt from the payment of corporate income tax (IRPJ) and social contribution on net income (CSLL). In addition, it is also exempt from paying Social Contribution on Revenues (COFINS) and Tax on Services of Any Kind (ISSQN) on revenue raised by its activities. However, for information purposes only, if the Foundation were subject to the payment of those contributions on its revenues, under the cumulative regime, COFINS would have been computed at the amount of R\$ 371 (R\$ 358 in 2018), and ISSQN at the amount of R\$ 508 (R\$ 490 in 2018).

### **(d) Approval of the financial statements**

The issue of the Foundation's financial statements was authorized by Management on February 19, 2019.

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

### **2.1 Basis of preparation**

The financial statements have been prepared and are being presented in accordance with the Brazilian Accounting Pronouncements Committee (CPC) - Technical Pronouncement PME - Accounting for Small and Medium-sized Entities (R1), and the guidance contained in interpretation ITG 2002 - Non-profit Entities, issued by the Federal Accounting Council (CFC). The financial statements have been prepared under the historical cost convention and adjusted to reflect the remeasurement of certain financial instruments at fair value.

The preparation of financial statements in conformity with the CPC PME requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Foundation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### **2.2 Foreign currency translation**

#### **(a) Functional and presentation currency**

The financial statements are presented in reais (R\$), which is the Foundation's functional currency, and also its presentation currency.

# **Fundação de Apoio à Universidade de São Paulo - FUSP**

## **Notes to the financial statements**

**December 31, 2019**

All amounts in Thousands of Reais

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### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured.

### **2.3 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, and with immaterial risk of change in value.

### **2.4 Cash and cash equivalents - restricted**

These include deposits with banks and short-term highly liquid financial investments related to the projects managed by the Foundation, which are presented net of the obligations associated with these projects.

### **2.5 Financial assets**

#### **2.5.1 Classification**

The Foundation classifies its financial assets in the following categories:

- Measured at fair value (through other comprehensive income or through profit or loss);  
or
- Measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### **(a) Financial assets at fair value through profit or loss**

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income (loss) are measured at fair value through profit or loss. Any gains or losses on investments in debt securities that are subsequently measured at fair value through profit or loss are recognized in profit or loss and presented net within "Other gains/(losses)" in the period in which they arise.

#### **(b) Amortized cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of the asset is recognized directly in profit or loss and presented in "Other gains/(losses)". Impairment losses are presented as a separate line item in the statement of surplus.

# **Fundação de Apoio à Universidade de São Paulo - FUSP**

## **Notes to the financial statements**

**December 31, 2019**

All amounts in Thousands of Reais

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### **2.5.2 Recognition, derecognition, and measurement**

Regular purchases and sales of financial assets are recognized on the trade date, i.e., the date on which the Foundation commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred, and the Foundation has transferred substantially all the risks and rewards of ownership.

Financial assets are recognized initially at fair value, plus transaction costs that are directly attributable to the acquisition, in the case of financial assets that are not measured at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are expensed in the statement of surplus.

### **2.5.3 Offsetting of financial instruments**

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to settle them on a net basis or realize the asset and settle the liability simultaneously. The legal right should not be contingent on future events and should apply in the normal course of business and in the case of default, insolvency or bankruptcy of the entity or the counterparty.

### **2.5.4 Impairment of financial assets**

The Foundation assesses the expected credit losses associated with its debt securities carried at amortized cost and at fair value through other comprehensive income. The impairment methodology adopted depends on whether there has been a significant increase in credit risk.

For trade receivables, the Foundation adopts the simplified approach, as permitted by CPC 9/IFRS 48, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

## **2.6 Fixed assets**

Fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to preparing the asset for its intended use.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method, to write down the cost of each asset to its residual value according to the rates disclosed in Note 8, which take into consideration the assets' useful lives.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other income, net" in the statement of surplus.

## **2.7 Intangible assets**

Software licenses acquired are stated at historical cost. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful life of five years.

# **Fundação de Apoio à Universidade de São Paulo - FUSP**

## **Notes to the financial statements**

**December 31, 2019**

All amounts in Thousands of Reais

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### **2.8 Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have suffered impairment are subsequently reviewed for possible reversal of the impairment at each reporting date.

### **2.9 Provisions**

Provisions are recorded when the Foundation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision is recognized within "Operating expenses" in the statement of surplus.

### **2.10 Other liabilities**

These are stated at known or estimated amounts including, where applicable, accrued charges and monetary variations.

### **2.11 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for consideration for services in the normal course of the Foundation's activities. Revenue is net of cancellations, when applicable.

As revenues come from, administrative fees and sponsorship fees for the management of research projects, which are carried out on demand and recognized in the result according to the progress of management and project development of the research that involve each one.

### **2.12 Other revenue, costs and expenses**

Other revenue, costs of services, and expenses are also recognized on the accrual basis of accounting.

### **2.13 Finance result**

Finance income and costs are recognized on an accrual basis, taking into consideration the principal amount outstanding and the effective rate during the period up to maturity, when the income or costs will be recognized by the Foundation.



# Fundação de Apoio à Universidade de São Paulo - FUSP

## Notes to the financial statements

December 31, 2019

All amounts in Thousands of Reais

### 3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated, and are based on historical experience and other factors, including expectations of future events.

The accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are related to the review of the useful lives and recoverable value of fixed assets, in addition to the provision for contingencies.

The assets used in the Foundation's activities are reviewed for possible impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable on the basis of future cash flows. If the carrying amount of an asset is higher than its recoverable value, the net value is adjusted.

### 4 Financial instruments by category

Assets as per balance sheet	Classification	2019	2018
Cash and cash equivalents - Cash and Banks	(i)	589	585
Restricted cash equivalents	(i) e (ii)	28.119	17.453
Advances for projects	(i)	1.068	899
Other assets	(i)	225	362
Judicial deposits	(i)	216	85
		<u>30.218</u>	<u>19.384</u>
Liabilities as per balance sheet			
Other liabilities	(iii)	5.481	2.169
		<u>5.481</u>	<u>2.169</u>

#### Classification

- (i) Assets carried at amortized cost
- (ii) Assets at fair value through profit or loss
- (iii) Liabilities carried at amortized cost

### 5 Cash and Cash Equivalents

Cash and cash equivalents comprise the balances maintained in the Foundation's current bank accounts, which are not linked to partnership agreements and projects.

# Fundação de Apoio à Universidade de São Paulo - FUSP

## Notes to the financial statements

December 31, 2019

All amounts in Thousands of Reais

### 6 Restricted cash equivalents

	<u>2019</u>	<u>2018</u>
Assets		
Bank accounts - local currency (b.1)	12.485	3.417
Bank accounts - foreign currency (b.2)	2.241	3.729
Marketable securities (b.3)	<u>245.076</u>	<u>161.017</u>
	<u>259.802</u>	<u>168.163</u>
Liabilities		
Project funds and contributions (b.4)	(193.729)	(116.493)
Accounts payable (b.5)	<u>(37.954)</u>	<u>(34.218)</u>
	<u>(231.683)</u>	<u>(150.711)</u>
Net assets	<u>28.120</u>	<u>17.453</u>

#### (b) Comments on balances and accounts

- (b.1) Relate to current bank accounts held with financial institutions located in Brazil, which are used to receive funds for research projects financed by national sponsors.
- (b.2) These are amounts held in current accounts at Banco do Brasil, in the New York and Frankfurt branches, which are used to receive funds for research projects financed by foreign sponsors.
- (b.3) These correspond to financial investments, substantially in investment funds, earmarked exclusively for the partnership agreements and projects, which is why they are not classified as cash equivalents. These investments earn interest ranging from 97% to 100% of the Interbank Deposit Certificate (CDI) variation.
- (b.4) Project funds, and contributions and fees payable to USP units and departments.
- (b.4.1) Composition of balances:

	<u>2019</u>	<u>2018</u>
Project funds (i)	174.068	99.825
Contributions to USP (ii)	9.662	4.010
Fees payable to USP units and departments (iii)	4.307	7.703
Advances of funds (iv)	<u>5.692</u>	<u>4.955</u>
	<u>193.729</u>	<u>116.493</u>

#### (i) Project funds

In order to facilitate the execution of projects in the interest of USP, the Foundation provides management support to the University's Institutes, Schools, Support Centers, and Bodies. Within this context, the Foundation manages the resources obtained by funders of projects in the areas of research and development, and in the various areas of health, technology and energy, among others.

# Fundação de Apoio à Universidade de São Paulo - FUSP

## Notes to the financial statements

December 31, 2019

All amounts in Thousands of Reais

The balances, when available, are kept in financial investments and updated, when applicable, by the contracted indices and are used to the extent of the development of the various projects related to studies and research. The main projects are presented below, by funder:

Financing entities	2019	2018
Fund for Financing of Studies and Projects (FINEP)	12.537	13.326
Sundry	50.845	26.652
Petrobrás Group	42.849	29.727
Foreign entities	2.790	2.594
National Bank for Economic and Social Development (BNDES)	1.783	2.141
Paulista Museum	35.055	-
Federal	2.315	2.629
State	874	645
Electric Energy companies	2.494	1.632
Vale S.A. and Associação Instituto Tecnológico Vale	948	399
Embrapii	5.672	1.803
	<u>158.161</u>	<u>81.549</u>
University extension courses	15.907	12.505
Partnership agreements		<u>5.772</u>
	<u>15.907</u>	<u>18.276</u>
	<u>174.068</u>	<u>99.825</u>

### (ii) Contributions to the University of São Paulo - USP

In accordance with the rules set forth in the partnership agreements and contracts entered into with USP, regarding research projects, up to 5% of the resources obtained are retained to sponsor projects and contribute to funds earmarked for the promotion of activities related to research, culture, and extension programs. Such retentions do not apply to funds provided by government entities.

### (iii) Fees payable to USP units and departments

As set forth in the partnership agreements and contracts entered into with USP regarding research projects, a portion of the funds obtained for each project under development is set aside to sponsor projects of USP departments. Such retentions do not apply to funds provided by government entities. These funds are made available to USP upon request.

### (iv) Advances of funds

These relate to project management fees, which are collected in advance by the Foundation. These amounts arise from the change in the accounting policy for revenue recognition, which, up to 2015, followed the cash basis method.

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## Notes to the financial statements

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### (b.4.2) Changes in the balances:

The changes during the years are presented below:

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	116.493	122.555
Receipt of funds	237.406	123.217
Income from financial investments	3.557	4.788
(-) Project expenses	(154.794)	(124.260)
(-) Administrative fee transferred to FUSP	<u>(8.933)</u>	<u>(9.807)</u>
Balance at the end of the year	<u>193.729</u>	<u>116.493</u>

### (b.5) Accounts payable

Corresponds to funds received in previous years, from USP in order to cover any claims related to health plans. As of July 2019, the plans were adapted to the new rules of the ANS (National Health Agency), in the form of a direct subscription contract and started to be managed by Qualicorp Corretora de Seguros S.A., replacing the "Foundation" in the management of health insurance. The remaining amount is maintained in a financial investment account and updated by the contracted indices, awaiting the destination of the balance. Changes in accounts payable were as follows:

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	34.218	31.329
Income from financial investments	2.079	1.994
(-) Payment of USP health insurance policies	(21.203)	(40.370)
(+) Reimbursement of payments made for USP policies	<u>22.860</u>	<u>41.265</u>
Balance at the end of the year	<u>37.954</u>	<u>34.218</u>

## 7 Advances for projects

These correspond to projects with negative balances that have been reclassified to this account, since management believes that the amounts will be received.

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### 8 Fixed assets

#### (a) Changes in balances

	Land	Buildings	Furniture and Fixtures	Computers and peripherals	Machinery and equipments	Facilities	Total
At January 1, 2018	1.620	962	76	62	17	18	2.755
Acquisitions					98	8	105
Depreciation		(33)	(14)	(6)	(3)	(4)	(61)
At December 31, 2018	1.620	929	62	56	112	22	2.799
Custo total	1.620	1.229	178	314	192	186	3.718
Depreciação acumulada		(300)	(116)	(258)	(80)	(164)	(919)
Valor residual	1.620	929	62	56	112	22	2.799
At January 1, 2019	1.620	929	62	56	112	22	2.799
Acquisitions			37	4	10		
Depreciation		(33)	(12)	(1)	(2)	(2)	
At December 31, 2019	1.620	895	87	58	119	20	2.800
Total cost	1.620	1.229	215	318	202	186	3.718
Accumulated depreciation		(334)	(128)	(260)	(83)	(165)	(919)
Net book value	1.620	895	87	58	119	20	2.800
Average annual depreciation rates (%)		3%	10%	20%	10%	10%	

# **Fundação de Apoio à Universidade de São Paulo - FUSP**

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### **(b) Comments**

At December 31, 2018, fixed assets included the amount of R\$ 1,283 (R\$ 1,328 in 2017), corresponding to the balance of deemed cost revaluation surplus, which was recognized with a corresponding entry to the "Carrying value adjustments" line item in net worth.

Based on an internal policy, at the time a project is completed, the Foundation donates to USP any furniture, computers and equipment that were used specifically for that project. Accordingly, such assets are not recognized within fixed assets, but rather within "Project funds".

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### 9 Labor and tax liabilities

	<b>2019</b>	<b>2018</b>
Provision for severance pay (i)	1.923	1.636
Provision for vacation pay and payroll charges	339	363
Salaries payable	621	497
National Institute of Social Security (INSS)	544	476
Withholding Income Tax (IRRF)	680	515
Social contribution	76	120
Government Severance Indemnity Fund for Employees (FGTS)	92	77
Other	15	29
Service Tax (ISS)	23	18
	<b>4.312</b>	<b>3.733</b>
Current	<b>(2.390)</b>	<b>(2.096)</b>
Non-current	<b>1.923</b>	<b>1.636</b>

(i) Correspond to the constitution of a provision for severance pay to employees included in the Foundation's payroll and allocated specifically to the projects managed by the Foundation. The balance is comprised of severance pay amounts, such as dismissal prior notice, plus social charges, which are retained from the projects and transferred to the Foundation's available funds.

### 10 Other liabilities

	<b>2019</b>	<b>2018</b>
Unidentified payments for university extension courses (i)	5.337	2.051
Trade payables	122	104
Other payables	22	14
Non-current	<b>5.481</b>	<b>2.169</b>

(i) These correspond to amounts received in current account in connection with tuition payments for courses without the identification of the payers, and therefore, were recorded within liabilities.

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### 11 Provision for contingencies

**(a) Lawsuits for which a provision has been recorded**

Based on the opinion of its legal advisors, the Foundation assesses the likelihood of an unfavorable outcome in certain labor, social security, environmental, tax, civil and other contingencies. The provision to cover probable future losses is recognized based on the likelihood of an unfavorable outcome in the matters under dispute, and the Foundation adopts the practice of recording a provision for all probable obligations until each obligation is either settled or reversed, based on a new assessment by the legal counsel. The provision recorded on December 31, 2018 totaled R\$ 119 (R\$ 103 in 2018) and covers labor contingencies).

Changes in the provision for contingencies were as follows:

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	103	65
Addition	<u>16</u>	<u>38</u>
Balance at the end of the year	<u>119</u>	<u>103</u>

**(b) Lawsuits for which no provision has been recorded**

**(b.1) Other lawsuits**

Additionally, the Foundation is a party to other legal claims, for which no provisions have been made, based on the advice of its legal advisors, who classify these claims as possible success for the Foundation. In 2019, there are no actions classified by legal advisors as possible.

### 12 Social Equity

**(a) Social Equity**

Social Equity comprises the initial contribution recorded in the Foundation's Articles of Incorporation, the assets contributed by the founder members, and the surplus accumulated by the entity.

**(b) Carrying value adjustments**

Correspond to the surplus on revaluation of the deemed cost of certain fixed assets recorded on December 31, 2009. The amounts are realized based on the depreciation or write-off of the respective assets and are transferred to "Accumulated surplus" upon realization.

**(c) Approval of the allocation of the surplus for the year**

Surplus for the year is transferred to the balance sheet account after approval of the Foundation's Board of Trustees, at the general meeting.



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## Notes to the financial statements December 31, 2019 All amounts in Thousands of Reais

### 13 Revenue

Revenue is broken down as follows:

Financing entities	2019	2018
Petrobrás Group	1.302	1.805
Electric Energy companies	230	141
Fund for Financing of Studies and Projects (FINEP)	267	280
Vale S.A. and Vale Institute of Technology	48	60
National Bank for Economic and Social Development (BNDES)	10	202
Municipal	17	50
State	19	55
Federal	114	39
Foreign entities	341	314
Partnership agreements	141	137
Genoma	142	114
Fapesp	455	463
Museu Paulista	377	-
Others	3.625	2.129
Total revenue from project management	7.089	5.788
Revenue from health insurance management	1.714	2.645
Revenue from university extension courses	1.363	1.374
	10.166	9.807

### 14 Volunteer work

Volunteer work is recognized at fair value of the services provided to the Foundation, in accordance with CFC Resolution 1,409, of September 21, 2012, which approved NBC ITG 2002 - Non-profit Entities.

#### (a) Assumptions adopted

The Foundation measured the volunteer work received based on an estimate of the amounts charged by the market for similar services, as shown below:

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	<b>2018</b>			
<b>Cargos</b>	<b>Hours/year at meetings</b>	<b>Hours of supporting activities</b>	<b>Number of participants</b>	<b>Total hours worked</b>
Executive Board	29	1.462	3	1.491
Statutory Audit Board	5	0	3	5
Board of Trustees	35	0	9	35
	<b>2019</b>			
<b>Cargos</b>	<b>Hours/year at meetings</b>	<b>Hours of supporting activities</b>	<b>Number of participants</b>	<b>Total hours worked</b>
Executive Board	44	1.479	3	1.523
Statutory Audit Board	6	0	3	6
Board of Trustees	30	0	9	30

### (b) Amount recorded as volunteer work compensation

Total compensation for volunteer work is shown below:

	<b>2019</b>	<b>2018</b>
Executive Board	240	222
Statutory Audit Board	1	1
Board of Trustees	7	7
	<b>248</b>	<b>230</b>

### 15 General and administrative expenses by nature

	<b>2019</b>	<b>2018</b>
Personnel expenses		
Remuneration	(2.496)	(2.557)
Social charges	(1.630)	(1.437)
Benefits	(1.312)	(1.462)
	(5.438)	(5.456)
Services provided by legal entities	(1.470)	(1.224)
Consumables	(133)	(122)
Depreciation and amortization	(54)	(67)
Provision for contingencies	(35)	(49)
Others expenses	(930)	(634)
Others revenues	248	266
	<b>(7.811)</b>	<b>(7.286)</b>
Classification:		
General and administrative expenses	(7.725)	(7.250)
Other income (expenses), net	(86)	(36)
	<b>(7.811)</b>	<b>(7.286)</b>

# Fundação de Apoio à Universidade de São Paulo - FUSP

## Notes to the financial statements

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### 16 Finance result

	<u>2019</u>	<u>2018</u>
Income from financial investments	4.599	4.198
Exchange variation gains	596	1.271
Discounts obtained	<u>1</u>	<u>5</u>
Finance income	<u>5.196</u>	<u>5.475</u>
Exchange variation losses	(554)	(1.432)
Bank costs and charges	(72)	(85)
Interest paid	<u>(0)</u>	<u>(2)</u>
Finance costs	<u>(627)</u>	<u>(1.519)</u>
Finance result	<u><u>4.569</u></u>	<u><u>3.956</u></u>

### 17 Related Parties

Key management personnel include members of the Board of Trustees and the Board. Due to the legal nature of the Foundation, they do not receive any remuneration for the services provided in their functions (Note 14).

### 18 Insurance

The Foundation's assets are insured against risks at amounts considered sufficient to cover any losses, taking into consideration the nature of its activities. The risk assumptions adopted, in view of their nature, are not part of the scope of the audit of the financial statements and, therefore, have not been examined by our independent auditors.