



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
2021 AND 2020 AND INDEPENDENT
AUDITOR'S REPORT***



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FUNDAÇÃO DE APOIO À UNIVERSIDADE DE SÃO PAULO - FUSP

Financial Statements

December 31, 2021 and 2020

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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, 2021, 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, 2021, 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.

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.



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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 07, 2022



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

FUNDAÇÃO DE APOIO A UNIVERSIDADE DE SÃO PAULO - FUSP
Balance Sheet at December 31, 2021 and 2020
(All amounts in thousand of Reais)

Assets	Note	2021	2020	Liabilities and social equity	Note	2021	2020
Current assets				Current liabilities			
Cash and cash equivalents	5	393	165	Labor and tax liabilities	9	3.091	2.400
Restricted cash equivalents	6	33.497	21.002	Credits to be identified	10	1.865	2.754
Advances to projects	7	2.099	1.081			4.956	5.154
Others assets		154	145				
		36.144	22.394	Non-current liabilities			
Non-current assets				Labor and tax liabilities	9	2.043	2.037
				Provision of contingencies	11	256	436
Long-Term						2.299	2.473
Advances for projects	7	213	207	Total Liabilities		7.255	7.627
Financial investment		6.500	12.018				
Judicial deposits		131	131	Social equity	12		
Property and equipment	8	2.777	2.788	Social equity		29.974	23.172
Intangible		63	64	Accumulated surplus		8.600	6.802
		9.685	15.208	Total equity social		38.574	29.974
Total assets		45.829	37.601	Total liabilities and social equity		45.829	37.601

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, 2021 and 2020
(All amounts in thousand of Reais)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Revenue	13	13.522	12.080
Revenue from volunteer work	14	<u>287</u>	<u>254</u>
Total revenue		<u>13.809</u>	<u>12.334</u>
Operating income (expenses)			
Expenses with volunteer work	14	(287)	(254)
General and administrative expenses	15	(7.890)	(7.920)
Others expenses		<u>(246)</u>	<u>(110)</u>
Surplus before financial result		<u>5.386</u>	<u>4.050</u>
Finance income	16	4.324	3.105
Finance costs	16	<u>(1.111)</u>	<u>(353)</u>
Financial result		<u>3.214</u>	<u>2.752</u>
Surplus for the year		<u><u>8.600</u></u>	<u><u>6.802</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, 2021 and 2020
(All amounts in thousand of Reais)

	<u>2021</u>	<u>2020</u>
Surplus of the year	8.600	6.802
Others components of comprehensive surplus	<u>-</u>	<u>-</u>
Total comprehensive surplus for the year	<u>8.600</u>	<u>6.802</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, 2021 and 2020
(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>
December 31, 2019		14.944	1.283	6.944	23.172
Allocation of prior year's surplus		6.944	-	(6.944)	-
Realization of deemed cost revaluation surplus	12(b)	1.283	(1.283)	-	-
Surplus of the year		<u>-</u>	<u>-</u>	<u>6.802</u>	<u>6.802</u>
December 31, 2020		23.172	-	6.802	29.974
Allocation of prior year's surplus	12(a)	6.802	-	(6.802)	-
Surplus of the year		<u>-</u>	<u>-</u>	<u>8.600</u>	<u>8.600</u>
December 31, 2021		<u>29.974</u>	<u>-</u>	<u>8.600</u>	<u>38.574</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, 2021 and 2020
(All amounts in thousand of Reais)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Surplus for the year	8.600	6.802
Adjustments to reconcile surplus with net cash inflow from operating activities		
Depreciation and amortization (Note 8)	43	51
Provision for contingencies (Note 11)	-	317
	<u>8.643</u>	<u>7.170</u>
Changes in assets and liabilities		
Others assets	(9)	80
Advances to projects	(1.025)	(220)
Judicial deposits	-	85
Labor and tax liabilities	697	125
Provision for contingencies	(181)	-
Credits to be identified	<u>(888)</u>	<u>(2.727)</u>
Net cash inflow from operating activities	7.237	4.513
Cash flows from investing activities		
Acquisition of fixed assets (Note 8)	<u>(32)</u>	<u>(37)</u>
Net cash used in investing activities	<u>(32)</u>	<u>(37)</u>
Cash flow from financing activities		
Financial Application	5.518	(12.018)
Increase (decrease) in restricted cash equivalents (Note 6)	<u>(12.495)</u>	<u>7.117</u>
Net cash from (invested in) financing activities	<u>(6.977)</u>	<u>(4.901)</u>
Increase (Decrease) in cash and cash equivalents	<u>228</u>	<u>(424)</u>
Cash and cash equivalents at the beginning of the year	<u>165</u>	<u>589</u>
Cash and cash equivalents at the end of the year	<u><u>393</u></u>	<u><u>165</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, 2021

All amounts in Thousands of Reais

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

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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\$ 494 (R\$ 441 in 2020), and ISSQN at the amount of R\$ 676 (R\$ 604 in 2020).

(d) Approval of the financial statements

The issue of the Foundation's financial statements was authorized by Management on March 04, 2022.

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.

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Notes to the financial statements

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All amounts in Thousands of Reais

(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.

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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.

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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.

2.8.1 Fixed Assets Revaluation (Impairment Test)

In 2021, the Foundation hired BIRJ – BOLSA DE IMÓVEIS DO RIO DE JANEIRO EMPRESA BRASILEIRA DE AVALAÇÕES, to evaluate and determine the current recorded values of the assets recorded in the Foundation's fixed assets. As an evaluation criterion, due to the relevance of the balances, only land and buildings belonging to the Foundation were considered, since they represent 88% of the registered assets, considering the residual balance, therefore, an eventual adjustment could impact the Foundation's financial statements. In June/2021, the contracted company issued the following reports:

- N° 100.640/21-SP Afranio, in the amount of 5.000, referring to properties located at Street Afrânio Peixoto, n° 14 and n° 30 and;
- N° 100.641/21-SP Alvarenga – in the amount of 2.150, located at Street Alvarenga n° 1972.

Comparing the amounts recorded in the accounting and highlighted in NOTE 8 FIXED ASSETS with the reports presented, it appears that the current market values are much higher than the values recorded in the accounting, with no need to make any adjustment to adjust the accounting balances.

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.

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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.

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	2021	2020
Cash and cash equivalents - Cash and Banks	(i)	393	165
Restricted cash equivalents	(i) e (ii)	33.497	21.002
Advances for projects	(i)	2.099	1.081
Other assets	(i)	154	145
Judicial deposits	(i)	<u>131</u>	<u>131</u>
		<u>36.275</u>	<u>22.524</u>
Liabilities as per balance sheet			
Other liabilities	(iii)	<u>1.865</u>	<u>2.754</u>
		<u>1.865</u>	<u>2.754</u>

Classification

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

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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.

6 Restricted cash equivalents

	<u>2021</u>	<u>2020</u>
Assets		
Bank accounts - local currency (b.1)	6.323	5.922
Bank accounts - foreign currency (b.2)	3.091	2.731
Marketable securities (b.3)	<u>301.024</u>	<u>254.036</u>
	<u>310.438</u>	<u>262.689</u>
Liabilities		
Project funds and contributions (b.4)	(236.182)	(206.828)
Accounts payable (b.5)	<u>(40.759)</u>	<u>(34.859)</u>
	<u>(276.941)</u>	<u>(241.687)</u>
Net assets	<u><u>33.497</u></u>	<u><u>21.002</u></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 and New York and Londres, 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.

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All amounts in Thousands of Reais

(b.4.1) Composition of balances:

	2021	2020
Project funds (i)	225.215	193.158
Contributions to USP (ii)	3.125	4.453
Fees payable to USP units and departments (iii)	3.408	4.098
Advances of funds (iv)	4.433	5.119
	236.182	206.828

(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.

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	2021	2020
Several	70.724	70.193
Foreign entities	1.429	1.235
Federal	116.577	101.259
State	15.463	2.694
Electric Energy companies	5.807	3.585
	210.000	178.967
University extension courses	15.125	14.190
	225.125	193.157

(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.

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(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

Corresponds to project management fees charged in advance by the Foundation. The realization of the revenues occurs with the execution of the related expenses, in the period that occurred, following the principle of competence.

(b.4.2) Changes in the balances:

The changes during the years are presented below:

	2021	2020
Balance at the beginning of the year	193.729	193.729
Receipt of funds	289.157	237.816
Income from financial investments	4.765	1.568
(-) Project expenses	(240.621)	(216.916)
(-) Administrative fee transferred to FUSP	(10.848)	(9.370)
Balance at the end of the year	<u>236.182</u>	<u>206.828</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:

	2021	2020
Balance at the beginning of the year	34.859	37.954
Income from financial investments	1.982	940
(-) Events in general	(82)	(4.035)
(+) Reimbursement of payments made for USP policies	<u>4.000</u>	<u>-</u>
Balance at the end of the year	<u>40.759</u>	<u>34.859</u>

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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, 2020	1.620	895	87	58	119	20	2.800
Acquisitions			9	19	8		36
Depreciation		(33)	(10)		(2)	(1)	(46)
At December 31, 2020	1.620	862	86	77	125	19	2.788
Total cost	1.620	1.229	224	337	210	186	3.718
Accumulated depreciation		(367)	(138)	(260)	(85)	(166)	(919)
Net book value	1.620	862	86	77	125	19	2.788
At January 1, 2021	1.620	862	86	77	125	19	2.788
Acquisitions			10	10	12		
Depreciation		(33)	(4)	(2)	(3)	(1)	
At December 31, 2021	1.620	828	91	85	134	19	2.777
Total cost	1.620	1.229	234	347	221	186	3.718
Accumulated depreciation		(401)	(143)	(262)	(87)	(167)	(919)
Net book value	1.620	828	91	85	134	19	2.777
Average annual depreciation rates (%)		3%	10%	20%	10%	10%	

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(b) Comments

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

	2021	2020
Provision for severance pay (i)	2.043	2.037
Provision for vacation pay and payroll charges	375	303
Salaries payable	559	603
National Institute of Social Security (INSS)	1.249	592
Withholding Income Tax (IRRF)	682	648
Social contribution	55	61
Government Severance Indemnity Fund for Employees (FGTS)	92	129
Other	8	16
Service Tax (ISS)	24	31
COFINS (COFINS)	48	16
	5.134	4.437
Current	(3.091)	(2.400)
Non-current	2.043	2.037

(i) Corresponds to funds received for investment in projects and transferred to the Foundation to cover possible future costs with labor indemnities for personnel registered on the Foundation's payroll and allocated specifically to the projects managed by the Foundation. The calculation of the transferred amount consists of severance payments, such as prior notice, plus social charges, which are transferred from the projects to the Foundation's available cash.

10 Credits to identify

	2021	2020
Unidentified payments for university extension courses (i)	1.710	2.587
Trade payables	127	129
Other payables	28	38
Non-current	1.865	2.754

- (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

The Foundation, based on the opinion and recommendation of its legal advisors, assesses the probabilities of having certain contingencies of a labor, social security, environmental, tax, civil and other nature against itself and adopts the following criteria during this analysis process:

- Provision for contingencies classified as probable - letter (a) of the explanatory note
- Not provisioning and only mentioning in the explanatory notes the contingencies classified as possible - letter (b) of the explanatory note

(a) Provisioned processes (probable classification)

The provision to cover probable future losses is set up based on the probability of failure in the issues involved, and the practice is to fully provision for probable obligations until the moment the obligation is settled or reversed based on a new assessment by the legal advisors. The provision constituted corresponds to labor risks and totals, as of December 31, 2021, R\$ 256 (2020 - R\$ 436).

Changes in the provision for contingencies were as follows:

	2021	2020
Balance at the beginning of the year	436	119
Addition	-	317
Write-offs by payment	(180)	-
Balance at the end of the year	256	436

(b) Non-provisioned processes

In addition, the Foundation is a party to other legal claims, on which provisions have been made, based on the advice of its legal advisors, who classify these claims as possible success for the Foundation. In 2021, there are lawsuits classified by the legal advisors as possible, civil lawsuit number 1028950-27.2017.8.26.0577, 1st Court of Public Finance, author Municipality of São José dos Campos, R\$ 999.

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

Corresponds to the attributed cost gain of certain property, plant and equipment recorded on December 31, 2009. The values are realized based on the depreciation and write-off of the respective assets and the amounts determined for the realization are transferred to the item

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“Accumulated surplus”, the remaining balance was reclassified to a surplus in previous years for adjustment in the balance sheet presentation.

13 Revenue

Revenue is broken down as follows:

Financing entities	2021	2020
Electric Energy companies	137	176
Municipal	-	5
State	809	3.272
Federal	6.168	3.819
Foreign entities	19	25
Genoma	170	183
Others	3.420	2.132
Total revenue from project management	10.723	9.612
Sponsorship	1.563	1.324
Revenue from university extension courses	1.236	1.144
	<u>13.522</u>	<u>12.080</u>

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:

	2020			
Positions	Annual meetings	Hours of supporting activities	Number of participants	Total hours worked
Executive Board	40	1.467	3	1.507
Fiscal Council	6	0	3	6
Board of Trustees	30	0	9	30
	2021			
Positions	Hours/year at meetings	Hours of supporting activities	Number of participants	Total hours worked
Executive Board	41	1.518	3	1.559
Fiscal Council	8	0	3	8
Board of Trustees	62	0	9	62

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(b) Amount recorded as volunteer work compensation

Total compensation for volunteer work is shown below:

	<u>2021</u>	<u>2020</u>
Executive Board	271	246
Fiscal Council	2	1
Board of Trustees	15	7
	<u>288</u>	<u>254</u>

15 General and administrative expenses by nature

	<u>2021</u>	<u>2020</u>
Personnel expenses		
Remuneration	(2.574)	(2.442)
Social charges	(1.653)	(1.428)
Benefits	<u>(1.339)</u>	<u>(1.235)</u>
	(5.567)	(5.105)
Services provided by legal entities	(2.108)	(2.085)
Consumables	(100)	(52)
Depreciation and amortization	(43)	(50)
Others expenses	(895)	(992)
Others revenues	<u>577</u>	<u>254</u>
	<u>(8.136)</u>	<u>(8.030)</u>
Classification:		
General and administrative expenses	(7.890)	(7.920)
Other income (expenses), net	<u>(246)</u>	<u>(110)</u>
	<u>(8.136)</u>	<u>(8.030)</u>

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16 Finance result

	2021	2020
Income from financial investments	3.497	2.613
Exchange variation gains	826	488
Discounts obtained	1	5
Finance income	4.324	3.105
Exchange variation losses	(816)	(180)
Bank costs and charges	(92)	(63)
Interest paid	(2)	(4)
COFINS on financial investments	(200)	(106)
Finance costs	(1.111)	(353)
Finance result	3.214	2.752

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.

19 Note COVID-19

The Foundation has been monitoring the impacts of COVID-19 in the macroeconomic scenario and in its activities, and constantly evaluates the possible risks of default due to disruption of cash flow in the system.

In addition, the Foundation remains diligent in monitoring the settlement terms of the financial obligations and will comply with the expected payments and remain conservative in relation to new obligations until the normalization of market activities as a whole.

To date, there has been no material impact on businesses that could require some measurement in the financial statements.