

# Instituto Clima e Sociedade - iCS

## **Financial statements as at December 31, 2016 and 2015**

(A free translation of the  
original report in Portuguese  
containing financial statements  
prepared in accordance with  
accounting practices adopted in  
Brazil)

# Contents

<b>Independent auditors' report on financial statements</b>	<b>3</b>
<b>Balance Sheet</b>	<b>6</b>
<b>Statements of income</b>	<b>7</b>
<b>Statements of comprehensive income</b>	<b>8</b>
<b>Statements of changes in net assets</b>	<b>9</b>
<b>Statements of cash flows</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>



KPMG Assurance Services Ltda.  
Rua do Passeio, 38, Setor 2, 17º andar - Centro/RJ  
Edifício Passeio Corporate  
20021-290 - Rio de Janeiro/RJ - Brazil  
Caixa Postal 2888 - CEP 20001-970 - Rio de Janeiro/RJ - Brazil  
Tel. +55 (21)2207-9400, Fax +55 (21) 2207-9000  
www.kpmg.com.br

## Independent auditors' report on Financial Statements

(A free translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)

To  
Directors and Board of Directors of  
Instituto Clima e Sociedade - iCS  
Rio de Janeiro - RJ

### Opinion

We have audited the financial statements of Instituto Clima e Sociedade ("Entity"), which comprise the statement of financial position as at December 31, 2016, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Instituto Clima e Sociedade as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil applicable to small and medium-sized entities.

### Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Instituto Clima e Sociedade, in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Practices Adopted in Brazil applicable to small and medium-sized entities and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Rio de Janeiro, July 28, 2017

KPMG Assurance Services Ltda.  
CRC SP-023228/O-4 F-RJ  
*Original in Portuguese signed by*  
Adriana Waleska S.Ielmini Dias  
Accountant CRC 116091/O-0- RJ

# Instituto Clima e Sociedade - iCS

EIN 22.428.410/0001-70

## Statement of financial position

Years ended December 31, 2016 and 2015

(Amounts expressed in Reais)

Assets	Note	2016	2015	Liabilities	Note	2016	2015
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4	5,256,286	438,407	Accounts payable	10	1,680	805
Securities	5	4,481,593	-	Taxes payable	11	11	1,820
Credits receivable	6	24,577	23,861	Labor and social security obligations	12	168,687	85,786
Grants receivable	7	4,073,125	-	Funds for social projects	13	7,761,735	-
Funds from projects and partnerships	8	<u>7,944,302</u>	<u>-</u>	Restricted funds related to partnerships	14	<u>5,338,754</u>	<u>-</u>
		<b>21,779,883</b>	<b>462,268</b>			<b>13,270,867</b>	<b>88,411</b>
<b>Noncurrent assets</b>				<b>Noncurrent liabilities</b>			
Funds from projects and partnerships	8	724,300	-	Restricted funds related to partnerships	14	<u>724,300</u>	<u>-</u>
Property, plant and equipment	9	104,231	77,300			<b>724,300</b>	<b>-</b>
Imobilizado	9	119,276	78,518				
Depreciação	9	(15,045)	(1,218)				
Intangible	9	<u>18,610</u>	<u>23,455</u>				
Intangível		24,222	24,222				
Amortização		<u>(5,611)</u>	<u>(767)</u>				
		<b>847,141</b>	<b>100,755</b>				
<b>Total assets</b>				<b>Equity</b>			
		<u><b>22,627,024</b></u>	<u><b>563,023</b></u>	Social Equity	15	474,612	-
				Superavit for the year		<u>8,157,245</u>	<u>474,612</u>
						<b>8,631,857</b>	<b>474,612</b>
				<b>Total liabilities + equity</b>			
						<u><b>22,627,024</b></u>	<u><b>563,023</b></u>

See the accompanying notes to the financial statements.

Ana Amélia Campos Toni  
SSN 084.742.118-08  
Executive Director

Angelita Gonçalves Rangel  
Accountant CRC/RJ 062.161-4

**Instituto Clima e Sociedade - iCS**  
 EIN 22.428.410/0001-70

**Statement of profit or loss**

**Year ended December 31, 2016 and eight-month period ended December 31, 2015**

*(Amounts expressed in Reais)*

	Note	2016	2015
<b>Operating income</b>		<b><u>17,567,556</u></b>	<b><u>1,826,311</u></b>
<b>With restrictions</b>		<b>17,509,399</b>	<b>1,781,992</b>
Social assistance programs	16.1	18,979,200	1,797,000
Financial income	16.2	175,310	(15,008)
Foreign exchange variation	16.3	(1,645,111)	-
<b>Without restrictions</b>	16.4	<b>58,156</b>	<b>44,319</b>
Voluntary contributions and donations		875	44,319
Rendering of services		57,281	-
<b>Cost of social activities</b>		<b><u>(6,493,890)</u></b>	<b><u>(8,147)</u></b>
Programmatic activities	17	(6,493,890)	(8,147)
<b>Gross income</b>		<b>11,073,666</b>	<b>1,818,165</b>
<b>Operating expenses</b>		<b><u>(2,916,421)</u></b>	<b><u>(1,343,553)</u></b>
Personnel expenses	18.1	(1,388,582)	(927,587)
Services rendered	18.2	(563,549)	(206,883)
Travel and accommodation	18.3	(355,500)	(37,312)
General and administrative expenses	18.4	(505,875)	(166,820)
Tax expenses	18.5	(84,243)	(2,966)
Depreciation and amortization	9	(18,672)	(1,985)
<b>Superavit for the year/period</b>		<b><u><u>8,157,245</u></u></b>	<b><u><u>474,612</u></u></b>

See the accompanying notes to the financial statements.

# Instituto Clima e Sociedade - iCS

EIN 22.428.410/0001-70

## Statement of comprehensive income

Year ended December 31, 2016 and eight-month period ended December 31, 2015

*(Amounts expressed in Reais)*

	2016	2015
Superavit for the year/period	8,157,245	474,612
Other comprehensive income	<u>-</u>	<u>-</u>
<b>Comprehensive income for the year</b>	<b><u><u>8,157,245</u></u></b>	<b><u><u>474,612</u></u></b>

See the accompanying notes to the financial statements.

Ana Amélia Campos Toni  
SSN 084.742.118-08  
Executive Director

Angelita Gonçalves Rangel  
Accountant CRC/RJ 062.161-4



# Instituto Clima e Sociedade - iCS

EIN 22.428.410/0001-70

## Statements of changes in equity

Years ended December 31, 2016 and 2015

(Amounts expressed in Reais)

	Social equity	Superavit	Total equity
<b>Balances at May 11, 2015 (establishment date)</b>	-	-	-
Superavit for the period of 2015	-	474,612	474,612
<b>Balances at December 31, 2015</b>	-	<b>474,612</b>	<b>474,612</b>
Merger of superavit	474,612	(474,612)	-
Superavit for the year 2016	-	8,157,245	8,157,245
<b>Balances at December 31, 2016</b>	<b>474,612</b>	<b>8,157,245</b>	<b>8,631,857</b>

See the accompanying notes to the financial statements.

Ana Amélia Campos Toni  
SSN 084.742.118-08  
Executive Director

Angelita Gonçalves Rangel  
Accountant CRC/RJ 062.161-4

# Instituto Clima e Sociedade - iCS

EIN 22.428.410/0001-70

## Statement of cash flows

Year ended December 31, 2016 and eight-month period ended December 31, 2015

(Amounts expressed in Reais)

	2016	2015
<b>Cash flow from operating activities</b>		
Superavit for the year/period	8,157,245	474,612
<b>Adjustments to reconcile income or loss to cash flow from operating activities:</b>		
Donation of fixed assets	-	(44,319)
Provision for vacation	82,901	85,787
Depreciation/amortization	18,672	1,985
(+) Aumento na PCLD	-	-
Ajuste de Avaliação Patrimonial	-	-
<b>Superavit for the year - adjusted</b>	<b>8,258,818</b>	<b>518,064</b>
<b>(Increase) decrease in assets</b>		
Increase in receivables	(716)	(23,861)
Increase in securities	(4,481,593)	-
Increase in grants receivable	(4,073,125)	-
Increase in funds from partnerships	(8,668,602)	-
(+) Estoques	-	-
Redução/Aumento Despesas Antecipadas	-	-
(-) Contas a Receber a Longo Prazo	-	-
(-) Valores a Recuperar	-	-
(+) Depósito Judicial	-	-
	<b>(17,224,036)</b>	<b>(23,861)</b>
<b>Increase (decrease) in liabilities</b>		
Increase/decrease in tax, social and labor obligations	(1,809)	1,820
Increase in accounts payable	875	805
Increase in funds for social projects	7,761,735	-
Increase in funds related to partnerships	6,063,054	-
Aumento/Redução Juros a Pagar	-	-
	<b>13,823,855</b>	<b>2,625</b>
<b>Aumento (Diminuição) dos Ativos a Longo Prazo</b>		
Aplicações a Longo Prazo		
<b>Net cash provided by (used in) operating activities</b>	<b>4,858,637</b>	<b>496,828</b>
<b>Cash flow from investment activities</b>		
Acquisition of assets (property, plant and equipment and intangible assets)	(40,758)	(58,421)
Baixa de bens imobilizados		
<b>Net cash provided (used in) investment activities</b>	<b>(40,758)</b>	<b>(58,421)</b>
<b>Increase in cash and cash equivalents</b>	<b>4,817,879</b>	<b>438,407</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>438,407</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	<b>5,256,286</b>	<b>438,407</b>
<b>Increase in cash and cash equivalents</b>	<b>4,817,879</b>	<b>438,407</b>

See the accompanying notes to the financial statements.

Ana Amélia Campos Toni  
SSN 084.742.118-08  
Executive Director

Angelita Gonçalves Rangel  
Accountant CRC/RJ 062.161-4

## **Notes to the financial statements**

*(Amounts expressed in Reais)*

### **1 Social context**

Instituto Clima e Sociedade (iCS) is a non-profit civil association under private law, located at Rua General Dionísio, nº 14 - parte, Humaitá - Rio de Janeiro - RJ, and registered with the Civil Registry of Legal Entities on May 11, 2015.

iCS is an association that fosters prosperity and low-carbon economic growth in Brazil. It is part of a network of philanthropic re-granting agents that act as catalysts of global, national and regional climate-related policies, with the aim of reducing the emission of greenhouse gases.

Pursuant to its bylaws, the aim of iCS is to foster prosperity and justice in Brazil, leading the transition to 1.5°C, providing social support for actions related to climate change, in line with environmental preservation and sustainable development principles. iCS' mission is to be recognized as a center of excellence in philanthropy for climate change in Brazil by:

- a. Grant making: supporting and enabling organizations and projects of civil society, academy and governments;
- b. Mobilizing Resources: engaging national and international philanthropic and other financial agents;
- c. Convening: connecting partners and catalyzing actions across sectors.

iCS actions focus on:

#### **Climate Policy and Economics**

Ensuring strong political participation and governance in climate change at the local and national levels, with the aim of planning long-term actions and promoting economic measures that favor low-carbon development.

#### **Power**

Stimulating initiatives in the areas of energy efficiency, distributed generation and smart grid; promoting renewable energy (mainly solar, wind and biomass); decreasing generation of electricity from fossil sources, and democratizing and decentralizing planning of the electric sector in Brazil.

#### **Urban Mobility**

Adopting urban mobility plans that prioritize public and non-motorized transport, as well as with low carbon emission. Involving and engaging civil society and think tanks to develop innovative models for this sector, thus ensuring that sustainability prevails over isolated actions.

## **2 Basis of presentation**

### **a. Statement of conformity**

Financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil applicable to small and medium-sized enterprises (Federal Accounting Council (CFC) Resolution No. 1.255/09, NBC TG (R1) 1000 - Accounting for Small and Medium-sized Enterprises, which approved SME technical pronouncement of the Accounting Pronouncements Committee - CPC), as well as in accordance with CFC Resolution No. 1.409/12, dated September 21, 2012, which approved ITF 2002 - Non-profit Entities, amended and consolidated as ITG 2002 (R1) on August 21, 2015.

The issue of financial statements comprising the statements of financial position as of December 31, 2016 and the related statements of activities, comprehensive income and changes in net assets, and cash flows for the year ended December 31, 2016, was authorized by the Executive Board as of July 24, 2017.

### **b. Functional and presentation currency**

The Entity's management defined that its functional currency is the Real, according the standards described in Technical Pronouncement CPC PME - Accounting of Small and Medium-Sized Enterprises (Section 30 - Effect of changes in exchange rates and conversion of financial statements).

Foreign currency transactions, i.e. all transactions that are not carried out in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities denominated in foreign currency are translated into functional currency at the foreign exchange rate prevailing at the closing date.

Gains and losses from foreign exchange rates of monetary assets and liabilities are recognized in statement of activities.

### **c. Accounting estimates**

Preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that Management use its judgment in determining and recording accounting estimates. Significant assets subject to these estimates and assumptions include, mainly, the residual value of fixed assets and fair value of interest earning bank deposits. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of their determination. Estimates are reviewed on an ongoing basis and their reviews are recognized prospectively.

### **3 Significant accounting practices**

#### **a. Cash and cash equivalents**

The entity's management takes a conservative approach to cash management, by investing available funds, when permitted by the donors, in Bank Deposit Certificates (CDBs) and securities issued and by prime Brazilian financial institutions. Income from these investments is reinvested in the entity's activities, or directly in specific projects when required by the donor, and is presented separately in the statement of activities. Cash and cash equivalents include cash in transit, bank deposits and, when applicable, other highly liquid short-term interest earning bank deposits with original maturities of 90 months or less, that are promptly convertible into a known sum of cash and subject to an insignificant risk of change of value.

In order to obtain a return on its available funds, the entity seeks to invest its cash in fixed income bank products or interbank deposit interest rate (DI) referenced funds, particularly those with low risk and daily liquidity, and may negotiate on a fixed-term basis when offered a significantly higher return. Interest earning bank deposits are promptly convertible into a known sums of cash and subject to an insignificant risk of change of value. Accordingly, they were considered as cash equivalents in the statement of financial position and statements of cash flows.

#### **b. Property, plant and equipment**

Property, plant and equipment items are stated at historical acquisition cost, including all expenses directly attributable to acquisition of assets, net of accumulated depreciation and impairment losses, when applicable. Gains and losses on disposal of a property, plant and equipment item are determined by comparing the funds from disposal with the book value of property, plant and equipment and are recognized net within "Other income" in surplus (deficit).

#### ***Adjustments for impairment of assets and deemed cost***

Despite its intention to calculate the recoverable values of assets in compliance with NBC T 19.41 and based on Technical Interpretation CPC 01 as well as attend the requirements of ICPC 10, for deemed cost calculation purposes, Instituto Clima e Sociedade reviewed its assets and concluded that there is no indication of impairment.

#### ***Depreciation***

Depreciation is recognized in surplus (deficit) using the straight-line method and considering estimated useful life of each part of a property, plant and equipment. This is the method that best reflects the consumption pattern of the future economic benefits embodied in the asset. The entity understands that the depreciation rates applied are reasonably linked to the useful lives of the assets.

**c. Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are stated at fair value through profit or loss if the Entity manages these investments and makes decisions on investment and redemption based on fair value according to the risk management and strategy of investment documented. The transaction costs, after initial recognition, are recognized in surplus (deficit) as incurred. Financial assets recorded at fair value and changes to the fair values of these assets are recognized in the surplus (deficit) for the year.

**d. Net assets**

Represented by the net assets of Instituto Clima e Sociedade - iCS, plus annual surpluses or deficits, according to each case.

**e. Financial income and expenses**

Financial income comprises income from interest on interest earning bank deposits and foreign exchange variation from transactions in foreign currency. Interest income is recognized to surplus (deficit), using the effective interest rate method.

Financial expenses include, mainly, bank fee expenses and foreign exchange variation.

Financial income and expenses are recorded in the surplus (deficit) when incurred or to the extent that the benefits are transferred to the entity on the accrual basis in the surplus or deficit.

**f. Tax obligations**

The entity is a non-profit organization and, in compliance with the prevailing tax legislation, is exempt from Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL). This tax exemption rule does not apply to income from and future capital gains on financial investments, and, in these cases, the aforementioned taxes are withholding.

**g. Current assets and liabilities**

Assets and liabilities are rated as current when their realization or settlement is likely to occur in the following 12 months. Otherwise, they are presented as non-current.

Stated at the known amounts or estimated, plus, when applicable, the corresponding charges, maturing obligations.

A liability is recognized in the statement of financial position when the Entity has a legal or constructive obligation as a result of a past event, and it is probable that an economic resource will be required to settle it. When applicable, these will include the respective charges and monetary and foreign exchange variations incurred. Provisions are recorded considering the best estimates of the risk involved.

**h. Operating income**

Restricted funds comprise funds received based on signed contractual instruments, and aimed at the social activities developed by the entity. They are recognized as an obligation of the entity to the donors and are initially recorded as liabilities. Such obligations are recognized in the statement of activities on a straight-line basis according to the term of the agreement.

Unrestricted funds comprise funds from the provision of services and from voluntary contributions and donations.

**i. Cost and expenses**

**Cost of social activities**

They record the expenses for carrying out the social projects that are subject to donation contracts signed between iCS and the donors. It is worth highlighting that social activities only increased in the year 2016. iCS was established during the year 2015 and social activities with a significant amount started in 2016 (see note 17).

**Operating expenses**

Expenses related to personnel, services rendered, travel and accommodation, administrative expenses and other expenses necessary for the maintenance of the Entity.

**j. Statement of activities**

Income and expenses are recorded on the accrual basis. The surplus or deficit arising from the entity's operations is incorporated into its net assets only at the end of each fiscal year.

The funds were invested in the entity's institutional purposes, pursuant to its bylaws, as shown by its expenses and equity investments.

The entity's expenses are calculated based on invoices, payrolls and receipts, in compliance with the applicable legal and tax requirements.

**k. Tax exemptions**

In compliance with item 27, letter "c" of ITG 2002 (R1) - not-for-profit entity - the list of taxes that are the object of tax waiver for the period of 2016 is presented below:

## 4 Cash and cash equivalents

Include cash, positive checking account balances and redeemable interest earning bank deposits within up to 90 days after the reporting dates, with a negligible risk of change in their market value and daily (maximum) yield of 5% of CDI.

	<b>2016</b>	<b>2015</b>
Cash and banks	501	501
Interest earning bank deposits (1)	1,436,823	437,906
Amounts in transit (2)	3,818,962	-
	5,256,286	438,407

(1) These are interbank funds applied held at Banco Bradesco as automatic investments called Invest Plus.

(2) Amounts in transit - are the donations received from international sources, whose foreign exchange contract procedures will be finalized during the next fiscal year. The balance is broken down as follows:

<b>Sources</b>	<b>USD</b>	<b>Received on</b>	<b>Amounts in transit - R\$</b>
Children's Investment Fund Foundation	645,000	12/20/2016	2,101,732
ClimateWorks Foundation	100,000	12/09/2016	325,850
ClimateWorks Foundation	402,000	12/22/2016	1,309,917
ClimateWorks Foundation	25,000	12/22/2016	81,463
<b>Total</b>			<b>3,818,962</b>

## 5 Securities

As of December 31, 2016, the amount of R\$ 4,481,593 refers to funds invested in Bank Deposit Certificates, securities issued and repurchased by financial institutions, with maturities of over 90 days.

Financial income from investments is reinvested in the Entity's social activities or directly in specific projects when required by the donor.

<b>Financial institution</b>	<b>Description</b>	<b>Maturity date</b>	<b>2016</b>	<b>2015</b>
Banco Bradesco	CDB	01/21/2019	1,048,163	-
Banco Bradesco	CDB	12/02/2019	3,433,430	-
			<b>4,481,593</b>	<b>-</b>

## 6 Credits receivable

Record the amounts of advances to suppliers and general activities of the entity.

The amounts of accounts receivable record payments of expenses made to partners for subsequent reimbursement to iCS. The balance of this group is comprised as follows:

	<b>2016</b>	<b>2015</b>
Advances to suppliers	100	-
Advance to activities	4,383	23,861
Accounts receivable	20,093	-
	<b>24,577</b>	<b>23,861</b>



## 7 Grants receivable

Funds from grants receivable for the performance of statutory activities, and entered into in contractual instruments, are recognized in assets, with a contraentry of an Entity's liability before donors and/or partners. Such obligations are recognized in the statement of activities according to the term of the signed agreement.

The amounts related to the grants of international funds are translated into Brazilian Reais using the exchange rates at the effective date of the contracts, incorporating the foreign exchange variations occurring up to statement of financial position closing date.

The amount recorded refers to the funds of the 2nd. Installment of the agreement signed with OAK Foundation in December 2015, effective for 2 years.

The transfer of funds by the donor is subject to the verification of the activities performed, which is carried out by sending the rendering of accounts and presenting the audited financial statements, and according to OAK's satisfaction with the progress that iCS has achieved towards the expected project's objectives.

The balance of this group is comprised as follows:

	2016	2015
OAK Fondation (USD 1,250,000)	5,047,500	-
Foreign exchange rate (on 12/31)	- 974,375	-
	4,073,125	-

## 8 Funds from projects and partnerships

iCS grants funds to partners are conditional and subject to the fulfillment of obligations under the contracts. Thus, the total funds provided for in the agreements are recognized on the contract effective date.

The balance of this group is comprised as follows:

Description	2016	2016
Funds for projects and partnerships	6,063,053	-
Transfers of funds to partners	2,605,549	-
	8,668,602	-

The amounts of R\$ 7,944,302 in current assets and of R\$ 724,300 in non-current assets were considered on December 31, 2016.

**Funds for projects and partnerships** - Account for the total funds committed in the contracts, net of amounts transferred to the partners. The balance reflects the amounts to be transferred.

**Transfers of funds to partners** - Account for the amounts transferred to partners for the performance of projects, net of the cost recognition of social activities that have been recorded on a straight-line basis and referred to the start of the project up to December 31, 2016. The balance reflects the amount to be recognized in the costs throughout the contract term.

Find below the breakdown of the balances by contract and the respective changes in the accounts:

Partners	Contract value	Amount transferred in 2016	Expense recognition up to 12/31/2016	Resources for projects and partnerships Balance to be transferred		
				2017	2018	Total
ABESCO - Ass.Bras.Empr. Conserv.Energia	120,000	60,000		60,000	-	60,000
ANDI - Comunicação e Direitos	240,000	120,000	120,000	120,000	-	120,000
ASS. DIREITOS HUMANOS EM REDE	25,000	25,000	25,000	-	-	-
BH EM CICLO	25,000	25,000	21,429	-	-	-
BICICLETA PARA TODOS	20,000	20,000	20,000	-	-	-
CASA FLUMINENSE	333,000	166,500	166,500	166,500	-	166,500
CBC - CENTRO BRASIL NO CLIMA	700,000	700,000	466,667	-	-	-
CEBDS - Conselho Empr. Bras. Desenv. Sust.	296,000	176,000	32,889	120,000	-	120,000
CICLOCIDADE	30,000	30,000	30,000			-
CIDADE ATIVA	500,000	125,000	20,833	250,000	125,000	375,000
CIDADE PRECISA DE VOCE	30,000	30,000	7,500	-	-	-
ECOTONIA	15,000	15,000	15,000	-	-	-
ENGAJAMUNDO	105,537	55,537	63,691	50,000	-	50,000
FGV - Fund. Getúlio Vargas	200,000	100,000	22,222	100,000	-	100,000
GREENPEACE Brasil	250,000	190,000	104,167	60,000	-	60,000
ICLEI	102,837	102,837	102,837	-	-	-
I DEC - Inst. Defesa do Consumidor	500,000	250,000	71,429	250,000	-	250,000
IEI - Intl Energy Initiative	1,243,000	497,200	362,542	621,500	124,300	745,800
IEMA - Inst. Energia e Meio Amb.	2,733,910	1,181,910	578,077	1,552,000	-	1,552,000
IMAFLOA	102,837	102,837	102,837	-	-	-
IMAZON	109,917	109,917	109,917	-	-	-
INEE - Inst. Nac.de Efic. Energ.	168,000	168,000	147,000	-	-	-
INSTITUTO ESCOLHAS	1,000,000	1,000,000	833,333	-	-	-
ITDP - Inst. Pol. Transp.Desenv.	950,000	475,000	316,667	475,000	-	475,000
Journalism-Daniela Chiaretti	4,455	4,455	4,455	-	-	-
LABMOB / PROURB / UFRJ	350,000	87,500	-	87,500	175,000	262,500
OC - Observatorio do Clima	900,000	300,000	-	300,000	300,000	600,000
PAINEL - Painel Bras. Mud.Clim.	350,000	175,000	58,333	175,000	-	175,000
PPE / COPPE / UFRJ	340,000	255,000	113,333	85,000	-	85,000
PURPOSE Campaigns Brasil Ltda	277,000	277,000	151,091	-	-	-
SUL21	26,000	26,000	11,143	-	-	-
WRI - World Resource Institute	1,032,508	166,254	332,508	866,254	-	866,254
<b>TOTAL</b>	<b>13,080,001</b>	<b>7,016,948</b>	<b>4,411,399</b>	<b>5,338,754</b>	<b>724,300</b>	<b>6,063,054</b>

Description	Contract value	Onlending in 2016	Expense recognition up to 12/31/2016			Balance
Funds to projects and partnerships	13,080,001	- 7,016,948				6,063,054
Onlending of funds to partners		7,016,948	- 4,411,399			2,605,548

## 9 Property, plant and equipment and intangible assets

They represent the amount and the changes in entity's assets during the year. The entity understands that the depreciation rates applied are reasonably linked to the useful lives of the assets.

	Annual depreciation rates	Net value at 12/31/2015	Acquisitions	Depreciation / amortization	Net value at 12/31/2016
Equipment	20%	28,149	33,415	(7,257)	54,306
Furniture and fixtures	10%	32,314	7,343	(3,545)	36,112
Machinery and equipment	10%	16,837		(3,024)	13,813
Intangible asset - Software	20%	23,455		(4,844)	18,610
		<u>100,755</u>	<u>40,758</u>	<u>(18,672)</u>	<u>122,841</u>

Management did not identify changes in circumstances or any indication of technological obsolescence, or evidence suggesting that the assets will not be recoverable through operating and financial performance and concluded that a provision for loss on fixed assets was not needed.

## 10 Accounts payable

	2016	2015
Service providers	-	305
Suppliers	1,680	500
	<u>1,680</u>	<u>805</u>

## 11 Taxes payable

	2016	2015
IRRF (Withholding income tax) of third parties - Legal entity	11	-
Withholding Service tax (ISS) from third-parties	-	500
INSS withheld from third-parties	-	1,320
	<u>11</u>	<u>1,820</u>

## 12 Labor and social security obligations

	<b>2016</b>	<b>2015</b>
Provision for vacation and social security charges	168,687	85,786
	<b>168,687</b>	<b>85,786</b>

## 13 Funds for social projects

Such funds are derived from grant contracts entered into with several national and international institutions, to be invested in the portfolio of social projects to be supported by iCS and to carry out the institutional activities, which will be recorded in income (revenues) in a straight-line basis according to the term of each contract.

The funds are recorded in Liabilities by the total amount of the contract entered into between iCS and the donor institution, net of amounts recorded in income for the current period and of exchange rate variations, when applicable. International funds are translated into the functional currency at the exchange rate prevailing on the initial date of the term of grant, plus exchange variations occurring up to the settlement date of such transactions.

The breakdown of the account balance by donor institution is as follows:

Donors	Grants			Grants received In 2016	Earned income In 2016	Unearned income		Balances at 12/31/2016
	Contract value	Currency	Amount in R\$ Contract			Incomes	Exchange variation	
ARAPYAU	1,200,000	R\$	1,200,000	1,200,000	1,200,000	-	-	-
CIFB	1,045,000	USD	3,412,552	3,381,733	3,412,552	-	0	-
CWF	2,243,000	USD	8,502,632	7,949,680	8,013,570	489,062	-7,378	481,684
HEWLETT	1,000,000	USD	3,309,800	3,415,000	551,633	2,758,167	87,667	2,845,833
LARCI LLC	65,000	USD	227,403	221,000	227,403	-	0	-
OAK	2,734,421	USD	10,941,729	4,791,171	5,541,425	5,400,304	-997,524	4,402,780
PORTICUS	18,000	EUR	65,234	62,878	32,617	32,617	-1,178	31,439
<b>Total</b>	<b>8,305,421</b>		<b>27,659,349</b>	<b>21,021,460</b>	<b>18,979,200</b>	<b>8,680,149</b>	<b>-918,414</b>	<b>7,761,735</b>

## 14 Restricted funds related to partnerships

They record the funds provided for in the donation contracts signed between iCS and the grantees. The amounts are represented by the total value of the contract signed, net of transfers made up to December 31, 2016.

The amounts to be transferred to projects and partnerships are commitments assumed based on a contract entered into with the grantees. However, the release of funds is subject to compliance by the grantees with the obligations established in the contractual clauses.

The balances are segregated between current and non-current liabilities according to the schedule of transfers to the grantees provided for in each signed contract.

The breakdown of the balance of amounts to be transferred in 2017 and 2018 is as follows:

Partners	Contract value	Amount transferred in 2016	Amount to be transferred in 2017	Amount to be transferred in 2018	Balance to be transferred
ABESCO - Ass.Bras.Empr. Conserv.Energia	120,000	60,000	60,000	-	60,000
ANDI - Comunicação e Direitos	240,000	120,000	120,000	-	120,000
ASS. DIREITOS HUMANOS EM REDE	25,000	25,000	-	-	-
BH EM CICLO	25,000	25,000	-	-	-
BICICLETA PARA TODOS	20,000	20,000	-	-	-
CASA FLUMINENSE	333,000	166,500	166,500	-	166,500
CBC - CENTRO BRASIL NO CLIMA	700,000	700,000	-	-	-
CEBDS - Conselho Empr. Bras. Desenv.	296,000	176,000	120,000	-	120,000
CICLOCIDADE	30,000	30,000	-	-	-
CIDADE ATIVA	500,000	125,000	250,000	125,000	375,000
CIDADE PRECISA DE VOCE	30,000	30,000	-	-	-
ECOTONIA	15,000	15,000	-	-	-
ENGAJAMUNDO	105,537	55,537	50,000	-	50,000
FGV - Fund. Getulio Vargas	200,000	100,000	100,000	-	100,000
GREENPEACE Brasil	250,000	190,000	60,000	-	60,000
ICLEI	102,837	102,837	-	-	-
IDEC - Inst. Defesa do Consumidor	500,000	250,000	250,000	-	250,000
IEI - Int'l Energy Initiative	1,243,000	497,200	621,500	124,300	745,800
IEMA - Inst. Energia e Meio Amb.	2,733,910	1,181,910	1,552,000	-	1,552,000
IMAFLORA	102,837	102,837	-	-	-
IMAZON	109,917	109,917	-	-	-
INEE - Inst. Nac.de Efic. Energ.	168,000	168,000	-	-	-
INSTITUTO ESCOLHAS	1,000,000	1,000,000	-	-	-
ITDP - Inst. Pol. Transp.Desenv.	950,000	475,000	475,000	-	475,000
Journalism-Daniela Chiaretti	4,455	4,455	-	-	-
LABMOB / PROURB / UFRJ	350,000	87,500	87,500	175,000	262,500
OC - Observatorio do Clima	900,000	300,000	300,000	300,000	600,000
PAINEL - Painei Bras. Mud.Clim.	350,000	175,000	175,000	-	175,000
PPE / COPPE / UFRJ	340,000	255,000	85,000	-	85,000
PURPOSE Campaigns Brasil Ltda	277,000	277,000	-	-	-
SUL21	26,000	26,000	-	-	-
WRI - World Resource Institute	1,032,508	166,254	866,254	-	866,254
<b>TOTAL</b>	<b>13,080,001</b>	<b>7,016,948</b>	<b>5,338,754</b>	<b>724,300</b>	<b>6,063,054</b>

## 15 Equity

### a. Social equity

The Entity's social equity are comprised of superavits (deficits) of previous years approved by the Deliberative Council.

**b. Accumulated superavit**

Refers to income for the current year. After approval by the General Meeting, these amounts are incorporated into the entity's social equity, and potential positive results are reinvested in the entity's purposes, as provided for in its bylaws.

**16 Operating income**

**16.1 Restricted income**

Social Assistance Programs - Record income from donations recorded in the Surplus (deficit) for the year on the accrual basis. Donation income are considered "restricted" since they depend on the fulfillment of certain conditions provided for in the contracts to be recorded in income. The income recognition was made in a straight-line basis taking into account the term of each contract.

	<b>2016</b>	<b>2015</b>
ClimateWorks Foundation	8,013,570	1,797,000
Instituto Arapyau	1,200,000	-
OAK Foundation	5,541,425	-
Childrens Investment Fund Foundation	3,412,552	-
Latin America Regional Climate Initiative	227,403	-
The William and Flora Hewelett Foundation	551,633	-
Open Society	32,617	-
	<b>18,979,200</b>	<b>1,797,000</b>
	<b>18,979,200</b>	<b>1,797,000</b>

**16.2 Financial income**

	<b>2016</b>	<b>2015</b>
Financial income	221,016	-
Financial expenses	(45,706)	(15,008)
	<b>175,310</b>	<b>(15,008)</b>
	<b>175,310</b>	<b>(15,008)</b>

**16.3 Foreign exchange variation**

	<b>2016</b>	<b>2015</b>
Exchange gains	98,888	-
Exchange losses	(1,743,998)	-
	<b>(1,645,110)</b>	<b>-</b>
	<b>(1,645,110)</b>	<b>-</b>

**16.4 Unrestricted income**

Record the unconditioned funds received from donations and voluntary contributions from partners, and service provision:

	<b>2016</b>	<b>2015</b>
Voluntary contributions and grants	875	44,319
Rendering of services	57,281	-
	<b>58,156</b>	<b>44,319</b>
	<b>58,156</b>	<b>44,319</b>

## 17 Cost of social activities

Record the expenses incurred with the program activities established in the social actions of climate policy, electric energy and urban mobility.

	<b>2016</b>	<b>2015</b>
Projects and partnerships (i)	(4,411,399)	(5,878)
Seminars and events	(97,187)	(2,269)
Outsourced services	(544,881)	-
Human Resources (ii)	(1,440,423)	0
	<u>(6,493,890)</u>	<u>(8,147)</u>

- (i) Project and partnership funds refer to donation contracts entered into between iCS and grantees and are subject to the fulfillment of obligations between the parties. The expense recognition was made in a straight-line basis taking into account the term of each donation contract. The details of projects and partnerships supported by iCS are disclosed in note 7.
- (ii) In 2015, iCS was in a structuring phase, and only as of the increase of its activities in 2016 it started recording a portion of personnel expenses related to the team directly linked to the execution of the program activities as costs.

## 18 Operating expenses

### 18.1 Personnel expenses

	<b>2,016</b>	<b>2,015</b>
Remuneration	(934,185)	(678,495)
Social charges	(408,570)	(245,730)
Benefits (i)	(45,827)	(3,362)
	<u>(1,388,582)</u>	<u>(927,587)</u>

- (i) The most relevant benefit amounts refer to expenses with healthcare and dental plan.

### 18.2 Services rendered

They record expenses incurred with contracting services of individuals and legal entities, as shown in the table below:

	<b>2016</b>	<b>2015</b>
Services rendered - Individuals	(43,181)	(24,324)
Services rendered - Legal entity (i)	(520,368)	(182,560)
	<u>(563,549)</u>	<u>(206,883)</u>

- (i) Expenses with services rendered by legal entities refer to consulting and/or advisory services, such as audit, accounting, legal assistance and information technology, among others.

### 18.3 Travel and accommodation

They record expenses incurred with airfares, daily lodging and other expenses related to traveling, such as driving, snacks and insurance, as shown in the table below:

	<b>2016</b>	<b>2015</b>
Airline Tickets	(236,231)	(32,348)
Daily lodging	(77,421)	(2,777)
Other travel expenses	(41,849)	(2,186)
	<u>(355,500)</u>	<u>(37,312)</u>

### 18.4 Administrative and general expenses

Refer to expenses for office maintenance and general activities, as shown in the table below:

	<b>2016</b>	<b>2015</b>
Infrastructure	(364,058)	(133,472)
Use and consumption expenses	(141,816)	(33,348)
	<u>(505,875)</u>	<u>(166,820)</u>

### 18.5 Tax expenses

The amount recorded refers to the tax on financial operations (IOF) levied on foreign exchange transactions generated by the grants received, to the income tax on financial investments, monetary and foreign exchange variation and bank fees.

	<b>2016</b>	<b>2015</b>
Tax on financial operations	(27,545)	(2,856)
Income tax on interest earning bank deposits	(56,699)	(110)
	<u>(84,243)</u>	<u>(2,966)</u>

## 19 Financial instruments

### Financial risk management

#### *Overview*

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

Information below presents a summary on Entity's exposure to each one of the abovementioned risks, the Entity's goals, policies and processes for the measurement and management of risk, and capital management. Additional quantitative disclosures are included throughout these financial statements.



## Risk management structure

The Entity assesses the risks in its financial instruments and defines the appropriate and acceptable limits considering its operations and objectives

## Market risk

Market risk is the risk that changes in market prices, such as interest rates from Entity's interest earning bank deposits, have in the gains earned due to its portfolio or in the value of its holdings of financial instruments. The Entity manages market risks investing in low market risk funds with low financial leverage, always with first-class financial institutions.

## Exchange rate risk

Exchange rate risk arises from the possibility of the entity's economic and financial statements be impacted by exchange rate fluctuations.

The Entity has assets indexed to foreign currency, especially the US dollar and the euro, arising from grants received by international entities, which causes volatility in its income and cash flows, proportional to the exchange rate fluctuation.

## Credit risk

Cash and cash equivalents presented in the table below represent the maximum credit exposure on such assets.

	2016	2015
Cash and banks	501	501
Interest earning bank deposits	1,436,823	437,906
Amounts in transit	3,818,962	-
	5,256,286	438,407

## Liquidity risk

Liquidity risk is the risk of the Entity encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Entity's approach in liquidity management is to guarantee, as much as possible, that it always has sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullyng the Entity's reputation. The table below shows the balances of the financial assets and liabilities recognized in the Entity's statement of financial position:

Financial assets	Note	Rating	Book value 12/31/2015	Fair value 12/31/2015
Cash and cash equivalents	4	Fair value - Level 1	438,407	438,407
<b>Financial liabilities</b>	<b>Note</b>	<b>Rating</b>	<b>Book value</b> <b>12/31/2015</b>	<b>Fair value</b> <b>12/31/2015</b>
Accounts payable	10	Amortized cost	805	805
<b>Financial assets</b>	<b>Note</b>	<b>Rating</b>	<b>Book value</b> <b>12/31/2016</b>	<b>Fair value</b> <b>12/31/2016</b>
Cash and cash equivalents	4	Fair value - Level 1	5,256,286	5,256,286
Securities	5	Fair value - Level 1	4,481,593	4,481,593
<b>Financial liabilities</b>	<b>Note</b>	<b>Rating</b>	<b>Book value</b> <b>12/31/2016</b>	<b>Fair value</b> <b>12/31/2016</b>
Accounts payable	10	Amortized cost	1,680	1,680

### ***Fair value hierarchy***

The table above presents financial instruments recorded at fair value, using a valuation method.

The different levels were defined as follows:

- **Level 1** - Prices negotiated (unadjusted) in active markets for identical assets and liabilities.
- **Level 2** - Different inputs of the prices negotiated in active markets included at Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- **Level 3** - inputs for the asset or liability that are not based on observable market variables (unobservable inputs).

The Entity has financial assets measured at fair value, classified as Tier 1.

#### **a. Market value of financial instruments**

The book balances of cash and cash equivalents (banks and interest earning bank deposits) and current liabilities (accounts payable) correspond to the market value since the maturity occurs on a date close to the reporting date.

#### **b. Other types of financial instruments**

The Entity did not operate with financial derivatives in the year ended December 31, 2016.

## **20 Related parties**

### **Management remuneration**

With the purpose of promoting transparency, the entity emphasizes that:

- a. Ms. Ana Yang is the Chairwoman of the iCS Deliberative Council and is the portfolio manager for climate change at the Children's Investment Fund Foundation (CIFF) in London, UK. CIFF is one of the funders of iCS.
- b. Mr. Leonardo Vieira Lacerda is a member of the Deliberative Council and is also the Director of the Environmental Program at the OAK Foundation in Geneva, Switzerland. The OAK Foundation is also a funder of iCS.

Despite the relationship of key management personnel of the entity with its funders, it is worth highlighting that the Entity's Bylaws provides for the non-remuneration of any Executive Board members and of members of existing boards. The Entity does not grant any type of remuneration, advantages or benefits, directly or indirectly, in any form, related to competences, functions of activity assigned to them.

## **21 Subsequent events**

Between April and May 2017, grant contracts totaling around R\$ 3,300,000.00 were signed with the following international entities: ClimateWorks Foundation - CWF, Instituto Arapyáú, Children's Investment Fund Foundation - CIFF and European Climate Foundation - ECF.

In the same period, donation granting contracts have also been signed, totaling around R\$ 3,900,000.00, with the following entities: Green Building Council Brasil, Instituto Escolhas, Instituto Centro de Vida, Instituto Nossa BH, Centro Brasil no Clima, CEBDS, Escola de Ativismo, Fundo Socioambiental Casa, Associação Direitos Humanos em Rede, Instituto de Estudos da Religião and Associação Bike Anjo.

\* \* \*

Ana Amelia Campos Toni  
Executive Director  
SSN 084.742.118-08

Angelita Gonçalves Rangel  
Accountant  
CRC/RJ 062.161-4