Financial Statements

Instituto de Pesquisa Ambiental da Amazônia - IPAM

December 31, 2021
with Independent Auditor’s Report

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Financial statements

December 31, 2021

Contents

A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil applicable to nonprofit entities (ITG 2002 (R1))

Independent auditor's report on financial statements

To the
Board of Trustees and Directors of
Instituto de Pesquisa Ambiental da Amazônia - IPAM

Opinion

We have audited the financial statements of Instituto de Pesquisa Ambiental da Amazônia - IPAM ("Institute"), which comprise the statement of financial position as at December 31, 2021 and the statements of surplus or deficit, of comprehensive surplus, of changes in net assets, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as at December 31, 2021, and its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil applicable to nonprofit entities (ITG 2002 (R1)).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Institute in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), 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 audit opinion.

Responsibilities of the executive board and those charged with governance for the financial statements

The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil applicable to nonprofit entities (ITG 2002 (R1)), and for such internal control as the executive board determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, the executive board is responsible for assessing the Institute'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 Institute or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute'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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing 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:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded 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 Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

- Evaluated 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 may have identified during our audit.

Brasília, September 06, 2022.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC-SP015199/O

Alexandre Dias Fernandes
Accountant CRC DF012460/O

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of financial position
December 31, 2021 and 2020
(in Reais)

Assets	Note	12/31/2021	12/31/2020
Current assets			
Cash and cash equivalents	4	5,948,791	3,425,745
Project-related funds	5	15,536,640	11,089,715
Advances to projects	6	1,976,396	1,033,263
Taxes recoverable	7	8,215	4,369
Advances granted	8	165,121	112,617
		23,635,163	**15,665,709**
Noncurrent assets			
Property and equipment	9	204,021	200,138
		204,021	**200,138**
Total assets		**23,839,184**	**15,865,847**
Liabilities and net assets			
Current liabilities			
Social and labor obligations	10	3,070,861	2,578,589
Tax obligations		18,105	12,503
Obligations with suppliers		494,888	174,329
Obligations with projects	11	16,844,402	11,607,067
Other liabilities		37,621	34,314
		20,465,877	**14,406,802**
Net assets			
Corporate assets		1,459,045	160,029
Surplus for the year	15	1,914,262	1,299,016
		3,373,307	**1,459,045**
Total liabilities and net assets		**23,839,184**	**15,865,847**

See accompanying notes.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of surplus or deficit
Years ended December 31, 2021 and 2020
(in Reais)

	Note	2021	2020
Net revenue		**3,534,253**	**2,542,530**
Administrative fee	16	3,398,510	2,347,499
Individual donations		135,743	195,031
Operating expenses		**(2,097,944)**	**(1,536,587)**
Salaries and social charges	17	(1,444,386)	(1,065,529)
Consulting and services	18	(493,402)	(125,822)
Travel expenses		(82,389)	(17,778)
Expenses with utilities and services	19	(145,059)	(239,139)
Depreciation		(39,688)	(40,135)
General expenses	20	(179,442)	(468,366)
Losses on project completion	21	(183,152)	(968,904)
Gains from project completion	21	62,785	1,177,023
Other operating income (expenses), net	23	406,789	212,063
Finance income (costs), net	**22**	**477,953**	**293,073**
Finance income		555,084	336,903
Finance costs		(77,131)	(43,830)
Surplus from own operations		**1,914,262**	**1,299,016**
Project revenues		**25,280,651**	**19,524,423**
Project costs		**(25,280,651)**	**(19,524,423)**
Salaries and social charges		(13,715,945)	(10,766,877)
Consulting services		(6,809,283)	(3,891,464)
Travel expenses		(826,536)	(542,669)
Technical partnerships		(321,816)	(2,919,670)
Realization of project-related property and equipment assets		(710,648)	(93,868)
Rent		(439,694)	(393,155)
Network infrastructure		(309,519)	(207,606)
Graphic services		(440,989)	(278,475)
Third-party services		(807,168)	(111,451)
Materials		(552,511)	(126,191)
Other costs		(346,542)	(192,997)
Surplus for the year		**1,914,262**	**1,299,016**

See accompanying notes.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of comprehensive surplus
Years ended December 31, 2021 and 2020
(in Reais)

	Note	2021	2020
Surplus for the year		**1,914,262**	**1,299,016**
Other comprehensive surplus		-	-
Total comprehensive surplus for the year		**1,914,262**	**1,299,016**

See accompanying notes.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of changes in net assets
Years ended December 31, 2021 and 2020
(in Reais)

	Corporate assets	Accumulated surplus (deficit)	Total
Balance at December 31, 2019	(589,190)	749,219	160,029
Transfer of accumulated surplus	749,219	(749,219)	-
Surplus for the year	-	1,299,016	1,299,016
Balance at December 31, 2020	**160,029**	**1,299,016**	**1,459,045**
Transfer of accumulated surplus	1,299,016	(1,299,016)	-
Surplus for the year	-	1,914,262	1,914,262
Balance at December 31, 2021	**1,459,045**	**1,914,262**	**3,373,307**

See accompanying notes.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of cash flows
Years ended December 31, 2021 and 2020
(in Reais)

	2021	2020
Surplus for the year	**1,914,262**	**1,299,016**
Adjustments:		
Depreciation	39,688	40,135
Disposal of property and equipment	-	(60,250)
Gains from/losses on contract completion	120,367	(208,119)
(Increase) decrease in assets		
Linked funds	(4,446,925)	(1,611,151)
Advances from projects	(943,133)	627,226
Taxes/charges recoverable	(3,846)	220,870
Advances granted	(52,504)	(42,707)
Increase (decrease) in liabilities		
Social and labor obligations	492,272	646,524
Tax obligations	5,602	(3,728)
Obligations with suppliers	320,559	(202,244)
Contracts to be executed	5,116,968	1,519,140
Other liabilities	3,308	(21,213)
Net cash flows from operating activities	**2,566,618**	**2,203,499**
Cash flows from investing activities		
Acquisition of property and equipment	(44,122)	(135,960)
Write-off of property and equipment	550	156,576
Cash from (used in) investing activities	**(43,572)**	**20,616**
Net increase in cash and cash equivalents	**2,523,046**	**2,224,115**
Cash and cash equivalents at beginning of year	3,425,745	1,201,630
Cash and cash equivalents at end of year	5,948,791	3,425,745

See accompanying notes.

1. Operations

Instituto de Pesquisa Ambiental da Amazônia – IPAM (“Institute” or “IPAM”) is a nonprofit, private organization founded in 1995 with the mission of contributing to the process of development of the Amazon that meets the social and economic aspirations of the population, while preserving the ecological functions of the region's ecosystems. The activities carried out by IPAM are structured into three strategic pillars:

Sustainable family farming production - We seek to generate environmental impact regularly and help increase income in the countryside and food security, and end deforestation; public policies aimed at family production structured and in operation; and the recognition of family producers as a key segment for the sustainable development of the Amazon and for the reduction of the impacts of climate change.

Protected natural territories - We seek to create impact by means of a consolidated system of protected areas (with governance, shared management, investments, quality of life and food and territorial security); by expanding the system of protected areas indicating a conservation use for the areas not yet allocated in the Amazon and the Cerrado; by implementing climate change adaptation strategies for protected areas; and by means of a society that is aware of the role played by the protected areas in preserving and generating ecosystem services.

Low carbon agriculture - We seek to generate impact by implementing zero deforestation, a strengthened low carbon economy, economically valued forest assets and consumption patterns that contribute to zero deforestation adopted by the society.

Administrative operation – IPAM’s operations processed over 6,771 requests (payment processes, ticket requests, daily allowances, refunds, project implementation, the Personnel Department requests, plane tickets, etc.) to manage the 75 projects under execution in 2021 (69 projects in 2020).

The funds for accomplishment of the Institute's mission are transferred by third parties, which finance the performance of the projects.

The Institute is exempt from taxation on assets, income and services, given that it is a private nonprofit organization. Furthermore, for being a private nonprofit organization, surplus is not distributed and is added to corporate assets at year end.

<u>Covid-19 impacts</u>

In relation to the impacts of COVID-19, the Institute has adopted sanitary safety measures since the beginning of the pandemic, aiming at maintaining the health and wellbeing of its employees, the continuity of its operations and ensuring the normal flow of projects, such as:

- For domestic and international trips, the employees were required to take a viral test before and after the flight;
- Mandatory use of masks and frequent use of gel alcohol for hygiene purposes;
- Maintenance of remote work for all employees; All meetings with partners and funders occurred in a digital manner.

As regards project monitoring, management closely monitors the financial performance of the invested funds. The main impact was the reduced amount of field trips as well as in-person events, which were replaced by online events. Project budgets were reviewed together with the funders, which ensured full financial execution, generated no significant impacts on operations and, as such, on the Institute's financial statements.

Lastly, despite the high volatility in the financial markets, IPAM counts on a robust liquidity position. Therefore, at this point, there are no impacts that could materially impair the existing figures included in the financial statements.

2. Basis of preparation and presentation of the financial statements

The Institution's financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise ITG 2002 (R1) and the accounting pronouncements, guidance and interpretations issued by the Brazilian FASB (CPC) and approved by Brazil's National Association of State Boards of Accountancy (CFC).

The significant information specific to the financial statements, and only such information, is being disclosed, and corresponds to the information used in management of the Company´s operations.

Issue of the financial statements was approved by the Board of Trustees on August 29, 2022.

2.1. Functional and presentation currencies

The items included in the financial statements are measured using the currency of the primary economic environment in which the Institute operates (functional currency). The financial statements are prepared and presented in Brazilian reais, which is the Institution's functional currency.

2.2. Going-concern statement

Management assessed the Institution's ability to continue as a going concern and is convinced that it has the resources required to continue operating in the future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt as to the ability to continue as a going concern. Accordingly, these financial statements were prepared on a going concern basis.

2.3. Use of estimates

The preparation of the financial statements in accordance with Brazilian accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported asset, liability, revenue and expense amounts. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any subsequent periods affected.

3. Summary of significant accounting practices

3.1. Revenue recognition

Revenue is recognized on an accrual basis, to the extent the funds are invested in the Institute's projects and management, as determined by ITG 2002 (R1) – Nonprofit Entities.

Accounting pronouncement CPC 07 (R1) – Government Grants and Assistance determines that donations and grants should be recorded in surplus/deficit throughout the period in which the expenses intended to be offset are incurred and that, while the requirements for recognition of surplus/deficit are not met, the funds received should be recorded in a specific liability account.

3.2. Recognition of project expenses

Project expenses are recognized upon occurrence by means of presentation of the appropriate documentation (bills, invoices, receipts, etc.).

3.3. Accounting bookkeeping regime

Surplus/deficit is determined on an accrual basis. Income and expenses are recognized in surplus/deficit when the risks and rewards inherent in the services are transferred. Receivables and payables within one year as from December 31, 2021 were classified as current and amounts with maturities longer than one year were classified as noncurrent.

3.4. Transactions in foreign currency

Transactions in foreign currency are translated into the Institution's functional currency at the exchange rates in force on the transaction dates. Monetary assets and liabilities denominated and calculated in foreign currencies on the date of disclosure are translated back to the functional currency at the exchange rate effective on such date. Differences in foreign currencies resulting from retranslation are recognized in surplus/deficit.

3.5. Financial instruments

Classification and measurement

The Institute classifies its financial assets into the following categories: measured at amortized cost and at fair value through profit or loss. Financial assets are classified according to the purpose for which they were acquired. Management determines the classification of the financial assets upon initial recognition.
Financial assets measured at amortized cost

Financial assets measured at amortized cost are maintained within the IPAM business model with the objective of receiving contractual cash flows, and the contractual terms that give rise to the cash flows are solely payment of principal and interest on the outstanding principal amount.

Financial assets measured at fair value through surplus or deficit

Financial assets measured at fair value through surplus or deficit are financial assets that are not measured at amortized cost or at fair value through other comprehensive surplus. They are usually held for active and frequent trading. The assets under this category are usually classified as current assets. Gains or losses arising from changes in fair value of financial assets measured at fair value through surplus or deficit are presented in liabilities and recognized in surplus or deficit.

Impairment

The Institute recognizes provision for expected credit loss on assets classified at amortized cost. This assessment occurs prospectively and is based on historical data and models built for such purposes.

Financial liabilities - initial recognition

Financial liabilities are initially recognized at fair value, plus transaction costs, as applicable.

Financial liabilities - subsequent measurement

- Amortized cost: these are recorded using the effective interest rate method, where gains and losses are recognized in the statement of surplus or deficit when the liabilities are written off or through an increase in the effective rate.
- Fair value through surplus or deficit: accounted for by recognizing the gain and loss in surplus or deficit for the period.

Derivative financial instruments

The Institute did not carry out transactions of a speculation nature in derivatives or any other risk assets, or transactions involving derivative financial instruments.

3.6. Cash and cash equivalents

These balances include cash, bank deposits and short-term investments readily convertible into a known cash amount, subject to insignificant risk of change in value. These are valued at acquisition cost, plus earnings that do not exceed the respective market values.

3.7. Project-related funds

The balances include cash on hand, bank deposits and short-term investments, the amounts of which are separated into accounts by project and allocated directly to the respective project.

3.8. Advances to projects

This account includes the amounts receivable from funders arising from partially or fully executed projects, which will be reimbursed after the rendering of accounts. At the end of each project, the existing risk of receiving the balance is assessed and, should the Institution confirm that the amount will not be reimbursed, the loss is recorded in the statement of surplus or deficit under the "Losses on project completion" account.

3.9. Property and equipment

a) Recognition and measurement

The Institute's property and equipment includes items acquired through partnership contracts intended exclusively for execution of the projects. These are classified separately in noncurrent assets as "Assets with restricted use". Assets with restricted use are recorded at the time of acquisition and, on this occasion, a contra-account in P&E is recorded against the provision for losses in the statement of surplus and deficit, recognizing the execution of the project.

Usually at the end of the project, the net book value of the item is recognized as revenue from donations, transferred to the Institute's property and, consequently, recorded as a property and equipment without restriction. This policy is applied when there is no contractual provision for donation of the items to third parties.

These are measured at historical acquisition or construction cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenses directly attributable to acquisition of an asset.

Gains and losses on disposal of a property and equipment item are determined by comparing the proceeds from disposal with the residual book value of the item, and are recognized as Losses or gains on disposal of property and equipment, in the statement of surplus or deficit, as applicable.

b) Subsequent costs

Replacement cost of a property and equipment item is recognized in the item's book value when it is likely that the economic benefits embodied in the item will flow to the Institute and its cost may be reliably measured. The residual book value of the component that has been replaced by another is recognized in surplus or deficit for the period. Daily maintenance costs of property and equipment items are recognized in surplus or deficit as incurred.

3.10. Depreciation and amortization

Depreciation and amortization are calculated on the depreciable or amortizable value, which is the cost of an asset, or another value that substitutes the cost over the useful life of the item.

Depreciation and amortization of the Institute's assets (assets with no restriction) are recognized in surplus or deficit on a straight-line basis with respect to the estimated useful life of each component of the item, as this is the method that best reflects the pattern of consumption of the future economic benefits embedded in the asset.

Depreciation and amortization of assets intended exclusively for the execution of projects (assets with restricted use) are accounted for in adjustment accounts of property and equipment and intangible assets. Depreciation and amortization are carried out using the straight-line method over the estimated useful life of each item.

The estimated useful lives for the current year are presented in Note 9.

Depreciation and amortization methods, the useful lives and the residual values are reviewed at each financial year end and adjustments, if any, are recognized as a change in accounting estimates.

3.11. Impairment of nonfinancial assets

The book values of the Institute's nonfinancial assets are reviewed at each reporting date to determine any indication of impairment. If any such indication exists, the asset's recoverable amount is determined. An asset's recoverable amount is the higher of the value in use and the fair value less costs to sell. Impairment losses are recognized when the book value of an asset exceeds its estimated recoverable amount. Losses in value, if any, are recognized in surplus or deficit.

Management did not identify any situation that could indicate impairment of its nonfinancial assets. Accordingly, it was not necessary to estimate the recoverable amount of assets.

3.12. Obligations with projects

This account records the obligations to funders arising from financial resources received by the Institute and not yet applied in the execution of the projects are recorded. Revenues are recognized in surplus or deficit as the projects are executed. The positive balances of completed projects, which do not contain a provision for the return of resources to funders, are written off as gains in the "Gains on project completion" account, in surplus or deficit.

3.13. Contracts to be executed

The Institute records all the contracts signed with funders, monitoring the contracted amounts, the projects effectively executed, and the balances to be executed for each project. This group of accounts is used solely for monitoring of effective contracts, execution and balances of contracts to be executed, having no effect on the financial statements.

3.14. Employee benefits

Obligations arising from short-term employee benefits are measured on an undiscounted basis and are incurred as expenses as the related service is provided.

3.15. Provisions

<u>General considerations</u>

A provision is recognized as a result of a past event. A provision is recognized if the Institute has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation.

<u>Civil, tax and labor contingencies</u>

Provisions for civil, tax and labor contingencies related to legal and administrative proceedings are recognized when the Institute has a present legal or constructive obligation as a result of past events, it is possible to reliably estimate the amounts, and the settlement is likely to occur. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court rulings and their relevance in the legal system, as well as the evaluation of external legal advisors.

3.16. Other rights and obligations

The other current and noncurrent assets and liabilities that are subject to monetary variation or exchange differences under legislation or contractual provisions are restated based on the indices provided for in the respective provisions, in order to reflect the amounts on the date of the financial statements.

3.17. Administrative fee

The administrative fee is a percentage of the direct cost of the project defined in a contract that ensures the operation of the administrative department of IPAM. This fee is recognized in proportion to project execution.

3.18. Tax exemptions

As a nonprofit scientific entity, IPAM benefits from tax exemptions, such as:

- Income tax (IRPJ)
- Social contribution tax on net profit (CSLL)
- Contribution tax on gross revenue for social security financing (COFINS) on own revenues
- Service tax (ISSQN) on own revenues

3.19. Leases

CPC 06 (R2) – Leases became effective in 2019 and determines that lessees are required to recognize the liability of future payments and the right to use the leased asset for practically all leases, including operating leases. Certain short-term or low value leases may fall outside the scope of this new standard. The Institute carried out an evaluation of its agreements and did not identify any material impacts from adoption of this standard on the financial statements.

4. Cash and cash equivalents

Cash and cash equivalents of the Institute comprise the following:

	12/31/2021	12/31/2020
Cash	**3,971**	3,971
Banks	**981,216**	598,581
Short-term investments	**4,963,604**	2,823,193
	5,948,791	3,425,745

Short-term investments in the portfolio for the year refer to fixed income securities remunerated based on the variation of 96% to 100% of the Interbank Deposit Certificate (CDI), depending on the bank. These investments present daily liquidity, may be redeemed at any time with no losses for the Institute, irrespective of their year of maturity, reason why they are classified as cash equivalents in current assets. These amounts are used for meeting short-term commitments.

5. Project-related funds

Project-related funds are restricted to application in projects, according to contractual provisions. There are cases in which, contractually, the yield is required to be applied to the project activities, while in other cases, the yield is reversed as administrative income for the Institute.

	12/31/2021	12/31/2020
Banks	**4,860,518**	1,156,407
Short-term investments	**10,676,122**	9,933,308
	15,536,640	11,089,715

Short-term investments in the portfolio for the year refer to fixed income securities remunerated based on the variation of 96% to 100% of the Interbank Deposit Certificate (CDI), depending on the bank.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements
December 31, 2021
(In reais, unless otherwise stated)

6. Advances for projects

These include amounts receivable referring to contracts already executed, for which the funds from partners will be transferred to the Institute after rendering of accounts.

	12/31/2021	12/31/2020
Funds from foreign private entities	**1,111,907**	592,862
Funds from foreign private entities	**211,833**	327,721
Funds from domestic private entities	**652,656**	112,680
	1,976,396	1,033,263

7. Taxes recoverable

	12/31/2021	12/31/2020
ISS	**3,906**	1,502
PIS	**146**	146
COFINS	**3,919**	2,477
Social security tax (INSS)	**187**	187
Withholding IRPJ and CSLL	**57**	57
	8,215	4,369

In 2021, the balances included withholdings and overpaid amounts that will be offset in 2022.

8. Advances granted

	12/31/2021	12/31/2020
Advances to employees (a)	**159,428**	94,417
Travel advances (b)	**4,344**	1,560
Corporate card (c)	**-**	15,290
Advances to suppliers	**1,350**	1,350
	165,121	112,617

(a) Advances to employees refer to advanced vacation pay, requested by employees for vacation taken in January. The increase in 2021 was due to an increase in the number of employees who requested vacation in the current year.

(b) Advance made by the Institute for employees to cover travel expenses as needed, subject to rendering of accounts.

(c) The use of the card follows the same policy as advances granted to all employees. Each credit card issued is linked to a financial cardholder code for control of payments and rendering of accounts of the amounts used.

9. Property and equipment

These items are accounted for at acquisition cost. Depreciation and amortization are calculated using the straight-line method, considering the useful and economic life of the item at the rates below.

The property and equipment groups are classified as in Note 3.9 and presented the following changes in the year:

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements
December 31, 2021
(In reais, unless otherwise stated)

IPAM assets – with no restriction on use	**12/31/2020**	**Additions**	**Write-offs**	**12/31/2021**
Changes in cost				
Leasehold improvements	1,310	-	-	1,310
Computer equipment - IPAM	137,592	26,876	(16,503)	147,965
Electronic machinery and equipment - IPAM	115,233	14,605	(8,072)	121,766
Furniture and fixtures - IPAM	90,772	2,641	-	93,413
Facilities - IPAM	20,375	-	-	20,375
Vehicles - IPAM	132,000	-	(5,500)	126,500
Total cost	497,282	44,122	(30,075)	511,329

	Annual depreciation rate	**12/31/2020**	**Additions**	**Write-offs**	**12/31/2021**
Changes in depreciation					
Leasehold improvements	50%	(1,310)	-	-	(1,310)
Computer equipment - IPAM	17%	(88,975)	(10,987)	15,952	(84,010)
Electronic machinery and equipment - IPAM	17%	(85,925)	(12,722)	8,072	(90,575)
Furniture and fixtures - IPAM	20%	(19,266)	(9,321)	-	(28,587)
Facilities - IPAM	20%	(4,254)	(2,038)	-	(6,292)
Vehicles - IPAM	10%	(97,414)	(4,620)	5,500	(96,534)
Total cost		(297,144)	(39,688)	29,524	(307,308)
Total property and equipment with no restriction		**200,138**	**4,434**	**(551)**	**204,021**

Project assets – with restriction on use (*) (unaudited)	**12/31/2020**	**Additions**	**Donations**	**Write-offs**	**12/31/2021**
Changes in cost					
Leasehold improvements - projects	30,004	-	-	-	30,004
Constructions and buildings - projects	1,339,075	-	(1,339,075)	-	-
Computer equipment - projects	573,345	218,545	-	(23,066)	768,824
Electronic machinery and equipment - projects	348,853	57,082	-	(3,315)	402,620
Vehicles - projects	198,400	420,054	-	(102,200)	516,254
Software -projects	69,176	60,000	-	-	129,176
Total	2,558,853	755,681	(1,339,075)	(128,581)	1,846,878

	Annual depreciation rate	**12/31/2020**	**Additions**	**Donations**	**Write-offs**	**12/31/2021**
Changes in depreciation						
Constructions and buildings	4%	(20,941)	(774)	-	-	(21,715)
Computer equipment	17%	(334,886)	(90,567)	-	10,248	(415,205)
Machinery and equipment	17%	(258,998)	(48,107)	-	3,315	(303,790)
Vehicles	10%	(145,862)	(24,332)	-	77,466	(92,728)
Software	50%	(69,176)	-	-	-	(69,176)
Total		(829,863)	(163,780)	-	91,029	(902,614)
Total with restrictions		**1,728,990**	**591,901**	**(1,339,075)**	**(37,552)**	**944,264**

(*) Items from projects with restricted use - shows the items acquired through contracts for exclusive use in the execution of projects. Goods with restricted use are recorded at the time of acquisition and then recorded as an expense in surplus or deficit, recognizing the execution of the project. There are contractual provisions for certain projects that establish that after their completion, the assets acquired, through their resources, will be donated or will be reversed to the Institution, as explained in note 3.9.
This information is merely for the Institute's control and therefore is not part of the balances included in the financial statements. Accordingly, it was not audited by the independent auditors.

10. Social and labor obligations

	12/31/2021	12/31/2020
Salaries, vacation pay and 13th monthly salary	**38,689**	1,355
Provision for Unemployment Compensation Fund (FGTS)	**85,697**	70,202
Provision for Social Security Tax (INSS)	**254,798**	187,628
Provision for Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**13,982**	11,892
Accrued vacation pay and charges	**1,517,736**	1,297,817
Accrued 13th monthly salary	**-**	173
Provision for 40% fine on total deposits of the FGTS	**954,704**	805,183
Other charges	**205,255**	204,338
	3,070,861	2,578,588

11. Obligations with projects

	12/31/2021	12/31/2020
Funds from public entities - consulting services	**36,937**	62,770
Funds from domestic public entities	**226,539**	80,901
Funds from foreign private entities	**3,696,209**	5,204,622
Funds from private entities - consulting services	**18,596**	-
Funds from domestic private entities	**1,051,328**	2,890,199
Funds from foreign private entities	**11,814,793**	3,368,575
	16,844,402	11,607,067

Obligations with projects comprise the amounts received referring to the projects approved in contracts with funders, less the respective expenses of projects executed up to the statement of financial position date. The balances represent the Institute's obligation to execute the projects in the future.

At the end of each period, financial balances of completed projects for which the rendering of accounts has already been approved are identified. For balances where there is no estimated return, the gain is recognized in surplus or deficit. These situations occur mainly due to exchange differences (the amount in reais is expected to be higher or lower than the amount effectively received), to completion of projects before the expected term, or because the financial yield was not used in the project.

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Notes to financial statements
December 31, 2021
(In reais, unless otherwise stated)

Changes in obligations with projects are as follows:

	Balance 12/31/2020	Receipts	Executed	Adm. fee	Gain /Loss	Other	Balance 12/31/2021
Funds from public entities - consulting services	62,676	72,000	(97,739)	-	-	-	36,937
Funds from domestic public entities	829,515	160,000	(221,996)	-	-	(540,980)	226,539
Funds from foreign private entities	5,204,622	3,991,170	(6,501,135)	(603,880)	-	1,605,432	3,696,209
Funds from private entities - consulting services	-	56,160	(38,085)	-	-	521	18,596
Funds from domestic private entities	2,985,923	4,757,530	(5,845,722)	(617,484)	(100,203)	(128,716)	1,051,328
Funds from foreign private entities	2,521,331	24,218,494	(12,575,974)	(2,177,146)	(20,164)	(151,748)	11,814,793
Total	**11,604,067**	**33,255,354**	**(25,280,651)**	**(3,398,510)**	**(120,367)**	**784,509**	**16,844,402**

12. Funding and execution of resources classified by financing source (unaudited)

Description	Foreign entities	Domestic private entities	Domestic public entities	Consulting	Total
Balance receivable in 2020	**33,218,237**	**2,522,928**	**2,207,652**	**187,000**	**38,135,817**
Budget 2021	29,218,786	3,395,832	-	265,685	32,880,303
Budget adjustment	6,441,608	2,762,054	(2,047,652)	(115,000)	7,041,010
Received	(28,209,874)	(4,757,320)	(160,000)	(128,160)	(33,255,354)
Balance 12/31/2021	**40,668,757**	**3,923,494**	**-**	**209,525**	**44,801,776**
Balance to execute in 2020	**41,397,848**	**4,012,691**	**1,751,270**	**1,170,452**	**48,332,261**
Budget	31,232,569	7,848,006	174,953	448,360	39,703,888
Adjustment	2,839,450	-	(1,620,998)	(1,218,452)	-
Execution with gains/losses	(21,158,522)	(7,201,314)	(78,685)	(135,824)	(28,574,345)
Balance 12/31/2021	**54,311,345**	**4,659,383**	**226,540**	**264,536**	**59,461,804**

The table shows that in 2021, the amount of R$32,880,302 was raised in new contracts to be executed over the contract period. Projects were executed in the total amount of R$28,574,345 and the budgeted balance to be executed for the following years totals R$ 59,510,768. This information is merely budgetary and therefore is not part of the balances included in the financial statements. Accordingly, it was not audited by the independent auditors.

13. Legal proceedings and contingent liabilities

The Institute is not party to ongoing legal and administrative proceedings filed with courts and government agencies, involving labor, civil and other matters.

14. Transactions with related parties

Key management personnel compensation

Key management personnel compensation, including salaries, fees and short-term variable benefits, totaled R$948,946 for the year ended December 31, 2021 (R$939,416 in 2020).

15. Net assets

Net assets of IPAM comprise corporate assets substantially derived from surplus accumulated from previous years and the current-year surplus. Net assets as of December 31, 2021 total R$3,373,307 (R$1,459,045 as of December 31, 2020).

16. Revenue from administrative fee

By contract, a percentage of the projects' funds is allocated to meet the Institute's administrative cost.

	2021	2020
Funds from public entities - consulting services	**-**	24,458
Funds from domestic public entities	**-**	18,916
Funds from foreign private entities	**603,880**	219,317
Funds from private entities - consulting services	**-**	1,704
Funds from domestic private entities	**617,484**	686,580
Funds from foreign private entities	**2,177,146**	1,396,524
	3,398,510	2,347,499

17. Salaries and social charges

	2021	2020
Salaries and payroll charges	**(1,441,153)**	(1,056,769)
Qualification	**(1,216)**	-
Tests	**(2,017)**	(1,509)
Subsidized transportation ticket	**-**	(7,251)
	(1,444,386)	(1,065,529)

18. Consulting and services

	2021	2020
Consulting services	**(298,891)**	-
Audit services	**(59,000)**	-
IT services	**(2,461)**	(11,284)
Legal services	**(50,400)**	(65,255)
Licensing services	**(82,650)**	(49,283)
	(493,402)	(125,822)

The increase in expenses in the group refers to consulting service amounts which, in 2021, were recorded in general service expenses.

19. Expenses with utilities and services

	2021	2020
Water and sewage	**-**	(450)
Electricity	**(759)**	(11,348)
Telephone services	**(1,724)**	(10,359)
Maintenance services	**(134,349)**	(134,342)
Rent	**-**	(67,309)
Condominium fees	**(4,387)**	(2,456)
Equipment rental	**(3,840)**	(3,453)
Car rental	**-**	(9,422)
	(145,059)	(239,139)

20. General expenses

	2021	**2020**
Surveillance	**(440)**	(225)
Meals	**(5,485)**	(2,031)
Low-value items	**(1,584)**	(3,247)
Registry services	**(2,382)**	(206)
Fuel	**(8,109)**	(1,154)
Catering	**(457)**	(13)
Mail and pouch	**(5,124)**	(5,897)
Edition services	**-**	(12,000)
Printing and books	**(30)**	(4,460)
Office supplies	**(15,561)**	(5,166)
IT materials	**(12,000)**	(3,082)
Cleaning materials	**(678)**	(569)
Maintenance and repair materials	**(2,861)**	(1,845)
Tax fines	**-**	(431)
Magazines and publications	**(349)**	(1,067)
Delivery services	**(4,458)**	(2,330)
Individual-related services	**(71,234)**	(396,718)
Legal entity-related services	**-**	(4,799)
Other expenses	**(36,198)**	(18,095)
Field meals	**(3,165)**	(5,031)
Refurbishment materials	**(9,060)**	-
Field materials	**(267)**	-
Total	**(179,442)**	(468,366)

21. Gains from project completion, net

	2021	2020
Funds from public entities - consulting services	**-**	(326,481)
Funds from domestic public entities	**-**	(434,236)
Funds from foreign public entities	**-**	(329)
Funds from domestic private entities	**(100,203)**	103,867
Funds from foreign private entities	**(20,164)**	865,298
	(120,367)	208,119

Any gains or losses on the completion of projects consider the final calculated amount related to (i) exchange gains/losses between the amount received and executed, (ii) net finance income (costs), including the (positive or negative) difference between income from investment of financial resources and finance costs, such as tariffs and fees, and/or (iii) execution above or below the original budget, which contractually, at the end of the project, should be supported (upon loss) or absorbed (upon gain) by the Institute.

22. Finance income (costs), net

	2021	2020
Finance income	**555,084**	336,903
Gains from short-term investments	**555,084**	336,903
Finance costs	**(77,131)**	(43,830)
Late-payment interest	**(9,587)**	-
Bank charges and expenses	**(53,138)**	(43,830)
Other finance costs	**(14,406)**	-
Finance income (costs), net	**477,953**	293,073

23. Other operating income (expenses), net

	2021	2020
Recovery of expenses	**362,459**	304,029
Other operating income (expenses)	**44,330**	(91,966)
Finance income (costs), net	**406,789**	212,063

24. Financial instruments

The Institute's financial instruments receivable and payable as of December 31, 2021 are recorded in the statement of financial position at amounts compatible with the market. These are described below, together with the criteria, assumptions and limitations used in the calculation of market values:

a) *Short-term investments*

The amounts recorded approximate market values due to the short-term maturity of these instruments. They are measured at fair value.

b) Project-related funds

The amounts recorded approximate market values due to the short-term maturity of these instruments. They are measured at fair value.

c) Advances

Advances are measured at amortized cost using the effective rate method.

d) *Other financial instruments receivable and payable*

The estimated realizable values of financial assets and liabilities were determined using available market information and appropriate valuation methodologies. All financial instruments receivable and payable are measured at amortized cost.

Financial risk factors

All the Institute's transactions are carried out with financial institutions that do not have high credit risk, as determined by renowned rating agencies, which minimizes the risk. The Institute sets up provision in an amount deemed sufficient to cover possible risks of making the advances; therefore, the risk of incurring losses resulting from the difficulty in receiving billed amounts is measured and accounted for. The key market risk factors that affect the Institute's business are as follows:

Credit risk

Credit risk is managed by the Institution and arises from cash and cash equivalents, deposits in banks and other financial institutions, as well as credit exposures from contracts and terms of cooperation. For banks and other financial institutions, only transactions with large, low-risk entities are accepted. Individual creditor risk limits are determined based on internal ratings according to the historical relationship.

Interest rate risk

The Institute is exposed to fluctuations in the Interbank Deposit Certificate (CDI), which is the reference for remuneration of its financial investments. The change in value is insignificant in operations.

Liquidity risk

The main risk related to liquidity refers to monitoring of the funds received in advance and their use in carrying out projects. This liquidity is managed by monitoring the resources and obligations, as shown below:

	12/31/2021	12/31/2020
Project-related funds (Note 5)	**15,536,640**	**11,089,715**
Advances for projects (Note 6)	**1,976,396**	1,033,263
Revenue to be executed (Note 11)	**(16,844,402)**	(11,607,067)
Net exposure	**668,633**	515,911

Sensitivity analysis

IPAM uses no third-party capital for project executing or administrative activities, reason why the Institute incurs no interest expenses. All funds received for executing projects are invested in Bank Deposit Certificates (CDB) whose yield, in 2021, was 98% of Interbank Deposit Certificates (CDI).

To check the sensitivity of the indices to which the Institute is exposed as of December 31, 2021, three different scenarios were estimated, considering the total financing volume. Based on this amount, the Probable Scenario for the 12 subsequent months (Scenario I) was defined. From this scenario (Probable), an decrease of 25% (Scenario II) and 50% (Scenario III) is applied on the projections of the restatement indices of each contract.

Short-term investments at 12/31/2021 (R$)	Scenario I (Probable)*	Scenario II	Scenario III
15,639,725	2,072,264	1,554,198	1,036,132

* This considered the CDI projection for 2022 according to Focus/Bacen of June 27, 2022, which was of 13,25% for the end of the period.

25. Insurance coverage

Insurance coverage as of December 31, 2021 was contracted for the amounts indicated below, according to insurance policies, and complies with management's risk assessment:

Line	Effective period	Insured amount
Fire, lightning and other occurrences	02/19/2023	1,290,000
Electronic equipment	02/19/2023	160,000
Board of Trustees and Directors	12/06/2022	5,000,000
Vehicles	07/08/2023	930,000
Bodily injuries	Maturity every 30 days	474,182

***