

(Convenience translation into English from the original
previously issued in Portuguese)

VITAL STRATEGIES BRASIL

Independent auditor's report

Financial statements
As at December 31, 2019

VITAL STRATEGIES BRASIL

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the
Managers and Members of
Vital Strategies Brasil
São Paulo - SP

Opinion

We have audited the financial statements of Vital Strategies Brasil ("Association"), which consist of the statement of financial position as at December 31, 2019 and the related statements of activities, comprehensive surplus (deficit), changes in net assets and cash flows for the year then ended, as well as a summary of the significant accounting practices and other notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Vital Strategies Brasil as at December 31, 2019, its financial performance and cash flows for the year then ended, in conformity with Brazilian accounting practices applicable to small and medium-sized nonprofit organizations.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). 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 Association in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the financial statements

The Association's Management is responsible for the preparation and fair presentation of these financial statements in accordance with Brazilian accounting practices applied to small and medium-sized companies and to not-for-profit 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.



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 (ISAs) 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 standards and ISAs, 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 controls;
- Obtain 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 Association'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 Association'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 auditor's report. However, future events or conditions may cause the Association 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 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 controls that we identify during our audit.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, July 3, 2020.



BDO RCS Auditores Associados Ltda.
CRC 2 SP 015165/0-8


Celso Luiz da Costa Lobo
Accountant CRC 1 SP 251526/0-6

VITAL STRATEGIES BRASIL

Statements of financial position
As at December 31, 2019 and 2018
(In Brazilian Reals)

Assets				Liabilities and net assets			
	Note	2019	2018		Note	2019	2018
Current				Current			
Cash and cash equivalents	5	899,575	15,480	Trade accounts payable		39,463	287
Trade association contribution receivable	6	-	156,905	Labor liabilities	10	186,256	40,870
Prepaid expenses		1,267	-	Tax liabilities		16,853	1,012
Other accounts receivable		18,488	-	Other accounts payable		5,123	-
		<u>919,330</u>	<u>172,385</u>	Prepaid contribution	11	760,129	-
Noncurrent				Equity			
Other receivables	7	12,912	9,690	Net assets	12	<u>139,177</u>	<u>139,906</u>
Fixed assets	8	199,474	-			139,177	139,906
Intangible assets	9	15,285	-				
		<u>227,671</u>	<u>9,690</u>				
Total assets		<u><u>1,147,001</u></u>	<u><u>182,075</u></u>	Total liabilities and net assets		<u><u>1,147,001</u></u>	<u><u>182,075</u></u>

The accompanying notes are an integral part of these financial statements.

VITAL STRATEGIES BRASIL

Statements of activities

For the years ended December 31, 2019 and 2018

(In Brazilian Reals)

	Note	2019	2018
Net sales			
Contributions from associates	14	3,386,968	348,710
Sponsorship	14	-	34,000
Revenues from donated services	2.12	16,800	20,000
		<u>3,403,768</u>	<u>402,710</u>
Administrative expenses			
Compensation expenses - Council - Donated services	2.12	(16,800)	(20,000)
Administrative and operating personnel expenses	15	(1,403,156)	(146,422)
General operating and administrative expenses	16	(1,948,062)	(94,982)
Taxes and fees		(24,766)	(1,529)
		<u>10,984</u>	<u>139,777</u>
Surplus (deficit) before financial income (loss)			
Financial revenues		2,013	166
Financial expenses		(13,726)	(37)
		<u>(11,713)</u>	<u>129</u>
Financial revenues (expenses), net			
		<u>(729)</u>	<u>139,906</u>
Surplus for the year			

The accompanying notes are an integral part of these financial statements.

VITAL STRATEGIES BRASIL

Statements of comprehensive surplus (deficit)
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

	2019	2018
Surplus for the year	<u>(729)</u>	<u>139,906</u>
(=) Total comprehensive surplus (deficit) for the year	<u><u>(729)</u></u>	<u><u>139,906</u></u>

The accompanying notes are an integral part of these financial statements.

VITAL STRATEGIES BRASIL

Statements of changes in net assets (In Brazilian Reais)

	<u>Net assets</u>	<u>Retained surplus</u>	<u>Total</u>
Balances as at December 31, 2017	-	-	-
Surplus for the year	-	139,906	139,906
Transfer to net assets	139,906	(139,906)	-
Balances as at December 31, 2018	<u>139,906</u>	<u>-</u>	<u>139,906</u>
Surplus for the year	-	(729)	(729)
Transfer to net assets	-	-	-
Balances as at December 31, 2019	<u><u>139,906</u></u>	<u><u>(729)</u></u>	<u><u>139,177</u></u>

The accompanying notes are an integral part of these financial statements.

VITAL STRATEGIES BRASIL

Statements of cash flows For the years ended December 31, 2019 and 2018 (In Brazilian Reais)

	2019	2018
Cash flows from operating activities		
Surplus for the year	(729)	139,906
Adjustments to reconcile surplus/(deficit) for the year to cash from operating activities		
Depreciation and amortization	15,756	-
	<u>15,027</u>	<u>139,906</u>
Changes in assets and liabilities		
Decrease (Increase) in assets		
Trade association contribution receivable	156,905	(156,905)
Prepaid expenses	(1,267)	-
Other accounts receivable	(18,488)	-
Other receivables	(3,222)	(9,690)
Increase (Decrease) in liabilities		
Trade accounts payable	39,176	287
Labor liabilities	145,386	40,870
Tax liabilities	15,841	1,012
Other accounts payable	5,123	-
Advances on trade association contribution	760,129	-
Net cash from operating activities	<u>1,114,610</u>	<u>15,480</u>
Cash flows from investing activities		
Acquisition of fixed and intangible assets	(230,515)	-
Net cash from investing activities	<u>(230,515)</u>	<u>-</u>
Net increase in cash and cash equivalents	<u><u>884,095</u></u>	<u><u>15,480</u></u>
Increase in cash and cash equivalents:		
At beginning of year	15,480	-
At end of year	899,575	15,480
Net increase in cash and cash equivalents	<u><u>884,095</u></u>	<u><u>15,480</u></u>

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements
As at December 31, 2019 and 2018
(In Brazilian Reais)

1. Operations

Vital Strategies Brasil is a private association and not-for-profit organization established on September 25, 2017. The association has purposes of public and social relevance, with no political or religious affiliations, whose main objectives are the promotion of education, healthcare and social care through the development, implementation and management of programs and services that promote the human right to healthcare.

In the context of a Memorandum of Understanding between Vital Strategies and Vital Strategies Brasil, signed in January 2018, the Brazilian Association implemented seven projects related to issues, such as tobacco control, traffic safety, obesity prevention, urban health and civil records. These projects were implemented by a local team of employees and consultants, working in São Paulo, Rio de Janeiro, Fortaleza, Brasília and Belo Horizonte.

2. Summary of main accounting practices

The main accounting policies applied in the preparation of these financial statements are described below.

The financial statements were approved by the Association's Management on July 03, 2020.

2.1. Basis of preparation of the financial statements

The financial statements were prepared based on historical cost, except for financial assets and liabilities measured at fair value.

The financial statements were prepared in accordance with Brazilian accounting practices applicable to small and medium-sized companies (NBC TG 1000 (R1)) and for not-for-profit entities (ITG 2002 (R1)), both issued by the Brazilian Federal Association of Accountants (CFC).

2.2. Functional and reporting currency

These financial statements were prepared in Brazilian Reais, which is the Entity's functional currency. All financial information is presented in Brazilian Reais, unless otherwise stated.

Notes to the financial statements
As at December 31, 2019 and 2018
(In Brazilian Reais)

2.3. Use of estimates

The preparation of financial statements in accordance with Brazilian accounting practices requires Management to make estimates to determine and record certain assets and liabilities, revenues and expenses and the disclosure of information about its financial statements. Such estimates are based on the going concern principle and supported by the best information available on the filing date of the financial statements and on Management's experience. These estimates are reviewed when new information is available or when previous information on which they were based is changed. Transaction settlement involving those estimates might result in different values from estimates, due to the inherent inaccuracy of the process.

These estimates may differ from actual results. The main estimates refer to:

Useful live of fixed and intangible assets;
Impairment test; and
Provisions in general.

There were no significant changes in estimates in the period in comparison to the previous estimates.

2.4. Financial instruments

Nonderivative financial assets

The Association initially recognizes loans and receivables on the date they are originated. All other financial assets (including assets designated at fair value through surplus (deficit)) are initially recognized at the negotiation date on which the Company becomes a party to the instrument agreement provisions.

The Association maintains the following nonderivative financial assets on its financial statements: financial assets recorded at fair value through surplus (deficit), loans and receivables.

Financial assets stated at fair value through surplus (deficit)

A financial asset is classified at fair value through surplus (deficit), if classified as held for trading and designated as such upon initial recognition. After initial recognition, transaction costs are recognized in the statement of activities when incurred.

Notes to the financial statements
As at December 31, 2019 and 2018
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Financial assets registered at fair value through surplus (deficit) are measured at fair value, and changes in the value of such assets are recognized in the surplus (deficit) for the year.

Cash and cash equivalents include cash balances. The Association reports balances of financial investments with immediate liquidity in the financial statements for the year ended December 31, 2019 and 2018.

Loans and receivables

Loans and receivables consist of financial assets with fixed or determinable payments and not quoted in an active market. They are initially recognized at fair value plus all other attributable transaction costs. After their initial recognition, loans and receivables are measured at amortized cost through the effective interest method, less any impairment losses.

Loans and receivables include accounts receivable and other assets.

Nonderivative financial liabilities

All financial liabilities are recorded initially on the negotiation date in which it becomes a party to the contractual provisions of the instrument. The Association writes off a financial liability when its contractual obligations are cancelled, overdue or withdrawn.

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when and only when the Company is legally entitled to offset the amounts and has the intention to settle them on a net basis or simultaneously realize the asset and settle the liability.

The Association has the following nonderivative financial liabilities: Trade accounts payable and other accounts payable.

Such liabilities are initially recorded at the fair value plus any attributable transaction costs. After the initial recognition, those financial liabilities are measured at the amortized cost using the effective interest rate method.

Derivative financial instruments

As at December 31, 2019 and 2018, the Association did not hold derivative financial instruments.

Notes to the financial statements
As at December 31, 2019 and 2018
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2.5. Cash and cash equivalents

Cash and cash equivalents include balances of cash and financial investments with original maturity of three months or less as from hire date, which are subject to an insignificant risk of change in value and are used to manage short-term obligations.

2.6. Prepaid expenses

In this caption, prepaid expenses are recognized in the statement of activities as they are incurred.

2.7. Fixed assets

Fixed assets are stated at acquisition, formation or construction cost. Depreciation is calculated under the straight-line method according to the estimated useful lives of the assets as mentioned in Note 8. Fixed assets are stated at acquisition or construction cost, less depreciation. Depreciation is calculated under the straight-line method at the rates mentioned in Note 8, according to the estimated useful lives of the assets.

Subsequent costs are added to the residual value of fixed assets or recognized as a specific item, as appropriate, only if economic benefits associated with these items are probable and the amounts can be reliably measured. The residual value of the replaced item is written off. Other repair and maintenance expenses are recognized directly in the statement of activities when incurred.

The residual value of fixed asset items is written down to recoverable value when the residual balance exceeds the recoverable amount.

2.8. Intangible assets

Intangible assets include software. They are measured at total acquisition cost. Amortization was calculated under the straight-line method, based on the estimated useful lives of the assets.

2.9. Provisions

These are recognized when the Association has a present or informal obligation as a result of past events, being probable that an outflow of funds is required to settle the obligation, and the amount can be reliably estimated.

Notes to the financial statements
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The provisions are estimated at the present value of the disbursement expected to settle the obligation, using the adequate discount rate according to the risks related to the liability.

The provisions are restated up to balance sheet date at the estimated amount of probable losses, considering their nature and supported by the opinion of the Association's legal counselors.

2.10. Results of activities

Surplus or deficit of the activities is recorded on the accrual basis for the year.

2.11. Operating revenue

Revenues and funds from the Association will be fully applied to the maintenance and development of the Association's activities in Brazil, and it is not allowed to distribute parts of its income, for any reason.

(a) Contributions

Revenue from trade association contribution in the Association's normal course of activities is measured at the fair value of the consideration received or receivable so that the value of revenue from contribution can be reliably measured. The Entity's funds were fully invested in its institutional purposes and for the payment of expenses inherently related to its operation.

(b) Revenues from voluntary work

As established in Interpretation ITG 2002 (R1) - Non-profit Entities, the Entity values revenues from voluntary work, including from members of Management, at their fair value considering the amounts that the Entity would have to pay if hiring such services in a similar market. Revenues from voluntary work are recognized in surplus (deficit) for the year with an offsetting entry to operating expenses also in surplus (deficit) for the year.

For the purpose of determining fair value, the Entity adopts as reference the research on Management compensation of the Brazilian Institute of Corporate Governance (IBGC), since it understands that the members of its governance bodies are comparable to the other entities included in this research.

Notes to the financial statements
As at December 31, 2019 and 2018
(In Brazilian Reais)

2.12. Council compensation

As at December 31, 2019, the Entity recorded the amount of R\$ 16,800 referring to voluntary work.

Position	12/31/2019 (in Brazilian Reais)				Position	12/31/2018 (in Brazilian Reais)			
	Quantity per position	Hours per year in the position	Amount per hour	Total		Quantity per position	Hours per year in the position	Amount per hour	Total
Fiscal Council	3	21	800	<u>16,800</u>	Fiscal Council	3	20	1,000	<u>20,000</u>
				<u>16,800</u>					<u>20,000</u>

2.13. Financial revenues and expenses

Financial revenues basically include revenues from interest on financial investments. Interest revenue is recognized in surplus (deficit) at the effective interest rate method. Financial expenses basically include bank expenses.

2.14. Statements of cash flows

These were prepared and are being presented in accordance with Technical Pronouncement NBC TG 1000 (R1) - Accounting for Small and Medium-Sized Companies, Section 7.

The statement of cash flows reflects the changes in cash which occurred in the reported fiscal years and is presented using the indirect method. The terms used in the statement of cash flows are the following:

- Operating activities: These are the main revenues of the Association and other activities which are not investing and financing;
- Investing activities: These are the additions and write-offs of noncurrent assets and other investments not included in cash and cash equivalents; and
- Financing activities: These are activities that result in changes in the composition of net assets and loans.

3. Financial risk management

3.1. Financial risk factors

The Association is exposed to several financial risks: market risk, credit risk and liquidity risk.

Notes to the financial statements
As at December 31, 2019 and 2018
(In Brazilian Reais)

a) Market risk

The Association is exposed to market risks arising from its business activities. These market risks mainly involve the possibility of changes in interest rates.

b) Credit risk

Credit risk results from cash and cash equivalents and other receivables. The financial investments are held with top-tier institutions to reduce credit risks.

c) Liquidity risk

The proper management of liquidity risk includes keeping sufficient cash. Management monitors the Association's liquidity level considering the expected cash flow.

4. Capital management

The Association's objectives in managing its capital are to ensure its ability to continue as a going concern and to meet the purposes stated in Note 1.

5. Cash and cash equivalents

	2019	2018
Cash	2,243	1,050
Bank checking accounts	10	10
Itaú - Aplic. Aut. Mais	897,322	14,420
	<u>899,575</u>	<u>15,480</u>

The financial investments are held with top-tier institutions to reduce credit risks, being classified at amortized cost. As at December 31, 2019, the investments range from 0.10% to 0.36%.

6. Trade association contribution receivable

	2019	2018
International Union Against Tuberculosis and Lung Disease	-	156,905
	<u>-</u>	<u>156,905</u>

7. Other receivables

	2019	2018
Collateral deposits	12,912	9,690
	<u>12,912</u>	<u>9,690</u>

Notes to the financial statements
As at December 31, 2019 and 2018
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Vital Strategies entered into a lease agreement for a property located at Rua São Bento, No. 470 - São Paulo with the company Prado 76 Negócios Imobiliários Ltda. and, as a guarantee, the amount of R\$ 9,690 was paid as collateral deposit to be returned upon the end of the lease, properly adjusted at the savings account rate. Additionally, Vital Strategies entered into another lease agreement for the room of Building No. 102 and, as a guarantee, the amount of R\$ 3,222 was paid, also adjusted at the savings account rate.

8. Fixed assets

As at December 31, 2019 and 2018, total fixed assets are as follows:

	Average depreciation rate	2019			2018
		Cost	Depreciation	Net	Net
Furniture and fixtures	10%	45,815	(2,996)	42,819	-
Facilities	10%	40,582	(2,550)	38,032	-
Computers and peripherals	20%	107,845	(7,296)	100,549	-
Communication equipment	20%	19,629	(1,555)	18,074	-
		<u>213,871</u>	<u>(14,397)</u>	<u>199,474</u>	<u>-</u>

The Association's fixed assets are all located in Brazil and are exclusively used in its operations.

The changes in fixed assets in the period are stated as follows:

	Net balance 2018	Acquisition	Depreciation	Net balance 2019
Furniture and fixtures	-	45,815	(2,996)	42,819
Facilities	-	40,582	(2,550)	38,032
Computers and peripherals	-	107,845	(7,296)	100,549
Communication equipment	-	19,629	(1,555)	18,074
	-	<u>213,871</u>	<u>(14,397)</u>	<u>199,474</u>

9. Intangible assets

	Average depreciation rate	2019			2018
		Cost	Amortization	Net	Net
Right of use - Software	20%	16,644	(1,359)	15,285	-
		<u>16,644</u>	<u>(1,359)</u>	<u>15,285</u>	<u>-</u>

Notes to the financial statements
As at December 31, 2019 and 2018
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The changes in intangible assets in the period are shown below:

	Net balance 2018	Acquisition	Amortization	Net balance 2019
Right of use - Software	-	16,644	(1,359)	15,285
	-	16,644	(1,359)	15,285

10. Labor liabilities

	2019	2018
INSS (Social Security Tax) payable	27,299	13,460
FGTS (Severance Pay Fund) payable	-	3,809
Vacation pay	102,158	9,767
INSS on vacation pay	28,400	2,715
FGTS on vacation pay	8,173	782
IRPJ (Income Tax) on payroll	20,226	10,337
	<u>186,256</u>	<u>40,870</u>

11. Prepaid contribution

	2019	2018
Prepaid contribution	760,129	-
	<u>760,129</u>	<u>-</u>

Vital Strategies Brasil prepares its annual budget and communicates to its associates the projection of trade association contributions necessary to conduct its activities and projects. At the end of 2019, the expenses effectively realized by the Association were lower than the initially estimated budget and, for this reason, the associate Vital Strategies informed that the trade association contributions made in December 2019 refer to contributions of 2020 and, therefore, they are considered Advances on Trade Association Contribution.

12. Net assets

The Entity's net assets are composed of financial resources and rights, acquired or received as contribution, donation, legacy, subvention, aid, earnings or in any other legal manner and shall be managed and used solely for the fulfillment of its purposes.

Surplus or deficit will be fully allocated to the fulfillment of the Association's purposes, as described in Note 1.

Notes to the financial statements
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13. Related-party transactions

	<u>2019</u>	<u>2018</u>
Current assets		
Accounts receivable		
International Union Against Tuberculosis and Lung Disease	-	156,905
	<u>-</u>	<u>156,905</u>
	<u>2019</u>	<u>2018</u>
Assets / Liabilities		
Advances on trade association contribution		
International Union Against Tuberculosis and Lung Disease (Note 11)	760,129	-
	<u>760,129</u>	<u>-</u>
	<u>2019</u>	<u>2018</u>
Surplus (Deficit)		
Revenue		
International Union Against Tuberculosis and Lung Disease	3,386,968	382,710
	<u>3,386,968</u>	<u>382,710</u>

Compensation of key personnel

The compensation of board members is described in Note 2.12.

14. Revenues

	<u>2019</u>	<u>2018</u>
Contributions from associates	3,386,968	348,710
Sponsorship	-	34,000
	<u>3,386,968</u>	<u>382,710</u>

15. Administrative and operating personnel expenses

	<u>2019</u>	<u>2018</u>
Salaries	(818,859)	(87,900)
Year-end bonus	(69,196)	(7,325)
Vacation pay	(92,391)	(9,767)
PIS (Tax on Sales) on payroll	(9,804)	(1,050)
INSS	(274,064)	(29,188)
FGTS	(78,436)	(8,399)
Day-care allowance	(761)	(508)
Benefit	(59,645)	(2,285)
	<u>(1,403,156)</u>	<u>(146,422)</u>

Notes to the financial statements
As at December 31, 2019 and 2018
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16. General operating and administrative expenses

	2019	2018
Assets lease	(36,195)	(4,430)
Copies	(32)	(1,290)
Services rendered by natural persons or legal entities	(771,145)	(58,299)
Meals	(77,640)	(1,517)
Commissions and bank brokerage	(5,891)	(1,160)
Domestic travel	(126,021)	(19,531)
Events	(277,227)	(4,616)
Depreciation and amortization	(15,756)	-
Donations	(169,350)	-
Advertising and publicity	(54,703)	-
Office rent	(51,656)	-
Assets of permanent use	(101,243)	-
Software maintenance	(70,000)	-
Ornaments	(42,222)	-
Leasehold improvements	(29,068)	-
Water, electricity and gas	(19,810)	-
Translations	(18,376)	-
Others	(81,727)	(4,139)
	<u>(1,948,062)</u>	<u>(94,982)</u>

17. Provisions for legal claims

In the ordinary course of conducting its business, the Association is involved in labor, civil and tax actions. In accordance with the legal counselors, there are legal contingencies involving the Association, started on April 08, 2020, considered as probable loss in the amount of R\$ 146.046. Accordingly, there is no provision recognized in the financial statements for the years ended December 31, 2019 and 2018.

18. Taxes and contributions

Since the Entity is a not-for-profit organization, it presents the following scenario regarding taxes and contributions:

- Income and Social Contribution taxes: It is entitled to exemption from payment of federal taxes levied on surplus (deficit), as per Decree No. 76.186 of 09/02/75, articles 167 to 174, of the Income Tax Regulations (RIR), approved by Decree No. 3.000 of 03/26/99 and article 195 of the Federal Constitution;
- PIS (Contribution to the Social Integration Program): It is subject to the payment of PIS contribution calculated on payroll at the rate of 1%, in accordance with Law No. 9.532/97;
- COFINS (Contribution for Social Security Funding): It is exempt from paying COFINS levied on revenues from its own activities, in accordance with Laws No. 9.718/98 and 10.833/03. It is only mandatory that the Entity pays COFINS on service rendering.

Notes to the financial statements
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19. Subsequent events

On January 30, 2020, the World Health Organization (WHO) announced a Public Health Emergency of International Concern due to the new outbreak of the Coronavirus, originated from Wuhan, China (“Coronavirus outbreak”) and its risks for the international community, considering the virus’ capacity to spread globally, beyond its point of origin. In March 2020, WHO classified the COVID-19 outbreak as a pandemic, based on its increasing global exposure.

The total impact of the COVID-19 outbreak was still in constant evolution on the date of this report. Therefore, the magnitude of the pandemic on the Association’s financial position, liquidity and future operating results is still uncertain. However, Management is actively monitoring the global scenario regarding its financial situation, liquidity, operations, suppliers, sector and workforce.

We point out that due to the Association’s expertise in strengthening public health systems, including the areas of preventing and fighting epidemics, new project opportunities are being negotiated and / or implemented by the Association. The current contributors of Vital Strategies have met their commitment with the revenues necessary to develop the ongoing projects up to this moment.