



Instituto Fogo Cruzado

Financial statements and Independent Auditor's
Report - December 31, 2022 and 2021



Instituto Fogo Cruzado

Financial statements
December, 31, 2022

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Independent Auditor's Report

To the Board of Directors and Management of
Instituto Fogo Cruzado
Rio de Janeiro - RJ

Opinion

We audited the accompanying financial statements of Instituto Fogo Cruzado ("Institute") which comprise the statement of financial position as of December 31, 2022 and the statements of deficit or surplus, statement of changes in net equity and statement of cash flows for the year then ended, and notes to the financial statements, including the summary of the significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fogo Cruzado Institute as of December 31, 2022, and 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, (NBC TG 1000) and standards applicable to non-profit entities (ITG 2002).

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 Fogo Cruzado Institute in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("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.

Other matters

Audit of the previous year

The Institute's financial statements for the year ended December 31, 2021 were audited by other independent auditor who issued a report on April 25, 2022, without disclaimer on these financial statements.



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 the accounting practices adopted in Brazil, applicable to small and medium-sized entities (NBC TG 1000) and standards applicable to non-profit entities (ITG 2002), 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 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 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 auditing 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:

- 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 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;
- 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 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 auditor's report. However, future events or conditions may cause the Institute 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 control that we identify during our audit.

São Paulo, May 24, 2023.



Eduardo José Ramón Leverone
Accountant CRC - RJ-067460/O-6



Hingridi Pimentel Vieira Santos
Accountant CRC RJ-117.285/O-9

RSM Brasil Auditoria e Consultoria Ltda.
CRC 2SP-030.001/O-0



INSTITUTO FOGO CRUZADO

Balance Sheet

As of December 31, 2022 and 2021

(In Reais - R\$)

Assets	Note	12/31/22	12/31/21	Liabilities and Net equity	Note	12/31/22	12/31/21
Current assets				Current liabilities			
Cash and cash equivalents	4	3,694,130	2,099,435	Suppliers		32,222	-
Account receivable		12,500	-	Payroll and related taxes	6	57,512	1,395
Advances		18,818	-	Projects in progress	7	3,254,865	2,069,117
Withholding tax		-	1	Taxes payable	8	6,556	-
		3,725,448	2,099,436			3,351,155	2,070,512
Noncurrent assets							
Fixed assets	5	47,297	21,117	Net equity	9	421,590	50,041
		47,297	21,117			421,590	50,041
Total assets		3,772,745	2,120,553	Total liabilities and Net equity		3,772,745	2,120,553

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

DocuSigned by:

Maria Cecilia de Oliveira Rosa

Maria Cecilia de Oliveira Rosa
Executive Director

DocuSigned by:

Adriana Mello

Adriana Ribeiro de Mello
CRC: RJ-065.776/O-3

INSTITUTO FOGO CRUZADO

Statements of Surplus (Deficit)

Years ended December 31, 2022 and 2021

(In Reais - R\$)

	Note	12/31/2022	12/31/2021
Net operating revenue	11	2,600,545	375,705
Operating (expenses) income			
Projects costs	8	(2,485,170)	(319,257)
Administrative expenses	12	(8,161)	(39,556)
Financial revenue		273,177	36,716
Taxes expenses		(199)	-
Financial expenses		(8,643)	(3,568)
		(2,228,996)	(325,664)
Surplus for the year		371,549	50,041

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

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Maria Cecilia de Oliveira Rosa

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Maria Cecília de Oliveira Rosa
Executive Director

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Adriana Mello

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INSTITUTO FOGO CRUZADO

Statements of changes in Net Equity
Years ended December 31, 2022 and 2021
(In Reais - R\$)

	<u>Social equity</u>	<u>Surplus / deficit</u>	<u>Total</u>
Surplus for the year	-	50,041	50,041
Balances as of December 31, 2021	<u>-</u>	<u>50,041</u>	<u>50,041</u>
Transfer of the surplus for the year	50,041	(50,041)	-
Surplus for the year	-	371,549	371,549
Balances as of December 31, 2022	<u>50,041</u>	<u>371,549</u>	<u>421,590</u>

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

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Executive Director

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INSTITUTO FOGO CRUZADO

Statements of cash flows

Years ended December 31, 2022 and 2021

(In Reais - R\$)

	<u>12/31/2022</u>	<u>12/31/2021</u>
Surplus for the year	371,549	50,041
Items not affecting operational cash		
Depreciation	6,545	451
Donations in goods	-	(3,699)
Increase and decrease in asset and liability accounts		
(Increase) Decrease in trade receivables	(12,500)	-
(Increase) Decrease in advances	(18,818)	-
(Increase) Decrease in Withholding tax	1	(1)
Increase (Decrease) in suppliers	32,222	-
Increase (Decrease) in payroll and related taxes	56,117	-
Increase (Decrease) in taxes payable	6,557	1,395
Increase (Decrease) in projects in progress	1,185,748	2,069,117
Net cash from operating activities	1,627,421	2,117,303
Cash flows from investing activities		
Additions to fixed assets	(32,725)	(17,869)
Net cash from investing activities	(32,725)	(17,869)
Net increase (decrease) in cash and cash equivalents	1,594,696	2,099,435
Cash and cash equivalents at the beginning of the year	2,099,435	-
Cash and cash equivalents at the end of the year	3,694,130	2,099,435
Net increase (decrease) in cash and cash equivalents	1,594,696	2,099,435

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

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INSTITUTO FOGO CRUZADO

Notes to the financial statements

December 31, 2022 and 2021

(Amounts expressed in Reais – R\$ unless otherwise stated)

1. Operational context

Instituto Fogo Cruzado was created in September 30, 2020 and started operations in April 2021, in the form of a civil association. It is a legal entity of private law, non-profit, with indefinite duration, with headquarters and forum in the municipality of Rio de Janeiro, Rio de Janeiro State, Rua Teotônio Regadas, 26, 904, C04 – ZIP20031-360.

Fogo Cruzado is an institute that uses technology to produce and disseminate open and collaborative data on armed violence, with the aim of strengthening democracy and fighting for social transformation and the preservation of life.

O Instituto Fogo Cruzado is composed of:

Category	Quantity
Founders associates	1
Effective associates	3

2. Presentation and preparation of financial statements

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, including the standard NBC-TG-1000 (R1) – Accounting Standards for Small and Medium-Sized Entities and taking into consideration the General Technical Interpretation ITG 2002, approved by CFC - Conselho Federal de Contabilidade (Accounting Board).

The financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value, as applicable.

The financial statements were approved by Executive and Management Board on May 24, 2023.

2.1. Functional and reporting currency

The financial statements are prepared in Reais, which is the primary currency of the economic environment in which the Institute operates (“functional currency”) and amounts in currencies that differ from the functional currency of the financial statements are translated to Real at the exchange rate prevailing at the closing date.

INSTITUTO FOGO CRUZADO

Notes to the financial statements

December 31, 2022 and 2021

(Amounts expressed in Reais – R\$ unless otherwise stated)

3. Significant accounting policies

The significant accounting policies adopted for the preparation of the Institute's financial statements can be summarized as follows:

a. Cash and cash equivalents

Cash and cash equivalents are classified in accordance with their realization period and are stated at cost, plus income earned through the end of the reporting periods less the provision for adjustment to their net realizable value, when applicable.

b. Temporary cash investments

These comprise the financial investments not considered by the Institute's Management as being of immediate liquidity or classified as held-to-maturity.

They are stated at cost amounts plus income earned through the end of the reporting periods, which do not exceed their market or realizable value.

c. Accounts receivable

These refer to amounts receivable from customers for advisory and consulting.

Accounts receivable are recognised in the statement of financial position at the nominal amount of the trade notes representing these receivables, increased by inflation adjustments and exchange differences, as applicable, less an estimated allowance for doubtful accounts ("ADA") to cover any losses on the realization of these receivables.

The allowance is set up based on the history of payments, as well as an analysis of the current situation.

d. Fixed assets

Fixed assets are stated at cost.

Depreciation is computed under the straight-line method based on the estimated useful life of each asset, at the rates shown in Note 5.

An item of fixed assets is derecognized after disposal or when there are no future economic benefits resulting from the continued use of the asset.

Gains and losses on disposals are determined by comparing the proceeds from the sale with the net carrying amount and are recognized in the statement of surplus or deficit.

INSTITUTO FOGO CRUZADO

Notes to the financial statements

December 31, 2022 and 2021

(Amounts expressed in Reais – R\$ unless otherwise stated)

Useful life of fixed assets

As described in Note 5, management reviews annually the estimated useful life, residual value and method of depreciation or amortization of its fixed asset items at the end of each year.

e. Other current and noncurrent assets and liabilities

An asset is recognized in the statement of financial position when it is probable that its future economic benefits will flow to the Institute and its cost value can be measured reliably.

A liability is recognized in the statement of financial position when the Institute has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle it.

They include, when applicable, the related charges, inflation adjustments or exchange differences incurred.

Provisions are recognized based on the best estimates of the risk involved.

f. Net equity

The result related to the Institute activities is incorporated into the equity at the end of each fiscal year.

g. Surplus/deficit for the year

Revenues and expenses are recognized on an accrual basis, except revenues from donations, which are recognized and allocated on a cash basis.

h. Taxes Payable

Being a non-profit institution, TNC is exempt from the payment of Income Tax (IR) and Social Contribution on Net Income (CSLL) pursuant to Article 15 and subsequent ones of Law No. 9,532 of December 10, 1997.

The Institute has contributed to the PIS (Social Integration Program) by applying the rate of 1% to the monthly payroll in accordance with Article 13 of Provisional Executive Act No. 2,158/35, dated August 24, 2001. Also, pursuant to Provisional Executive Act No. 2,158/35, dated August 24, 2001, Article 14, the Institute is exempt from COFINS in respect of revenues from its own activities, and this benefit excludes revenues from other activities not related to the Institute's purpose, even if these revenues are used in the maintenance of its core activity.

INSTITUTO FOGO CRUZADO

Notes to the financial statements

December 31, 2022 and 2021

(Amounts expressed in Reais – R\$ unless otherwise stated)

i. Projects in progress

The balances of projects in progress are recorded in a specific account in current liabilities, which does not affect the Fogo Cruzado's surplus/deficit.

They are recognized in the statement of surplus or deficit, as instructed by ITG 2002, approved by CFC Resolution No. 1,409/2012.

j. Provisions for tax, civil and labor risks

The provisions for tax, civil and labor risks are recognized when the Institute has a present obligation (legal or constructive) as a result of a past event; it is probable that the Institute will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The provisions are quantified at the present value of the expected disbursement to settle the obligation, using an appropriate discount rate according to the risks related to the liability.

Provisions are inflation adjusted through the end of the reporting period by the estimated amount of probable losses, based on their nature and supported by the opinion of the Entity's lawyers.

As of December 31, 2022, the Fogo Cruzado Institute was not a party to any tax, civil and labor lawsuits.

k. Critical accounting judgments and estimates

The preparation of financial statements in accordance with CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The effects of revisions to accounting estimates are recognized in the period in which the estimates are reviewed, if the revision affects only this period, or also in subsequent periods if the revision affects both the present period and future periods.

INSTITUTO FOGO CRUZADO

Notes to the financial statements

December 31, 2022 and 2021

(Amounts expressed in Reais – R\$ unless otherwise stated)

4. Cash and cash equivalents

The total funds balances are as follows:

4.1. Cash and cash equivalents

	12/31/2022	12/31/2021
Bank accounts	10	10
Overnight financial investments	5,366	93,051
Fixed rate financial investments	3,688,754	2,006,374
	3,694,130	2,099,435

The financial investments refer to: (i) Prefixed Bank Deposit Certificates (CDB's) whose rates vary between 5% to 11.75% p.a.; and (ii) Post-Fixed Income Funds whose rates vary between 80% to 106% of the CDI (Interbank Deposit Certificate).

4.2. Segregation between unrestricted and restricted cash

	12/31/2022	12/31/2021
Restricted cash	3,254,865	2,069,117
Unrestricted cash	439,266	30,318
	3,694,130	2,099,435

Unrestricted and restricted resources are managed in the same bank accounts. For the purpose of controlling restricted resources, Management classifies receipts and disbursements related to projects in cash flow control which is the base for project reports to Granters. The balance of restricted funds equal to the Projects in progress balance.

5. Fixed assets

	12/31/2021	Additions	Depreciation	12/31/2022
Cost				
IT equipment's	21,568	32,725	-	54,292
Accumulated depreciation				
IT equipment's	(451)	-	(6,545)	(6,995)
	21,117	32,725	(6,545)	47,297

	12/31/2020	Additions	Depreciation	12/31/2021
Cost				
IT equipment's	-	21,568	-	21,568
Accumulated depreciation				
IT equipment's	-	-	(451)	(451)
	-	21,568	(451)	21,117

INSTITUTO FOGO CRUZADO

Notes to the financial statements

December 31, 2022 and 2021

(Amounts expressed in Reais – R\$ unless otherwise stated)

6. Payroll

	12/31/2022	12/31/2021
FGTS payable	3,568	-
INSS payable	17,012	1,395
Payroll payable	36,932	-
	57,512	1,395

7. Projects in progress

Projects	12/31/2021	Donations	Costs	12/31/2022
Project Heinrich Boll Stiftung	-	52,000	-	52,000
Project Shuttleworth Foundation	1,200,552	1,353,901	(131,351)	2,423,102
Project Open Society Policy Center	387,288	372,075	(493,842)	265,521
Project The Ford Foundation	481,277	519,740	(554,499)	446,518
Project OAK Foundation	-	1,373,202	(1,305,478)	67,724
	2,069,117	3,670,918	(2,485,170)	3,254,865

Projetos	12/31/2020	Donations	Costs	12/31/2021
Project Heinrich Boll Stiftung	-	40,000	(40,000)	-
Project Shuttleworth Foundation	-	1,413,311	(212,759)	1,200,552
Project Open Society Policy Center	-	400,023	(12,735)	387,288
Project The Ford Foundation	-	535,040	(53,763)	481,277
	-	2,388,374	(319,257)	2,069,117

Project Heinrich Boll Stiftung

Donation to support the construction of anti-gun narratives in Brazil. The total amount of the donation is R\$52,000 for the period from 05/01/2022 to 04/30/2023.

Project Shuttleworth Foundation

Donation to support the Institute's activities in solving armed violence with the contribution of the population. The total amount of the donation amounts to US\$275,000.00 for the period from 03/01/2022 to 02/28/2023. The amount was fully received until 12/31/2022.

Project Open Society Policy Center

Donation to support research activities of trends of violence in Brazil. The total amount of the donation amounts to US\$150,000 for the period from 01/10/2021 to 01/03/2023. Having received US\$75,000 as of 12/31/2021. The second installment is settled by 12/31/2022.

INSTITUTO FOGO CRUZADO

Notes to the financial statements

December 31, 2022 and 2021

(Amounts expressed in Reais – R\$ unless otherwise stated)

Project The Ford Foundation

Donation to support the development of a new model of causes communication on public security, capable of establishing bridges of dialogue between citizens with different backgrounds and, thus, strengthening the democratic debate in Brazil. The total amount of the donation is US\$200,000 for the period from 11/01/2021 to 10/31/2023. Having received US\$100,000 as of 12/31/2021. The second tranche was settled by 12/31/2022.

Project OAK Foundation

Donation to support the activities of the Institute in the solution of armed violence with the contribution of the population. The total amount of the donation amounts to R\$ 3,500,000 for the period from 01/01/2022 to 12/31/2024. Being the amount received until 12/31/2022 of R\$ 1,373,202.

The Institute reports periodically to the Granters and is subject to audit by the Granters at any time. Any leftover funds received in the projects are absorbed or returned with the authorization of the Granters. Accounting for the absorptions are recorded at the completion of the projects.

8. Key management personnel compensation

Compensation paid for services rendered by Effective associates (Executive directors) in the year is as follows:

	12/31/2022	12/31/2021
Effective associates	275,849	68,250

9. Net equity

The net equity comprises the initial endowment plus the values of the *surpluses* and less the *deficits* occurred since the foundation of the Entity.

The *surplus* of the year ended December 31, 2022 will be incorporated into the equity in accordance with legal and statutory requirements.

INSTITUTO FOGO CRUZADO

Notes to the financial statements

December 31, 2022 and 2021

(Amounts expressed in Reais – R\$ unless otherwise stated)

10. Net operating revenues

	12/31/2022	12/31/2021
Restricted		
Projects (Note 7)	2,485,170	319,257
Unrestricted		
Services rendered	122,000	55,000
Donations	-	5,298
	122,000	60,298
Deductions	(6,625)	(3,850)
	2,600,545	375,705

11. Administrative expenses

	12/31/2022	12/31/2021
Services provided	(1,455)	(37,146)
Social security expenses	-	(1,800)
Depreciation	(6,707)	(451)
Other administrative expenses	-	(159)
	(8,161)	(39,556)

Administrative expenditures are allocated to projects according to the headings approved in the budget by each grantor. The balance of this note refers to unallocated administrative expenses.

12. Financial instruments

The Institute's financial instruments are recorded in statement of financial position accounts as of December 31, 2022 at amounts approximating the market value as at that date.

These instruments are managed through operating strategies, aiming at liquidity, profitability, and security.

The control policy consists of ongoing monitoring of contracted rates in comparison with the average market rates.

According to their nature, financial instruments may involve known or unknown risks, it being important for the Institute to assess such potential risks, resorting to its best judgment.

Therefore, there may be secured or unsecured risks, depending on prevailing circumstantial or legal aspects.

INSTITUTO FOGO CRUZADO

Notes to the financial statements

December 31, 2022 and 2021

(Amounts expressed in Reais – R\$ unless otherwise stated)

The main market risk factors that may affect the Institute's business are presented below:

12.1. Credit risk

The potential risk is closely related to control, management and application of the Institute's resources in its projects.

12.2. Liquidity risk

The cash flow forecast is prepared for the operating entities by Management, which continuously monitors liquidity in order to ensure that the Institute will have sufficient cash to meet its operating needs.

13. Insurance Coverage

The Institute does not have insurance to safeguard its risks assets and possible claims.

14. Resources applications

The Entity has applied all its resources in its institutional purposes, in accordance with its Bylaws demonstrated by its expenses and equity investments.

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Maria Cecilia de Oliveira Rosa

Maria Cecília de Oliveira Rosa
Executive Director

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