

OCEANA BRASIL

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31ST, 2019

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
PAR 20/001**

To the Management of
OCEANA BRASIL
Brasília – DF

Opinion

We have audited the financial statements of **OCEANA BRASIL** (“Association”), which comprise the balance sheet as at December 31st, 2019, and the statement of income, statement of changes in net assets and statement 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 accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31st, 2019, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

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 Association in accordance with the Ethics Standards for Accountants' Code together with the ethical requirements that are relevant to our audit of the financial statements in Brazil, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil, applicable to non-profit organizations (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 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.

Those charged with governance are responsible for overseeing the Association'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:

- 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 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 control that we identify during our audit.

Brasília, January 24th, 2020.



Cristina Braga de Oliveira
Contadora CRC/MG 079.371/O-6
Baker Tilly Brasil MG Auditores Independentes
CRC/MG 005.455/O-1

TABLE 1
BALANCE SHEET ON DECEMBER 31st
(In thousands of Reais)

Assets	Notes	2019	2018	Liabilities	Notes	2019	2018
Current				Current			
Cash and cash equivalents	5	755	1.576	Labor liabilities	7	303	259
Advances to third parties		49	46	Other current liabilities	8	492	1.324
Advances to suppliers		-	1	Total current liabilities		795	1.583
Advances to employees		7	48				
Prepaid expenses		74	-				
Total current assets		885	1.671				
Non-current assets				Net assets	9		
Property and equipment	6	436	511	Unrestricted		606	649
Intangible	6	5	7	Excess of revenues over expenditures		(75)	(43)
Total non-current assets		441	518	Total net assets		531	606
Total of assets		1.326	2.189	Total of liabilities and net assets		1.326	2.189

TABLE 2
**STATEMENTS OF INCOME
FOR THE YEAR ENDED ON DECEMBER 31st
(In thousands of Reais)**

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Total revenues		<u>5.978</u>	<u>7.370</u>
Total expenses		<u>(6.054)</u>	<u>(7.413)</u>
Salaries and Benefits	12.a	(3.310)	(4.070)
Administrative expenses	12.b	(402)	(463)
Financial expenses		(20)	(28)
Other operational expenses	12.c	(2.202)	(2.727)
Non operational expenses	12.d	(119)	(125)
Excess or deficit of revenues over expenditures		<u><u>(75)</u></u>	<u><u>(43)</u></u>

TABLE 3
**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED ON DECEMBER 31st, 2019 AND 2018
(In thousands of Reais)**

	<u>Unrestricted</u>	<u>Excess or deficit of revenues over expenditures</u>	<u>Total</u>
Balances at the beginning of the period on January 1, 2018	649	-	649
Excess of revenues over expenditures	-	(43)	(43)
Balances on December 31, 2018	649	(43)	606
Transfer to unrestricted resources	(43)	43	-
Excess of expenditures over revenues	-	(75)	(75)
Balances on December 31, 2019	606	(75)	531

TABLE 4
**STATEMENT OF CASH FLOWS - INDIRECT METHOD
FOR THE YEAR ENDED ON DECEMBER 31st
(In thousands of Reais)**

	<u>2019</u>	<u>2018</u>
I - Cash flows from operating activities		
Excess of revenues over expenditures	(75)	(43)
(+/-) Add (deduct) items not involving cash:		
(+) Depreciation	107	101
Decrease/(Increase) in the assets		
Advances to third parties, suppliers and employees	39	(16)
Prepaid expenses	(74)	1
(Decrease)/Increase in the liabilities		
Accounts payable	-	(78)
Labor liabilities	44	22
Anticipated revenues	(832)	723
Cash (used in) provided by operating activities	(791)	710
II - Cash flows from investing activities		
Purchase of property, equipments and intangible assets	(30)	(24)
Net cash used in investing activities	(30)	(24)
Net increase in cash and cash equivalents	(821)	686
Cash and cash equivalents		
At start of the year	1.576	890
At end of the year	755	1.576
In(de)crease in cash and cash equivalents	(821)	686

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON DECEMBER 31st, 2019

(In thousands of Brazilian Reais (R\$), unless otherwise stated)

1 Operating Context

Oceana, Inc. is the largest international advocacy organization focused solely on ocean conservation, founded in 2001 and whose mission is to "protect the oceans and feed the world".

Oceana, Inc. has offices in North, Central and South America, in Asia and in Europe. Together, all the countries where it operates are responsible for 29% of the marine fish production in the world. Oceana seeks to protect biodiversity and increases the wealth of our oceans through changes in the public policies of the countries who have the world's biggest marine resources.

Oceana, Inc's office in Brazil is Oceana Brasil, a non-profit national association of private law nature that acts side by side with the government, society, the productive sector and scientists, aiming to ensure environmental, social and economic benefits generated by marine fishing in Brazil.

The Association has as social purpose:

- (a) The environment's defense, preservation and conservation, especially in oceans.
- (b) The protection of life in the seas through marine conservation.
- (c) The economic and social development promotion, especially of coastal communities.
- (d) The development of scientific or technological research related to the items (a), (b) and (c) above.

2 Presentation of financial statements

Oceana's Management is responsible for preparing the financial statements, which are being presented in accordance with accounting practices adopted in Brazil, including the Brazilian Accounting Standards, especially considering the standard ITG 2002 – Nonprofit Organizations.

On December 31, 2019, the Association had no long-term assets or long-term liabilities that could generate adjustments to present value.

3 Description of main accounting practices adopted

- (a) Determination of income

The revenues from donations received are allocated to the income in the same proportion of the incurred expenses, linked to the campaigns managed by the Association, plus spending with fixed assets acquisitions. The costs and expenses incurred represent, basically, the allocation of human and materials resources in the execution of campaigns and are allocated to the income in accordance to the accrual accounting basis.

The financial revenues are recorded in the income based in the accrual accounting basis.

As a non-profit entity, Oceana Brazil enjoys the exemption of income tax and the social contribution levied on the surplus of revenue over expense.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON
DECEMBER 31st, 2019**

(In thousands of Brazilian Reais (R\$), unless otherwise stated)

(b) Current and non-current assets

The current and non-current assets are stated by current values, including incomes adjusted for temporary variations incurred by foreign currency exchange rate fluctuations.

(c) Fixed and intangible assets

The items of fixed and intangible assets are measured at its historical cost of acquisition, less the accumulated depreciation or amortization and decrease in losses of recoverable amounts (impairment) accrued. Asset's depreciation is calculated using the straight-line method at the annual rates mentioned in Note nº 6, that are reviewed, if necessary, annually or when there is an indication of significant change.

(d) Current and non-current liabilities

The obligations are stated by known or estimated amounts including, when applicable, the related charges.

(e) Reserves

Provisions are recognized when: (i) the Association has a present legal or constructive obligation as a result of a past event; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; (iii) and the amount can be estimated reliably.

Provisions are measured by present value of the expenditures expected to be required to settle the obligation, with the use of a pretax rate that reflects current market assessments of the money value over time and the specific risks of the obligation. The provision increase due to passage of time is recognized as financial expense.

(f) PIS and COFINS

Oceana Brazil is exempt from the payment of the tax known as Contribution to Social Security Financing (COFINS, in the Brazilian abbreviation). However, non-profit entities that have employees, as defined by labor legislation, are required to pay PIS tax with a fixed quota of 1% incident on the monthly payroll.

(g) Net assets

Net assets represented by unrestricted resources of the Association and by the excess of revenues over expenditures on an annual basis, as appropriate.

(h) Present value adjustment

On December 31st, 2019, Oceana Brazil had no long-term assets or liabilities that would require present value adjustments of their cash flows.

4 Financial Instruments

(a) Financial instruments' classification and valuation

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON DECEMBER 31st, 2019

(In thousands of Brazilian Reais (R\$), unless otherwise stated)

The Association maintains operations with non-derivative financial instruments. These instruments' management is done through operational strategies and internal controls, aimed at assuring liquidity, profitability and security.

Non-derivative financial instruments include cash and cash equivalents, receivables from affiliated entities and other receivables, loans and financing, as well as payables and other debts. The classification depends on the purpose for which the financial instruments were acquired.

(b) Derivatives

Oceana Brazil did not perform speculative investments, in derivatives or any other risky assets, during the year ended on December 31st, 2019.

5 Cash and cash equivalents

The balance of cash and cash equivalents refers, exclusively, to the funds held in current accounts by Oceana Brazil.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	755	1,576

Management adopts a conservative policy of cash management, applying available resources in short-term redemption of investment funds in first-rate Brazilian financial institutions, when allowed by donors. The financial incomes from these investments are reinvested in the Association.

6 Property and equipment, and intangible assets

	<u>2019</u>				
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>2018</u>	<u>Annual depreciation rates</u>
Machinery and Equipment	55	(22)	33	55	10%
Computer Equipment	170	(116)	54	144	20%
Furnishings and Fixtures	176	(80)	96	174	10%
Software (SO)	11	(6)	5	11	20%
Leasehold improvements	492	(239)	253	492	10%
Total	<u>904</u>	<u>(463)</u>	<u>441</u>	<u>876</u>	

7 Labor liabilities

The account refers to provision for payment arising from obligations relating to human resources and employment installment of social security contributions, whose values have been recognized in income, with the balance composed as presented in the following table:

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON
DECEMBER 31st, 2019**

(In thousands of Brazilian Reais (R\$), unless otherwise stated)

Description	2019	2018
Provision for Vacation	225	195
Provisions for Vacation Charges	76	62
PIS	2	2
Labor Liabilities	303	259

8 Other current liabilities

Anticipated revenues refer to the resources anticipated by the donors under the campaigns managed by Oceana Brazil and that will be used in the subsequent periods, as shown in the table below:

Donor	2019	2018
Oceana Inc.	492	1,324

9 Net assets

(a) Unrestricted resources

Association's unrestricted resources are composed of the contributions of its associated members, financial revenue, donations, grants and legacies, as foreseen in the Social Statute.

(b) Excess of revenues over expenditures

Refers only to the excess of revenues over expenditures of the current year. After approved by management, these values are incorporated to the Association's social equity to be reinvested in social actions, as foreseen in the statute, when applicable.

10 Insurance coverage (Non-audited)

The Association has insurance policies for Property, General Liability and Directors and Officers that offer a total coverage of R \$ 43,256 thousand.

11 Taxes and contributions

(a) Corporate Income Tax (IRPJ, in the Brazilian abbreviation) and Social Contribution on Profits (CSSL, in the Brazilian abbreviation)

As a benefit for being a non-profit Entity, the Association enjoys the benefit of exemption from payment of federal taxes levied on its surplus in accordance with Article 174 of the Income Tax Regulations (RIR, in the Brazilian abbreviation) approved by the Decree nº 3,000 of 03/26/1999 and Law nº 9.532/1997.

(b) PIS/COFINS

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON
DECEMBER 31st, 2019**

(In thousands of Brazilian Reais (R\$), unless otherwise stated)

As a benefit for being a non-profit Entity, it is subject to the payment of the contribution to PIS, calculated on the payroll at the rate of 1%, according to the Law nº. 9,532/1997. The Association enjoys the benefit of exemption from payment of COFINS levied on the revenues related to their activities, in accordance to the Laws nº 9.718/1998 and 10.833/2003.

12 Expenses and costs
a) Salaries and benefits

Description	2019	2018
Employees' salaries	1,819	1,791
Employee benefits and social charges	1,105	1,268
Labor Provisions	386	1,011
Total	3,310	4,070

The salaries, social charges and benefits are related to the staff hired to work in the campaigns and are allocated as expenses by the accrual basis.

b) Administrative expenses

Description	2019	2018
Materials applied in administrative activity	39	84
Services provided by legal entities	118	150
Rent and Utilities	237	222
Other administrative expenses	7	7
Total	402	463

c) Other operational expenses

Description	2019	2018
Travel and accommodation	337	305
Events and Workshops	327	208
Communication	599	512
Consultancy and Third-Party Services	940	1,702
Total	2,202	2,727

d) Non-operational expenses

Description	2019	2018
Support / Sponsorships	-	-
Donations	13	24
Depreciation and amortization	106	101
Total	119	125

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