

ASSOCIAÇÃO VAGA LUME

Report of the independent auditor

Statements accounting
31 of December of 2019

ASSOCIAÇÃO **VAGA** LUME

Statements accounting
In 31 of December of 2019

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REPORT AUDITOR'S INDEPENDENT ON STATEMENTS ACCOUNTING

To the
Directors and Administrators of the
Associação Vaga Lume
São Paulo - SP

Opinion

We have audited the statements accounting of the Association Vaga Lume ("Entity"), which comprise the balance sheet as of December 31 of 2019 and the related statements of income, comprehensive income, changes in equity and cash flows for the year ended on that date, as well as the corresponding explanatory notes, including the summary of the main accounting policies .

In our opinion, the aforementioned financial statements adequately present, in all material respects, the equity and financial position of Associação Vaga Lume as of December 31 , 2019, the performance of its operations and its cash flows for the year ended in this date, in accordance with accounting practices adopted in Brazil applicable to small and medium - sized companies (NBC TG 1000) and non - profit entities (ITG 2002 - R1).

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibility, in accordance with such standards are described in the following section entitled "Responsibilities of the auditor for the audit of statements accounting". We are independent in relation to the Entity, in accordance with the principles ethical relevant set in

Code of Professional Ethics counter and professional standards issued by the Federal Council of Accounting, and comply with the other ethical responsibilities according to these standards.

Emphasis

Tax of Transmission Cause Mortis and Donation (ITCMD)

According to Note 20, the Bank on November 5, 2015 was sued for not having collected the ITCMD in the 2010 to 2014 period amounting date of RS 788 478, for the inspection found that the body is taxpayer 's tax state. On April 11, 2019, it was started the trial brought by the Association Vagalume the defense was manifested and there was suspension of the judgment and the cause will be resumed in date later not defined.

On October 19, 2018 the Bank was assessed by the same subject but in periods of 2016 and 2017 the present value of this cause is R \$ 130,254 and the Bank sought to appeal administrative for cancellation full of self of infringement.

The causes are being dealt with by its legal advisors who consider, in their best understanding, the probability of loss as "possible". Our opinion is not qualified on this matter.

Responsibilities of Directors and the governance by demonstrations accounting

Management is responsible for the preparation and adequate presentation of the financial statements in accordance with accounting practices adopted in Brazil applicable to small and medium - sized companies (NBC TG 1000) and non-profit entities (ITG 2002 (R1)) and for the internal controls that it determines is necessary to permit preparation demonstrations accounting free of distortion relevant, regardless whether caused by fraud or error.

In preparation of the financial statements accounting, management is responsible for assessing the ability of the entity to continue operating, releasing, when applicable, the matters related to its continued operation and use of this accounting basis in preparing the demonstrations accounting, unless the Management intends to liquidate the Entity or cease its operations, or does not have any realistic alternative to avoid the closure of operations. Those responsible for the Entity's governance are those responsible for overseeing the process of preparing the financial statements.

Responsibilities of the auditor for the audit of the statements financial

Our goals are to get safety reasonable in that the financial statements, taken in conjunction, are distortion free relevant, regardless of whether due to fraud or error, and issue the audit report containing our opinion. Safety reasonable is a high level of security, but not a guarantee that the audit performed in accordance with the standards Brazilian and international auditing always detect any distortions existing relevant. The distortion could be due to fraud or error and are considered relevant when, individually or together, can influence, within a reasonable perspective, the decisions economic of users taken on the basis on these statements accounting.

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

- We identify and assess the risks of material misstatement in the financial statements, regardless of whether caused by fraud or error, plan and perform audit procedures in response to such risks, and obtain sufficient appropriate audit evidence to support our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that the coming of error, since that the fraud can involve the act of circumventing the controls internal, collusion , forgery, omission or representations false intentional;
- Gain understanding of internal control relevant to the audit to we plan procedures of auditing appropriate to the circumstances, but not with the purpose of expressing opinion on the effectiveness of controls internal the entity;
- We assess the adequacy of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- We conclude on the appropriateness of the use , the management , the continuity basis of accounting and operational, based on the obtained audit evidence, if there is uncertainty relevant in relation to events or conditions that may raise doubt significant in relation to the ability to continue operating the body . If we conclude that there is uncertainty relevant , we must draw attention in our report of audit to the respective disclosures in demonstrations accounting or include modification in our opinion, if the disclosures are inadequate. Our conclusions are based on audit evidence obtained as of the date of our report. However, events or future conditions may lead the body to not more to keep on continuing operational;

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- We evaluate the presentation general, the structure and the content of the statements accounting, including the disclosures and whether the statements accounting represent the corresponding transactions and the events of way compatible with the aim of presenting appropriate.

We communicate with those charged with governance regarding, among other things, the scope planned, the time of the audit and the findings significant to audit, including the possible deficiencies significant in controls internal that identified during our work.

São Paulo, May 29th 2020.

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Associação Vaga Lume

Balance sheets

As of December 31 - 2019 and 2018

(R\$ - Reais)

Asset				Liabilities and net worth			
	Explanatory notes	2019	2018		Explanatory notes	2019	2018
Current				Current			
Own resources				Own resources			
Cash and cash equivalents	4a	2.532.773	1.047.640	Labor obligations	7	61.638	59.035
Receivables	5	231.829	40.948	Tax obligations	8	18.135	5.992
Estoques		42.275	43.455	Other payables	9	2.817	5.214
Recoverable taxes		732	1.576			<u>82.590</u>	<u>70.241</u>
Advances		76.121	116.503	Restricted resources			
Prepaid expenses		869	-	Projects to incur	10	3.341.946	2.919.730
		<u>2.884.599</u>	<u>1.250.122</u>			<u>3.341.946</u>	<u>2.919.730</u>
Restricted resources				Deferred revenues			
Cash and cash equivalents	4b	3.341.946	2.919.730		11	192	287
		<u>3.341.946</u>	<u>2.919.730</u>			<u>192</u>	<u>287</u>
Non-current				Non-current			
Fixed assets	6	19.244	32.386	Deferred revenues	11	127.161	-
						<u>127.161</u>	<u>-</u>
Total assets				Net worth			
		<u>6.245.789</u>	<u>4.202.238</u>	Social worth	12	557.410	557.410
				Accumulated surplus		2.136.490	654.570
						<u>2.693.900</u>	<u>1.211.980</u>
				Total liabilities and net worth		<u>6.245.789</u>	<u>4.202.238</u>

Management's explanatory notes are an integral part of the financial statements.

ASSOCIAÇÃO VAGA LUME

Income statements

Years ended December 31, 2019 and 2018

(In Reais)

	Explanatory Notes	2019	2018
Operating income			
Restrictions			
Public Resources	10	2.310.770	1.784.733
Sponsorship	13	<u>511.656</u>	<u>395.333</u>
		2.822.26	2.180.066
No restricted			
Voluntary donations	14	1.151.44	371.379
Project donations		42.387	
Public Notice		13.776	261.737
Awards		60.000	20.000
Services provided		569.911	409.229
Product sale		1.400	2.984
(-) Taxes collected		<u>(78.974)</u>	<u>(58.521)</u>
		1.759.946	1.006.808
Free Revenues			
Volunteers	18	932.057	875.010
Free sponsorships	18	364.570	<u>493.967</u>
		1.296.627	1.368.977
Total das receitas operacionais			
(-) Project costs			
Operational with restrictions	15	(2.822.426)	(2.180.066)
Operational with no restrictions	16	(130.641)	(399.742)
Volunteers	18	(932.057)	(875.010)
Free sponsorships	18	(364.570)	<u>(493.967)</u>
		(4.249.694)	(3.948.785)
(•) Gross results		1.629.305	<u>607.066</u>
(+/-) Operating expenses and income			
General and management expenses		(298.190)	1139.147
Other incomes		3.026	<u>33.869</u>
(;) Results before banking ops.	17	(295.164)	(105.278)
Revenue Incomes		186.463	80.998
Revenue expenses		(38.684)	<u>(36.692)</u>
(•) Net results		177.779	44.306
(•) Net surplus for the year		<u>1.481.920</u>	<u>546.094</u>

Associação Vaga Lume
Comprehensive income statements
Years ended December 31, 2019 and 2018
(In Reais)

	2019	2018
Net surplus for the year	1,481.920	546.094
Other comprehensive results		
Total comprehensive income for the year	<u>1.481.920</u>	<u>546.094</u>

The explanatory management notes are an integral part of the financial statements.



Sylvia Albernaz Machado do Carmo Guimarães
CPF: 281.200.488-65
Presidente


Rogério Gerlah Paganatto
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ASSOCIAÇÃO VAGA LUME

Statements of changes in equity (In Reais)

	Social Capital	Accumulated net surpluses	Total
Balances as of December 31, 2017	557.410	108.476	665,886
Net surplus for the year		546.094	546.094
Balances as of December 31, 2018	557.410	654.570	1.211.980
Net surplus for the year		1.481.920	1.481.920
Balances as of December 31, 2019	557.410	2.136.490	2.693.900


Sylvia Albernaz Machado do Carmo Guimarães
CPF: 281.200.488-65
Presidente


Rogério Gerlah Paganatto
CRC 15P 131987/0-3

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ASSOCIAÇÃO VAGA LUME

Cash flows statement Years ended December 31, 2019 and 2018 (In Reais)

	2019	2018
Net surplus for the year		
	1.481.920	546.094
Depreciation and amortization Fixed Assets	13.142	21.790
Residual value of fixed assets		416
		(33.254)
	13.142	(11,048)
Cash flow from operating activities	(422.216)	(886.693)
Project-related resources advances	40.382	(65.033)
Receivables Receivable Taxes Recoverable	(190.881)	(19.502)
Stock	844	(1.576)
Prepaid expenses	1.180	3.829
Projects to be incurred	(869)	
Deferred Income - CP	422.216	886.693
Other bills to pay	(95)	(14.527)
Salaries, vacations and social charges tax obligations	(2.397)	(3.338)
Deferred Income - LP	2.603	(25.554)
Payment of lawsuit	12.143	(162)
(=) Net cash (invested) in operating activities	127.161	
		(102.431)
	(9.929)	(228.294)
Cash flow from investing activities		
Acquisitions of fixed and intangible assets		(6.209)
Cash (invested) in investment activities		(6. 209)
(") Net increase in cash and cash equivalents	1.485.133	300.543
Cash and cash equivalents at the beginning of the year	1.047.640	747.097
Cash and cash equivalents at year-end	2.532.773	1.047.640
(=) Net increase in cash and cash equivalents	1.485.133	300.543

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Presidente.

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Rogério Gerlach Paganatto
CRC ISP 131987/0-3

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ASSOCIAÇÃO VAGA LUME

Management's explanatory notes to the financial statements Years ended December 31, 2019 and 2018
(In Reais)

1. Operational context

Associação Vaga Lume is a non-profit private association established on October 16, 2001 with headquarters and jurisdiction in the capital of the State of São Paulo.

The Association promotes its object acting individually or through partnerships with related entities, or together with government agencies, and it does not distribute, among its members, directors, officers, employees or donors, any operating surplus, gross or earned, through the exercise of its activities and apply them fully in the achievement of its corporate purpose, as determined in the sole paragraph of article 1 of Law No. 0.790/99.

The Association's corporate purpose is the following activities:

- Promotion of social action;
- Promotion of culture, defense and conservation of historical and artistic heritage;
- Free education promotion;
- Defense, preservation and conservation of the environment and promotion of sustainable development;
- Promotion of volunteering;
- Promotion of economic and social development and fight against poverty;
- Promotion of ethics, peace, citizenship and other universal values;
- Studies, research and development of alternative technologies;
- Commercialization of institutional products with the brand of the Association's projects, and the resources must be reverted to the self-sustainability of the projects;
- Production and distribution of cultural products, such as photos, books and cinematographic products (films);
- Promotion of exchanges between the population of the Amazon and other regions of Brazil.

Vaga Lume's mission is to create opportunities for cultural exchanges through reading, writing and speaking, valuing the leading role of people and rural communities in the Brazilian Legal Amazon. It develops five lines of action to achieve its mission:

- Access to the book;
- Training of reading mediators;
- Promotion of Community Engagement;
- cultural exchange;
- Local Cultural.

In addition, Vaga Lume also edits books and offers advice to other organizations in the area of education, culture and community development.

2. Presentation of the financial statements

The financial statements were prepared in accordance with the practices adopted in Brazil, as well as the Federal Accounting Council's Standards, which deal with the accounting aspects of non-profit entities and foundations, issued by the Federal Accounting Council (CFC).

Basis for elaboration

The financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, based on the provisions contained in ITG 2002(R1) - Non-profit entities, approved by CFC Resolution No. 1409 of September 21, 2012, by the Technical Communiqué CTG 2000, approved by CFC Resolution No. 1159 of February 13, 2009, revoking CFC Resolutions No. 5 837/99, 838/99, 852/99, 877/00, 926/01 and 966/03 , and also by NBC TG 1000(R1) - Accounting for Small and Medium Enterprises, for aspects not covered by ITG 2002(R1) - Non-profit entity.

The issuance of these financial statements was authorized by the Entity's Management on May 29, 2020.

3. Main accounting practices

A. Income and expenses appropriation regime

Income and expenses are recorded on the accrual basis of exercise.

B. Financial

Financial investments include income earned up to the balance sheet date, calculated "pro rata temporis.,.

C. Provision for vacations and 13th salary

The provision for vacation and 13th salary is based on the rights acquired by employees plus the corresponding social charges.

D. Immobilized

Property, plant and equipment are recorded at acquisition cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method at the rates described in Note 6.

ASSOCIAÇÃO VAGA LUME

Management's explanatory notes to the financial statements Years ended December 31, 2019 and 2018

(In Reais)

E. Calculation of surplus/(deficit)

The surplus/deficit for the year is calculated in accordance with the accrual basis.

The Entity's revenues, when received in cash (costing), and expenses are accounted for on the accrual basis of accounting. Revenue is not recognized if there is significant uncertainty as to its realization. Revenues are divided into: (a) funds, grants, donations and agreements; (b) fundraising campaigns; (c) membership contributions; (d) other incidental income.

4. Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
Own resources		
Cash e banks	73.347	917.966
Finacial investments	<u>2.459.426</u>	<u>129.674</u>
	<u>2.532.773</u>	<u>1.047.640</u>
	<u>2019</u>	<u>2018</u>
Resources with restrictions via Rouanet Law		
Cash and banks	29.419	899.907
Financial Investments	<u>3.312.527</u>	<u>2.019.823</u>
	<u>3.341.946</u>	<u>2.919.730</u>

ASSOCIAÇÃO VAGA LUME

Management's explanatory notes to the financial statements Years ended December 31, 2019 and 2018
(In Reais)

	Modality	CDB- OI_@	a.a.	a.m. (%)	2019
Financial Investments –third parties					
Bradesco 11962-8 Aptic CDB Brazil Foundat	CDB Facil - DI	89,50			126.178
Bradesco 6661-3 Aplic CDB Escolas	CDB Facil - DI	93,50			507.895
Bradesco 6654-0 Aplic CDB Guascor	CDB Facil - DI	95,50			1.460.888
Bradesco 13.590-9 - IACP / Alcoa - Aplic CDB	CDB Facil - OI	91,50			324.436
Bradesco 13.582-8 - EDP - Aplic CDB	CDB Facil - OI	83			40.029
					2.459.426
Financial Investments - restricted					
Banco do Brasil Aplic 3191-7 MINC PRONAC 182610	Fundo - S Publico Diferencia		5,8862	0,4905	737.912
Banco do Brasil Aplic 3894-6 MINC PRONAC 192323	Fundo - S Publico Diferencia		5,4159	0,3339	2.574.615
					3.312.527

ASSOCIAÇÃO VAGA LUME

Management's explanatory notes to the financial statements Years ended December 31,
2019 and 2018
(In Reais)

5.Receivables

	<u>2019</u>	<u>2018</u>
National Clients	89.174	20.025
Volunteer donations to receive	<u>142.655</u>	<u>20.923</u>
	<u>231.829</u>	<u>40.948</u>

ASSOCIAÇÃO VAGA LUME

Management's explanatory notes to the financial statements Years ended December 31, 2019 and 2018
(In Reais)

6. Net fixed assets

	Depreciation Annual rate (%)	Net		2019	
		2018	Cost	Depreciation	Net
Goods and Utensils	10	24.642	111.772	(98.307)	13.465
I.T equipments	20	7.744	153.324	(147.545)	5.779
		32.386	265.096	(245.852)	19.244

	Net	2019			Net
	2018	Additions	Losses/Adjust.	Transferences	
Goods and Utensils	111.772				111.772
I.T equipments	153.324				153.324
	265.096				265.096

	Net	2019			Net
	2018	Additions	Losses/Adjust.	Transferences	
Goods and Utensils	(87.130)	(11.177)			(98.307)
I.T equipments	(145.580)	(1.965)			(147.545)
	(232.710)	(13.142)			(245.852)
	32.386	(13.142)			19.244

Management's explanatory notes to the financial statements Years ended December 31, 2019 and 2018
(In Reais)

7. Labor obligations

	<u>2019</u>	<u>2018</u>
Salaries to be paid	612	
Social contributions	609	
Vacation Provisions and Charges	<u>60.417</u>	<u>59.035</u>
	<u>61.638</u>	<u>59.035</u>

8. Taxes obligations

	<u>2019</u>	<u>2018</u>
Taxes and contributions on income	6.492	239
Third party taxes withheld at source	<u>11.643</u>	<u>5.753</u>
	<u>18.135</u>	<u>5.992</u>

9. Other payables

	<u>2019</u>	<u>2018</u>
National Suppliers	<u>2.817</u>	<u>5.214</u>
	<u>2.817</u>	<u>5.214</u>

10. Projects to be incurred - short term

	<u>2019</u>	<u>2018</u>
Previous balance	2.919.730	2.033.037
Joined resource	2.732.986	2.671.426
Resource application	<u>(2.310.770)</u>	<u>(1.784.733)</u>
	<u>3.341.946</u>	<u>2.919.730</u>

The Entity receives government funds, the accounting of which is regulated by CPC 07. These funds are used in its cultural projects and rendered accountable to MINC, Ministry of Culture. Note that the amount invested in resources is represented in the ORE table in the Pronac Resources account.

11. Deferred income

	<u>2019</u>	<u>2018</u>
Jeffrey Group (fixed asset)	192	287
Ece Participações S.A.	63.581	
Empresa de Energia Cachoeira Caldeirão S.A.	<u>63.580</u>	
	<u>127.353</u>	<u>287</u>

Management's explanatory notes to the financial statements Years ended December 31, 2019 and 2018
(In Reais)

The Entity receives private resources, which in turn is signed a valid contract to apply the resource in its social projects. Once the amount is received, these are recognized as unrealized resources in liabilities with deferred income and written off monthly according to the term of each project.

12. Social Capital

The equity consists of the initial contribution of the founding members and incorporation of surpluses arising from the Association's activities. In case of dissolution of the Entity, any remaining assets will be allocated to similar entities, with legal personality with headquarters and preponderant activities in the State of São Paulo, preferably in the city of origin, qualified as OSCIP in the Ministry of Justice, pursuant to Law No. 9,790/ 1999. If it does not exist, it will be allocated to a public entity. The rights of members are: (a) to vote and be voted for elected office; (b) take part in General Meetings; (c) attend, participate, and/or integrate working groups, commissions, committees, events and meetings, presenting themes, proposals, studies, participating and disseminating the name of the Association and its social objectives.

13. Sponsorships

	<u>2019</u>	<u>2018</u>
Visa from Brazil	120.000	120.000
Antônio Carlos Pipponzi Institute	112.000	
itau foundation	100.000	
Schools	96.462	91.581
Ax Meyer	49.920	70.000
Soenergy International Energy Systems S/A	15.000	35.000
Rounding Institute	10.000	19.236
Others	5.274	
SCJ Real Estate Developments	3.000	
MAPFRE Foundation		28.813
Pasa Eventos Ltda ME		10.600
I think publisher		803
Giving Social Fund		9.300
HJC Meinberg		10.000
	<u>511.656</u>	<u>395.333</u>

14. Volunteer Donations

Individual donations are managed by an online platform of Pagar.me Pagamentos S.A.

Management's explanatory notes to the financial statements Years ended December 31, 2019 and 2018
(In Reais)

This platform guarantees total transparency so that the donor can identify himself (with data such as CPF, address) and make donations by credit card. The company charges an administration fee and transfers the net amount in a monthly transfer with all donations received in the previous month. Vaga Lume started using this platform in 2016, but the migration only ended in 2018 when it started to use this tool as the main way to receive donations from Individuals.

	<u>2019</u>	<u>2018</u>
Physical person	590.666	292.046
Legal person	446.863	79.333
International	113.917	
	<u>1.151.446</u>	<u>371.379</u>

15. Operating costs with restrictions

	<u>2019</u>	<u>2018</u>
Team and outsourced	(769.563)	(531.388)
Social charges	(163.102)	(143.351)
Services taken from third parties	(912.474)	(649.637)
Trips	(505.434)	(405.119)
Consumables	(257.252)	(336.568)
Dissemination materials and services	(85.964)	(21.078)
building expenses	(128.637)	(92.925)
	<u>(2.822.426)</u>	<u>(2.180.066)</u>

16. Unrestricted operating costs

	<u>2019</u>	<u>2018</u>
Team and outsourced	(35.621)	(97.436)
Social charges	(7.549)	(26.285)
Services taken from third parties	(42.236)	(119.119)
Trips	(23.395)	(74.284)
building expenses	(5.954)	(17.039)
Consumables	(11.907)	(61.714)
Marketing materials and services	(3.979)	(3.865)
	<u>(130.641)</u>	<u>(399.742)</u>

17. Operating expenses and other income

	<u>2019</u>	<u>2018</u>
Operational expenses		
Administrative costs	(271.576)	(111.137)
tax expenses	(6.665)	(6.316)
Depreciation	(13.046)	(21.694)
labor contingency	(6.903)	
other recipes		
Others	3.026	33.869
	<u>(295.164)</u>	<u>(105.278)</u>

Management's explanatory notes to the financial statements Years ended December 31, 2019 and 2018
(In Reais)

18. Gratuities

The entity received volunteer work from physical people as well as sponsorship in Pro-bano from legal entities during its activities during the demonstration period, as shown below.

	<u>2019</u>	<u>2018</u>
Volunteer work	932.057	875.010
Sponsorships	364.570	493.967
	<u>1.296.627</u>	<u>1.368.977</u>

19. Financial risk management

The Entity's risk management policies are established to identify and analyze the risks faced, to define appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are frequently revised to reflect changes in market conditions and the Entity's activities.

20. Unaccounted for contingencies

AIIM 4.065.163-0

On November 5, 2015, Associação Vaga Lume was fined for not having collected the ITCMD in the period from 2010 to 2014, as the inspection found that the Entity is a taxpayer of the state tax. On December 1, 2015, a challenge to the Notice of Infraction and Imposition of Fine was filed: AIIM4.065.163-0. On February 12, 2016, a decision was published rejecting the challenge and, consequently, maintaining the Notice of Infraction. Against this negative decision, an appeal was filed with the São Paulo State Tax and Fees Court (TIT) on March 3, 2016. The State Treasury presented its counter-arguments and the case was referred to the Court on June 2016. On August 2, 2016, the case was included in the agenda for judgment before the 4th Chamber and our lawyer presented an oral argument. Although one of the judges dismissed the appeal filed by Vaga Lume (that is, denied the request made by Vaga Lume), the second judge who composes this Chamber, ruled in favor of Vaga Lume's immunity and requested a review of the records, which suspended the judgment.

In November 2016, when resuming the judgment of the case at TIT, the judges decided to convert the judgment into diligence, to verify if Vaga Lume meets the requirements to be considered immune. The diligence was based only on the analysis of process documents, there was no physical diligence at Vaga Lume.

Management's explanatory notes to the financial statements Years ended December 31, 2019 and 2018
(In Reais)

In July 2017, the Association presented a statement regarding the procedure and in October of the same year a decision was published that dismissed the Ordinary Appeal presented by the Association. On November 20, 2018, the Association filed its Special Appeal and the Treasury presented its counter-reasons on January 4, 2019. On April 11, 2019, the Special Appeal filed by Associação Vaga Lume was judged, the lawyer made the oral argument and the judgment was suspended by the TIT since the case reporter understood that the appeal should not be known (nor should it be analyzed). However, the Association's lawyer demonstrated the mistake that was occurring and the other judges also disagreed with the rapporteur, so the Superior Chamber decided to hear the appeal and thus the process will return to the rapporteur for analysis of the merits. Therefore, the process will be included in a new judgment session, with no date to take place. The updated value in April 2020 of this process is RS 788,478.

AIIM 4.117.128-7

On October 19, 2018, the Vaga Lume Association was fined for not having collected the ITCMD in the period between December 14, 2016 and December 23, 2017 (AIIM 4,117,128-7), as the inspection found that the Entity it is a state taxpayer in the period in which it did not have the exemption certificate. On November 19, 2018, a challenge to the Notice of Infraction and Imposition of Fine (AIIM) was filed. On January 17, 2019, a decision was published finding the AIIM partially valid, to exclude the collection of the ITCMD in situations where the donor is domiciled in another State (a reduction of approximately R\$7,620). Vaga Lume filed an appeal against this decision on March 6, 2019, seeking the complete cancellation of the notice of infraction in the administrative court.

On May 8, 2019, the State of São Paulo presented its counterarguments to the Ordinary Appeal. On September 27, 2019, the decision was preferred, knowing both the Official Appeal and the Ordinary Appeal, but they were rejected. On October 25, 2019, Associação Vaga Lume presented its request for ratification of the judgment. The updated value in April 2020 of this process is RS 130,254.

Our legal advisors are monitoring the above processes and, in their best understanding of the progress of the causes, the probability of loss reported to the Entity's Management at the time is considered as "possible".

21. Insurance coverage (unaudited)

The Entity's Management considers the insurance coverage to be sufficient to cover any claims.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements, therefore, they were not examined by the independent auditors.

22. Subsequent Events

On February 21, 2020, the ITCMD process (AIIM 4,117,128-7) had published a decision that rejected the request for ratification of the judgment and there are no further appeals from it. Due to the final and unappealable decision at the administrative level, Vaga Lume will discuss this tax debt via a Tax Debt Annulment Action, to be filed in May 2020. The position of the Felsberg Law Office accompanying the case has not changed the probability of loss, being considered "possible" which cannot be provisioned.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency due to a new Coronavirus outbreak originating in Wuhan, China (the "COVID-19 outbreak") and the risks to international community, considering the virus's ability to spread globally beyond its point of origin. In March 2020, WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in global exposure. The full impact of the COVID-19 outbreak was still evolving at the time of this report. Therefore, the magnitude of the pandemic on the Entity's financial condition, liquidity and future results of operations is uncertain. Entity management is actively monitoring the global situation in its financial condition, liquidity, operations, sponsors, sector and staff. Given the daily evolution of the COVID-19 outbreak and the global responses to reduce its spread, the Association cannot estimate the effects of the COVID-19 outbreak on its operating results, financial condition or liquidity for the year 2020.

Although the Organization cannot estimate the duration or severity of the impact of the COVID-19 outbreak at this time, if the pandemic continues it could have an adverse/material effect on the Association's future results of operations, financial position and liquidity for the year. 2020.