

Associação Direitos Humanos em Rede

Financial statements
at December 31, 2013
and independent auditor's report

Associação Direitos Humanos em Rede
Associação de Pessoas

The independent auditor's report is intended to provide an opinion on the financial statements of Associação Direitos Humanos em Rede for the year ended December 31, 2013, and not to provide an opinion on the financial statements of Associação Direitos Humanos em Rede for any other period or on any other financial statement.

Independent auditor's responsibility

The independent auditor's responsibility is to express an opinion on the financial statements based on the audit of the financial statements. The audit is conducted in accordance with the standards of independent auditing. These standards require the independent auditor to obtain reasonable assurance that the financial statements are free from material misstatements.

The independent auditor's report is intended to provide an opinion on the financial statements and does not provide an opinion on the financial statements of Associação Direitos Humanos em Rede for any other period or on any other financial statement.

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Associação Direitos Humanos em Rede
Associação de Pessoas



Associação Direitos Humanos em Rede

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

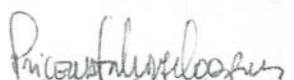
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associação Direitos Humanos em Rede as at December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Other matters

As mentioned in Note 2.1, in compliance with ITG Interpretation 2002 and for comparison purposes, Associação Direitos Humanos em Rede measured and recognized voluntary and donated services at their fair value and restated the statement of surplus for the year ended December 31, 2012, without changing the amount of the surplus for that year.

São Paulo, May 20, 2014


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Maria José De Mula Cury
Contadora CRC 1SP192785/O-4

Associação Direitos Humanos em Rede
Statement of deficit/surplus
Years ended December 31

All amounts in reais

(A free translation of the original in Portuguese)

	<u>2013</u>	<u>2012</u>
Domestic donations (Note 7)	356,415	402,920
Foreign donations (Note 7)	3,898,200	2,773,961
Donated services (Note 10)	64,358	54,494
Income from activities	<u>4,318,973</u>	<u>3,231,375</u>
General and administrative expenses (Note 9)	(4,486,744)	(2,625,035)
Expenses from donated services (Note 10)	(64,358)	(54,494)
Tax expenses	(72,320)	(36,046)
Expenses recovered	33,152	46,039
Other	(4,959)	(7,573)
Expenses with activities	<u>(4,595,229)</u>	<u>(2,677,109)</u>
(Deficit) surplus before finance result	(276,256)	554,266
Finance result (Note 11)	256,736	121,656
(Deficit) surplus for the year	<u>(19,520)</u>	<u>675,922</u>

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

Associação Direitos Humanos em Rede
Statement of changes in net worth

All amounts in reais

(A free translation of the original in Portuguese)

At December 3, 2012	274,035
Surplus for the year	<u>675,922</u>
At December 31, 2012	<u>949,957</u>
Deficit for the year	(19,520)
Transfer of amounts from SUR (Note 8)	<u>1,654</u>
At December 31, 2013	<u>932,091</u>

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

6 of 15

Associação Direitos Humanos em Rede
Statement of cash flows
Years ended December 31
All amounts in reais

(A free translation of the original in Portuguese)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
(Deficit) surplus for the year	(19,520)	675,922
Depreciation	28,911	16,129
Adjusted (deficit) surplus for the year	<u>9,391</u>	<u>692,051</u>
(Increase) decrease in other receivables	(8,574)	(23,650)
Increase (decrease) in accounts payable	(945)	(3,035)
Increase (decrease) in social charges	62,757	1,114
Increase (decrease) in taxes	(46)	(38,593)
Increase (decrease) in advance donations	(1,149,037)	2,083,509
Net cash provided by (used in) operating activities	<u>(1,086,454)</u>	<u>2,711,396</u>
Cash flows from investing activities		
Transfer of amounts from SUR	1,654	-
Acquisition of property and equipment	(131,450)	(19,249)
Net cash used in investing activities	<u>(129,796)</u>	<u>(19,249)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,216,250)</u>	<u>(2,692,147)</u>
Cash and cash equivalents at the end of the year (Note 3)	2,147,549	3,363,799
Cash and cash equivalents at the beginning of the year (Note 3)	<u>3,363,799</u>	<u>671,652</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,216,250)</u>	<u>2,692,147</u>

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

(A free translation of the original in Portuguese)

Associação Direitos Humanos em Rede

Notes to the financial statements at December 31, 2013 and 2012

All amounts in reais

1 Operations

Associação Direitos Humanos em Rede ("Conectas" or "The Entity") is an international non-profit and non-governmental organization, established in September 2001, in São Paulo, Brazil. Its mission is to promote the enforcement of Human Rights and the Democratic Rule of Law, in the Global South - Africa, Latin America and Asia.

Since January 2006, it has a consultative status in the United Nations Organization (UN) and, since May 2009, it has an observer status in the African Commission on Human and Peoples' Rights. Its vision is towards a more just world, with a truly global, diverse and effective human rights movement, where national institutions and the international order are more transparent, effective and democratic.

Conectas develops its activities through three programs - South-South Cooperation, Foreign Policy and Justice - that interact with each other and encompass national, regional and international activities. The individual projects of each program aim to support human rights activists and academics in the Global South and to foster interaction among them, through collaborative networks. They also aim to strengthen international protection of human rights by monitoring the foreign policy of Global South countries. In Brazil, Conectas promotes advocacy, strategic and public interest litigation.

At the administrative level, Conectas' management comprises one chief executive officer (CEO) and one associate director, in order to support all the organization's activities. The administrative and financial sector is responsible for the Balance sheet and Statement of surplus (deficit) for the year, movements of bank accounts and tax, exemption and tax incentive matters. The entire execution of the budget is made by this sector in conjunction with the coordinators of the specific areas, who carry out the South-South Cooperation, Foreign Policy and Justice programs, which also interact among themselves and encompass national, regional and international activities.

2 Financial statement presentation and significant accounting practices

The financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, applicable to small and medium-sized entities (CPC PMEs).

In accordance with ITG standard 2002, approved by CFC Resolution 1,409/12, the fair value of voluntary and donated services is also recorded (Note 10).

Financial reporting requires the use of estimates to account for certain assets, liabilities and other transactions, including the determination of useful lives of property and equipment, the valuation of financial assets at fair value, necessary provisions for liabilities and other evaluations. The actual results may differ from those estimated. Conectas reviews these estimates and assumptions at least upon the preparation of financial statements.

8 of 15

Associação Direitos Humanos em Rede

Notes to the financial statements at December 31, 2013 and 2012

All amounts in reais

These financial statements were approved by the Entity's Board of Directors on April 23, 2014.

2.1 Restatement of the statement of surplus for the year 2012

In compliance with ITG Interpretation 2002 approved by CFC Resolution 1,409/12, Associação Direitos Humanos em Rede started to measure and recognize the voluntary work at the fair value of the services as if there had been financial disbursement, as detailed in Note 10. Within this context and in order to provide comparability, this procedure was applied in the measurement of the amounts of voluntary work in the year 2013 and, therefore, the statement of surplus for the year ended December 31, 2012, presented for comparison purposes, has been restated. The revenues corresponding to voluntary work were recognized as donations. The corresponding expenses were recognized, based on their function. Accordingly, the costs attributed to voluntary work identified in the years 2013 and 2012 were recognized in General and administrative expenses and Expenses with donations.

2.2 Functional and presentation currency

The financial statements are presented in Brazilian reais, which is the Entity's functional and presentation currency.

2.3 Cash and cash equivalents

Cash and cash equivalents include funds in domestic currency and financial investments, with original maturity of 90 days or less on the date of effective investment and insignificant risk of change in fair value and which are used by the Entity to meet its short-term commitments.

2.4 Financial assets

Management classifies its financial assets in the following categories: at fair value through profit or loss **(a)** and loans and receivables. **(b)** The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at the time they are initially recorded.

The portfolio of marketable securities is classified as "Trading securities" and includes marketable securities purchased for the purpose of being frequently and actively traded. They are recorded at market value, with realized and unrealized losses and gains recognized in the statement of surplus (deficit).

(a) Financial assets at fair value through profit or loss

These are financial assets held for active and frequent trading. All financial assets in this category are classified as current assets. Gains or losses arising from the changes in the fair value of financial assets measured at fair value through profit or loss are recorded in the statement of surplus (deficit) as "Financial results" in the period they occur, unless they are contracted in connection with another transaction. In this case, changes are recorded within the same line of the statement of surplus (deficit) affected by the other transaction.

Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2013 and 2012**

All amounts in reais

(b) Loans and receivables

These comprise loans granted and non-derivative receivables with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for those that fall due after 12 months from the balance sheet date. The Entity's loans and receivables comprise other receivables. Loans and receivables are subsequently carried at amortized cost using the effective interest method, when applicable.

2.5 Property and equipment

Property and equipment are stated at historical acquisition cost. Items received through donation are recognized at the amount declared by the donor or the taken amount of R\$ 1, with a corresponding entry to income from donations. Depreciation is calculated at the straight-line method at rates that take into account the useful lives of the assets, as stated in Note 5.

2.6 Impairment of non-financial assets

Non-financial assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment.

An impairment loss is recognized for the excess of the carrying amount of the asset over its recoverable amount. This amount is the higher of fair value less costs to sell and value in use.

2.7 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of the Entity's activities, being recognized at the invoice amount or corresponding contract amount. These payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.8 Taxes on operations

Associação Direitos Humanos em Rede is a non-profit entity, exempted from the payment of income tax and social contribution on net income (Note 12). The status of other taxes on operating activities is as follows: (a) Social Integration Program (PIS) - contribution of 1% levied on the payroll; (b) National Institute of Social Security (INSS) contribution - full payment of the employer's and employees' contribution; (c) Withholding Income Tax (IRRF) on revenues from financial investments - carried out regularly by the financial institutions.

2.9 Other current assets and liabilities

The assets are stated at their acquisition cost, including, when applicable, the income and foreign currency variations incurred, net of the provision for adjustment to the realizable amount, when applicable. Liabilities recorded are stated at known or estimated amounts including, when applicable, the related charges and monetary variations incurred up to the balance sheet date.

Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2013 and 2012**

All amounts in reais

2.10 Equity

Equity includes the initial donation of the founders and donations received from third parties, increased or decreased by the surplus or deficit computed each year.

2.11 Determination of surplus (deficit)

Income from donations and contributions is recorded upon receipt. Other revenue and expenses are recorded on the accrual basis of accounting. At the end of the year, the funds that were not used and that are committed to projects are reclassified in liabilities as "Advance donations".

3 Cash and cash equivalents

	<u>2013</u>	<u>2012</u>
Current accounts	82,704	528,107
Financial investments (*)	<u>2,064,845</u>	<u>2,835,692</u>
	<u>2,147,549</u>	<u>3,363,799</u>

(*) Include Bank Deposit Certificates (CDBs), remunerated at floating rates, approximately 90.77% of the Interbank Deposit Certificate (CDI), and repurchase agreements, with daily liquidity, used by the Entity for management of its short-term commitments.

4 Other receivables

At December 31, 2013, these refer mainly to judicial deposits receivable in 60 business days due to a favorable court decision and advance payment of rent.

Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2013 and 2012**

All amounts in reais

5 Property and equipment

	<u>2013</u>		<u>2012</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>	<u>Annual depreciation rates - %</u>
Furniture and fittings	144,308	(28,607)	115,701	24,345	10
IT equipment	110,687	(72,625)	38,062	27,579	20
Computer software	7,240	(5,590)	1,650	2,300	20
Telecom equipment	9,380	(3,193)	6,187	4,503	20
Electronic equipment	1,669	(551)	1,118	1,452	20
	<u>273,284</u>	<u>(110,566)</u>	<u>162,718</u>	<u>60,179</u>	

The changes in property and equipment were as follows:

	<u>2013</u>	<u>2012</u>
At the beginning of the year	60,179	171,819
Acquisition of assets	131,450	19,249
Disposal of assets	-	(49,235)
Depreciation	<u>(28,911)</u>	<u>(81,654)</u>
At the end of the year	<u>162,718</u>	<u>60,179</u>

6 Social charges

	<u>2013</u>	<u>2012</u>
Social charges	<u>73,617</u>	<u>10,860</u>
	<u>73,617</u>	<u>10,860</u>

7 Donations and advance donations

The Entity has received donations with the purpose of maintaining and implementing the social projects it is responsible for.

Of the total funds received in 2013, corresponding to R\$ 5,678,826 (R\$ 5,685,771 in 2012), R\$ 4,318,973 (R\$ 3,176,881 in 2012) were used this year and R\$1,359,853 (R\$ 2,508,890 in 2012) will be used in 2014 to continue the projects.

Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2013 and 2012**

All amounts in reais

8 Equity

Equity is presented at updated amounts and comprises the initial capital, adjusted by surpluses and deficits.

In the event the Entity is terminated, its net assets will be obligatorily destined for a non-profit entity or entities with similar purposes, qualified under the terms of Law 9,790/99.

If the Entity loses the qualification established in Law 9,790/99, the respective net assets available, obtained with public funds during the period of the qualification, will be transferred to another legal entity qualified under the provisions of Law 9,790/99, preferably with the same purpose.

At March 31, 2013, in accordance with the Extraordinary General Meeting, the termination of Rede Universitária de Direitos Humanos (SUR - University Human Rights Network) was approved, with the appropriation of all of its assets, liabilities, right and obligations to Conectas. The net assets referring to this merger totaled R\$ 1,654.

9 Administrative and general expenses

	<u>2013</u>	<u>2012</u>
Services provided by legal entities	(700,772)	(465,252)
Services provided by individuals	(8,339)	(11,455)
Personnel	(578,233)	(209,472)
Travel	(109,944)	(58,415)
Projects costs (*)	(2,483,744)	(1,509,215)
Other expenses	(670,070)	(371,226)
Total	<u>(4,551,102)</u>	<u>(2,625,035)</u>

(*) Composed of:

	<u>2013</u>	<u>2012</u>
Justice Project	(402,579)	(266,163)
Colloquium Project	(995,291)	(627,229)
Foreign Policy Project	(512,008)	(384,117)
SUR Magazine Project	(428,992)	(231,706)
Special Project	(144,874)	-
Total	<u>(2,483,744)</u>	<u>(1,509,215)</u>

10 Fair value of voluntary and donated services

Voluntary work identified by management, as well as its fair value, may be described as follows:

	<u>2013</u>	<u>2012</u>
Board members	37,775	35,886
Volunteers	26,583	18,608
Total	<u>64,358</u>	<u>54,494</u>

Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2013 and 2012**

All amounts in reais

These amounts were recognized in the statement of surplus (deficit) as donations, with a corresponding entry to administrative and general expenses (Other expenses).

The fair value of the voluntary work described above is presented in accordance with ITG Interpretation 2002 approved by CFC Resolution 1,409/12.

The fair value was determined from the amount that the Entity would be willing to pay a third party to perform the same service provided by the volunteer. Accordingly, management made its best fair value estimate based on the information provided by the service provider, since, in general, they also provide the same service to other entities, but for remuneration, and/or based on market information, especially in the case of services for which there is an active and established market, in which information on the service cost is widely disclosed or easily obtained, always considering the size and complexity of the operations of Conectas.

11 Finance result

	<u>2013</u>	<u>2012</u>
Income from financial investments	232,161	123,302
Other finance income	34,095	1,887
Bank expenses	(8,469)	(3,297)
Other finance costs	(1,051)	(236)
	<u>256,736</u>	<u>121,656</u>

12 Income tax immunity and exemption from social security and social contributions

Non-profit entities are entities that do not present surplus in their accounts or, if they present a surplus in a certain fiscal year, appropriate it fully to the maintenance and development of the social objectives of the entity, as long as the other legal conditions are met.

The Entity meets the requirements of the legislation, and is therefore exempted from income tax (based on article 150 of the Brazilian Federal Constitution) and social contribution on surplus and Social Contribution on Revenues (COFINS), in accordance with Provisional Measure (MP) 2,158-35, article 14, Item X, which established, for taxable events as from February 1, 1999, that the revenues referring to the activities of cultural institutions, as defined in article 15 of law 9,532/97, are exempted from this contribution. In accordance with the disclosures required by NBC ITG -2002 - "Non-profit entities", if the entity were not exempted, the rate in effect would be 9% (social contribution), 7.6% (COFINS), 1.65% (PIS/invoicing) and 15% (income tax). Conectas has the status of a Public Interest Non-profit Entity (OSCIP), through an order by the National Secretary of Justice, published in the Official Gazette (DOU) of November 7, 2003 and renewed up to September 30, 2014.

Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2013 and 2012**

All amounts in reais

The estimated taxes that would have been incurred if the exemption were not in effect are as follows:

	Unaudited	
	2013	2012
Corporate Income Tax (IRPJ)	-	101,388
Social Contribution on Net Income (CSLL)	-	60,833
Social Contribution on Revenues (COFINS)	328,242	241,443
Social Integration Program (PIS)	71,263	52,419

13 Legal proceedings

There are no records of relevant legal or non-judicial proceedings against the entity which represent probable or possible losses.

14 Insurance

At December 31, 2013, Conectas has civil liability, equipment and building insurance amounting to R\$ 2,352 (2012 - R\$ 1,672).

15 Other information

- (a) In the years ended December 31, 2013 and 2012, the Entity did not utilize derivative financial instruments.
- (b) The Entity does not maintain pension plans or any other retirement or benefit plans for the employees and officers after their termination or a bonus or profit shaving plan for officers and employees.



LUCIA CASSAB NADER
Officer



JURACI DA CONCEIÇÃO VIEIRA
Contador CRC-1-SP160.881-O-0