

# **Associação Direitos Humanos em Rede**

**Financial statements  
at December 31, 2014  
and independent auditor's report**



(A free translation of the original in Portuguese)

## **Independent auditor's report**

To the Founders and Managers  
Associação Direitos Humanos em Rede

We have audited the accompanying financial statements of Associação Direitos Humanos em Rede (the "Entity"), which comprise the balance sheet as at December 31, 2014 and the statements of surplus (deficit), changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



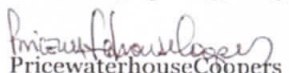
Associação Direitos Humanos em Rede

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, 2014, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, April 25, 2015

  
PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

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

**Associação Direitos Humanos em Rede**  
**Balance sheet at December 31**

All amounts in reais

(A free translation of the original in Portuguese)

<b>Assets</b>	<b>2014</b>	<b>2013</b>	<b>Liabilities and equity</b>	<b>2014</b>	<b>2013</b>
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and cash equivalents (Note 3)	5,020,371	2,147,549	Accounts payable	45	1,512
Other receivables (Note 4)	41,911	57,108	Taxes payable	-	303
			Social charges (Note 6)	136,492	73,617
			Advance donations (Note 7)	3,864,037	1,359,853
	<u>5,062,282</u>	<u>2,204,657</u>		<u>4,000,574</u>	<u>1,435,284</u>
<b>Non-current assets</b>			<b>Equity (Note 8)</b>		
Property and equipment (Note 5)	162,862	162,718	Equity	1,224,570	932,091
<b>Total assets</b>	<u>5,225,144</u>	<u>2,367,375</u>	<b>Total liabilities and equity</b>	<u>5,225,144</u>	<u>2,367,375</u>

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

**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>2014</u>	<u>2013</u>
Domestic donations (Note 7 and 10)	158,487	356,415
Foreign donations (Note 7 and 10)	4,675,326	3,898,200
Donated services (Note 10)	494,039	64,358
<b>Income from activities</b>	<u>5,327,852</u>	<u>4,318,973</u>
General and administrative expenses (Note 9)	(4,690,600)	(4,486,744)
Expenses from donated services (Note 10)	(494,039)	(64,358)
Tax expenses	(134,589)	(72,320)
Expenses recovered	18,337	33,152
Other	(35,678)	(4,959)
<b>Expenses with activities</b>	<u>(5,336,569)</u>	<u>(4,595,229)</u>
<b>(Deficit) surplus before finance result</b>	<u>(8,717)</u>	<u>(276,256)</u>
Finance result (Note 11)	301,196	256,736
<b>(Deficit) surplus for the year</b>	<u>292,479</u>	<u>(19,520)</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)

<b>At December 31, 2012</b>	949,957
Deficit for the year	(19,520)
Transfer of amounts from SUR	1,654
<b>At December 31, 2013</b>	<u>932,091</u>
Surplus for the year	<u>292,479</u>
<b>At December 31, 2014</b>	<u>1,224,570</u>

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

**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>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
<b>(Deficit) surplus for the year</b>	292,479	(19,520)
Depreciation	31,409	28,911
Impairment of non-financial assets	8,272	-
Adjusted (deficit) surplus for the year	<u>332,160</u>	<u>9,391</u>
(Increase) decrease in other receivables	15,197	(8,574)
Increase (decrease) in accounts payable	(1,467)	(945)
Increase (decrease) in social charges	62,875	62,757
Increase (decrease) in taxes	(303)	(46)
Increase (decrease) in advance donations	2,504,184	(1,149,037)
<b>Net cash provided by (used in) operating activities</b>	<u>2,580,486</u>	<u>(1,086,454)</u>
<b>Cash flows from investing activities</b>		
Transfer of amounts from SUR	-	1,654
Acquisition of property and equipment	(39,824)	(131,450)
<b>Net cash used in investing activities</b>	<u>(39,824)</u>	<u>(129,796)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>2,872,822</u>	<u>(1,216,250)</u>
<b>Cash and cash equivalents at the end of the year (Note 3)</b>	5,020,371	2,147,549
<b>Cash and cash equivalents at the beginning of the year (Note 3)</b>	<u>2,147,549</u>	<u>3,363,799</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>2,872,822</u>	<u>(1,216,250)</u>

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

## **Associação Direitos Humanos em Rede**

### **Notes to the financial statements at December 31, 2014 and 2013**

All amounts in reais

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#### **1 Operations**

Associação Direitos Humanos em Rede ("Conectas" or "The Entity") is an international non-profit and non-governmental organization, established in September 2001 and is located at Paulista Avenue, 575 – 19<sup>o</sup> floor 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.



## Associação Direitos Humanos em Rede

### Notes to the financial statements at December 31, 2014 and 2013

All amounts in reais

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These financial statements were approved by the Entity's Board of Directors on April 28, 2015.

#### 2.1 Functional and presentation currency

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

#### 2.2 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.

#### 2.3 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.

##### **(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.

#### 2.4 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.

## Associação Direitos Humanos em Rede

### Notes to the financial statements at December 31, 2014 and 2013

All amounts in reais

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#### 2.5 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.

The impairment of non-financial assets is presented in Note 5.

#### 2.6 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.

#### 2.7 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.

#### 2.8 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.

#### 2.9 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.

#### 2.10 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".

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**Associação Direitos Humanos em Rede**

**Notes to the financial statements  
at December 31, 2014 and 2013**

All amounts in reais

**3 Cash and cash equivalents**

	<u>2014</u>	<u>2013</u>
Current accounts	47,164	82,704
Financial investments (*)	<u>4,973,207</u>	<u>2,064,845</u>
	<u>5,020,371</u>	<u>2,147,549</u>

(\*) Include Bank Deposit Certificates (CDBs), remunerated at floating rates, approximately 89,85% 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, 2014, these refer mainly to advance payment of rent.

**5 Property and equipment**

	<u>2014</u>		<u>2013</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>	<u>Annual depreciation rates - %</u>
Furniture and fittings	129,535	(19,576)	109,960	115,701	10
IT equipment	96,765	(50,198)	46,567	38,062	20
Computer software	7,240	(6,237)	1,003	1,650	20
Telecom equipment	7,709	(3,226)	4,483	6,187	20
Electronic equipment	<u>1,495</u>	<u>(646)</u>	<u>849</u>	<u>1,118</u>	20
	<u>242,744</u>	<u>(79,882)</u>	<u>162,862</u>	<u>162,718</u>	

The changes in property and equipment were as follows:

	<u>2014</u>	<u>2013</u>
At the beginning of the year	162,718	60,179
Acquisition of assets	39,824	131,450
Impairment of non-financial assets	(70,364)	-
Depreciation of impairment of non-financial assets	62,093	-
Depreciation	<u>(31,409)</u>	<u>(28,911)</u>
At the end of the year	<u>162,862</u>	<u>162,718</u>

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**Associação Direitos Humanos em Rede**

**Notes to the financial statements  
at December 31, 2014 and 2013**

All amounts in reais

The impairment of non-financial assets was evaluated by a specialized company named – Afixcode – for the year ended December, 31 2014, for compilation, numbering and revaluation. The Entity has made the adjustments taking into consideration that the Entity has moved its head office in July, 2013 and the furniture was customized for the new office. Donations were made to Casas André Luiz for furniture not utilized. The impairment and adjustments to non-financial assets were made to reevaluate non-financial assets in accordance with accounting practices adopted in Brazil.

**6 Social charges**

Social charges refer primarily to vacation provisions.

**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 2014, corresponding to R\$ 9,191,889 (R\$ 5,678,826 in 2013), R\$ 5,327,852 (R\$ 4,318,973 in 2013) were used this year and R\$ 3,864,037 (R\$ 1,359,853 in 2013) will be used in 2014 to continue the projects.

**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.

**9 Administrative and general expenses**

	<b>2014</b>	<b>2013</b>
Services provided by legal entities	(623,729)	(700,772)
Services provided by individuals	(16,263)	(8,339)
Personnel	(1,008,228)	(578,233)
Travel	(36,083)	(109,944)
Projects costs (*)	(2,607,090)	(2,483,744)
Other expenses	(399,207)	(605,712)
<b>Total</b>	<b>(4,690,600)</b>	<b>(4,486,744)</b>

## Associação Direitos Humanos em Rede

### Notes to the financial statements at December 31, 2014 and 2013

All amounts in reais

(\*) Composed of.

	<u>2014</u>	<u>2013</u>
Justice Project	(617,343)	(402,579)
Foreign Policy Project	(788,609)	(512,008)
Colloquium Project	(96,667)	(995,291)
Conectors Project	(164,141)	-
SUR Magazine Project	(660,484)	(428,992)
Special Project	(279,846)	(144,874)
Total	<u>(2,607,090)</u>	<u>(2,483,744)</u>

#### The Justice Project

The Justice Project aims at preventing and reversing practices of human rights violations involving either the public or private sector in Brazil and at strengthening democratic institutions through judicial, administrative and political actions. To this end, it develops activities to participate in the constitutional debate, strategic litigation, advocacy and the fostering of public debates. The Justice Project work in 2014 focused on the following topics: combating and preventing torture in the Brazilian prison system, including the national campaign "O fim da Revista Vexatória" (The end of Shameful Seaching), strengthening of the legal services provided by the Public Attorneys in São Paulo and protection of human rights during protests.

#### The Foreign Policy Project

The Foreign Policy Project aims to strengthen international protection of human rights by monitoring and influencing the foreign policy of countries in the Southern Sphere, particularly Brazil. It also aims at promoting the use of the UN and regional human rights systems through NGOs in Africa, Asia and Latin America. The main actions of the Foreign Policy Project in 2014 were: pressure for Brazil to adopt a foreign policy more democratic and transparent, influence Brazil's migration policy to inhibit violations human rights against migrants and using regional and international human rights protection mechanisms to report and expose violations that occur in Brazil and worldwide.

#### The South-South Cooperation Project

The South-South Cooperation Project aims to increase the impact of the work of human rights defenders, academics and organizations from the Southern Sphere (Africa, Asia and Latin America). It therefore develops education, research, networking and advocacy activities. The program also aims to facilitate access by Southern Sphere activists to the mechanisms of the United Nations (UN) and regional human rights systems. In 2014, the main South-South Cooperation Project activities were: 1) publication of SUR 20, special edition to celebrate the ten years of the magazine; 2) expansion of performance of Conectas in Latin America and the Caribbean through new partnerships; 3) preparation for the XIV International Conference on Human Rights to take place between 24 and May 29, 2015.

#### Business and Human Rights (Special Projects)

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## Associação Direitos Humanos em Rede

### Notes to the financial statements at December 31, 2014 and 2013

All amounts in reais

The role of Conectas in this field emerged from the conviction that civil society has a fundamental role to play in strengthening corporate accountability and liability mechanisms for human rights violations committed by the private sector, in particular by Brazilian companies operating in Brazil and abroad. In 2014, the main projects of Business and Human Rights (Special projects) were monitoring Business and Human Rights themes at the United Nations; monitoring BNDES activities and active participation in discussions on the future Bank of the BRICS and other Multilateral banks; and performing various actions which had the purpose to strengthen the role of society in this respect.

#### 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>2014</u>	<u>2013</u>
Volunteers	6,341	26,583
Board members	35,098	37,775
Publicity campaign "O fim da Revista Vexatória"	452,600	-
Total	<u>494,039</u>	<u>64,358</u>

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>2014</u>	<u>2013</u>
Income from financial investments	309,603	232,161
Other finance income	7,615	34,095
Bank expenses	(14,495)	(8,469)
Other finance costs	<u>(1,527)</u>	<u>(1,051)</u>
	<u>301,196</u>	<u>256,736</u>



**Associação Direitos Humanos em Rede**

**Notes to the financial statements  
at December 31, 2014 and 2013**  
All amounts in reais

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- (c) For the year ended December, 31 2014, the Entity has recognized the amount of R\$ 1.896 relative to expenses with insurance (head office) (R\$ 2,352 in 2013).

  
**MARCOS ROBERTO FUCHS**  
Officer

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