

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**ASSOCIAÇÃO DOS DIREITOS  
HUMANOS EM REDE**

**FINANCIAL STATEMENTS AS OF  
DECEMBER 2009 AND 2008**

# **ASSOCIAÇÃO DOS DIREITOS HUMANOS EM REDE**

## **FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009 AND 2008**

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Convenience translation into English from the Independent Auditors' Report issued on the financial statements prepared under accounting practices adopted in Brazil and in Brazilian currency.

## **INDEPENDENT AUDITORS' REPORT**

To the Counselors and Management of  
Associação dos Direitos Humanos em Rede

1. We have audited the balance sheets of Associação dos Direitos Humanos em Rede (the "Institution"), as of December 31, 2009 and 2008, and the accompanying statement of deficit, changes in corporate assets, and statement of cash flows for the years then ended, prepared under the responsibility of the Institution's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our work was conducted in accordance with Brazilian audit standards and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Institution, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associação dos Direitos Humanos em Rede as of December 31, 2009 and 2008, and the related statements of deficit, changes in corporate assets and cash flows for the years then ended, in conformity with Brazilian accounting practices.

São Paulo, March 19, 2010.

**BAKER TILLY BRASIL**  
**AUDITORES INDEPENDENTES S/S**  
CRC-2SP016754/O-1



**MAURO AKIO SAKANO**  
ACCOUNTANT – CRC-1SP143589/O-9

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**ASSOCIAÇÃO DOS DIREITOS HUMANOS EM REDE**

**EXHIBIT I - BALANCE SHEETS AS OF DECEMBER 31**  
**(In Brazilian reais)**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>	<b>LIABILITIES</b>	<b>2009</b>	<b>2008</b>
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	290.567	393.771	Accounts payable	4.200	3.630
Other receivables	137.514	9.950	Payroll-related obligations	21.534	12.448
	428.081	403.721	Taxes payable	71	7.522
			Sundry advances	41.097	74.405
NONCURRENT ASSETS				66.902	98.005
PERMANENT ASSETS			NONCURRENT LIABILITIES		
Property, plant and equipment	43.802	39.899	CORPORATE ASSETS		
			Corporate assets	384.797	394.648
			Surplus (deficit) for the year	20.184	(49.033)
<b>TOTAL ASSETS</b>	<b>471.883</b>	<b>443.620</b>	<b>TOTAL LIABILITIES</b>	<b>471.883</b>	<b>443.620</b>

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

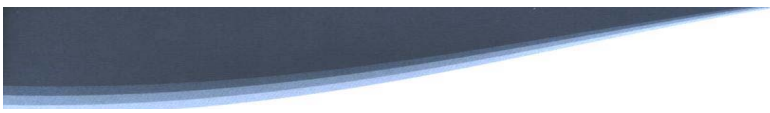
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**ASSOCIAÇÃO DOS DIREITOS HUMANOS EM REDE**

**EXIBIT II – STATEMENT OF SUPLUS (DEFICIT) FOR THE YEARS ENDED  
DECEMBER 31  
(In Brazilian reais)**

	<u>2009</u>	<u>2008</u>
REVENUES		
Domestic donations	76.995	61.215
Foreign donations	2.128.084	2.159.945
REVENUE FROM DONATIONS	<u>2.205.079</u>	<u>2.221.160</u>
EXPENSES		
Expenses with projects	(1.879.322)	(1.958.331)
Personnel expenses	(347.296)	(328.950)
Financial expenses	(4.642)	(6.697)
Tax expenses	(24.163)	(24.140)
Financial income	70.528	47.925
EXPENSES FROM THE ACTIVITIES	<u>(2.184.895)</u>	<u>(2.270.193)</u>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<u><b>20.184</b></u>	<u><b>(49.033)</b></u>

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**ASSOCIAÇÃO DOS DIREITOS HUMANOS EM REDE**

**EXHIBIT III – STATEMENT OF CHANGES IN CORPORATE ASSETS  
(In Brazilian reais)**

	<b>Corporate assets</b>	<b>Accumulated surplus (deficit)</b>	<b>Total</b>
AS OF DECEMBER 31, 2007	242.411	169.978	412.389
Transference of funds to owner's equity	169.978	(169.978)	-
Adjustments from the previous year	(17.741)	-	(17.741)
Deficit for the year	-	(49.033)	(49.033)
AS OF DECEMBER 31, 2008	<u>394.648</u>	<u>(49.033)</u>	<u>345.615</u>
Transference of funds to owner's equity	(49.033)	49.033	-
Adjustments from the previous year	39.182	-	39.182
Surplus for the year	-	20.184	20.184
<b>AS OF DECEMBER 31, 2009</b>	<b><u>384.797</u></b>	<b><u>20.184</u></b>	<b><u>404.981</u></b>

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**EXHIBIT IV - STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31  
(In Brazilian reais)**

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Surplus (deficit) for the year	20.184	(49.033)
Adjusted by:		
- Depreciation	14.225	22.632
- Adjustment from the previous year	39.182	(17.742)
- Write-off of property, plant and equipment	3.969	-
	<u>77.560</u>	<u>(44.143)</u>
CHANGES IN ASSETS AND LIABILITIES		
Other receivables	(127.564)	11.369
Accounts payable	570	568
Payroll-related obligations	9.086	(10.730)
Taxes payable	(7.451)	(4.632)
Sundry advances	(33.308)	9.598
Net cash used in operating activities	<u>(81.107)</u>	<u>(37.970)</u>
INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(22.097)	(5.463)
Net funds used in investments	<u>(22.097)</u>	<u>(5.463)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>(103.204)</u></b>	<b><u>(43.433)</u></b>
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	393.771	437.204
Cash and cash equivalents at end of year	290.567	393.771
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>(103.204)</u></b>	<b><u>(43.433)</u></b>

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## **ASSOCIAÇÃO DOS DIREITOS HUMANOS EM REDE**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009 AND 2008 (In Brazilian reais)**

#### **1. OPERATIONS**

The Institution is governed by Law 9.790/99 and is engaged in promoting, supporting, monitoring and evaluating human rights projects, both in Brazil and abroad.

#### **2. PRESENTATION OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared in conformity with Brazilian accounting practices, which comprise the provisions of Laws 6.404/76, 11.638/07 and 11.941/09, in addition to technical pronouncements prepared by the Committee of Accounting Pronouncements (CPC), and by the Brazilian Federal Accounting Council, prevailing starting 2009. The preparation of financial statements requires the use of estimates to account for certain assets, liabilities, and other transactions. Therefore, the financial statements include various estimates, among them the ones referring to the determination of useful lives of property, plant and equipment, the necessary provisions for contingencies, among others. Actual results may vary from the mentioned estimates.

On December 28, 2007, Law 11.638 was enacted, which came into effect starting January 1, 2008. It was amended by Provisional Measure no. 449, dated December 3, 2008, which subsequently was turned into law 11.941/09. Together they amended certain provisions of Law 6.404/76 (Brazilian Corporate Law) and aimed mainly to update it to align accounting practices adopted in Brazil with International Financial Reporting Standards, issued by the "International Accounting Standards Board - IASB."

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES**

##### **Current assets**

Short-term financial investments - they are recorded at cost, plus yield earned through the balance sheet date, according to the rates agreed with financial institutions, not exceeding market values.

Other assets - they are presented at the lower between cost, including yield and monetary variation incurred, and realizable amounts.

##### **Property, plant and equipment**



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They are carried at purchase cost, less depreciation calculated under the straight-line method, at the rates mentioned in note 5, which consider the rates allowed in the tax law. Starting 2010, as determined by Decision 1.177, of the Federal Accounting Council, such rates should be reviewed and consider the estimated useful lives of each asset.

### Current liabilities

They are demonstrated at known or estimated values, plus corresponding charges and the monetary variations incurred established in contract or legally provided, where applicable.

### Determination of surplus (deficit)

Surplus (deficit) is determined under the accrual basis of accounting.

## 4. CASH AND CASH EQUIVALENTS

They are represented mainly by funds in domestic currency, deposited with financial institutions operating in Brazil, as follows:

	<u>2009</u>	<u>2008</u>
Cash	1.838	2.371
Cash in banks	30.849	24.301
Short-term financial investment	257.880	367.099
	<u><b>290.567</b></u>	<u><b>393.771</b></u>

The financial investment is in Bank Deposit Certificates (CDBs)

## 5. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rates (%)	<u>2009</u>			<u>2008</u>
		Costs	Depreciation	Residual	Residual
Furniture	10	15.394	(7.247)	8.147	9.687
Fixtures	10	12.805	(2.970)	9.835	5.754
IT Equipment	20	92.628	(75.217)	17.411	21.602
Data Processing Equipment	20	4.004	(2.169)	1.835	2.856
Telecommunications Equipment	20	6.905	(331)	6.574	-
		<u><b>131.736</b></u>	<u><b>(87.934)</b></u>	<u><b>43.802</b></u>	<u><b>39.899</b></u>

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As established in the Decision of the Federal Accounting Council 1.177/09, the Institution's management will review the depreciation rates for the year to end as of December 31, 2010, according to the remaining useful lives of property, plant and equipment.

## **6. CORPORATE ASSETS**

Corporate assets is presented at adjusted amounts and comprises initial equity plus the amount of surplus less losses incurred.

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