Financial statements 2023

100 anos

COMPLEXO
pequeno
PRÍNCIPE

Message from the corporate director GRI 2-22

Overcoming challenges

The year of 2023 was marked by profound contradictions at the Pequeno Príncipe Complex. While our three units witnessed amazing events, we have faced extremely delicate situations.

From an economic and financial viewpoint, we recorded 14% higher costs year-on-year, considering the health area. This increase was chiefly due to the price of materials and medicines. The fact that we provide 60% of our services to patients from the Brazilian Public Health System (known as SUS), whose fees have been unrevised and outdated, has worsened this financial imbalance.

The crisis in the supplementary health system also jeopardized our performance, as operators surged the number of disallowances and extended their payment terms, affecting our cash flow. In many cases, they have changed the way they operate, taking on less complex patients.

Another critical moment in our institution was the fire that occurred in the Oncology, Hematology, and Bone Marrow Transplantation Outpatient Clinic in October. One of our employees was injured and is now recovering well. Fortunately, the fire was quickly brought under control by our Emergency Brigade and did not spread to other areas; no children or family members were injured. The 200 m^2 space was destroyed, but with the society's support, we will rebuild it in its entirety.

On the other hand, we saw many positive and outstanding moments in 2023. For the third year in a row, we were considered one of the world's best pediatric hospitals, according to the US magazine *Newsweek* ranking. We are the first exclusively Brazilian and Latin American pediatric hospital on the list and we moved up seven places in the overall ranking from the previous ranking to 80th place.

Pequeno Príncipe College achieved top marks in its recertification by the Ministry of Education (MEC score 5), besides launching new courses, evidencing, and bolstering our commitment to excellence in the health professionals' training.

In research, we have made significant strides, with a project approved to receive funding from the Financier of Studies and Projects (Finep, abbreviation in Portuguese) and resources from Pronon (Brazilian National Program to Support Oncology Care).

STATEMENTS OF FINANCIAL POSITION AS PER DECEMBER 31, 2023 AND 2022 (In US Dollar)

ASSETS

	Notes	2023	Restated 2022
CURRENT ASSETS		**45,657,448**	**39,228,596**
Cash and Cash Equivalents	4	4,822,075	3,581,498
Short-Term Investments	5	18,765,275	14,410,495
Trade Receivables	6	5,136,456	4,271,120
Funds from Future Agreements	7	13,329,360	13,714,533
Inventories	8	1,594,208	1,967,331
Other Receivables	9	2,008,394	1,283,619
Deferred Expenses		1,680	-
NON-CURRENT ASSETS		**36,684,738**	**31,154,805**
Long-Term Receivables		**496,393**	**91,720**
Trade Receivables	6	397,542	-
Other Receivables	9	98,851	91,720
Investments	10	144,918	134,464
Right-of-Use Assets	11.1	628,222	1,202,204
Property, Plant and Equipment	12	35,371,681	29,689,483
Intangible Assets	13	43,524	36,932
TOTAL ASSETS		**82,342,186**	**70,383,401**

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

STATEMENTS OF FINANCIAL POSITION AS PER DECEMBER 31, 2023 AND 2022 (In US Dollar)

LIABILITIES AND EQUITY

	Notes	2023	Restated 2022
CURRENT LIABILITIES		**30,195,691**	**27,535,685**
Trade Payables	14	3,341,438	2,933,173
Bank Borrowings	15	5,584,164	4,189,651
Payroll Taxes	16	5,886,786	4,739,578
Taxes Payable	17	690,218	497,888
Funds for Future Grants	7	13,264,276	13,653,921
Lease Liabilities	11.2	692,785	647,286
Deferred Revenue	18	128,065	118,826
Other Payables		607,959	755,362
NON-CURRENT LIABILITIES		**8,644,220**	**6,058,516**
Bank Borrowings	15	3,772,583	744,196
Payroll Taxes	16	-	10,802
Taxes Payable	17	1,002,303	852,365
Lease Liabilities	11.2	-	646,773
Deferred Revenue	18	135,983	244,999
Provisions for Contingencies	19	3,733,351	3,559,381

			Restated
	Notes	**2023**	**2022**
NET ASSETS	**20**	**43,502,275**	**36,789,200**
Net Worth		36,749,499	36,749,499
Valuation Adjustment to Net Assets		11,938,237	12,038,013
Retained Surplus		4,736,042	902,280
Accumulated Translation Adjustment		(9,921,503)	(12,900,592)
TOTAL LIABILITIES AND NET ASSETS		**82,342,186**	**70,383,401**

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

STATEMENTS OF SURPLUS OR DEFICIT FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In US Dollar)

			Restated
	Notes	**2023**	**2022**
Gross Operating Revenue	**21**	**83,631,890**	**68,516,579**
Healthcare Revenue		42,279,490	43,872,097
Brazilian Public Health System (SUS)		16,669,528	14,644,751
Agreements		29,841,120	27,660,348
Individuals		2,768,842	1,566,998
Education Services Revenue		17,677,857	14,234,151
Monthly Tuitions		17,365,064	13,960,229
Other Income		312,793	273,922
Use of Proceeds	**21.1**	16,674,543	10,410,331
Welfare Subsidies		8,874,383	5,110,469
Private Initiative Campaigns		7,800,160	5,299,862
(-) Revenue Deductions		**(6,035,471)**	**(3,901,974)**
Agreement Disallowances	**22**	(1,647,779)	(808,903)
Free Services Granted	**26.2**	(3,252,065)	(2,340,484)
Scholarships	**26.2**	(1,135,627)	(752,587)
Net Operating Revenue	**21**	**77,596,419**	**64,614,605**
(-) Cost of Services	**23**	**(49,624,666)**	**(40,561,428)**
Cost of Healthcare		(41,699,023)	(34,636,982)
Cost of Education Services		(5,293,587)	(4,263,363)
Research Expenditure		(2,632,056)	(1,661,083)
Gross Surplus		**27,971,753**	**24,053,177**

	Notes	2023	Restated 2022
Operating Expenses	**24**	**(25,261,006)**	**(24,412,070)**
Personnel Expenses		(16,138,356)	(14,093,976)
General and Administrative Expenses	**24.1**	(9,780,663)	(11,178,460)
Tax and Contribution Expenses	**28**	(13,260,451)	(10,842,006)
Exemptions Enjoyed	**28**	13,260,451	10,842,006
Other Income/(Expenses)	**24.2**	658,013	860,366
Surplus (Deficit) Before Finance Income and Costs		**2,710,747**	**(358,893)**
Finance Income	**25**	2,596,490	2,004,955
Finance Costs	**25**	(1,573,251)	(782,918)
Surplus for the Year		**3,733,986**	**863,144**

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STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In US Dollar)

	Net Worth	Valuation Adjustments to Net Assets	Retained Surplus (Accumulated Deficit)
As at December 31, 2021	**34,125,952**	**12,077,149**	**-**
Surplus Added to Net Worth	2,623,547	-	-
Realization of Deemed Cost	-	(39,136)	39,136
Surplus for the Year	-	-	863,144
Surplus Available to the General Meeting for Distribution	-	-	(902,280)
Translation Adjustment	-	-	-
Balance at December 31, 2022 (restated)	**36,749,499**	**12,038,013**	**-**
Realization of Deemed Cost	-	(99,776)	99,776
Surplus for the Year	-	-	3,733,986
Surplus Available to the General Meeting for Distribution	-	-	(3,833,762)
Translation Adjustment	-	-	-
As at December 31, 2023	**36,749,499**	**11,938,237**	**-**

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 – INDIRECT METHOD (In US Dollar)

		Restated
	2023	2022
FROM OPERATING ACTIVITIES		
Surplus/Deficit for the Year	3,733,986	863,144
Adjusted for:		
Depreciation and Amortization	1,859,483	1,997,877
Write-Off of Property, Plant and Equipment Items/Intangible Assets	1,531,524	215,557
Provisions for Contingencies	173,970	(370,002)
Translation Adjustment – Equity	2,979,089	139,166
Translation Adjustment – Fixed Assets/Lease Liabilities/Investments and Intangible Assets	(2,245,338)	2,327,544
Allowance for Expected Credit Losses	79,914	(1,848,815)
Depreciation of Right-of-Use	573,982	594,271
PVA of Lease Liabilities	67,954	245,193
Adjusted Surplus/Deficit for the Year	**8,754,564**	**4,163,934**
Trade Receivables	(1,342,793)	129,364
Inventories	373,123	(429,438)
Funds from Future Agreements	385,173	(5,063,403)
Other Receivables	(733,585)	(543,024)
(Increase) or Decrease in Assets	**(1,318,082)**	**(5,906,503)**
Trade Payables	408,265	767,244
Payroll Taxes	1,136,406	772,445
Taxes Payable	342,268	906,621
Funds for Future Grants	(389,645)	5,002,537
Deferred Revenue	(99,777)	(87,449)

		Restated
	2023	**2022**
Other Payables	(147,400)	464,497
Increase or (Decrease) in Liabilities	**1,250,117**	**7,825,895**
Net Cash from Operating Activities	**8,686,599**	**6,083,326**
FROM INVESTING ACTIVITIES		
Short-Term Investments	(4,354,780)	(3,311,745)
Increase in Property, Plant and Equipment/ Intangibles/Investments	(6,844,913)	(3,547,449)
Net Cash Flows Used by Investing Activities	**(11,199,693)**	**(6,859,194)**
FROM FINANCING ACTIVITIES		
Bank Borrowings	4,422,900	1,316,965
Payment of Leases	(669,229)	(798,432)
Net Cash from Financing Activities	**3,753,671**	**518,533**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,240,577**	**(257,335)**
Cash and Cash Equivalents at the Beginning of the Year	**3,581,498**	**3,838,833**
Cash and Cash Equivalents at the End of the Year	**4,822,075**	**3,581,498**

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

Explanatory notes to the financial statements for the years ended December 31, 2023 and 2022

(Figures in US Dollar, unless otherwise stated)

NOTE 1 – NATURE OF OPERATIONS

Dr. Raul Carneiro Hospital Association for Childhood Protection is a private sector not-for-profit, public utility civil entity, and is registered with the Brazilian Corporate Taxpayer Number (CNPJ, abbreviation in Portuguese) 76.591.569/0001-30. The entity is headquartered in the city of Curitiba (state of Paraná), at Av. Iguaçu 1472, Água Verde, founded on August 18, 1956, which is engaged in granting healthcare for children and adolescents aged from 0 to 18, through health assistance, education, research, and also charitable welfare by offering these services in order to comply with the rules that ensure an entity is classified as philanthropic and thus exempt from taxes.

It is worth noting that, regarding the provision of healthcare services, the entity makes available up to seventy percent (70%) of its assistance to the Brazilian Public Health System (known as SUS), closing the year above 60%, which is the minimum required by law.

The sources of revenue are the healthcare services provided by the Pequeno Príncipe Hospital, by the Pequeno Príncipe Vaccine Center, education services provided by the Pequeno Príncipe College, as well as donations and subsidies and agreements linked to scientific projects of the Pelé Pequeno Príncipe Research Institute and the other units of the Complex. All revenue is fully invested in the maintenance and development of its institutional objectives. The units maintained by Dr. Raul Carneiro Hospital Association for Childhood Protection, sponsor of the Pequeno Príncipe Complex, are:

- Pequeno Príncipe Hospital (which includes the former César Pernetta Children's Hospital);
- Pequeno Príncipe College;
- Pelé Pequeno Príncipe Research Institute; and
- Pequeno Príncipe Vaccine Center.

To enjoy the exemption from legal contributions to social security, the entity has the Certificate of Healthcare Charitable Welfare Entity (CEBAS, in Portuguese), which is renewed every three years by the Ministry of Health (after consulting the Ministry of Education about the College's areas of specialization). And the last CEBAS obtained by the entity is effective for the period from January 1, 2019 to December 31, 2021. The entity filed the requests for renewals for the subsequent years within the statutory deadlines, with the Ministry of Health, according to SEI MS No. 25000.165706/2021-80, and is awaiting their approval.

These financial statements were approved by management and authorized for issue on May 16, 2024.

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, in full compliance with Law No. 11,638/07 and Law No. 11,941/09, the pronouncements issued by the Accounting Pronouncements Committee (CPC, abbreviation in Portuguese) and approved by the Brazilian Federal Accounting Council (CFC, in Portuguese), and also in accordance with ITG 2002 (R1) 'Not-for-Profit Entities'.

2.1 Restatements of the financial statements for the year ended December 31, 2022

The Association is restating the financial statements for the year ended December 31, 2022 to better adapt them to current accounting practices and ensure that the financial statements taken as a whole are better understood, pursuant to the requirements of CPC 23 "Accounting Policies, Changes in Accounting Estimates and Errors", as shown on the next pages.

Statement of Financial Position	2022 (Stated)	Effect of error correction Adjustments (a)	Adjustments (b)	2022 (Restated)
Current Assets	**39,515,541**	**(286,946)**	**-**	**39,228,595**
Trade Receivables	4,558,065	(286,946)	-	4,271,119
Non-Current Assets	**31,154,805**	**-**	**-**	**31,154,805**
Total Assets	**70,670,346**	**(286,946)**	**-**	**70,383,401**
Current Liabilities	**28,000,230**	-	**(464,545)**	**27,535,685**
Payroll Taxes	5,204,123	-	(464,545)	4,739,578
Non-Current Liabilities	**6,058,517**	-	**-**	**6,058,517**
Total Liabilities	**34,058,747**	-	**(464,545)**	**33,594,202**
Total Net Assets	**36,611,598**	**(286,946)**	**464,545**	**36,789,200**
Net Worth	36,860,356	(110,857)	-	36,749,499
Retained Surplus	603,118	(170,087)	469,248	902,280
Accumulated Translation Adjustment	(12,889,889)	(6,000)	(4,703)	(12,900,592)
Total Liabilities and Net Assets	**70,670,345**	**(286,946)**	**-**	**70,383,401**

Statements of Surplus or Deficit for the Year	2022 (Stated)	Effect of error correction Adjustments (a)	Adjustments (b)	2022 (Restated)
Net Operating Revenue	64,614,605	-	-	64,614,605
Cost of Services	(41,030,676)	-	469,248	(40,561,428)
Gross Profit	**23,583,929**	**-**	**469,248**	**24,053,177**
Operating Expenses	**(24,241,983)**	**(170,087)**	**-**	**(24,412,070)**
General and Administrative Expenses	(11,008,374)	(170,087)	-	(11,178,460)

Statements of Surplus or Deficit for the Year			**Effect of error correction**	
	2022 (Stated)	**Adjustments (a)**	**Adjustments (b)**	**2022 (Restated)**
Op. Surplus Before Finance Income (Costs)	**(658,055)**	**(170,087)**	**469,248**	**(358,894)**
Surplus for the Year	**563,982**	**(170,087)**	**469,248**	**863,144**

Statements of Changes in Net Assets			**Effect of error correction**	
	2022 (Stated)	**Adjustments (a)**	**Adjustments (b)**	**2022 (Restated)**
Net Worth	36,860,356	(110,857)	-	36,749,499
Valuation Adjustment to Net Assets	12,038,013	-	-	12,038,013
Surplus Available to the General Meeting	603,118	(170,087)	469,248	902,280
Accumulated Translation Adjustment	(12,889,889)	(6,000)	(4,703)	(12,900,592)
Total Net Assets	**36,611,598**	**(286,946)**	**464,545**	**36,789,200**

Statement of Cash Flows			**Effect of error correction**		
	2022 (Stated)	**Adjustments (a)**	**Adjustments (b)**	**Adjustments (c)**	**2022 (Restated)**
From Operating Activities					
Surplus/Deficit for the Year	**563,982**	**(170,087)**	**469,248**	**-**	**863,144**
Adjusted for:					
Depreciation	1,997,877	-	-	-	1,997,877
Provision for Contingencies	(370,002)	-	-	-	(370,002)

Statement of Cash Flows			Effect of error correction		
	2022 (Stated)	Adjustments (a)	Adjustments (b)	Adjustments (c)	2022 (Restated)
Write-Off of Property, Plant and Equipment and Intangible Assets	-	-	-	215,557	215,557
Allowance for Expected Credit Losses	139,166	-	-	-	139,166
Translation Adjustment – Equity	2,338,247	(6,000)	(4,703)	-	2,327,544
Translation Adjustment – Fixed Assets/Lease Liabilities/Investments and Intangible Assets	(1,848,815)	-	-	-	(1,848,815)
Depreciation of Right-of-Use	689,152	-	-	(94,881)	594,271
PVA of Lease Liabilities	-	-	-	245,193	245,193
Adjusted Surplus/ Deficit for the Year	**3,509,607**	**(176,087)**	**464,545**	**365,869**	**4,163,934**
Trade Receivables	(46,725)	176,087	-	-	129,362
Inventories	(429,438)	-	-	-	(429,438)
Funds from Future Agreements	(5,063,403)	-	-	-	(5,063,403)
Other Receivables	(543,024)	-	-	-	(543,024)
Decrease (Increase) in Operating Assets	**(6,082,590)**	**176,087**	**-**	**-**	**(5,906,503)**
Trade Payables	767,244	-	-	-	767,244
Payroll, Benefits and Related Taxes	1,236,990	-	(464,545)	-	772,445
Taxes Payable	906,621	-	-	-	906,621
Funds for Future Grants	5,002,537	-	-	-	5,002,537

Statement of Cash Flows	2022 (Stated)	Adjustments (a)	Adjustments (b)	Adjustments (c)	2022 (Restated)
			Effect of error correction		
Deferred Revenue	(87,449)	-	-	-	(87,449)
Lease Liabilities	(14,819)	-	-	14,819	-
Other Payables	464,497	-	-	-	464,497
Increase (Decrease) in Operating Liabilities	**8,275,621**	**-**	**(464,545)**	**14,819**	**7,825,895**
Net Cash from Operating Activities	**5,702,638**	**-**	**-**	**380,688**	**6,083,326**
From Investing Activities					
Short-Term Investments	(3,311,745)	-	-	-	(3,311,745)
Increase of Right-of-Use Assets	(633,301)	-	-	633,301	-
Increase in Property, Plant and Equipment/ Intangible Assets/ Investments	(3,547,449)	-	-	-	(3,547,449)
Write-Off of Property, Plant and Equipment and Intangible Assets	215,557	-	-	(215,557)	-
Net Cash Flows from Investing Activities	**(7,276,938)**	**-**	**-**	**417,744**	**(6,859,194)**
Cash Flows from Financing Activities					
Bank Borrowings	1,316,965	-	-	-	1,316,965
Payment of Leases	-	-	-	(798,432)	(798,432)
Net Cash from Financing Activities	**1,316,965**	**-**	**-**	**(798,432)**	**518,533**

Statement of Cash Flows	2022 (Stated)	Effect of error correction Adjustments (a)	Adjustments (b)	Adjustments (c)	2022 (Restated)
Increase in Cash and Cash Equivalents	(257,335)	-	-	-	(257,335)
Cash and Cash Equivalents at the Beginning of the Year	3,838,833	-	-	-	3,838,833
Cash and Cash Equivalents at the End of the Year	3,581,498	-	-	-	3,581,498

(a) The entity identified the need to correct the amount US$ 286,946, that were recognized in line item "Trade Receivables for Education Services", of which US$ 170,086 refers to 2022 and US$ 116,857 refers to the 2021.

(b) The entity identified the need to correct line item "Payroll, Benefits and Related Taxes" amounting to US$ 464,545, referring to differences that existed between the support and accounting reports.

(c) The presentation adjustments contained in the lease line items in the "Statement of Cash Flows" have been corrected for a better presentation of the transactions.

All the adjustments were intended to ensure the entries were made in their appropriate reporting periods.

Note 3 - Material accounting policies

3.1 Classification of current and non-current items

Assets and liabilities expected to be realized within the next 12 months are classified as current items and those maturing or expected to be realized in more than 12 months are classified as non-current items.

3.2 Account netting

As a rule, in the financial statements, neither assets and liabilities nor revenues and expenses are offset against each other, except when offset is required or permitted by a Brazilian accounting pronouncement or standard, and such offset reflects the substance of the transaction.

3.3 Financial instruments

The entity classifies its financial assets as subsequently measured at amortized cost; at fair value through other comprehensive income; or fair value through profit or loss. Classification depends on the purpose for which financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a. Financial assets measured at amortized cost

Refers to financial assets held within a business model whose objective is to hold financial assets to collect their contractual cash flows. The contractual terms of the financial assets give rise, on specified dates, to cash flows consisting exclusively of payments of principal and interest on the principal amount outstanding.

b. Measurement of financial assets at fair value through other comprehensive income

Financial assets held within a business model whose objective is achieved both by the receipt of contractual cash flows and the sale of financial assets, and where the contractual terms of the financial asset give rise, on specified dates, to cash flows that are exclusively payments of principal and interest on the principal amount outstanding.

c. Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless they are measured at amortized cost or fair value through other comprehensive income. A financial asset is classified as held for trading if it is acquired with the purpose being sold in the short term. Financial assets in this category are classified in current assets.

Recognition and measurement

Regular-way purchases and sales of financial assets are recognized on trade date, the date on which the company commits to purchase or sell the asset. Investments are initially recognized at amortized cost. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the trade date when the entity becomes a party to the underlying contract.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred; in the latter case, provided that the entity has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are subsequently measured at fair value.

Loans and receivables are measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are presented in the statement of surplus or deficit in the period in which they occur.

a) Derecognition (write-off) of financial instruments

A financial instrument is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The entity has transferred its rights to receive cash flows from the financial asset or has assumed an obligation to pay in full the cash flows received without significant delay to a third party under a pass-through arrangement and (a) the company has transferred substantially all the risks and rewards of the asset; or (b) the company has neither transferred substantially nor retained all the risks and rewards of the asset, but has transferred control of the asset; and
- A financial liability is derecognized when the obligation is settled, discharged, canceled or when it expires. When an existing financial liability is replaced with another from the same lender with terms and conditions substantially different, or the terms of an existing liability are significantly modified, such replacement or modification is recognized as derecognition of the original liability and recognition of a new liability, and the difference in the carrying amounts is recognized in profit or loss.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash held by the entity, available bank deposits, and highly liquid short-term investments. As a result of internal decisions, funds in short-term investments may have a specific destination, in line with the strategic planning and governance system.

3.5 Trade receivables

Trade receivables correspond to the amounts receivable from customers for services rendered in the normal course of the entity's business.

Trade receivables are initially recognized at fair value and subsequently measured at their amortized cost using the effective interest method, less the allowance for impairment losses (credit losses). In practice they are usually recognized at the billed amount, adjusted to present value, if material, and adjusted by the allowance for impairment losses, if necessary.

3.6 Funds from future agreements/for future grants

The funds from future agreements are initially recognized as a claim in current assets, in line item "Funds from future agreements", and as a charge in current liabilities, in line item "Funds for future grants", and are subsequently recognized in the statement of surplus or deficit to the extent that the expenses of the agreement services are incurred.

3.7 Inventories

Inventories are recognized at the lower of cost and their recoverable amount. Cost is determined using the average cost method.

3.8 Investments

Investments in art works are measured using the cost method and tested for impairment and are reduced to the recoverable amount when applicable. It is worth mentioning the formation of a collection linked to Edson Arantes do Nascimento, Pelé, and the work carried out for its preservation.

3.9 Leases

3.9.1 Right-of-use assets

The cost of a right-of-use asset corresponds to the amount of the initial measurement of the related lease liability, plus the initial direct costs incurred, less any lease incentives received.

Depreciation is calculated on a straight-line basis from the lease commencement date to the first of the end of the useful life of the right-of-use asset or the end of the lease term.

3.9.2 Lease liabilities

The measurement of lease transactions corresponds to the total future payments of fixed lease payments, over to the period provided for in the contract entered into by the lessor and the entity. These payment flows are adjusted to present value taking into account the incremental borrowing rate.

Finance charges are accrued based on the incremental borrowing rate, over the remaining term of the contracts.

3.10 Property, plant and equipment

Property, plant and equipment items are stated at historical cost less depreciation. Historical cost includes costs directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, when and only when it is probable that future economic benefits associated with the item will flow into the company and the cost of the item can be measured reliably. All other repair and maintenance costs are recognized as a contra entry to profit or loss for the year as incurred.

Depreciation is calculated on a straight-line basis that takes into consideration the useful lives of the assets. The useful lives of the assets are periodically reviewed in order to adjust depreciation rates.

The residual amounts and the estimated useful lives of the assets are reviewed and adjusted, if necessary, at the end of each reporting period. The carrying value of an asset is immediately adjusted if it is greater than its estimated recoverable amount.

3.11 Intangible assets

Software licenses purchased are recognized as capital expenditures at the costs incurred to purchase the software and make it ready for use.

Amortization is calculated on a straight-line bases and takes into account the economic useful life of software licenses. The useful lives of the assets are periodically reviewed in order to adjust amortization rates.

3.12 Impairment of non-financial assets

Assets subject to depreciation are reviewed to confirm their impairment status and whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

An impairment loss is recognized if the amount by which the carrying amount of an asset exceeds its estimated recoverable amount. The latter is the higher of an asset's fair value less costs to sell and its value in use.

For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units, or CGUs). Impaired non-financial assets are reviewed in order to assess a possible reversal of the impairment loss on the reporting date of the financial statements.

3.13 Trade payables

Trade payables are obligations payable for goods or services that have been purchased from suppliers in the ordinary course of business and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are usually recognized at the amount of the corresponding invoice, adjusted to present value, when the effect is material.

3.14 Bank borrowings

Bank borrowings are initially recognized at fair value, less transaction costs incurred, and subsequently stated at amortized cost. Any difference between the amounts raised (less transaction costs) and the settlement amount is recognized in the statement of surplus or deficit during the period borrowings are outstanding, using the effective interest method.

3.15 Provisions

Provisions are recognized when the entity has an obligation at the end of the reporting period as a result of past events; it is likely that an outflow of funds will be required to settle the obligation; and the amount was reliably estimated, within legal provisions.

Provisions are measured at the best estimate of the amount required to settle the obligation at the end of the reporting period. When the time value of money is material, the provision amount is the present value of the disbursement expected to be required to discharge the obligation.

3.16 Revenue and expense recognition

Revenue and expenses are calculated in an accrual basis, taking into consideration the discretionary principle.

3.17 Recognition of revenue from services

Revenue includes the fair value of the consideration received or receivable from the sale of services in the normal course of business of the entity. Revenue is stated net of rebates and discounts.

The entity is engaged in the provision of healthcare services provided by the Pequeno Príncipe Hospital and the Pequeno Príncipe Vaccine Center, education services provided by the Pequeno Príncipe College, and receives funds from individuals and legal entities in the form of endowments and fees, as well as government grants for welfare, non-profit purposes.

Revenue is recognized to the extent that hospital and educational services are performed to entity patients/students, i.e., when the entity has already complied with the performance obligation agreed with the customer, and there has already been a transfer of control to the customer, as the right to receive any consideration in exchange for the goods or services provided is obtained.

The entity recognizes revenue when it is possible to meet the following criteria:

(i) Identifying the contract with the customer;
(ii) Identifying the contract's performance obligations;
(iii) Determining the transaction price;
(iv) Allocating the transaction price to the performance obligations; and
(v) Recognizing revenue when/as the performance obligation is satisfied.

3.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a willing transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction to sell an asset or transfer a liability will occur:

(i) In the principal market for the asset or liability; or
(ii) In the absence of a principal market, the most advantageous market for the asset or the liability. The principal or most advantageous market must be accessible to the entity.

The fair value of an asset or liability is measured based on the assumptions that market participants would use when setting the price of an asset or liability, assuming that market participants act in their best economic interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described below, based on the lowest-level information that is significant to the measurement of fair value as a whole:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can be accessed at the measurement date;

Level 2 – valuation techniques for which the lowest level and most significant inputs for the fair value measurement is directly or indirectly observable; and

Level 3 – valuation techniques for which the lowest level and most significant inputs for the fair value measurement are not available.

For fair value disclosure purpose, the entity has determined asset and liability classes based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above. Corresponding fair value disclosures of financial instruments and non-financial assets measured at fair value or at the time of fair value disclosures are summarized in the relevant notes.

3.19 Use of estimates and judgments

The preparation of financial statements requires the entity's management to rely on estimates to recognize certain transactions affecting assets and liabilities, revenues and expenses, as well as the disclosure of information on data in its financial statements. The final results of these transactions and information, when effectively realized in subsequent periods, may differ from those estimates.

The accounting policies and areas that require a greater degree of judgment and use of estimates in the preparation of financial statements are:

a) Expected credit losses that are initially accrued and subsequently recognized as losses when all collection efforts have been exhausted;
b) Recoverable amount of inventories, property, plant and equipment and intangible assets;
c) Useful lives and residual value of property, plant and equipment and intangible assets;
d) Contingent liabilities that are provided for according to the likelihood of a favorable outcome, obtained and measured jointly with the entity's legal counsel; and
e) Rates and maturities applied to determine the present value adjustment of certain assets and liabilities.

3.20 Foreign currency transaction

The functional currency of **Dr. Raul Carneiro Hospital Association for Childhood Protection** is the *Reais*, which is the main currency of operations and the environment in which the company operates. For presentation purposes, the financial statements are converted from the functional currency (*Reais*) to the presentation currency (Dollar) at the closing exchange rates, and average rates (income statement for the year). The translation adjustment was accounted in the net equity.

	December, 2023	December, 2022
Dollar – Closing exchange rate	4.8413	5.2177
Dollar – Average rate	4.9953	5.1654

Note 4 – Cash and cash equivalents

	2023	2022
Cash	10,260	8,508
Banks	564,897	380,652
Highly Liquid Short-Term Investments (*)	4,246,918	3,192,338
Total	**4,822,075**	**3,581,498**

(*)	Yield	2023	2022
Bradesco Bank	101% of CDI	486,514	1,504,687
Banco do Brasil Bank	107% of CDI	135,033	454,436
Itaú Bank	106% of CDI	73,498	131,944
Safra Bank	106% of CDI	1,163,700	135,938
Santander Bank	102% of CDI	1,387,730	659,214
Paraná Bank	108% of CDI	1,000,443	239,382
XP Investments	-	-	66,737
Total Short-Term Investments		**4,246,918**	**3,192,338**

Note 5 – Short-term investments

	2023	2022
Short-Term Investments (*)	18,765,275	14,410,495
Total	**18,765,275**	**14,410,495**

(*)	Yield	2023	2022
Safra Bank	103% of CDI	4,497,495	2,465,405
Santander Bank	102% of CDI	12,001,441	11,945,090
Bradesco Bank	103% of CDI	695,172	-
Paraná Bank	108% of CDI	1,571,167	-
Total Short-Term Investments		**18,765,275**	**14,410,495**

The balance of the financial investments disclosed herein was determined to meet the provisions of Chapter IV, Article 11, of the Association's Bylaws, which provides for the recognition of a fund consisting of mandatory savings of at least 1% of revenue from the services provided by its operational units, whose objective is to ensure the perpetuity of the cause stated in its core business. And, with the express consent of use by the Superior Council and the General Meeting, part of the funds saved can be allocated to investments in new businesses, such as the construction of the Pequeno Príncipe North – Juril Carnasciali Teaching and Research Hospital Complex, on land in the Bacacheri district, neighboring the area of the Air Base/Cindacta II.

Note 6 – Trade receivables

	2023	2022 Restated
Hospital Services Customers	5,076,054	4,482,809
Vaccination Customers	1,345	246,751
Education Customers	1,078,985	481,574
(+) Loss Allowance (a)	(1,019,928)	(940,014)
Total Current	**5,136,456**	**4,271,120**
Hospital Services Customers (b)	397,542	-
Total Non-Current	**397,542**	-
Total Trade Receivables	**5,533,998**	**4,271,120**

(a) Aging List of Receivables:

	2023	2022 Restated
Current	3,922,411	3,594,795
1 to 30 days past due	236,191	55,600
31 to 90 days past due	457,057	28,365
91 to 120 days past due	60,783	6,550
Over 121 days past due	1,877,484	1,525,824
Total	**6,553,926**	**5,211,134**

Allowance recognized based on an analysis of trade receivables, taking into account factors such as payment history and possible losses, customers' financial conditions, and market trends, as a preventive measure to anticipate possible future losses, as described in note 3.5.

As at December 31, 2021	**(800,848)**
Recognition of ECL Allowance	(419,122)
Losses/Results	335,641
As at December 31, 2022	**(940,014)**
Recognition of ECL Allowance	(330,063)
Recoveries/Reversals	323,234
As at December 31, 2023	**(1,019,928)**

(b) Trade receivables collected in courts. Accordingly, management considered that it would be justifiable to reclassify these balances to non-current assets.

Note 7 – Funds from future agreements (assets/for future grants – liabilities)

They refer to funds earmarked by Congress, government transfers and agreements, and tax incentive projects, such as the FIA (Fund for Children and Adolescents), Pronon (National Program to Support Oncology Care), Pronas/PcD (National Program to Support Healthcare for People with Disabilities), as well as endowments from legal entities and individual donations. Of the amount of US$ 13,329,360 (assets), which results from a major organized effort to raise funds from the community (individuals and legal entities) and government agencies, US$ 5,331,744, equivalent to 40%, will be invested in the modernization of buildings and acquisition of equipment, and US$ 7,997,616, equivalent to 60%, will be used in the maintenance of the facilities, the acquisition of medicines (especially the high-cost medicines), special supplies, and other hospital supplies, and in the cost of specialized labor, notably for the Research Institute.

The amount in liabilities is US$ 13,264,276, generating a difference of US$ 65,084 compared to assets, resulting from the contribution made by the Association, related to agreements 5663/20 – Comtiba and 115/21 – SESA/PR (Paraná State Department of Health), which require the Association financial contribution in the respective investment plan.

We clarify that the funds raised must be used according to the investment plan of each fundraising project and/or agreement. All these projects contain specific investment plans and are subject to continuous audits and strict expense reporting.

Nota 8 – Inventories

	2023	2022
Central Pharmacy	1,112,328	1,471,218
Vaccines	112,805	94,267
Central Storeroom	151,937	148,523
Laboratory and Research Supplies (*)	203,265	227,537
Maintenance	13,666	25,382
Other Supplies	207	404
Total	**1,594,208**	**1,967,331**

(*) It refers to the supplies used in research (Pelé Pequeno Príncipe Research Institute) and the use of the Clinical Analysis Laboratory.

In 2023 and 2022, no allowance was recognized as there were no slow-moving inventories.

Note 9 – Other receivables

	2023	2022
Advances to Employees	64,452	25,197
Advances to Suppliers	514,866	253,347
Eunice Weaver Association of Paraná – AEW-PR **(a)**	1,240,629	576,762
Inter Americano **(a)**	-	363,830
Prepaid Expenses on Congresses **(b)**	98,851	91,720
Other Receivables **(a)**	188,447	64,483
Total	**2,107,245**	**1,375,339**
Current Assets	2,008,394	1,283,619
Non-Current Assets	98,851	91,720
Total	**2,107,245**	**1,375,339**

(a) Balances related to amounts transferred as loans to the Eunice Weaver Association of Paraná (AEW-PR, abbreviation in Portuguese) and to the *Centro Cultural Brasil Estados Unidos – Inter Americano* (2022), aimed at providing funds for economic activities conducted by the borrowers. In the case of AEW-PR, the amounts were invested in the capitalization of a business company specializing in the purchase and sale of medical devices, while for the funds transferred to *Inter Americano* are being used in a teaching activity called *Multiplica PP.* In both cases, the funds generated will be used to repay the loans. The amounts are not adjusted for inflation.
(b) Amounts unchanged in 2022, because the congress was postponed to 2025 due to the COVID-19 pandemic.

Note 10 – Investments

	Art works	Total
As at December 31, 2022		
Cost	131,403	121,525
Net Carrying Amount	**131,403**	**121,525**
Additions	-	404,191
Translation Adjustment	3,061	
Closing Balance	**134,464**	**525,716**
As at December 31, 2023		
Cost	134,464	525,716
Net Carrying Amount	**134,464**	**525,716**
Additions	-	3,500
Translation Adjustment	10,454	(100,000)
Closing Balance	**144,918**	**429,216**

The amount of US$ 144,918 related to art works, refers to several art works acquired by or donated to the Association, which form a collection exhibited in several places and consists of paintings, sculptures and other art works, especially those that as their theme have king Pelé himself, a supporter of the Research Institute, and which may be used in the future to raise funds for the Association through auctions and cultural initiatives.

Note 11 – Leases

11.1 Right-of-use

a) Right-of-use assets

Right-of-Use Assets		Leases (*)
Average Contract Term/Useful Life (years)		1 to 5
	Properties	**Total**
Balance at December 31, 2021	**1,265,221**	**1,265,221**
Additions	633,301	633,301
Write-Offs	(102,047)	(102,047)
Depreciation	(689,152)	(689,152)
Translation Adjustment	94,881	94,881
Balance at December 31, 2022	**1,202,204**	**1,202,204**
Depreciation	(646,868)	(646,868)
Translation Adjustment	72,886	72,886
Balance at December 31, 2023	**628,222**	**628,222**

(*) Leases refer to contracts for the lease of properties used for the provision of healthcare, education, and administrative services.

11.2 Lease liabilities

Lease Liabilities	Leases	Present Value Adjustment (PVA)	Total
Balance at December 31, 2021	**1,600,070**	**(291,192)**	**1,308,878**
Additions	585,669	(35,107)	550,562
Write-Offs	(111,025)	9,632	(101,393)
Payments in the Period	(798,432)	243,434	(554,998)
Translation Adjustment	111,257	(20,246)	91,011
Balance at December 31, 2022	**1,387,539**	**(93,479)**	**1,294,060**
Additions	-	-	-
Write-Offs	-	-	-
Payments in the Period	(721,047)	69,795	(651,252)
Translation Adjustment	51,818	(1,841)	49,977
Balance at December 31, 2023	**718,310**	**(25,525)**	**692,785**
Current Portion	718,310	(25,525)	692,785
Non-Current Portion	-	-	-

Hospital Furniture and Utensils	Computers and Peripherals	Vehicles	Fixed Assets/ Works in Progress	Other Fixed Assets	Total
2,536,490	2,240,994	92,503	3,262,287	346,521	43,503,527
(690,921)	(1,338,269)	(79,063)	-	(278,836)	(16,989,154)
1,845,569	**902,725**	**13,440**	**3,262,287**	**67,685**	**26,514,373**
187,749	526,673	35,840	754,808	-	3,527,531
(31,204)	(17,260)	-	-	-	(214,071)
-	-	-	-	-	-
128,327	62,769	935	226,835	4,706	1,843,612
(218,857)	(357,390)	(4,854)	-	-	(2,271,922)
(7,051)	(18,145)	(2,589)	-	-	132,432
23,106	13,140	-	-	-	157,529
82,070	**209,787**	**29,332**	**981,643**	**4,706**	**3,175,111**
2,821,362	2,813,176	129,278	4,243,930	351,227	48,660,598
(893,723)	(1,700,664)	(86,506)	-	(278,836)	(18,971,115)
1,927,639	**1,112,512**	**42,772**	**4,243,930**	**72,391**	**29,689,483**
445,592	746,239	40,464	1,065,755	665	6,818,879
(107,302)	(61,466)	-	-	(665)	(1,526,805)
-	-	-	(546,189)	-	-

Description	Land	Buildings and Improvements	Miscellaneous Machinery and Equipment	Hospital Equipment	Installations
Translation Adjustment	495,976	589,509	192,501	409,600	20,365
Depreciation	-	(688,257)	(420,428)	(1,102,582)	(6,747)
Depreciation of Useful Life	-	188,232	121,077	222,318	(58,211)
Write-Offs	-	263,757	33,718	156,760	979
Net Book Value	**7,309,031**	**8,597,952**	**3,562,140**	**6,861,593**	**87,072**
On December 31, 2023					
Cost	7,309,031	15,233,042	6,494,234	14,052,351	629,901
Accumulated Depreciation	-	(6,635,090)	(2,932,094)	(7,190,758)	(542,830)
Net Book Value	**7,309,031**	**8,597,952**	**3,562,140**	**6,861,593**	**87,072**

Breakdown of construction in progress:

Description	2023	2022
Fire Prevention Renovation and Adaptation	-	424,886
Medical Renovation – ICU	-	383
Cardiology Ward Renovation	-	479
Research Institute Cabral Renovation	484,387	381,677
Renovation – Central Courtyard Revival	-	287
Other Renovations	-	-
Leasehold Improvements	758,016	265,090
Purchase of PP&E – Hospital Equipment	-	-
PP&E (Purchases) in Transit	-	80,752
Economic and Financial and Environmental, Architectural/Engineering Feasibility Projects in Bacacheri, for Pequeno Príncipe North	3,330,664	3,090,375
Ramp Renovation and Installation – Pequeno Príncipe Hospital	437,316	-
Restaurant Renovation – Pequeno Príncipe College	67,081	-
Block 5 Renovation – Pequeno Príncipe College	15,987	-
Total	**5,093,451**	**4,243,930**

Construction works related to the first stage of construction of Pequeno Príncipe North began at the end of the first quarter of 2024, as approved by permit 394,567, issued on June 30, 2023 by the City of Curitiba, and will be carried out by the RTB Consortium, in accordance with the contract entered into by the parties on February 7, 2024. The funds to complete the works are duly budgeted, as disclosed in note 5.

Note 13 – Intangible assets

Description	Software	Total
Amortization Rate	**20%**	
As per December 31, 2021		
Cost	784,926	784,926
Accumulated Amortization	(754,138)	(754,138)
Net Carrying Amount	**30,788**	**30,788**
Additions	19,918	19,918
Translation Adjustment	2,142	2,142
Amortization	(13,705)	(13,705)
Useful Life Review Amortization	(2,211)	(2,211)
Closing Balance	**36,932**	**36,932**
As per December 31, 2022		
Cost	806,986	806,986
Accumulated Amortization	(770,054)	(770,054)
Net Carrying Amount	**36,932**	**36,932**
Additions	26,034	26,034
Write-Offs	(4,719)	(4,719)
Translation Adjustment	2,329	2,329
Amortization	(15,616)	(15,616)
Useful Life Review Amortization	(1,436)	(1,436)
Closing Balance	**43,524**	**43,524**
As per December 31, 2023		
Cost	830,630	830,630
Accumulated Amortization	(787,106)	(787,106)
Net Carrying Amount	**43,524**	**43,524**

Note 14 – Trade payables

	2023	2022
Supplies and Medicine Suppliers	1,400,783	1,271,218
General Materials Suppliers	382,582	262,542
Suppliers – Goods	35,178	48,533
Prosthetics Suppliers	568,531	292,678
Services Suppliers	395,909	409,096
Suppliers – Medical Fees	69,052	127,749
Equipment Suppliers	-	38,785
Other Suppliers	489,403	482,572
Total	**3,341,438**	**2,933,173**

Note 15 – Bank borrowings

	Charges	Guarantees	2023	2022
Itaú Bank – Revolving Credit	1.35% p.m.	Corporate sureties	-	1,542,838
Bradesco Bank – Revolving Credit	1.30% p.m.	Corporate sureties	843,791	1,341,442
Santander Bank – Working Capital	0.59% p.m.	Credit receivables	-	461,839
Santander CP	0.29% p.m.	Credit receivables	229,507	212,950
Santander – Overdraft Acc.	1.42% p.m.	Credit receivables	1,256,895	128,359
Safra Bank – Revolving Credit	1.34% p.m.	Corporate sureties	413,112	502,223
Banco do Brasil Bank – Revolving Credit	1.21% p.m.	Corporate sureties	2,065,561	-
Santander Bank	CDI + 0.19% p.m.	Claims on SUS	293,162	-
Bradesco Bank	CDI + 0.25% p.m.	Claims on SUS	482,136	-
Total Short Term			**5,584,164**	**4,189,651**
Santander Bank – Working Capital	0.29% p.m.	Credit receivables	739,711	744,196
Santander Bank	CDI + 0.19% p.m.	Claims on SUS	1,797,803	-
Bradesco Bank	CDI + 0.25% p.m.	Claims on SUS	1,235,069	-
Total Long Term			**3,772,583**	**744,196**
Grand Total			**9,356,747**	**4,933,847**
Borrowings – Due Within One Year			5,584,164	4,189,651
Total Short Term			**5,584,164**	**4,189,651**
Borrowings – Due Within More than One Year			3,772,583	744,196
Total Long Term			**3,772,583**	**744,196**
Total			**9,356,747**	**4,933,847**

Maturity schedule	2023	2022
2023	5,584,164	4,189,651
2024	1,145,253	248,065
2025	1,145,253	248,065
2026	1,101,741	248,065
2027	380,336	-
Total	**9,356,747**	**4,933,847**

Note 16 – Payroll, benefits and taxes thereon

	2023	2022 Restated
Salaries and Wages Payable	1,491,998	1,305,997
Payroll Taxes	709,481	490,560
Vacation Pay	164,711	140,737
Nursing Salary Floor (*)	302,155	-
Accrued Vacation Pay and Taxes Thereon	3,170,449	2,686,686
Severance Pay Fund (FGTS) Installment Plan	11,852	49,738
Other	36,140	76,662
Total	**5,886,786**	**4,750,380**
Current Portion	**5,886,786**	**4,739,578**
Non-Current Portion	**-**	**10,802**

(*) Amounts referring to the grants received for the payment of the nursing salary floor. Established by Law No. 14,434/2022, the amounts of which were transferred to the Association only in 2023.

Note 17 – Taxes payable

	2023	2022
Withholding Income Tax (IRRF)	533,941	373,632
Other Withholding Taxes	53,384	38,872
Taxes in Installments **(a)**	1,105,196	937,749
Total	**1,692,521**	**1,350,253**
Current Portion	**690,218**	**497,888**
Non-Current Portion	**1,002,303**	**852,365**

(a) The balances consist of taxes on revenue (PIS, abbreviation in Portuguese for Social Integration Program/Cofins, term also in Portuguese for Contribution for Social Security Financing) payable in installments falling due in 2023-2035.

Note 18 – Deferred revenue

	2023	2022
Revenue from the Banking Service Center	195,196	261,610
Revenue from the Blood Bank	68,852	102,215
Total	**264,048**	**363,825**
Current Liabilities	128,065	118,826
Non-Current Liabilities	135,983	244,999
Total	**264,048**	**363,825**

The entity is a party to contracts with a financial institution to provide space for a bank service center on its premises and with the Paraná Institute of Hemotherapy and Hematology (blood bank), both for a 60-month period. So the revenue was prepaid for these contracts' entire period.

Note 19 – Provision for contingencies

The entity calculates provisions for contingencies by recognizing the full litigation amount when the likelihood of an unfavorable outcome is probable and 50% when the likelihood of an unfavorable outcome is possible. The labor and civil lawsuits with a probable likelihood of an unfavorable outcome amount to US$ 1,786,809 and the with a possible likelihood of an unfavorable outcome amount to US$ 1,946,542, totaling US$ 3,733,351.

	2023	2022
Labor Contingencies	90,621	229,920
Civil Contingencies	1,696,188	3,329,461
Total Probable Contingencies	**1,786,809**	**3,559,381**
Labor Contingencies	59,295	55,139
Civil Contingencies	3,771,196	1,292,500
Tax Contingencies	-	120,940
Total Possible Contingencies	**3,830,491**	**1,468,579**
Total Probable/Possible Contingencies	**5,617,300**	**5,027,960**
Recognized		
Probable Contingencies	1,786,809	3,559,381
Possible Contingencies	1,946,542	-
Total	**3,733,351**	**3,559,381**
Escrow Deposits	-	-
Net Effect	**3,733,351**	**3,559,381**

Note 20 – Net assets

The entity's net assets are represented by the net worth of US$ 36,749,499, the accumulated surplus of US$ 4,736,042, and by the valuation adjustment to net assets of US$ 11,938,237.

The balance of the surplus for the year will be made available to the General Meeting for allocation.

The balance of the valuation adjustment to net assets refers to the recording specifically of the cost effect assigned to the fixed assets.

Note 21 – Net operating revenue

	2023	2022
Healthcare Revenue	**49,279,490**	**43,872,097**
Brazilian Public Health System (SUS)	16,669,528	14,644,751
Agreements	29,841,120	27,660,348
Individuals	2,768,842	1,566,998
Education Services Revenue	**17,677,857**	**14,234,151**
Monthly Tuitions	17,365,064	13,960,229
Other Income	312,793	273,922
Use of Proceeds	**16,674,543**	**10,410,331**
Welfare Subsidies	8,874,383	5,110,469
Private Initiative Campaigns	7,800,160	5,299,862
Gross Operating Revenue	**83,631,890**	**68,516,579**
Agreement Disallowances	(1,647,779)	(808,903)
Free Services Granted	(3,252,065)	(2,340,484)
Scholarships	(1,135,627)	(752,587)
(-) Revenue Deductions	**(6,035,471)**	**(3,901,974)**
Net Operating Revenue	**77,596,419**	**64,614,605**

21.1 Use of proceeds from fundraising

In 2023, the use of proceeds from fundraising reached US$ 13,674,543, which means a year-on-year increase of 55%, and which contributed decisively to the reported surplus.

Note 22 – Agreement disallowances

The disallowances are recognized on a monthly basis, on an accrual basis and are the result of non-payment by healthcare plan and medical agreement fees related to procedures, medicines, supplies, and fees spent in the care of patients.

In 2022, disallowances amounting approximately to US$ 808,903 were recognized for a billed revenue of US$ 28,601,963, i.e., 2.92% of revenue.

In 2023, disallowances amounting approximately to US$ 1,647,779 were recognized for a billed revenue of US$ 29,841,120, i.e., 5.52% of revenue. The increase in disallowances is due to new criteria adopted by the healthcare operators and management is negotiating with them how to remedy this situation.

Note 23 – Cost of services

	2023	2022 Restated
Personnel Costs	21,046,675	17,240,622
Supplies and Medicines	12,478,906	10,105,322
Medical Fees	9,173,218	7,327,353
Food	1,232,877	1,066,195
Maintenance	1,202,214	675,486
Individual and Incorporated Contractors	819,751	1,013,785
Consumables	765,510	674,504
Utilities	456,103	469,384
Other Costs	2,449,412	1,988,777
Total	**49,624,666**	**40,561,428**

Note 24 – Operating expenses

24.1 General administrative expenses

	2023	2022
Depreciation and Amortization **(i)**	2,047,532	2,161,153
General Adm. Consumables	1,527,309	1,176,842
Services from Incorporated Contractors	2,462,939	2,732,453
Services from Individual Contractors	57,609	360,725
Adm. Marketing	840,874	767,221
Utilities	549,763	612,487
Expenses on Doubtful Debts	316,424	504,314
Provision for Court Losses	8,007	234,613
Property and Equipment Leases	707,514	643,219
Other General Administrative Expenses	1,262,692	1,985,432
Total	**9,780,663**	**11,178,460**

(i) Due to the limitation of the integrated management system (known as MV), which does not segregate depreciation and amortization between costs and expenses, depreciation is fully recognized in line item "General administrative expenses".

24.2 Other income (expenses)

	2023	2022
Revenue from Property Lease	171,763	159,536
Parking Lot Income	61,197	44,817
Income from Internship Agreement	438,164	384,260
Income from Clinical Research	169,274	341,977
Other Operating Income	38,432	25,406
Tax Expenses	(189,391)	(56,170)
Other Operating Expenses	(31,426)	(39,460)
Total	**658,013**	**860,366**

Note 25 – Financial income and costs

Finance Income	2023	2022
Income from Short-Term Investments	2,398,096	1,853,257
Discounts Obtained	189,434	138,347
Interest Received	8,960	13,351
Total Finance Income	**2,596,490**	**2,004,955**
Finance Costs		
Interest Paid/Discounts Granted	(143,722)	(65,433)
Banking Fees and Commissions	(207,038)	(116,379)
Bank Borrowing Costs	(1,222,493)	(601,106)
Total Finance Costs	**(1,573,251)**	**(782,918)**
Finance Income (Costs), Net	**1,023,239**	**1,222,037**

Note 26 – Annual provision of services to SUS

In 2023, the provision of services to the SUS was carried out in accordance with the rules provided for by Supplementary Law 187/21, and by the service agreement entered into with the Curitiba Municipal Department of Health, and all qualitative and quantitative target were met.

Note 27 – Investment of free education

27.1 Statement of compliance with the minimum number of full scholarships

In compliance with Article 13-A of Law No. 12,101/09 (College Education) and Article 11 of Law No. 11,096/05 (College Education), the entity granted one full scholarship for every nine paying students in 2023 to comply with the Prouni Program and supplemented them with full and partial Prouni scholarships to reach 20% free of charge, as shown on the next page.

	Number	Number
Undergraduate and graduate courses	**2023**	**2022**
Students enrolled in undergraduate and graduate courses	1,399	1,126
Paying students in undergraduate and graduate courses	1,137	895
Students needed (ratio 1 to 9)	127	100
Students with Prouni scholarships	327	254
Students with full scholarships – Institutional	15	22

27.2 Investments in free education under Law No. 12,101/09

College education	Number in 2023	Amount (US$) for 2023	Number in 2022	Amount (US$) for 2022
Number of enrolled students	1,399	16,907,640	1,126	12,986,701
Prouni 100% scholarships	247	3,260,541	209	2,255,072
Prouni 50% scholarships	80	95,004	45	61,952

The revenue above refers to undergraduate courses.

In addition to the free education granted above, in 2023, the entity granted US$ 866,068 in scholarships (US$ 752,587 in 2022), as an incentive to the technical and scientific development of healthcare professionals, and of this amount a total of US$ 43,435 are Valuing Talents scholarships granted to employees of the Pequeno Príncipe Complex.

Note 28 – Exemptions enjoyed

In 2023, Dr. Raul Carneiro Hospital Association for Childhood Protection obtained tax exemptions totaling US$ 13,260,451, distributed as follows:

	SUMMARY OF EXEMPTION PER ENTITY				
	HPP(1)	CEVA(2)	FPP(3)	IPP(4)	TOTAL
Corporate Income Tax (IRPJ)	1,044,728	-	-	-	**1,044,728**
Social Contribution (CSLL)	377,832	-	-	-	**377,832**
Employer Social Security Contribution (INSS)	5,878,281	33,744	1,693,716	357,931	**7,963,672**
Tax on Revenue (Cofins)	890,066	36,954	398,705	1,846	**1,327,571**
Tax on Revenue (PIS)	404,297	9,221	147,311	13,274	**574,103**
Property Tax (IPTU)	121,931	-	-	-	**121,931**
Service Tax (ISS)	1,520,146	61,590	265,803	3,075	**1,850,614**
GRAND TOTAL	**10,237,281**	**141,509**	**2,505,535**	**376,126**	**13,260,451**

(1) HPP – Pequeno Príncipe Hospital;
(2) CEVA – Pequeno Príncipe Vaccine Center;
(3) FPP – Pequeno Príncipe College; and
(4) IPP – Pelé Pequeno Príncipe Research Institute.

Note 29 – Volunteer work

The cost of the volunteer work used by the Association was estimated based on the amounts charged by the market for the activities performed by the volunteers, totaling US$ 62,586 in service hours.

Note 30 – Insurance (unaudited)

As per December 31, 2023, the Dr. Raul Carneiro Hospital Association for Childhood Protection had insurance policies contracted with insurance companies in Brazil to cover sundry risks, fire, and theft for buildings, vehicles, and equipment.

Line	Subject Matter	Coverage	Effective Period
Crash	Fleet	US$ 227,212	From 5/8/2023 to 5/8/2024
Fire and Other Damages	Property	US$ 12,651,147	From 4/3/2023 to 4/3/2024
Civil Liability	D&O	US$ 1,032,780	From 9/14/2023 to 9/14/2024

The entity's management considers that the insurance coverage amount is sufficient to cover any claims on its facilities and assets.

Note 31 – Risk and financial instrument management

Financial instruments

The entity's main financial instruments are cash and cash equivalents, short-term investments, trade receivables, borrowings and financing, and trade payables. The market values of these financial instruments as per December 31, 2023 and 2022 do not differ materially from those recognized in the financial statements.

Derivative financial instruments

The entity does not use derivative financial instruments.

As per December 31, 2023	Financial Assets at Amortized Cost	Other Financial Liabilities	Total Carrying Amount
Financial Assets			
Cash and Cash Equivalents	4,822,075	-	4,822,075
Short-Term Investments	18,765,275	-	18,765,275
Trade Receivables	5,533,999	-	5,533,999
	29,121,349	-	**29,121,349**
Financial Liabilities			
Trade Payables	-	3,341,438	3,341,438
Borrowings and Financing	-	9,356,747	9,356,747
	-	**12,698,185**	**12,698,185**
As per December 31, 2022			
Financial Assets			
Cash and Cash Equivalents	3,581,498	-	3,581,498
Short-Term Investments	14,410,495	-	14,410,495
Trade Receivables	4,271,119	-	4,271,119
	22,263,112	**-**	**22,263,112**
Financial Liabilities			
Trade Payables	-	2,933,173	2,933,173
Borrowings and Financing	-	4,933,847	4,933,847
	-	**7,867,019**	**7,867,019**

The entity reviewed the main asset and liability financial instruments, as well as the criteria for their measurement, valuation, classification, and related risks, which are described below.

a) Receivables: The amounts of cash held by the entity and bank deposits and trade receivables the carrying amount of which approximate, at the end of the reporting period, to their realizable values are classified as receivables.
b) Other financial liabilities: Borrowings and financing, trade payable balances, and other current liabilities are classified in these other financial liabilities. Borrowings and financing

are classified as financial liabilities not measured at fair value and are accounted for at their contractual amounts.

c) Fair value: The fair values of the financial instruments are equal to their carrying amount.
d) Risk management of financial instruments: Management manages the exposure to interest rate, credit and liquidity risks in its operations using financial instruments within an overall policy of its business.

• Interest rate risks

The goal of the entity's interest rate management policy is to minimize the possibility of losses due to fluctuations in interest rates that increase financial expenses related to loans and financing raised in the market.

The entity continuously monitors market interest rates in order to evaluate a possible need to hire transactions to hedge against the volatility risk of these rates and adopts a conservative stance for fundraising and investing its financial resources, striving for matching used rates.

• Credit risk

The entity's customer base has a certain degree of concentration in a few key clients. Through internal controls, the entity permanently monitors the submission of invoices and other information linked to the agreements, which limits the risk of default and disallowances. Management recognizes an allowance for doubtful debts for losses considered probable.

As for the credit risks related to short-term investments and cash equivalents, the entity only conducts transactions with low-risk financial institutions.

Note 32 – Segment reporting

The Dr. Raul Carneiro Hospital Association for Childhood Protection operated in the following reportable segments:

HPP – Pequeno Príncipe Hospital;
CEVA – Pequeno Príncipe Vaccine Center;
FPP – Pequeno Príncipe College; and
IPP – Pelé Pequeno Príncipe Research Institute.

As per December 31, 2022 (Restated)	HPP	CEVA
Assets	-	-
Liabilities	-	-
Net Revenue	52,282,742	1,190,785
Cost of Services	(33,768,233)	(892,211)
Gross Surplus	**18,514,509**	**298,574**
Operating Expenses	-	-
Finance Income (Costs)	-	-
Profit for the Year	**18,514,509**	**298,574**
As per December 31, 2023		
Assets	-	-
Liabilities	-	-
Net Revenue	63,074,462	1,231,793
Cost of Services	(40,561,553)	(1,137,384)
Gross Surplus	**22,512,909**	**94,409**
Operating Expenses	-	-
Finance Income (Costs)	-	-
Loss for the Year	**22,512,909**	**94,409**

Note: The entity's assets, liabilities, operating expenses, and finance income (costs) are not controlled by segment; so they are not separately disclosed.

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Independent auditor's report on the financial statements

To the management, board of directors, associate members and sponsors of
Dr. Raul Carneiro Hospital Association for Childhood Protection – Curitiba – state of Paraná

Qualified opinion

We have audited the financial statements of Dr. Raul Carneiro Hospital Association for Childhood Protection, which comprise the statement of financial position as per December 31, 2023, and the statement of surplus or deficit, statement of comprehensive income, statement of changes in net assets, and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects that might arise from the matter discussed in *Basis for qualified opinion* section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Dr. Raul Carneiro Hospital Association for Childhood Protection, as per December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil applicable to not-for-profit entities (ITG 2002).

Basis for qualified opinion

Property, plant and equipment

As described in note 12 to the financial statements, as per December 31, 2023, the entity recognizes in property, plant and equipment the net amount US$ 35,371,681 and submitted managerial control of the respective property, plant and equipment made by the function called Equity Control, which reports to the controller. However, we found differences between the cost accounting balances (accounting balance overstated by US$ 103,322) and accumulated depreciation (accounting balance understated by US$ 108,377) compared to the respective managerial controls. Management was not able to prepare the respective reconciliations in a timely manner, making it impossible for us to perform sufficient and appropriate audit procedures that would allow us to conclude on the adequacy of the accounting balance of property, plant and equipment amounting to US$ 35,371,681, as at December 31, 2023, and the depreciation expense amounting to US$ 2,047,532 recognized in surplus or deficit for the year then ended. In addition, in 2023, the entity's management hired a firm specialized in property, plant and equipment inventories, in order to make the necessary logistic adjustments and calculate the remaining useful lives of the assets. However, the respective reconciliation work and consequent adjustments have not been completed to date.

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs).

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 entity in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council – 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 qualified audit opinion.

Other matters

Audit of the figures corresponding to the prior year

The amounts corresponding to the year ended December 31, 2022, presented for purposes of comparison, were audited by another independent auditor, who issued a qualified report thereon, dated June 26, 2023, containing the following qualifications: Differences between the accounting balance and the financial report in the property, plant and equipment group, payroll taxes, and revenues from agreements and disallowances. For 2023, except for the matter involving property, plant and equipment, all the matters described in this paragraph referring to the audit of the previous year were reviewed, substantially resolved, and adjusted in 2023 according to the restatement adjustments described in note 2 to the financial statements. As a result, we did not maintain these matters in our report.

Responsibility of management and those charged with governance for the financial statements

The company's 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless management either intends to liquidate the company and its subsidiaries or to cease operations, or has no realistic alternative to avoid doing so.

Those charged with governance are those individuals responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the financial statements

The objectives of our audit 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 Audit Standards 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 based on 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 individual and consolidated 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 the override of internal control, collusion, forgery, intentional omissions, or misrepresentations;
- Obtain an understanding of the internal controls 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 company'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 company's ability to continue in operation. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated 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.

Curitiba (state of Paraná),
May 16, 2024.

Grant Thornton *Auditores Independentes* Ltda.
CRC PR-011.979/F-1

Marcello Palamartchuk
Accountant CRC 1PR-049.038/O-9