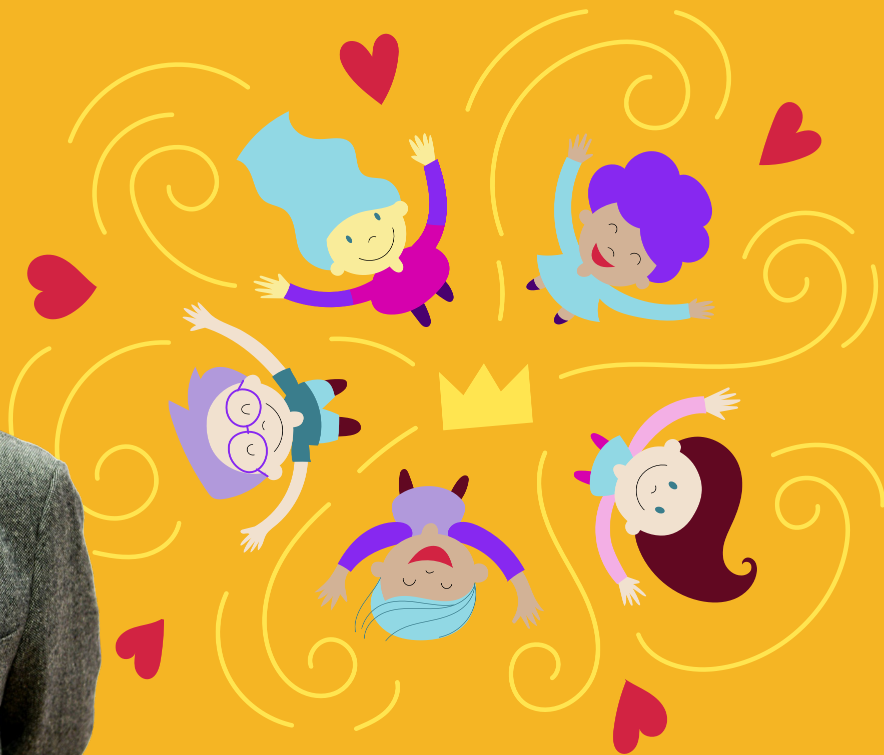
COMPLEXO pequeno PRÍNCIPE
2021 ANNUAL REPORT

Balance sheet 2021



“The pandemic continues to impact us.”

José Álvaro da Silva Carneiro
Corporate Director of the Pequeno Príncipe Complex

Thinking and acting for “childhood protection” is a challenge and, above all, a path that needs to be designed by many hands, with all the delicacy and strength that we can embrace, so that it can then be followed with the necessary determination. That’s what we’ve been doing at the Pequeno Príncipe Complex for over 100 years. In the second year of the pandemic, the challenge was even greater, but the difficulties did not mangle us. Resoluteness and warmth, responsibility and play, procedures and education, medicines and culture, exams and family and community life, dialogue and appreciation of knowledge. All of this was present in our daily lives, in the desire and commitment to offer all boys and girls, as well as employees and students, the best opportunities for development, health and life.

From this, analyzing the 2021 Pequeno Príncipe Complex balance sheet is very daunting and exceptionally comforting, and therefore difficult and contradictory. In these two years, the consequences of the pandemic on the economy and inflation engendered a burst in our hospital costs, and the effects on care production were devastating, as hundreds of procedures were canceled or postponed, bringing a reduction in revenue. It is also noteworthy to remember that the Public Health System (SUS, abbreviation in Portuguese) has not corrected the value of procedures for many years. In the combination of these factors, hospital care in the two pandemic years generated a historic deficit of US$ 16.74 million.

In the education area, the pandemic caused hard consequences, especially with the reduction in the number of students in undergraduate courses, except in the Medicine course, but also in lato sensu postgraduate courses. As a result, a decrease in cash generation, which also occurred in our Vaccine Center.

If, in one hand, we faced this set of factors that point to an exceptionally difficult and challenging external environment, we also had as a counterpoint an excellent performance in fundraising and in the good and efficient use of funds obtained. With that, we overcame the deficit and present a positive result. In the two years, the sum of the use of funds raised was US$ 19.74 million, which gave us a positive result of US$ 3 million.

We are deeply grateful to the community for their support. Without these contributions it would be impossible to proceed with our mission.

Historically, we have been committed to sustainability, and in 2021 we took important steps in our contributions to the Sustainable Development Goals (SDGs) and the ESG agenda. Our initiatives are part of a set of short, medium and long-term commitments, which are reflected in our relationship with the environment, with the social issues that involve our patients, and actions that involve undergraduate students and our governance.

Our effort in the pandemic was recognized in many ways, and one of them was the ranking of the American magazine Newsweek, which elected the 150 best pediatric hospitals in the world. We are number one as an exclusively pediatric hospital in South America. We dedicate this important achievement to all our supporters, doctors, employees and patients. We have a new starting point. A mark!

As a result of such support from the community, individuals and companies, we were able to maintain and improve the services we provide and invest in new technologies and knowledge production. This support coming from society, and also from representatives of the Prosecution Service and the Legislative Power, energizes us to do more and better.

We are aware of the difficulties in healthcare. This is a challenge that we have been facing since our early days. The SUS, whose fees are extremely outdated, and supplementary health, with increasingly restrictive impositions, combine with the consequences and

aftermath of the pandemic to make it difficult to perceive the future and, as a result, impair our planning. To help us for a new cycle in the Complex, thinking about the long term, we hired the company Falconi, whose work has already started at the Hospital and will later be applied to the College and the Research Institute, articulating convergence for the Complex. For this review of strategic planning, we already know that the interaction between activities and their cooperation will guarantee sustainability.

But let's move on to some important details.

We achieved important advances in care, especially in high complexity, in 2021. After a lot of planning and training, we started extracorporeal membrane oxygenation (ECMO) therapy, which replaces the functions of the heart and lung. An important milestone in the evolution of the treatments we offer.

In transplants, we reached a historic milestone, with 284 procedures performed in the year, the highest number ever recorded. The Liver Transplantation Service has established itself as one of the main services in Brazil, with surgeries performed on children under 3 years of age. Bone marrow transplants were also highlighted, with 73 procedures.

We opened the Computerized Gait Laboratory and the Virtual Rehabilitation Room. The Gait Laboratory is the only one in operation in Paraná for clinical evaluations of patients with gait disorders.

We expanded our activities in telemedicine, implementing the Telehealth Service, which offers remote consultations with different specialists. The new service was initiated by SUS patients, thus facilitating the access of this important part of the population, especially to the continuity of their treatments, which were so affected by the pandemic.

We renovated the Emergency Room dedicated to patients in the Public Health System, the Endoscopy Sector, the ophthalmological office, the Surgical ICU and the laundry room. We adapted specialty outpatient clinics and revitalized inpatient areas and auditoriums. There were several works aimed at improving flows, which translate into service quality.

At the College, we completed the building of Block 6, which concentrates the outpatient clinics for medical practices, the rooms where we exercise active methodologies and the space to work on distance learning with state-of-the-art methods, equipment, and structure.

Another important step was in our care for the environment. We were the first exclusively pediatric hospital in Brazil to offset our carbon emissions. We took this initiative because we believe that people's health is closely linked to the health of the planet. Our doctors, employees, patients and, mainly, students are at peace about their responsibilities in the face of climate change.

At the Research Institute, there are 100 projects in progress, 13 of them focused on COVID-19. At the College, more than 1,400 students completed a highly technical and humanized training course.

With the joint efforts of this great network that fights for the right of our boys and girls to health and life, we are impacting and transforming society. It is a great honor to have your trust and support.

Thank you so much for joining us on this journey!

José Álvaro da Silva Carneiro
Corporate Director of the Pequeno Príncipe Complex

BALANCE SHEET ENDED DECEMBER 31 (in US Dollar)

ASSETS

	Note	2021	2020 (Restatement)
CURRENT		30,515,171	25,998,306
Cash and cash equivalents	4	3,838,833	3,859,005
Financial investments	5	11,098,750	7,788,808
Accounts Receivable from Customers	6	4,650,506	3,700,457
Hospital Services Clients		4,656,157	3,366,862
Vaccine Clients		180,011	108,798
Education Customers		615,186	763,131
(-) Bad Debt Provision		(800,848)	(538,334)
Funds of Unrealized Agreements	7	8,651,130	7,387,676
Inventories	8	1,538,741	2,849,217
Other credits	9	735,719	410,357
Prepaid Expenses		1,492	2,786
NON-CURRENT		28,031,417	30,080,631
Long-term assets			
Other credits	9	95,313	92,089
Investments	10	125,722	82,594
Right of Use - Lease Assets	11.1	1,265,221	2,139,509
Fixed assets	12	26,514,373	27,711,851
Property, plant and equipment - Cost		*43,503,527*	*43,837,276*
Accumulated depreciation		*(16,989,154)*	*(16,125,425)*
Intangible	13	30,788	54,588
Intangible - Cost		*784,926*	*804,138*
Accumulated Amortization		*(754,138)*	*(749,550)*
TOTAL ASSETS		**58,546,588**	**56,078,937**

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

BALANCE SHEET ENDED DECEMBER 31 (in US Dollar)

LIABILITIES AND NET EQUITY

	Note	2021	2020 (Restatement)
CURRENT		**19,194,749**	**14,549,190**
Suppliers	14	2,165,929	2,171,079
Bank loans	15	3,240,862	288,956
Social Obligations	16	3,903,538	3,537,668
Tax Obligations		317,092	318,340
Grant resources to be executed	7	8,651,130	7,387,676
Leases - Liabilities	11.2	514,231	562,272
Deferred Revenue	17	111,101	99,101
Other obligations		290,866	184,098
NON-CURRENT		**5,641,158**	**7,932,703**
Bank loans	15	376,020	865,622
Tax Obligations		126,536	129,318
Leases - Liabilities	11.2	794,647	1,646,998
Deferred Revenue	17	340,173	484,602
Provisions for Contingencies	18	4,003,782	4,806,163
NET EQUITY		**33,710,681**	**33,597,044**
Equity	19	34,236,809	26,856,179
Equity Valuation Adjustment		12,077,149	12,200,164
Accumulated Surplus		2,624,900	7,380,630
Accumulated Translation Adjustment		(15,228,177)	(12,839,929)
TOTAL LIABILITIES AND NET EQUITY		**58,546,588**	**56,078,937**

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

Changes in equity ended december 31 (in US Dollar)

	Note	2021	2020
			(Restatement)
Gross Operating Revenue	20	58,922,391	57,795,224
Healthcare Revenue		36,514,643	34,616,128
Unified Health System - SUS		13,884,470	14,439,677
Health Insurance		21,470,497	19,097,094
Individuals		1,159,676	1,079,357
Education Revenue		12,668,004	12,422,247
Tuition		12,490,958	12,288,465
Other Revenues		177,046	133,782
Use of Funds Raised	20.1	9,739,744	10,756,849
Social grants		4,626,603	6,144,783
Private Initiative Campaigns		5,113,141	4,612,066
(-) Deductions from Revenue		**(3,380,675)**	**(3,633,732)**
Deduction from Health Insurance	21	(689,164)	(530,393)
Gratuities Granted	25.2	(2,011,233)	(1,905,293)
Scholarships	25.2	(680,278)	(1,198,046)
Net operating revenue	20	**55,541,716**	**54,161,492**
(-) Cost of Services Provided		(34,625,961)	(30,317,815)
Health Care Cost		(29,858,081)	(25,646,457)
Education Area Cost		(3,517,441)	(3,596,853)
Research Area Cost		(1,250,439)	(1,074,505)
Gross profit		**20,915,755**	**23,843,677**
Operational expenses		(18,955,283)	(16,663,069)
Personnel expenses		(12,219,343)	(11,484,636)
General Administrative Expenses	22.1	(7,373,769)	(6,067,757)
Expenses with Taxes and Contributions	26	(10,050,838)	(11,068,437)
Tax Exemptions	26	10,050,838	11,068,437
Other Income / (Expenses)	22.2	637,829	889,324
Surplus Before Financial Income and Expenses		**1,960,472**	**7,180,608**
Financial income	23	846,796	366,920
Financial expenses	23	(305,383)	(289,913)
Surplus for the Year		**2,501,885**	**7,257,615**

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Cash flow statement for the financial years ended / Cash flow statement for the financial years ended (in US Dollar)

	Equity	Equity Valuation Adjustment	Aggregate (Deficit) Surplus	Accumulated Translation Adjustment	Surplus Available to Board	Total Net Equity
On December 31, 2019	**10,868,575**	**12,323,179**	**-**	**(5,303,111)**	**15,987,604**	**33,876,247**
Incorporation of Surplus to Social Equity	15,987,604	-	-	-	(15,987,604)	-
Realization of Assigned Cost	-	(123,015)	123,015	-	-	-
Surplus for the Year	-	-	7,257,615	-	-	7,257,615
Surplus Available to the General Assembly for Destination	-	-	(7,380,630)	-	7,380,630	-
Translation Adjustment				(7,536,818)		(7,536,818)
On December 31, 2020 (Restatement)	**26,856,179**	**12,200,164**	**-**	**(12,839,929)**	**7,380,630**	**33,597,044**
Incorporation of Surplus to Social Equity	7,380,630	-	-	-	(7,380,630)	-
Realization of Assigned Cost	-	(123,015)	123,015	-	-	-
Surplus for the Year	-	-	2,501,885	-	-	2,501,885
Surplus Available to the General Assembly for Destination	-	-	(2,624,900)	-	2,624,900	-
Translation Adjustment				(2,388,248)	-	(2,388,248)
On December 31, 2021	**34,236,809**	**12,077,149**	**-**	**(15,228,177)**	**2,624,900**	**33,710,681**

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

Cash flow statement for the financial years ended indirect tax assessment (in US Dollar)

	2021	2020
OPERATING ACTIVITIES		(Restatement)
Year surplus	2,501,885	7,257,615
Adjusted by:		
Depreciation and amortization	868,317	1,448,446
Provisions for Contingencies	(802,381)	(1,617,133)
Bad Debt Provision	262,514	(349,801)
Translation Adjustment - Equity	(2,388,248)	(7,536,818)
Translation Adjustment - Fixed Assets / Investments and Intangible Assets	1,915,325	7,358,573
Adjusted Year Surplus / Deficit	2,357,412	6,560,882
Accounts Receivable from Customers	(1,212,563)	2,745,185
Inventories	1,310,476	(635,633)
Funds of Unrealized Agreements	(1,263,454)	2,857,679
Other credits	(327,292)	66,249
(Increase) or Decrease in Assets	**(1,492,833)**	**5,033,480**
Suppliers	(5,150)	(568,851)
Social Obligations	365,870	(1,335,066)
Tax Obligations	(4,030)	142,105
Grant resources to be executed	1,263,454	(2,857,679)
Other obligations	106,768	63,499
Deferred Revenue	(132,429)	583,702
Liability Increase or (Decrease)	**1,594,483**	**(3,972,290)**
Net cash from operating activities	2,459,062	7,622,072
INVESTMENT ACTIVITIES		
Operations with Financial Investments	(3,309,942)	(1,744,501)
Right of Use - Lease Assets	874,288	(2,139,509)
Increase in fixed assets / intangible assets / investments	(2,417,667)	(3,924,731)
Write-off value of fixed assets / intangible assets / investments	812,175	280,992
Net cash from investment activities	(4,041,146)	(7,527,749)
FINANCING ACTIVITIES		
Bank Loan Operations	2,462,304	(1,119,401)
Leases - Liabilities	(900,392)	2,209,270
Net cash from financing activities	1,561,912	1,089,869
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(20,172)**	**1,184,192**
Cash and Cash Equivalents at the Beginning of the Year	**3,859,005**	**2,674,813**
Cash and Cash Equivalents at the End of the Year	**3,838,833**	**3,859,005**

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

Explanatory notes to the financial statements

December 31, 2021 and 2020
(Figures in dollars, unless otherwise stated)

NOTE 1 – OPERATIONAL CONTEXT

The **DR. RAUL CARNEIRO CHILDHOOD PROTECTION ASSOCIATION HOSPITAL** is a civil institution under private law, non-profit organization, of public benefit, and is registered with the CNPJ – National Registry of Legal Entities – under number 76.591.569/0001-30. It is headquartered in the city of Curitiba (state of Paraná), Av. Iguaçu 1472, Água Verde, founded on August 18, 1956, to promote healthcare to children and adolescents aged 0 to 18 years, through assistance, teaching and research and also social welfare assistance, promoting the offer of such services to comply with the rules that classify the institution as a philanthropic and tax-exempt organization.

It is noteworthy that in the provision of healthcare services, the organization offers up to 70% (seventy percent) of its workforce to the SUS (abbreviation in Portuguese for the Brazilian Public Health System), however, due to the COVID-19 pandemic and the consequent suspension of care by regulatory agencies, there was a significant reduction in hospitalizations and surgeries, in relation to the 2019 (prepandemic), in 22.81% and 22.59%, respectively. Despite the reduction in the number of surgeries, these increased in complexity.

The sources of revenue are the health services provided by Pequeno Príncipe Hospital, Vaccine Center, education services provided by Pequeno Príncipe College, as well as donations and subsidies and agreements associated with scientific projects of the Pelé Pequeno Príncipe Research Institute and the other units of the Complex. All revenues are fully invested in maintaining and developing its institutional objectives. The units are under the **DR. RAUL CARNEIRO CHILDHOOD PROTECTION ASSOCIATION HOSPITAL**, sponsor of the Pequeno Príncipe Complex:

Pequeno Príncipe Hospital (which incorporates the former Cesar Pernetta Children's Hospital)

- Pequeno Príncipe College;
- Pelé Pequeno Príncipe Research Institute; and
- Pequeno Príncipe Vaccination Center.

To receive an exemption from social contributions, the entity holds the Social Assistance Charity Entity Certificate in the Healthcare Area (CEBAS, abbreviation in Portuguese), which is renewed every three years by the Ministry of Health, and the last CEBAS obtained by the entity is valid from January 1, 2016, to December 31, 2018. The organization has timely requested the renewal for subsequent years to the Ministry of Health and is awaiting its approval.

The issuance of these financial statements was authorized by the administration on July 08, 2022.

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements were prepared and are being presented in accordance with the international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil, in full compliance with Law N.º 11,638/07 and Law N.º 11,941/09, pronouncements issued by the CPC – Accounting Pronouncements Committee and approved by the CFC (abbreviation in Portuguese for Federal Accounting Council), and also in accordance with ITG 2002 (R1) Non-Profit Entity.

NOTE 3 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES

3.1 Classification of Current and Non-Current Items

In the Balance Sheet, assets and obligations falling due or expected to be realized within the next 12 months are classified as current items, and those with maturity or expected to be realized within 12 months are classified as non-current items.

3.2 Offset Accounts

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

3.3 Financial Instruments

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

a. The financial assets measured at amortized cost

These are financial assets maintained within the business model whose objective is to keep them for contractual cash flow receipts. The contractual terms of the financial assets originated, on specified dates, from cash flows that exclusively constitute payments of principal and interest on the principal amount outstanding.

b. Financial assets measured at fair value through other comprehensive income

They are financial assets maintained within a business model whose objective is achieved both by receiving contractual cash flows and by selling financial assets, and that the contractual terms of the financial asset originate, on specified dates, from cash flows that constitute exclusively principal and interest payments on the outstanding principal amount.

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 at fair value through other comprehensive income. A financial asset is classified in this category if it was acquired primarily for short-term sale purposes. Financial assets in this category are classified as current assets.

Recognition and measurement:

Regular purchases and sales of financial assets are recognized on the trade date which the entity commits to buy 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 negotiation date on which the institution becomes a party to the contractual provisions of the instrument.

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 institution has significantly transferred all the risks and benefits of ownership. Financial assets measured at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are accounted for at amortized cost using the effective interest rate method.

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

a) Derecognition of financial instruments.

A financial instrument is written off when:

- the rights to receive cash flows from the financial asset expire;
- transferred its rights to receive cash flows from the financial asset or assumed an obligation to pay the cash flows received in full, without significant delay, to a third party pursuant to a “pass-through” arrangement; and (a) transferred substantially all risks and rewards of the asset, or (b) did not transfer or substantially retain all risks and rewards relating to the asset, but transferred control over the asset; and
- a financial liability is written off when the obligation is revoked, canceled or expires. When an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing liability are significantly changed, that replacement or change is treated as derecognition of the original liability and recognition of a new liability, the difference being in the corresponding book values recognized in the income statement.

3.4 Cash and Cash Equivalents

Cash and cash equivalents include cash held by the entity, free transaction bank deposits, and cash equivalents financial investments. Due to internal decisions, funds with financial investments may have a specific destination, in line with the strategic planning and governance system.

3.5 Accounts Receivable from Customers

Accounts receivable correspond to the amounts receivable for services rendered in the ordinary course of the entity's activities.

Accounts receivable from customers are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method minus the provision for impairment losses (losses on receivables). In practice, they are usually recognized at the invoiced amount adjusted to present value if relevant and adjusted by the provision for impairment losses if necessary.

3.6 Unrealized Health Insurance Funds / Grants to be executed

Unrealized health insurance funds are recognized initially as current assets debt in the unrealized health insurance Funds account, and as a credit in current liabilities in grants to be executed account, and are subsequently recognized in the income statement as health insurance assistance expenditures occur.

3.7 Inventory

Inventories are recorded at the lower of cost and recoverable amount. The cost is determined using the average cost method.

3.8 Investments

Investments in artworks are valued at cost method and subjected to impairment test, being reduced to the recoverable amount where applicable. It is worth mentioning the formation of the collection linked to Edson Arantes do Nascimento, Pelé, and the works aimed at its conservation.

3.9 Leases

3.9.1 Right of Use

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

Depreciation is calculated using the straight-line method from the contract inception date to the first between the end of the useful life of the asset with the right to use or the end of the lease term.

3.9.2 Lease Liabilities

The measurement of leasing operations corresponds to the amount of future payments of fixed rents, according to the period provided for in the contract signed between the lessor and the entity. These payment flows are adjusted to present value, considering the incremental loan rate.

Financial charges are appropriated based on the incremental loan rate, according to the remaining term of the contracts.

3.10 Fixed Assets

Fixed assets items are presented at historical cost less depreciation. Historical cost includes expenses directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and that the cost of the item can be measured reliably. All other repairs and maintenance are recorded against the income for the year when incurred.

Depreciation is calculated using the straight-line method and takes into account the economic useful life of the assets. The economic useful life of the assets is periodically reviewed to adjust the depreciation rates.

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each year. The book value of an asset is immediately adjusted if such asset is greater than its estimated recoverable amount.

3.11 Intangible Assets

The purchased software licenses are capitalized based on the costs incurred to acquire the software and preparing it for use.

The amortization is calculated using the straight-line method and takes into consideration the useful life of the software license. The economic useful life is periodically reviewed to adjust the amortization rates.

3.12 Impairment of Assets

Assets that are subject to depreciation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

For impairment assessment purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units – CGU). Non-financial assets that have had impairment losses are reviewed for the analysis of a possible reversal of the loss on the date of presentation of the financial statements.

3.13 Accounts Payable to Suppliers

Accounts payable to suppliers are obligations to pay for goods or services that were acquired 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 rate method. In practice, they are usually recognized at the corresponding invoice value, adjusted to present value, when the effect is relevant.

3.14 Bank Loans

Bank loans are initially recognized at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts raised (net of transaction costs) and the redemption value is recognized in the income statement during the period in which the loans are in progress, using the effective interest rate method.

3.15 Provisions

Provisions are recognized when the entity has an obligation at the balance sheet date as a result of past events; an outflow of resources is likely to be required to settle the obligation; the amount was estimated appropriately and following legal precepts.

Provisions are measured at the best estimate of the amount required to settle the obligation on the date of the financial statements. When the effect of the time value of money is material, the amount of the provision is the present value of the disbursement that is expected to be required to settle the obligation.

3.16 Result Determination

The result of operations is calculated under the accrual accounting regime for both the recognition of income and expenses, in compliance with the principle of opportunity.

3.17 Service Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the normal course of the entity's activities. Revenue is shown net of rebates and discounts.

The entity provides healthcare services provided by Pequeno Príncipe Hospital and the Vaccine Center, education services provided by Pequeno Príncipe College and donations and fees from resources of individuals and legal entities as well as subsidies granted by the government of assistance and non-profit character.

Revenue recognition occurs as hospital and educational services are provided to its patient/student, that is, when the entity has already complied with the performance obligation signed with the client, and control has already been transferred to the client, together with the emergence of the right to receive any consideration in exchange for the goods or services provided.

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

(i) identify the contract with the customer;
(ii) identify performance obligations in the contract;
(iii) determine transaction prices;
(iv) allocating the transaction price to performance obligations; and
(v) recognize revenue when performance obligations are met.

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 an unforced transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability will occur:

(i) in the main market for the asset or liability; and
(ii) in the absence of a main market, in the most advantageous market for the asset or liability. The main 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 fair value measurement as a whole:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity may have access to on the measurement date;

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

Level 3 – valuation techniques for which the lowest level and significant information for measuring fair value is not available.

For fair value disclosure purposes, the entity has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. The corresponding disclosures at fair value of financial instruments and non-financial assets measured at fair value or at the time of disclosure of fair values are summarized in the respective explanatory notes.

3.19 Judgment and Use of Accounting Estimates

The preparation of financial statements requires a management entity to use estimates to record certain transactions that affect assets and liabilities, income and expenses, and the disclosure of information on data of their financial statements. The final results of these transactions and information, when effective in subsequent periods, may differ from these estimates.

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

a. doubtful credits that are initially provided and subsequently entered as a loss when the possibilities of recovery are exhausted;

b. recoverable value of inventories and fixed and intangible assets;

c. useful life and a residual value of fixed and intangible assets;

d. contingent liabilities provided for following the expectation of success, obtained and measured by the entity's legal counsel; and

e. rates and terms applied in determining the adjustment to present value of certain assets and liabilities.

3.19 Foreign Currency Transaction

The functional currency of **DR. RAUL CARNEIRO CHILDHOOD PROTECTION ASSOCIATION HOSPITAL** 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.

	Dec, 2021	Dec, 2020
Dollar – Closing Exchange Rate	5,5805	5,1967
Dollar – Average Rate	5,4074	5,2426

NOTE 4 – CASH AND CASH EQUIVALENTS

	2021	2020
Cash	5,248	5,533
Checking Accounts	201,845	111,479
Cash Equivalents Financial Investments (*)	3,631,740	3,741,993
Total	**3,838,833**	**3,859,005**

(*)	Yield	2021	2020
Bradesco Bank	98% to 125% of CDI	936,052	450,280
Banco do Brasil Bank	80% to 115% of CDI	647,038	889,580
Itaú Bank	110% to 125% of CDI	84,527	237,990
Safra Bank	90% to 160% of CDI	800,797	1,238,755
Santander Bank	92% to 101% of CDI	890,762	625,150
Paraná Bank	120% of CDI	95,012	96,940
XP Investments	110% to 112% of CDI	177,552	203,298
Total Financial Investments		**3,631,740**	**3,741,993**

NOTE 5 – FINANCIAL INVESTMENTS

	2021	2020
Financial Investments (*)	11,098,750	7,788,808
Total	**11,098,750**	**7,788,808**

(*)	**Yield**	**2021**	**2020**
Safra Bank	101% of CDI	2,034,504	1,699,040
Santander Bank	102% of CDI	9,064,246	6,089,768
Total Financial Investments		**11,098,750**	**7,788,808**

The balance of financial investments now presented was constituted to comply with the provisions of art. 11 Chapter IV of the Association Bylaws, which provides for the establishment of a fund made up of compulsory savings of at least 1% of revenues from the services provided by its operating units, aimed at ensuring the perpetuity of the causes expressed in its object. And, with the express use authorization of the Superior Council and the Board, part of the saved resources can be destined for investments in new fronts of operation, such as the implementation of the Pequeno Príncipe North Teaching and Research Hospital Complex (PPNorth), on land located at Bacacheri district, near the Air Base/Cindacta II.

NOTE 6 – ACCOUNTS RECEIVABLE FROM CUSTOMERS

	2021	2020
Hospital Service Clients	4,656,157	3,366,862
Vaccine Customers	180,011	108,798
Education Customers	615,186	763,131
Loss Provision	(800,848)	(538,334)
Total	**4,650,506**	**3,700,457**
Accounts Receivable by Currency Type		
Dollars (US$)	**4,650,506**	**3,700,457**

NOTE 7 – UNREALIZED HEALTH INSURANCE FUNDS (ASSETS) / RESOURCES FROM GRANTS TO BE EXECUTED (LIABILITIES)

This note refers to resources related to parliamentary amendments, transfers, and governmental agreements and tax incentive projects, such as the FIA (Fund for Children and Adolescents), Pronon (National Support Program for Oncological Care), Pronas (National Healthcare Support Program to Persons with Disabilities) and donations from companies and individuals. From the amount of US$ 8,651,130 (eight million, six hundred and fifty-one thousand, one hundred and thirty dollars), the result of a large and organized effort to funding among the community (individuals and companies) and government agencies, US$ 3,460,452 (three million, four hundred and sixty thousand, four hundred and fifty-two dollars), equivalent to 40%, will be invested in investments to modernize buildings and purchase equipment, and US$ 5,190,678 (five million, one hundred and ninety thousand, six hundred and seventy-eight dollars), equivalent to 60%, will be invested in the maintenance of the facilities, acquisition of medicines (mainly those of high cost), special materials and other items for hospital consumption, and at the cost of specialized labor, Gbly at the Research Institute.

We clarify that the use of the funds raised must occur according to the application plan for each funding project and/or agreement. All these projects have plans for a specific application and are the subject of ongoing audits and strict accountability.

NOTE 8 – INVENTORY

	2021	2020
Central Pharmacy	1,037,356	2,111,588
Vaccines	85,233	172,266
Central Warehouse	120,396	176,361
Laboratory and Research Materials (*)	277,270	368,863
Maintenance	18,251	12,401
Other Materials	235	7,738
Total	**1,538,741**	**2,849,217**

(*) Materials used in research (Pelé Pequeno Príncipe Research Institute) and the use of Clinical Analysis Laboratory.

NOTE 9 – OTHER CREDITS

	2021	2020
Advances for Employees	63,952	61,398
Advances to Suppliers	34,462	91,584
Eunice Weaver Association of Paraná – AEW-PR **(a)**	386,138	219,657
Interamerican **(a)**	194,132	-
Anticipated Expenses with Conferences **(b)**	85,757	92,089
Other Receivables	66,591	37,718
Total	**831,032**	**502,446**
Current Assets	735,719	410,357
Non-Current Assets	95,313	92,089
Total	**831,032**	**502,446**

(a) Balances related to amounts transferred as loans to the Eunice Weaver Association of Paraná – AEW-PR and the *Centro Cultural Brasil Estados Unidos – Interamericano*, aim to provide resources for economic activities implanted by the mutuary entities. In the case of AEW-PR, the amounts were invested in the capitalization of a commercial company specialized in the purchase and sale of medical devices, and part of the amounts have already been reimbursed to the lender in previous years, while for the Interamericano, the amounts passed on are being used in a teaching activity called "*Multiplica* Project". In both cases, the generated resources will be used for repayment of loans. The values are not updated monetarily.

(b) Values did not move in 2021, because due to the pandemic the congress was postponed to 2023.

NOTE 10 – INVESTMENTS

	Artworks	Shareholding Interest (*)	Total
As of December 31, 2020			
Cost	81,920	19,243	101,163
Net Book Value	**81,920**	**19,243**	**101,163**
Acquisition	674	-	674
Translation Adjustment	-	(19.243)	(19,243)
Final Balance	**82,594**	**-**	**82,594**
As of December 31, 2021			
Cost	82,594	-	82,594
Net Book Value	**82,594**	**-**	**82,594**
Acquisition	48,809	-	48,809
Translation Adjustment	(5,681)	-	(5,681)
Final Balance	**125,722**	**-**	**125,722**

(*) In 2020, the entity invested in the Pequeno Príncipe Health Organization, which is a Civil Society Organization of Public Interest (OSCIP, abbreviation in Portuguese) that does not have a corporate structure. Such investment is made using the cost method.

The amount of US$ 125,722 related to artworks, refers to several works acquired or given to the Association, which form a collection that is exhibited in various locations and consists of paintings, sculptures and other works, especially having as its own King Pelé, supporter of the Research Institute, and which may be used in the future to raise funds for the Association, through auctions.

NOTE 11 – LEASES

11.1 Right of Use

Right of Use	Lease (*)	Total
Average Term of Validity of Contracts / Useful Life (Years)	1 to 5	
On December 31, 2019	-	-
Initial Adoption CPC 06	2,576,065	2,576,065
On January 1, 2020	2,576,065	2,576,065
Depreciation	(436,556)	(436,556)
On December 31, 2020	2,139,509	2,139,509
Depreciation	(874,288)	(874,288)
On December 31, 2021	1,265,221	1,265,221

(*) Leases refer to real estate lease contracts used to provide medical, educational and administrative services.

11.2 Leases – Liabilities

Leases – Liabilities	Leases (*)	Net Present Value	Total
On December 31, 2019	-	-	-
Initial Adoption CPC 06	3,036,033	(459,968)	2,576,065
On January 1, 2020	3,036,033	(459,968)	2,576,065
Write-Off	(514,065)	147,270	(366,795)
On december 31, 2020	2,521,968	(312,697)	2,209,270
Write-Off	(748,449)	-	(748,449)
On december 31, 2021	1,600,070	(291,192)	1,308,878
Current	640,928	(126,696)	514,231
Non-Current	959,142	(164,495)	794,647

NOTE 12 – FIXED ASSETS

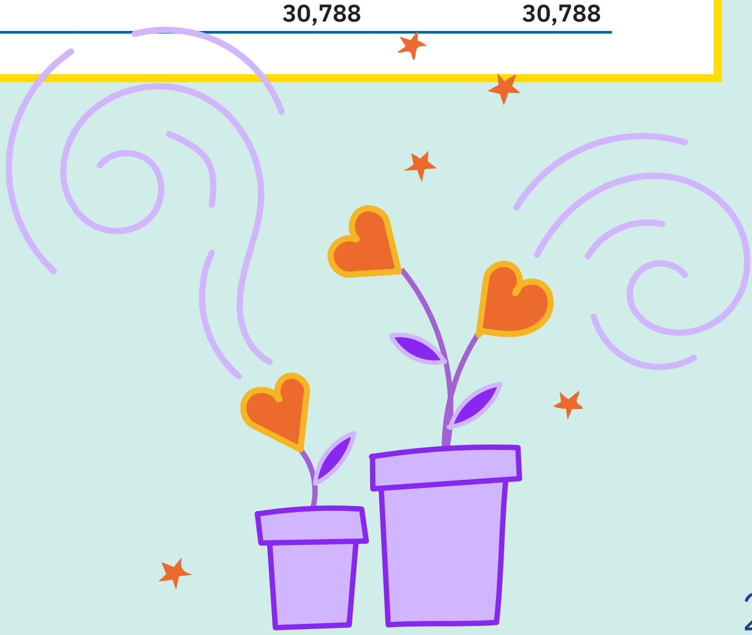
Description	Land	Buildings and Improvements	Miscellaneous Machinery and Equipment	Hospital Equipment	Installations	Hospital Furniture and Utensils	Computers and Peripherals	Vehicles	Fixed assets / Works in progress	Other Fixed Assets	Total
Depreciation Rate		2.33% to 3.33%	4.55% to 8.33%	7.69%	5.88%	7.69% to 9.09%	16.67%	12.50%		10%	
On December 31, 2019											
Cost	7,617,759	13,881,173	4,378,719	10,810,119	574,740	2,400,143	1,904,363	89,120	5,469,765	389,403	47,515,304
Accumulated Depreciation	-	(5,658,027)	(1,705,145)	(4,463,815)	(502,849)	(911,376)	(1,153,835)	(70,302)	-	(228,816)	(14,694,165)
Net Book Value	**7,617,759**	**8,223,146**	**2,673,574**	**6,346,304**	**71,891**	**1,488,767**	**750,528**	**18,818**	**5,469,765**	**160,587**	**32,821,139**
Acquisition	-	-	58,366	257,999	6,419	24,569	36,596	-	3,595,056	-	3,979,005
Write-offs	-	(5,520)	(76,076)	(97,183)	-	(54,661)	(47,552)	-	-	-	(280,992)
Transfers	-	471,758	309,395	1,091,567	1,308	454,928	290,586	8,936	(2,640,334)	-	(11,856)
Translation Adjustment	**(1,709,221)**	**(1,845,054)**	**(599,878)**	**(1,423,941)**	**(16,130)**	**(334,040)**	**(168,398)**	**(4,222)**	**(1,227,268)**	**(36,033)**	**(7,364,185)**
Depreciation	-	(347,612)	(263,750)	(614,895)	(5,502)	(168,244)	(205,801)	(5,744)	-	(24,350)	(1,635,898)
Depreciation of Useful Life	-	115,825	(158,240)	(487,702)	43,546	510,877	81,378	1,570	-	(620)	106,634
Write-Offs	-	-	24,224	23,404	-	34,629	15,747	-	-	-	98,004
Final Balance	**(1,709,221)**	**(1,610,603)**	**(705,959)**	**(1,250,751)**	**29,641**	**468,058**	**2,556**	**540**	**(272,546)**	**(61,003)**	**(5,109,288)**
On December 31, 2020											
Cost	5,908,538	12,502,357	4,070,526	10,638,561	566,337	2,490,939	2,015,595	93,834	5,197,219	353,370	43,837,276
Accumulated Depreciation	-	(5,889,814)	(2,102,911)	(5,543,008)	(464,805)	(534,114)	(1,262,511)	(74,476)	-	(253,786)	(16,125,425)
Net Book Value	**5,908,538**	**6,612,543**	**1,967,615**	**5,095,553**	**101,532**	**1,956,825**	**753,084**	**19,358**	**5,197,219**	**99,584**	**27,711,851**
Acquisition	-	144	453,937	1,095,899	63,896	232,762	470,952	-	37,560	-	2,355,150
Write-Offs	-	(2,919)	(27,881)	(505,821)	-	(52,630)	(193,759)	-	-	-	(783,010)
Transfers	-	1,615,052	-	-	-	-	-	-	(1,615,052)	-	-
Translation Adjustment	**(406,361)**	**(454,779)**	**(135,323)**	**(350,448)**	**(6,983)**	**(134,581)**	**(51,794)**	**(1,331)**	**(357,440)**	**(6,849)**	**(1,905,889)**
Depreciation	-	(323,596)	(292,913)	(747,108)	(5,278)	(191,882)	(243,081)	(2,438)	-	(22,656)	(1,828,952)
Depreciation of Useful Life	-	114,402	57,551	90,839	(1,549)	3,184	5,141	(2,149)	-	(2,443)	264,976
Write-Offs	-	2,919	22,288	480,517	401	31,891	162,182	-	-	49	700,247
Final Balance	**(406,361)**	**951,223**	**77,659**	**63,878**	**50,487**	**(111,256)**	**149,641**	**(5,918)**	**(1,934,932)**	**(31,899)**	**(1,197,478)**
On December 31, 2021											
Cost	5,502,177	13,659,855	4,361,259	10,878,191	623,250	2,536,490	2,240,994	92,503	3,262,287	346,521	43,503,527
Accumulated Depreciation	-	(6,096,089)	(2,315,985)	(5,718,760)	(471,231)	(690,921)	(1,338,269)	(79,063)	-	(278,836)	(16,989,154)
Net Book Value	**5,502,177**	**7,563,766**	**2,045,274**	**5,159,431**	**152,019**	**1,845,569**	**902,725**	**13,440**	**3,262,287**	**67,685**	**26,514,373**

Composition of Fixed Assets in Progress:

Description	2021	2020
Renovation and Adaptation for Fire Prevention	397,263	276,057
Endoscopy Reform	-	61,140
Appam Branch Reform	-	101,135
Ambulatory Reform	-	55,255
Surgical ICU Reform	-	29,419
Renovation and Vitalization of the Suites	-	106,164
Surgical Center Renovation	-	444,402
Dental Office Renovation	-	47,620
Others Reforms	269	-
Other Renovation	806	58,132
Improvements in Third-Party Properties	-	78,907
Renovation Accessibility in the Building	-	309,545
Fixed Asset Acquisitions – Hospital Equipment	57,180	799,362
Fixed Assets (Acquisitions) in Progress	30,467	10,783
Pelé Collection Formation	-	52,413
Projects of economic, financial and environmental feasibility, of architecture / engineering at Bacacheri, for the Pequeno Príncipe North project	2,776,302	2,766,885
Total	**3,262,287**	**5,197,219**

NOTE 13 – INTANGIBLE ASSETS

Description	Computer Software and Programs	Total
Amortization Rate	20%	
On December 31, 2019		
Cost	793,109	793,109
Accumulated Amortization	(732,364)	(732,364)
Net Book Value	**60,745**	**60,745**
Acquisition	12,804	12,804
Transference	11,856	11,856
Translation Adjustment	(13,631)	(13,631)
Amortization	(15,657)	(15,657)
Amortization Useful Life Review	(1,529)	(1,529)
Final Balance	**54,588**	**54,588**
On December 31, 2020		
Cost	804,138	804,138
Accumulated Amortization	(749,550)	(749,550)
Net Book Value	**54,588**	**54,588**
Acquisition	13,708	13,708
Write-Offs	(29,165)	(29,165)
Translation Adjustment	(3,755)	(3,755)
Amortization	3,118	3,118
Amortization Useful Life Review	(7,706)	(7,706)
Final Balance	**30,788**	**30,788**
On December 31, 2021		
Cost	784,926	784,926
Accumulated Amortization	(754,138)	(754,138)
Net Book Value	**30,788**	**30,788**



NOTE 14 – SUPPLIERS

	2021	2020
Material and Drug Suppliers	816,040	1,024,279
General Material Suppliers	270,968	287,970
Suppliers – Goods	15,910	20,883
Prosthesis Suppliers	278,306	230,811
Service Providers	307,289	317,399
Suppliers – Medical Fees	59,172	35,701
Suppliers – Equipment	12,595	-
Other Suppliers	405,649	254,036
Total	2,165,929	2,171,079
Accounts Receivable by Currency Type		
Dollars (US$)	2,165,929	2,171,079

NOTE 15 – BANK LOANS

	Rate	Guarantee	2021	2020
Itaú Bank – Revolving	0.92% p.m.	Endorsement	1,433,563	-
Bradesco Bank – Revolving	0.83% p.y.	Endorsement	1,254,156	-
Santander Bank	7.30% p.y.	Credit Rights	452,973	288,956
Safra Bank – Revolving	1.10% p.y.	Fiduciary Assignment	100,170	-
Short Term Total			**3,240,862**	**288,956**
Santander Bank	7.30% p.y.	Credit Rights	376,020	865,622
Long Term Total			**376,020**	**865,622**
Total			3,616,882	1,154,578

	2021	2020
Loans Payable – Due up to 1 year	3,240,862	288,956
Short Term Total	**3,240,862**	**288,956**
Loans Payable – Over to 1 year	376,020	865,622
Long Term Total	**376,020**	**865,622**
Total	**3,616,882**	**1,154,578**

Amounts Payable by Date	2021	2020
2021	-	288,956
2022	3,240,862	480,763
2023	376,020	384,860
Total	**3,616,882**	**1,154,579**

The loans obtained are all in national currency, *Reais* (R$).

NOTE 16 – SOCIAL OBLIGATIONS

	2021	2020
Wages and Salaries Payable	1,220,599	1,154,943
Payable Social Charges	385,659	289,912
Charges and Vacation Provision	2,297,280	2,092,813
Total	**3,903,538**	**3,537,668**

NOTE 17 – DEFERRED REVENUE

	2021	2020
Banking Post Revenue	319,864	404,102
Revenue from Hemobank	131,410	179,601
Total	**451,274**	**583,703**
Current	111,101	99,101
Non-Current	340,173	484,602
Total	**451,274**	**583,703**

The entity has contracts with a financial institution to provide a place for a bank office on its premises and with the *Instituto Paranaense de Hemoterapia e Hematologia* – Hemobanco (in Portuguese), both with a period of 60 months, thus the revenue was deferred for the term of said contracts.

NOTE 18 – PROVISION FOR CONTINGENCIES

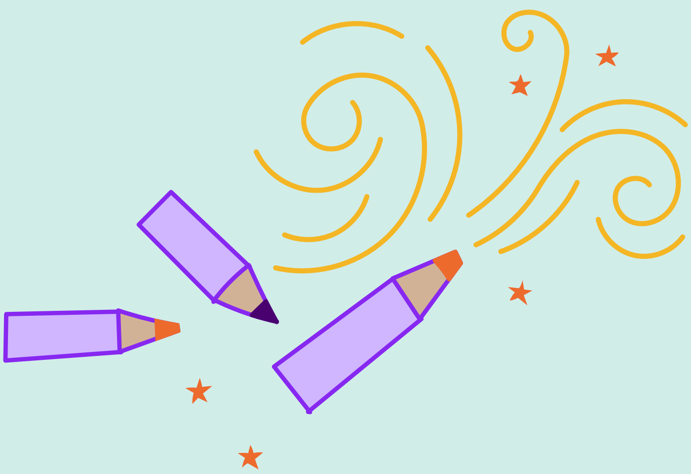
The entity holds provisions for labor, tax and civil contingencies whose likelihood of loss was evaluated as "probable" risk of US$ 3,142,550 (three million, one hundred and forty-two thousand, five hundred and fifty dollars) and part of the amount of US$ 1,283,279 (one million, two hundred and eighty-three thousand, two hundred and seventy-nine dollars) classified as "possible" by the legal counsel. The administration has the assumption to perform the accounting registry of 100% of the probable causes and 50% of possible causes, totaling the amount of US$ 4,003,782 (four million, three thousand, seven hundred and eighty-two dollars), which are considered satisfactory to cover possible losses on lawsuits.

	2021	2020
Labor Contingencies	271,419	57,522
Civil Contingencies	2,871,031	1,696,846
Tax Contingencies	-	885,854
Total Probable Contingencies	**3,142,450**	**2,640,222**
Labor Contingencies	130,175	1,768,270
Civil Contingencies	297,805	2,563,612
Tax Contingencies	855,299	-
Total Possible Contingencies	**1,283,279**	**4,331,882**
Total Probable / Possible Contingencies	4,425,729	6,972,104
Booked		
Probable Contingencies	3,142,450	2,640,222
Possible Contingencies	861,332	2,165,941
Total	**4,003,782**	**4,806,163**
Escrow Account	-	-
Net Effect	**4,003,782**	**4,806,163**

NOTE 19 – NET EQUITY

The entity's net equity is represented by equity of US$ 34,236,809 (thirty-four million, two hundred and thirty-six thousand, eight hundred and nine dollars) with an accumulated surplus balance of US$ 2,624,900 (two million, six hundred and twenty-four thousand, nine hundred dollars) and valuation adjustments on assets of US$ 12,077,149 (twelve million, seventy-seven thousand, one hundred and forty-nine dollars).

The aggregate surplus balance shall be made available to the Board for allocation.



NOTE 20 – NET OPERATING REVENUE

	2021	2020
Healthcare Revenues	**36,514,643**	**34,616,128**
Public Health System – SUS	13,884,470	14,439,677
Health Insurance	21,470,497	19,097,094
Individuals	1,159,676	1,079,357
Education Revenue	**12,668,004**	**12,422,247**
Tuition	12,490,958	12,288,465
Other Revenues	177,046	133,782
Use of Funds Raised	**9,739,744**	**10,756,849**
Social Grants	4,626,603	6,145,675
Private Initiative Campaigns	5,113,141	4,611,174
Gross Operating Revenue	**58,922,391**	**57,795,224**
Health Insurance Deductions	(689,162)	(530,393)
Gratuities Granted	(2,011,233)	(1,905,293)
Scholarships	(680,280)	(1,198,046)
(-) Deductions from Revenue	**(3,380,675)**	**(3,633,732)**
Net Operating Income	**55,541,716**	**54,161,492**

NOTE 20.1 – USE OF FUNDS FROM FUNDRAISING

In 2021, the use of funds from the fundraising amounted to US$ 9,739,746 (nine million, seven hundred and thirty-nine thousand, seven hundred and forty-six dollars), which means a 6.61% in relation to the 2020 year, which was US$ 10,756,849 (ten million, seven hundred and fifty-six thousand, eight hundred and forty-nine dollars), contributing decisively to the surplus result verified.

NOTE 21 – HEALTH INSURANCE DEDUCTIONS

The deductions are recorded monthly, in compliance with the accrual basis, and result from the non-payment by health and medical insurance companies of amounts referring to procedures, medications, materials, and fees applied for patient care.

In 2020, a total of US$ 530,393 (2.78%) in deductions was registered for a disallowance of US$ 19,097,094 relative to health insurance.

In the year 2021, for a disallowance of US$ 21,470,496, deduction of US$ 689,164 were recorded, representing 3.21% of revenue.

NOTE 22 – OPERATING EXPENSES

NOTE 22.1 GENERAL ADMINISTRATIVE EXPENSES

	2021	2020
Depreciation and Amortization (i)	1,618,776	1,632,474
General Administrative Supplies	940,353	746,201
Professional Services – Legal Entities	1,861,325	1,356,561
Professional Services – Individuals	257,051	213,996
Marketing Administration	290,307	203,548
Water / Electricity / Telephone / Gas	500,340	426,274
Bad Debt Expenses	538,850	148,884
Provision for Losses in Legal Proceedings	(277,525)	247,749
Property and Equipment Leasing	583,891	467,029
Other General Administrative Expenses	1,060,401	625,041
Total	**7,373,769**	**6,067,757**

(i) Due to the limitation of the integrated management system (MV), where depreciation and amortization between costs and expenses are not segregated, depreciation is fully recognized under general administrative expenses.

NOTE 22.2 OTHER REVENUE (EXPENSES)

	2021	2020
Revenue from Property Leasing	112,698	32,090
Parking Revenue	29,814	29,775
Revenue from Internship Agreements	346,779	344,565
Clinical Research Revenues	211,254	192,004
Other Operating Income	29,130	306,142
Fixed Assets Write-Off Cost	(91,846)	(15,252)
Total	**637,829**	**889,324**

NOTE 23 – FINANCIAL INCOME AND EXPENSES

Financial Income	2021	2020
Income from Financial Investments	659,379	201,054
Discounts	132,683	111,973
Interest Received	54,734	53,893
Total Financial Income	**846,796**	**366,920**
Financial Expenses		
Interest Paid/Discounts Granted	(36,647)	(108,673)
Banking Fees and Commissions	(73,524)	(81,603)
Bank Loan Charges	(195,212)	(99,637)
Total Financial Expenses	**(305,383)**	**(289,913)**
Net Financial Result	**541,413**	**77,007**

NOTE 24 – ANNUAL PROVISION OF SERVICES TO THE PUBLIC HEALTH SYSTEM

The provision of health services during the year 2021 was severely affected by the COVID-19 pandemic, which forced the regulatory bodies to change the rules for patient care, especially about surgeries and other elective procedures.

To deal with this situation, federal legislation, especially Law N.º 14,123/2021, extended until 12/31/2021 the suspension of the obligation to maintain the quantitative and qualitative goals contracted by health service providers within the scope of the Public Health System (SUS).

NOTE 25 – APPLICATION OF RESOURCES FOR SCHOLARSHIPS

NOTE 25.1 STATEMENT OF COMPLIANCE TO MINIMUM FULL SCHOLARSHIPS

In compliance with Article N.º 13 of Law N.º 12,101/09 (higher education) and Article N.º 11 of Law N.º 11,096/05 (higher education), the institution granted one full scholarship for each nine paying students in the year 2021, as shown below:

Undergraduate and Sequential Courses	Amount 2021	Amount 2020
Students enrolled in undergraduate and sequential courses	1,114	1,159
Paying students in undergraduate and sequential courses	895	930
Required students (1 to 9 ratio)	100	103
Students under Prouni scholarship	250	269
Students under full scholarship – institutional	20	16

NOTE 25.2 APPLICATION IN SCHOLARSHIPS IN COMPLIANCE TO LAW N.º 12,101/09

Higher Education	Quantity 2021	Values (US$) 2021	Quantity 2020	Values (US$) 2020
Number of students enrolled	1,114	11,655,177	1,159	11,421,148
100% Prouni scholarships	199	10,475,651	213	1,815,398
50% Prouni scholarships	51	399,890	56	89,895

The revenue shown above refers to College courses.

In addition to legal gratuities as demonstrated above, in 2021 the amount of US$ 680,280 was granted for scholarships (US$ 1,198,046 in 2020) as an incentive to the technical and scientific development of healthcare professionals, mostly employees of the Pequeno Príncipe Complex.

NOTE 26 – EXEMPTIONS

In 2021, the DR. RAUL CARNEIRO HOSPITAL ASSOCIATION FOR CHILDHOOD PROTECTION obtained tax exemptions in the total amount of US$ 10,050,838, distributed as follows:

SUMMARY OF EXEMPTIONS BY INSTITUTION 2021

	HPP(1)	CEVA(2)	FPP(3)	IPPP(4)	TOTAL
IRPJ	804,430	-	-	-	**804,430**
CSLL	291,193	-	-	-	**291,193**
INSS	4,901,099	27,751	885,783	148,905	**5,963,538**
COFINS	625,606	32,878	380,099	-	**1,038,583**
PIS	311,847	8,122	114,218	5,356	**439,543**
IPTU	93,526	-	-	-	**93,526**
ISS	1,111,830	54,796	253,399	-	**1,420,025**
TOTAL	**8,139,531**	**123,547**	**1,633,499**	**154,261**	**10,050,838**

(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 27 – VOLUNTARY WORK

For the financial year 2021, due to the pandemic and aimed at the protection of patients and collaborators, the Association canceled all recreation and other activities that were performed with volunteers. For the year 2020, 5,694 hours of volunteer work were practiced, at a value of US$ 54,305.

NOTE 28 – INSURANCE COVERAGE

On December 31, 2021, the DR. RAUL CARNEIRO HOSPITAL ASSOCIATION FOR CHILDHOOD PROTECTION had insurance policies hired with the country's insurers to cover various risks, fire, and theft for buildings, vehicles, and equipment. The administration believes that the insurance coverage amount is sufficient to cover possible damages to its facilities and property.

Modality	Object	Cover (US$)	Duration
Collision	Fleet	107,517	From 05/07/2021 to 05/07/2022
Fire and Damages	Asset	10,751,725	From 04/03/2021 to 04/03/2022
Liability	Indemnification to Administrators	537,586	From 09/14/2021 to 09/14/2022

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

NOTE 29 – FINANCIAL INSTRUMENT – RISK MANAGEMENT

Financial Instruments

The main financial instruments of the entity are cash and cash equivalents, financial investments, accounts receivable, loans and financing and suppliers. The market values of these financial instruments as of December 31, 2021 and 2020 do not differ substantially from those recorded in the financial statements.

Derivative Financial Instruments

The entity does not use derivative financial instruments.

On December 31, 2021	Financial Assets at Amortized Cost	Others Liabilities	Total
Financial Assets			
Cash and Cash Equivalents	3,838,833	-	3,838,833
Financial Investments	11,098,750	-	11,098,750
Accounts Receivable from Customers	4,650,506	-	4,650,506
	19,588,089	**-**	**19,588,089**
Financial Liabilities			
Suppliers	-	2,165,929	2,165,929
Bank Loans	-	3,616,882	3,616,882
	-	**5,782,811**	**5,782,811**

On December 31, 2020	Financial Assets at Amortized Cost	Others Liabilities	Total
Financial Assets			
Cash and Cash Equivalents	3,859,005	-	3,859,005
Financial Investments	7,788,808	-	7,788,808
Accounts Receivable from Customers	3,700,457	-	3,700,457
	15,348,270	**-**	**15,348,270**
Financial Liabilities			
Suppliers	-	2,171,079	2,171,079
Bank Loans	-	1,154,578	1,154,578
	-	**3,325,657**	**3,325,657**

The entity reviewed the main financial assets and liabilities, as well as the criteria for their valuation, evaluation, classification and the risks related to them, which are described below:

a) Receivables: the amounts of cash and bank deposits for free movement and accounts receivable whose recorded amounts approximate realization, on the balance sheet date, are classified as receivables;

b) Other financial liabilities: loans and financing, suppliers and other current liabilities are classified in this group. Loans and financing are classified as financial liabilities not measured at fair value, and are recorded at their contractual amounts;

c) Fair value: the fair values of financial instruments are equal to their book values; and

d) Risk management of financial instruments: management control the exposure to interest rate, credit and liquidity risks in its operations with financial instruments within a global policy of its business.

• Interest rate risks

The objective of the interest rate management policy of the company is minimizing the possibilities of losses for fluctuation in the interest rate which increase the financial expenses related to borrowings collected in the market.

The entity constantly monitors the interest rates aiming at evaluating the occasional need of hiring operations to protect against the volatility risk of those rates and adopts a cautious policy of collection and application of its financial resources, excelling in the equivalence of indexers.

• Credit risk

The entity’s customers base shows a certain degree of concentration in some main clients. Through internal controls, the entity permanently monitors the submission of invoices and other information to agreements, which limits the risk of bad debts. Management records a bad debt for losses considered probable.

As for the credit risk associated with financial investments and cash equivalents, the entity only carries out operations in institutions with low credit risk.

NOTE 30 – SEGMENT REPORTING

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

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

On December 31, 2020	HPP	CEVA	FPP	IPPP	Not Separated by Segment	Total
Assets	-	-	-	-	56,078,937	56,078,937
Liabilities	-	-	-	-	56,078,937	56,078,937
Net Operating Revenue	43,408,892	1,433,690	9,318,908	-	-	54,161,490
Cost of Services Provided	(24,544,076)	(1,102,381)	(3,596,853)	(1,074,505)	-	(30,317,815)
Gross Profit	**18,864,816**	**331,309**	**5,722,055**	**(1,074,505)**	**-**	**23,843,675**
Operational Expenses	-	-	-	-	(16,663,069)	(16,663,067)
Financial Income / Expense	-	-	-	-	77,007	77,007
Surplus for the Year	**18,864,816**	**331,309**	**5,722,055**	**(1,074,505)**	**(16,586,062)**	**7,257,615**

On December 31, 2021	HPP	CEVA	FPP	IPPP	Not Separated by Segment	Total
Assets	-	-	-	-	58,546,589	58,546,588
Liabilities	-	-	-	-	58,546,589	58,546,588
Net Operating Revenue	44,477,749	1,087,477	9,976,490	-	-	55,541,716
Cost of Services Provided	(28,977,268)	(880,813)	(3,517,441)	(1,250,439)	-	(34,625,961)
Gross Profit	**15,500,481**	**206,664**	**6,459,049**	**(1,250,439)**	**-**	**20,915,755**
Operational Expenses	-	-	-	-	(18,955,283)	(18,955,283)
Financial Income / Expense	-	-	-	-	541,413	541,413
Surplus for the Year	**15,500,481**	**206,664**	**6,459,049**	**(1,250,439)**	**(18,413,870)**	**2,501,885**

The entity's assets and liabilities are not controlled by segment; therefore, they are not presented separately.

NOTE 31 – RESTATEMENT OF INFORMATION FROM OTHER EXERCISES

Asset Accounts and Statement of Income for The Year	Before Adjustments	Adjustments	After Adjustments
Banks Account Movement (Active)	3,960,784	101,779	3,859,005
Private Initiative Campaigns (Result)	4,712,953	101,779	4,611,174

NOTE 32 – IMPACTS OF COVID-19

Since the beginning of the COVID-19 pandemic, the Association has implemented all protective measures imposed by regulatory agencies, especially the cancellation of elective surgeries, in addition to others, which caused a reduction in admissions and surgical procedures, as described in “Note 1”.

Among the measures adopted is the voluntary installation of the COVID-19 Strategic Outpatient Clinic, with the mission of promoting the testing of employees, assistance and monitoring of positive or suspected cases and records and formation of a database for possible future use.

As a result of the pandemic, the result of the year, which in 2020 was US$ 7,257,615, fell to US$ 2,501,885 in 2021, which means a reduction of 64.44%.

Despite the relaxation of the protective measures determined by regulatory bodies, this Association will maintain in 2022 the close monitoring of the possible resurgence of COVID-19 and its possible consequences. And, in addition to increasing other measures, especially those aimed at telemedicine, Pequeno Príncipe also seeks alternative actions to mitigate the impacts of the crisis.

Ety da Conceição Gonçalves Forte
President - CPF 819.422.739-91

José Álvaro da Silva Carneiro
Corporate Director -
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Luis Vanderlei Ferreira Lima
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Directors and Partners of the
ASSOCIAÇÃO HOSPITALAR DE PROTEÇÃO À INFÂNCIA DR. RAUL CARNEIRO
Curitiba - state of PR

Qualified Opinion

We have examined the financial statements of **DR. RAUL CARNEIRO HOSPITAL ASSOCIATION FOR CHILDHOOD PROTECTION** ("entity") encompassing the Balance Sheet on December 31, 2021, and the respective statements of income, changes in equity and cash flows for the period ended on that date, as well as the corresponding explanatory notes, including the summary of the main accounting policies.

In our opinion, subject to the possible effects of the matters described in the basis for qualified opinion, the accompanying financial statements give a true and fair view, in all relevant aspects, of the equity and financial position of **DR. RAUL CARNEIRO HOSPITAL ASSOCIATION FOR CHILDHOOD PROTECTION**, on December 31, 2021, the performance of its operations and its respective cash flows for the period then ended, in accordance with the accountancy practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and to non-profit entities (ITG 2002 R1).

Basis for qualified opinion

a. As presented explanatory note 11, as of December 31, 2021, the lease amounts are shown in assets in the Balance Sheet for US$ 1,265,221 (US$ 2,139,509 as of December 31, 2020) and in liabilities for US$ 1,308,878 (US$ 2,209,270 on December 31, 2020). In 2021, the entity did not record amounts of new contracts signed and also the amounts of readjustments of existing contracts. Therefore, it was not possible to satisfy ourselves as to the adequacy of the amount recorded in the financial statements under the aforementioned headings, as well as the potential impact on income and equity.

b. As presented explanatory note 20, as of December 31, 2021, the amount of revenue of health insurance is presented in the income statement of US$ 21,470,497 (US$ 19,097,094 as of December 31, 2020). For part of this balance, in the amount of US$ 374,366, was not presented the respective composition and it is unknown the possible impacts on the income statement and shareholders' equity.

c. As presented explanatory note 21, as of December 31, 2021, the amount of deductions with disallowance from health insurance is presented in the income statement for US$ 689,164 (US$ 530,393 as of December 31, 2020). However, the auxiliary control has a balance in the amount of US$ 837,336, resulting in an under-recorded balance in the amount of US$ 148,172. Therefore, the income for the year and shareholders' equity are overstated by this amount.

Our audit was carried out according to the Brazilian and international audit standards.

Our responsibilities, in compliance with those standards, are described in the following section, "Responsibilities of the auditor for the audit of the financial statements". We are independent from the company, according to the relevant ethical principles established in the Accountant Professional Ethics Code and in the professional standards issued by the Federal Accounting Council, and we fulfill the other ethical responsibilities according to those standards.

We believe that the obtained audit evidence is enough and appropriate to substantiate our qualified opinion.

Other subjects

The financial statements ended December 31, 2020, presented comparatively, were audited by us as opinion issued on May 24, 2021, without reservation.

Management's and governance's responsibility for the financial statements

TThe management is responsible for the drawing up and proper presentation of the financial statements according to the accountancy practices adopted in Brazil and according to non-profit entities (ITG 2002 R1), as well as for the internal controls which it deemed necessary to allow the preparation of these financial statements free of relevant misstatement, no matter if caused by fraud or error.

In the preparation of the financial statements, the administration is responsible for the evaluation of the company's capacity to continue operating, announcing, when applicable, the subjects related to its business continuity and the use of this accounting base in the preparation of the financial statements, unless the management intends to wind up the entity or cease its operations, or it does not have any realistic alternatives to avoid the end of the operations.

The people in charge of the company's governance and its subsidiaries are those responsible for the supervision of the financial statement preparation process.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements, considered as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Brazilian and international audit standards will always detect a material misstatement. The misstatements can arise from fraud or error, and are considered material when, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the referred financial statements.

As part of the audit, carried out according to the Brazilian and international audit standards, we exercise a professional judgment and maintain professional skepticism along the audit. Furthermore:

- we identified and evaluated the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks and obtained 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 collusion, forgery, omission or intentional misrepresentation, or the override of internal control;
- we obtained understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the company's internal controls;
- we evaluated the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosure made by management;
- we concluded 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 as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern; and

- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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, the timing of the audit and the significant audit findings, including any significant deficiencies in the internal controls that we identified during our works.

Curitiba (state of Paraná), July 11, 2022.

CARLOS ALBERTO FELISBERTO
Accountant CRC (PR) nº 037293/O-9

Martinelli AUDITORES

MARTINELLI AUDITORES
CRC (SC) nº 001.132/O-9