

Financial Statements

Instituto de Pesquisa Ambiental da Amazônia - IPAM

December 31, 2024
with Independent Auditor's Report

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Financial statements

December 31, 2024

Contents

Independent auditor’s report on financial statements 1

Audited financial statements

Statement of financial position 4

Statement of surplus or deficit..... 5

Statement of comprehensive surplus 6

Statement of changes in net assets 7

Statement of cash flows 8

Notes to financial statements 9



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A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

Independent auditor's report on financial statements

To the
Board of Trustees and Directors of
Instituto de Pesquisa Ambiental da Amazônia - IPAM
Brasília - DF

Opinion

We have audited the financial statements of Instituto de Pesquisa Ambiental da Amazônia - IPAM (the "Institute"), which comprise the statement of financial position as at December 31, 2024, and the statements of surplus or deficit, of comprehensive surplus, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil applicable to non-profit entities (ITG 2002 (R1)).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. 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 Institute in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), 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 opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil applicable to nonprofit entities (ITG 2002), 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 Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



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Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives 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 Standards on Auditing 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 on the basis of 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:

- Identified and assessed the risks of material misstatements of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive 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, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control 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 Institute's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Concluded on the appropriateness of the 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 Institute'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 Institute to cease to continue as a going concern.
- 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.



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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.

Brasília, July 17, 2025

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

A handwritten signature in black ink, appearing to read 'Alexandre Dias Fernandes', written over the printed name.

Alexandre Dias Fernandes
Accountant CRC DF-012460/O

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of financial position
December 31, 2024 and 2023
(In reais)

	Note	12/31/2024	12/31/2023
Assets			
Current assets			
Cash and cash equivalents	4.1	12,844,716	12,592,005
Short-term investments	4.2	5,155,571	-
Project-related funds	5	55,833,606	52,629,831
Advances to projects	6	8,209,838	4,778,429
Taxes recoverable		30,714	48,288
Advances granted	8	364,278	334,103
		82,438,723	70,382,656
Noncurrent assets		317,430	318,173
Property and equipment	9	317,430	318,173
Total assets		82,756,153	70,700,829
Liabilities and net assets			
Current liabilities			
Social and labor obligations	10	5,359,281	4,575,714
Tax obligations		111,763	4,075
Obligations with project-related suppliers		1,436,540	699,689
Obligations with suppliers		138,186	154,802
Obligations with projects	11	64,542,461	56,615,223
Other liabilities		69,298	42,397
		71,657,529	62,091,900
Net assets	15		
Fund capital		8,608,929	5,999,885
Surplus for the year		2,489,695	2,609,044
		11,098,624	8,608,929
Total liabilities and net assets		82,756,153	70,700,829

See accompanying notes.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of surplus or deficit
Years ended December 31, 2024 and 2023
(In reais)

	Note	12/31/2024	12/31/2023
Net revenue		6,129,938	5,695,788
Administrative fee	16	5,778,291	5,226,163
Individual donations		351,647	469,625
Operating expenses		(5,033,020)	(4,289,695)
Salaries and social charges	17	(2,988,876)	(2,054,887)
Consulting and services	18	(636,824)	(831,345)
Event and travel expenses		(771,647)	(263,530)
Utilities and services expenses	19	(409,493)	(321,002)
Depreciation		(84,401)	(73,299)
General expenses	20	(880,363)	(603,941)
Loss on project completion	21	(138,782)	(454,566)
Gain on project completion	21	229,202	90,928
Other operating income (expenses), net		648,164	221,947
Finance income (costs), net		1,392,777	1,202,951
Finance income		1,452,816	1,253,217
Finance costs		(60,039)	(50,266)
Surplus from own operations		2,489,695	2,609,044
Project revenues		58,403,492	49,515,470
Project costs		(58,403,492)	(49,515,470)
Salaries and social charges		(24,367,678)	(21,436,880)
Consulting services		(3,449,770)	(2,385,415)
Travel expenses		(12,481,816)	(9,847,485)
Technical partnerships		(5,014,685)	(4,763,289)
Provision for write-off of project assets		(233,974)	(783,029)
Other costs		(3,189,135)	(2,436,506)
Expenses – materials		(2,489,051)	(1,231,313)
Environmental services		(7,177,383)	(6,631,553)
Surplus for the year		2,489,695	2,609,044

See accompanying notes.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of comprehensive surplus
Years ended December 31, 2024 and 2023
(In reais)

	<u>Note</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
Surplus for the year		<u>2,489,695</u>	<u>2.609.044</u>
Other comprehensive surplus		-	-
Total comprehensive surplus for the year		<u>2.489.695</u>	<u>2,609,044</u>

See accompanying notes.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of changes in net assets

Years ended December 31, 2024 and 2023

(In reais)

	Fund capital	Accumulated surplus (deficit)	Total
Balance at December 31, 2022	<u>3,373,307</u>	<u>2,626,578</u>	<u>5,999,885</u>
Allocation of accumulated surplus	2,626,578	(2,626,578)	-
Surplus for the year	-	2,609,044	2,609,044
Balance at December 31, 2023	<u>5,999,885</u>	<u>2,609,044</u>	<u>8,608,929</u>
Allocation of accumulated surplus	2,609,044	(2,609,044)	-
Surplus for the year	-	2,489,695	2,489,695
Balance at December 31, 2024	<u>8,608,929</u>	<u>2,489,695</u>	<u>11,098,624</u>

See accompanying notes.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Statement of cash flows

Years ended December 31, 2024 and 2023

(In reais)

	12/31/2024	12/31/2023
Surplus for the year	2,489,695	2,609,044
Write-off of property and equipment	204	13,804
Depreciation	84,401	73,299
Gains/losses on contract termination	-	-
 Increase in assets		
Restricted funds	(3,203,775)	(35,427,925)
Advances to projects	(3,431,409)	(1,557,647)
Taxes/charges recoverable	17,573	(29,573)
Advances granted	(30,175)	(104,573)
 Increase (decrease) in liabilities		
Social and labor obligations	783,567	646,229
Tax obligations	107,688	(35,306)
Obligations with suppliers	720,237	(380,941)
Obligations with projects	7,927,237	38,237,034
Other liabilities	26,901	(30,799)
 Net cash flows used in operating activities	5,492,144	4,012,646
 Cash flows from investing activities		
Acquisition of P&E	(83,862)	(68,009)
Short-term investments	(5,155,571)	-
Cash flows used in investing activities	(5,239,433)	(68,009)
 Net decrease (increase) in cash and cash equivalents	252,711	3,944,637
Cash and cash equivalents at beginning of year	12,592,005	8,647,368
Cash and cash equivalents at end of year	12,844,716	12,592,005

See accompanying notes.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

1. Operations

Instituto de Pesquisa Ambiental da Amazônia – IPAM (“Institute” or “IPAM”) is a nonprofit, private organization founded in 1995 with the mission of contributing to the process of development of the Amazon that meets the social and economic aspirations of the population, while preserving the ecological functions of the region's ecosystems. The activities carried out by IPAM are structured in two strategic pillars: Land Use and Integrated Cities. These pillars are subdivided into:

Land Use

Sustainable family farming – The Institute seeks the recognition of family farmers as a key segment for the sustainable development of the Amazon and the Cerrado regions, in order to reduce the impacts of climate change; to generate impact on the environment on a regular basis, contributing to increase farmers' income, and to ensure food security and the end of deforestation; and public policies aimed at structured and operational family farming.

Protected natural territories – The Institute seeks to create an impact with an integrated arrangement of consolidated protected areas (with governance, shared management, investments, quality of life and food and land security); by expanding the system of protected areas via conservation use of areas not yet designated in the Amazon and Cerrado regions; by implementing climate change adaptation strategies for protected areas; and by means of a society that is aware of the role played by the protected areas in preserving and generating ecosystem services.

Low-emission agriculture and livestock – The Institute seeks modern agricultural production, focusing on increasing productivity while protecting and valuing forests. Farms are recognized and remunerated for their agricultural and environmental products. And consumer markets contribute to the long-term sustainability of conservation and production.

Integrated Cities

Farm-City-Forest Relationship: The Institute seeks to understand the relationship between each landscape and the impacts that climate change and unplanned urban sprawl could cause to each environment. It also seeks a greater connection between urban and rural landscapes in the Amazon and Cerrado regions, while attempting to understand how disorderly occupation and expansion, and urban encroachment impact their surroundings.

Governance and Urban Management: Cities with permanent improvement in infrastructure and public service efficiency, climate resilience, and reduction of environmental impacts, generating better quality of life for the population.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

1. Operations (Continued)

The funds for accomplishment of the Institute's mission are transferred by third parties, which finance the performance of the projects.

The Institute is exempt from taxation on assets, income and services, given that it is a private nonprofit organization. Furthermore, for being a private nonprofit organization, surplus is not distributed and is added to fund capital at the year end.

The non-financial information included in these financial statements, such as number of payment requests, tickets, daily allowances, number of projects, among other items, have not been audited/reviewed by the independent auditors.

2. Basis of preparation and presentation of the financial statements

The Institution's financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise ITG 2002 (R1) and the accounting pronouncements, guidance and interpretations issued by the Brazilian FASB (CPC) and approved by Brazil's National Association of State Boards of Accountancy (CFC).

The significant information specific to the financial statements, and only such information, is being disclosed, and corresponds to the information used in management of the Company's operations.

The issue of the financial statements was approved by the Board of Trustees on July 17, 2025.

2.1. Functional and presentation currencies

The items included in the financial statements are measured using the currency of the primary economic environment in which the Institute operates (functional currency). The financial statements were prepared and are presented in Brazilian reais, which is the Institution's functional currency.

2.2. Going-concern statement

Management assessed the Institution's ability to continue as a going concern and is convinced that it has the resources required to continue operating in the future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt as to its ability to continue as a going concern. Accordingly, these financial statements were prepared on a going concern basis.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

2. Basis of preparation and presentation of the financial statements

(Continued)

2.3. Use of estimates

The preparation of the financial statements in accordance with Brazilian accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported asset, liability, revenue and expense amounts. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any subsequent periods affected.

3. Material accounting policy information

3.1. Revenue recognition

Revenue is recognized on an accrual basis, to the extent the funds are invested in the Institute's projects and management, as determined by ITG 2002 (R1) – Nonprofit Entities.

Accounting pronouncement CPC 07 (R1) – Government Grants and Assistance determines that donations and grants should be recorded in surplus/deficit throughout the period in which the expenses intended to be offset are incurred and that, while the requirements for recognition of surplus/deficit are not met, the funds received should be recorded in a specific liability account.

3.2. Recognition of project expenses

Project expenses are recognized as incurred upon presentation of a valid accounting document (bills, invoices, receipts, etc.).

Classification and measurement

The Institute classifies its financial assets into the following categories: measured at amortized cost and at fair value through profit or loss. Financial assets are classified according to the purpose for which they were acquired. Management determines the classification of the financial assets upon initial recognition.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

3. Material accounting policy information (Continued)

Accounting for project expenses

Surplus/deficit is determined on an accrual basis. Income and expenses are recognized in surplus/deficit when the risks and rewards inherent in the services are transferred. Receivables and payables within one year from December 31, 2024 were classified as current and amounts with maturities longer than one year were classified as noncurrent.

3.3. Transactions in foreign currency

Transactions in foreign currency are translated into the Institution's functional currency at the exchange rates in force on the transaction dates. Monetary assets and liabilities denominated and calculated in foreign currency at the reporting date are translated back at the exchange rate prevailing on that date. Differences in foreign currencies resulting from translation are recognized in surplus/deficit.

3.4. Financial instruments

Financial liabilities - initial recognition

Financial liabilities are initially recognized at fair value, plus transaction costs, as applicable.

Financial liabilities - subsequent measurement

- Amortized cost: these are recorded using the effective interest method, where gains and losses are recognized in the statement of surplus or deficit when the liabilities are written off or through an increase in the effective rate.
- Fair value through surplus or deficit: accounted for by recognizing the gain and loss in surplus or deficit for the period.

Derivative financial instruments

The Institute did not carry out transactions of a speculative nature in derivatives or any other risky assets, and does not have swap or similar instruments.

3.5. Cash and cash equivalents

These balances include cash, bank deposits and short-term investments readily convertible into a known cash amount, subject to insignificant risk of change in value. These are valued at acquisition cost, plus earnings that do not exceed the respective market values.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

3. Material accounting policy information (Continued)

3.6. Project-related funds

The balances include cash on hand, bank deposits and short-term investments, the amounts of which are separated into accounts by project and allocated directly to the respective project.

3.7. Advances to projects

This account includes the amounts receivable from funders arising from partially or fully executed projects, which will be reimbursed after the rendering of accounts. At the end of each project, the existing risk of receiving the balance is assessed and, should the Institution confirm that the amount will not be reimbursed, the loss is recorded in the statement of surplus or deficit under the "Losses on project completion" account.

3.8. Property and equipment

a) Recognition and measurement

The Institute's property and equipment includes items acquired through partnership contracts intended exclusively for execution of the projects. These are classified separately in noncurrent assets as "Assets with restricted use".

Assets with restricted use are recorded at the time of acquisition and, on this occasion, a contra-account in P&E is recorded against the provision for losses in the statement of surplus or deficit, recognizing the execution of the project.

Usually at the end of the project, the residual value of the item is recognized as revenue from donations and transferred to the Institute's property and, consequently, recorded as property and equipment without restriction. This policy is applied when there is no contractual provision for donation of the items to third parties.

Property and equipment items are measured at historical acquisition or construction cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenses directly attributable to acquisition of an asset.

Gains and losses on disposal of a property and equipment item are determined by comparing the proceeds from disposal with the residual book value of the item, and are recognized as Losses or gains on disposal of P&E, in the statement of surplus or deficit, as applicable.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

3. Material accounting policy information (Continued)

3.8. Property and equipment (Continued)

b) Subsequent costs

Replacement cost of a P&E component is recognized in the item's book value when it is likely that the economic benefits added to the item will flow to the Institute and the cost may be reliably measured. The residual book value of the component that has been replaced by another is recognized in surplus or deficit for the period. Daily maintenance costs of property and equipment items are recognized in surplus or deficit as incurred.

3.9. Depreciation and amortization

Depreciation and amortization are calculated on the depreciable or amortizable value, which is the cost of an asset, or another value that substitutes the cost over the useful life of the item.

Depreciation and amortization of the Institute's assets (assets with no restriction) are recognized in surplus or deficit on a straight-line basis with respect to the estimated useful life of each component of the item, as this is the method that best reflects the pattern of consumption of the future economic benefits embedded in the asset.

Depreciation and amortization of assets intended exclusively for the execution of projects (assets with restricted use) are accounted for in adjustment accounts of property and equipment and intangible assets. Depreciation and amortization are carried out using the straight-line method over the estimated useful life of each item.

The estimated useful lives for the current year are presented in Note 9.

Depreciation and amortization methods, the useful lives, and the residual values are reviewed at each financial year end and adjustments, if any, are recognized as a change in accounting estimates.

3.10. Impairment of nonfinancial assets

The book values of the Institute's nonfinancial assets are reviewed at each reporting date to determine any indication of impairment. If any such indication exists, the asset's recoverable amount is determined. An asset's recoverable amount is the higher of the value in use and the fair value less costs to sell. Impairment losses are recognized when the book value of an asset exceeds its estimated recoverable amount. Losses in value, if any, are recognized in surplus or deficit.

Management did not identify any situation that could indicate impairment of its nonfinancial assets. Accordingly, it was not necessary to estimate the recoverable amount of assets.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

3. Material accounting policy information (Continued)

3.11. Obligations with projects

This account records the obligations to funders arising from financial resources received by the Institute and not yet applied in the execution of the projects. Revenues are recognized in surplus or deficit as the projects are executed. The positive balances of completed projects, which do not contain a provision for the return of resources to funders, are written off as gains in the "Gains on project completion" account, in surplus or deficit.

3.12. Contracts to be executed

The Institute records all the contracts signed with funders, monitoring the contracted amounts, the projects effectively executed, and the balances to be executed for each project. This group of accounts is used solely for monitoring of effective contracts, execution and balances of contracts to be executed, having no effect on the financial statements.

3.13. Employee benefits

Obligations arising from short-term employee benefits are measured on an undiscounted basis and are incurred as expenses as the related service is provided.

3.14. Provisions

General

A provision is recognized as a result of a past event. A provision is recognized if the Institute has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation.

Civil, tax and labor contingencies

Provisions for civil, tax and labor contingencies related to legal and administrative proceedings are recognized when the Institute has a present legal or constructive obligation as a result of past events, it is possible to reliably estimate the amounts, and the settlement is likely to occur. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court rulings and their relevance in the legal system, as well as the evaluation of external legal advisors.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

3. Material accounting policy information (Continued)

3.15. Other rights and obligations

The other current and noncurrent assets and liabilities that are subject to monetary variation or exchange differences under legislation or contractual provisions are restated based on the indices provided for in the respective provisions, in order to reflect the amounts on the date of the financial statements.

3.16. Administrative fee

The administrative fee is recognized as the project's direct costs incur, with observance of the characteristics and percentage agreed with the funder.

3.17. Tax exemptions and benefits of IPAM

As a nonprofit scientific entity, IPAM is subject to tax exemptions and benefits, such as:

- Income tax (IRPJ);
- Social contribution tax on net profit (CSLL); and
- Contribution tax on gross revenue for social security financing (COFINS) on own revenues.

3.18. Determination of surplus or deficit

Revenues and expenses are calculated on an accrual basis, according to accounting practices adopted in Brazil. From 2018, IPAM adopted the recommendations of ITG 2002, issued by the Brazilian National Association of State Boards of Accountancy (CFC), which determines that project expenses and revenues be allocated to surplus or deficit.

4. Cash and cash equivalents

Short-term investments in the portfolio for the year refer to fixed income securities earning interest of 98 to 106% of the Interbank Deposit Certificate (CDI), depending on the bank.

4.1. Cash and cash equivalents

	12/31/2024	12/31/2023
Cash	-	-
Banks	913,038	1,406,722
Investments	11,931,678	11,185,283
	<u>12,844,716</u>	<u>12,592,005</u>

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

4. Cash and cash equivalents (Continued)

4.2. Short-term investments

	12/31/2024	12/31/2023
Short-term investments (Endowment)	5,155,571	-
	<u>5,155,571</u>	<u>-</u>

The endowment was created for the purpose of ensuring the financial sustainability of the Institution and supporting costs and institutional initiatives, including research projects aligned with the IPAM's mission. It is divided between the research and institutional endowments following the policy for use of the respective funds.

5. Project-related funds

Project-related funds are restricted to application in projects, according to contractual provisions. There are cases in which, contractually, the yield is required to be applied to the project activities, while in other cases, the yield is reversed as administrative income for the Institute.

	12/31/2024	12/31/2023
Banks	4,704,274	7,163,530
Investments	51,129,332	45,466,301
	<u>55,833,606</u>	<u>52,629,831</u>

Short-term investments in the portfolio for the year refer to fixed income securities earning interest of 96% to 100% of the Interbank Deposit Certificate (CDI), depending on the bank.

6. Advances to projects

These include amounts receivable referring to contracts already executed, for which the funds from donors will be transferred to the Institute after rendering of accounts.

	12/31/2024	12/31/2023
Funds from foreign private entities	1,708,984	1,568,277
Funds from foreign public entities	787,132	1,284,147
Funds from domestic private entities	5,684,717	1,926,005
Funds from domestic public entities	29,005	-
	<u>8,209,838</u>	<u>4,778,429</u>

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

7. Advances granted

	12/31/2024	12/31/2023
Advances to employees (a)	305,652	275,956
Travel advances (b)	-	24,522
Advances to suppliers (c)	26,030	8,125
Contract security deposit (d)	32,596	25,500
	<u>364,278</u>	<u>334,103</u>

(a) Advances to employees concern advances of benefits paid in December 2024 that refer to the January 2025.

(b) In 2024, all advances made by the Institute solely to employees to cover travel expenses were accounted for within the year without any remaining balance or future rendering of accounts.

(c) Advances to suppliers refer to amounts paid in 2024 awaiting the delivery of products or goods in 2025.

(d) Contract security deposit made by the Institute to the tenant of the Belém and Santarém units, and a security deposit made in 2024 for vehicle rental.

8. Property and equipment

These items are accounted for at acquisition cost. Depreciation and amortization are calculated using the straight-line method, considering the useful and economic life of the item at the rates below.

The property and equipment groups are classified as in Note 3.9 and presented the following changes in the year:

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

8. Property and equipment (Continued)

Property and equipment

IPAM assets – with no restriction on use (P&E)

	12/31/2023	Additions	Write-offs	12/31/2024
Leasehold improvements	1,310	-	-	1,310
Computer equipment	160,563	29,039	-	189,602
Electronic machinery and equipment	169,555	54,823	-	224,378
Furniture and fixtures	91,608	-	-	91,608
Facilities	21,922	-	-	21,922
Vehicles	224,162	-	(10,200)	213,962
Software	13,239	-	-	13,239
Total cost	682,359	83,862	(10,200)	756,021

	Annual depreciation rate (%)	12/31/2023	Additions	Write-offs	12/31/2024
Changes in depreciation					
Leasehold improvements	50	(1,310)	-	-	(1,310)
Computer equipment	17	(122,899)	(18,983)	-	(141,882)
Electronic machinery and equipment	17	(119,373)	(10,460)	-	(129,833)
Furniture and fixtures	20	(47,289)	(9,162)	-	(56,451)
Facilities	20	(10,480)	(2,192)	-	(12,672)
Vehicles	10	(60,628)	(40,956)	9,996	(91,588)
Software		(2,207)	(2,648)	-	(4,855)
Total depreciation		(364,186)	(84,401)	9,996	(438,591)
Total, net		318,173	(539)	(204)	317,430

Property and equipment

Project assets – with restriction on use (*) – expenses (unaudited)

	12/31/2023	Additions	Write-offs	12/31/2024
Leasehold improvements	30,004	-	-	30,004
Computer equipment	1,239,639	227,103	(1,999)	1,464,743
Electronic machinery and equipment	407,125	6,871	-	413,996
Vehicles	1,199,734	-	-	1,199,734
Construction in progress	9,000	-	-	9,000
Software	125,983	-	-	125,983
Total depreciation	3,011,485	233,974	(1,999)	3,243,460

	Annual depreciation rate (%)	12/31/2023	Additions	Write-offs	12/31/2024
Changes in depreciation					
Leasehold improvements	4	(23,289)	(1,936)	-	(25,225)
Computer equipment	17	(692,330)	(188,198)	666	(879,862)
Electronic machinery and equipment	17	(356,081)	(8,878)	-	(364,959)
Vehicles	10	(320,338)	(239,947)	-	(560,285)
Software	50	(92,983)	(12,000)	-	(104,983)
Total depreciation		(1,485,021)	(450,959)	666	(1,935,314)
Total, net		1,526,464	(216,985)	(1,333)	1,308,146

(*) Items from projects with restricted use - shows the items acquired through contracts for exclusive use in the execution of projects. Goods with restricted use are recorded at the time of acquisition and then recorded as an expense in surplus or deficit, recognizing the execution of the project. There are contractual provisions for certain projects that establish that after their completion, the assets acquired, through their resources, will be donated or reversed to the Institution, as explained in Note 3.9.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

9. Social and labor obligations

	12/31/2024	12/31/2023
Provision for Unemployment Compensation Fund (FGTS)	149,289	126,164
Provision for Social Security Tax (INSS)	413,450	363,450
Provision for Contribution Tax on Gross Revenue for Social Integration Program (PIS)	12,689	21,015
Accrued vacation pay and related charges	2,582,267	2,103,043
Provision for 40% fine on total deposits of the FGTS	1,861,580	1,631,525
Other charges	340,006	330,517
	5,359,281	4,575,714

10. Obligations with projects

	12/31/2024	12/31/2023
Funds from domestic public entities	96,285	-
Funds from foreign public entities	5,507,404	4,218,080
Funds from private entities - consulting services	-	23,393
Funds from domestic private entities	11,353,739	9,696,758
Funds from foreign private entities	40,093,365	38,281,280
Finance income	7,491,668	4,395,712
	64,542,461	56,615,223

Obligations with projects comprise the amounts received referring to the projects approved in contracts with funders, less the respective expenses of projects executed up to the statement of financial position date. The balances represent the Institute's obligation to execute the projects in the future.

At the end of each period, financial balances of completed projects for which the rendering of accounts has already been approved are identified. For balances where there is no estimated return, the gain is recognized in surplus or deficit. These situations occur mainly due to exchange differences (the amount in reais is expected to be higher or lower than the amount effectively received), or because of project completion before the expected due date, or finance income not used in the project.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

11. Obligations with projects (Continued)

Changes in obligations with projects are as follows:

	12/31/2023	Received	Executed	Recurring fee	Initial fee	Gain/loss	Income	Advance – initial fee	12/31/2024
Funds from public entities - consulting services	2,394	-	-	-	-	-	-	-	2,394
Funds from domestic public entities	1,740	6,894,000	(6,817,857)	(8,863)	-	-	1,038	7,030	77,088
Funds from foreign public entities	3,451,054	15,909,811	(13,859,203)	(1,261,226)	(8,153)	(262)	1,355	88,661	4,322,037
Funds from private entities - consulting services	25,314	-	-	-	-	-	-	-	25,314
Funds from domestic private entities	8,927,637	13,794,118	(13,675,230)	(1,662,290)	(168,638)	(92,002)	531,310	605,580	8,260,485
Funds from foreign private entities	44,207,084	28,275,282	(24,051,202)	(2,420,711)	(248,410)	1,843	5,763,807	327,450	51,855,143
	56,615,223	64,873,211	(58,403,492)	(5,353,090)	(425,201)	(90,421)	6,297,510	1,028,721	64,542,461

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

12. Funding and execution of resources classified by financing source (unaudited)

	Foreign entities	Domestic private entities	Domestic public entities	Consulting	Total
Balance in 2023	43,690,175	23,469,854	-	-	67,160,029
Budget	19,772,360	22,130,684	7,475,000	-	49,378,044
Budget adjustment	7,507,602	(643,516)	-	-	6,864,086
Received	(44,185,093)	(13,794,118)	(6,894,000)	-	(64,873,211)
Balance at 12/31/2024	26,785,044	31,162,904	581,000	-	58,528,948
Balance to execute in 2023	81,824,329	30,390,983	-	6,769	112,222,081
Budget	19,772,360	22,130,684	7,475,000	-	49,378,044
Budget adjustment	8,453,692	(1,400,595)	(7,030)	(6,769)	7,039,298
Execution with gains/losses	(41,847,323)	(15,598,160)	(6,826,720)	-	(64,272,203)
Balance to execute in 2024	68,203,058	35,522,912	641,250	-	104,367,220

The table shows that in 2024, the amount of R\$49,378,044 was raised under new contracts to be executed over the contract period. Projects were executed in the total amount of R\$64,272,203 and the budgeted balance to be executed for the following years totals R\$104,367,220. This information is merely budgetary and therefore is not part of the balances included in the financial statements. Accordingly, it was not audited by the independent auditors.

13. Legal proceedings and contingent liabilities

The Institute is not a defendant in ongoing legal and administrative proceedings filed with courts and government agencies, involving labor, civil and other matters.

14. Transactions with related parties

Key management personnel compensation

Key management personnel compensation, including salaries, fees, and variable short-term benefits, totaled R\$1,216,295 for the year ended December 31, 2024 (R\$1,176,968 in 2023).

15. Net assets

Net assets of IPAM comprise fund capital substantially derived from surplus accumulated from previous years and the current-year surplus. At December 31, 2024, net assets amount to R\$11,098,624.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

16. Revenue from administrative fee

A percentage of project resources is contractually allocated to meet the Institute's administrative cost, which varies from 7% to 20% of the amount of direct project costs - representing 6.5% to 16.67% of the total contract value (see Note 3.16 for more details).

	12/31/2024	12/31/2023
Funds from public entities - consulting services	-	84,567
Funds from domestic public entities	8,863	-
Funds from foreign public entities	1,269,379	1,283,055
Funds from private entities - consulting services	-	24,922
Funds from domestic private entities	1,830,928	1,945,782
Funds from foreign private entities	2,669,121	1,887,837
	5,778,291	5,226,163

17. Salaries and social charges

	12/31/2024	12/31/2023
Salaries and payroll charges	(2,977,704)	(2,042,617)
Qualification	-	(500)
Tests	-	(4,595)
Subsidized transportation ticket	(11,172)	(7,175)
	(2,988,876)	(2,054,887)

18. Consulting and services

	12/31/2024	12/31/2023
Consulting services	(45,836)	(50,000)
Audit services	-	(142,160)
IT services	(101,604)	(183,260)
Legal services	(160,200)	(139,079)
Licensing services	(329,184)	(316,846)
	(636,824)	(831,345)

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

19. Expenses with utilities and services

	12/31/2024	12/31/2023
Water and sewage	(454)	(1,194)
Electricity	(13,742)	(13,390)
Telephone services	(10,863)	(12,634)
Condominium fees	(750)	(3,397)
Equipment rental	(4,654)	(4,713)
Rent	(142,203)	(138,409)
Infrastructure	(236,827)	(147,265)
	(409,493)	(321,002)

20. General expenses

	12/31/2024	12/31/2023
Meals	(52,302)	(38,406)
Low-value items (a)	(124,082)	(37,761)
Gifts	(84,391)	-
Fuel	(4,692)	(4,170)
Catering	(2,921)	(2,496)
Mail and courier	(5,063)	(7,180)
Edition services	(46,455)	(4,449)
Printing and books	-	(78,000)
Office supplies	(5,557)	(3,771)
IT materials	(33,490)	(8,100)
Cleaning materials	(5,851)	(6,107)
Maintenance and repair materials	(17,921)	(6,146)
Magazines and publications	(12,229)	(84,597)
Delivery services	(2,257)	(7,696)
Services provided by legal entities (b)	(230,974)	(179,630)
Other expenses	(21,144)	(24,698)
Renovation services	(93,210)	(25,055)
Taxes	(14,377)	(51,284)
Field materials	(14,520)	(835)
Other services	(68,977)	(26,775)
Construction and renovation materials	(39,950)	(6,785)
	(880,363)	(603,941)

The increase in expenses in this group is due to acquisition of custom-made furniture and low-value items (a) for the Belém office. With the return of in-person activities in the offices, services provided by legal entities, such as cleaning, were engaged (b).

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

21. Losses (gains) on project completion, net

	12/31/2024	12/31/2023
Funds from public entities - consulting services	-	8,264
Funds from foreign public entities	(262)	(58,057)
Funds from private entities - consulting services	-	182
Funds from domestic private entities	(92,002)	47,618
Funds from foreign private entities	1,844	(361,645)
	(90,420)	(363,6385)
Loss on project completion	(138,782)	(454,566)
Gain on project completion	229,202	90,928

Any gains or losses on the completion of projects consider the final calculated amount related to exchange gains/losses between the amount received and executed, net finance income (costs), including the difference (positive or negative) between income from investment of financial resources and finance costs, such as tariffs and fees, and/or execution above or below the original budget, which contractually, at the end of the project, should be supported (upon loss) or absorbed (upon gain) by the Institute.

22. Financial instruments

The Institute's financial assets and liabilities as of December 31, 2024 are recorded in the statement of financial position at amounts compatible with the market. These are described below, together with the criteria, assumptions and limitations used in the calculation of market values:

a) *Short-term investments*

The amounts recorded approximate market values due to the short-term maturity of these instruments. They are measured at fair value.

b) *Project-related funds*

The amounts recorded approximate market values due to the short-term maturity of these instruments. They are measured at fair value.

c) *Advances*

Advances are measured at amortized cost using the effective interest method.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements
December 31, 2024
(In reais, unless otherwise stated)

22. Financial instruments (Continued)

d) Other financial assets and liabilities

The estimated realizable values of financial assets and liabilities were determined using available market information and appropriate valuation methodologies. All financial assets and liabilities are measured at amortized cost.

Financial risk factors

All the Institute's transactions are carried out with financial institutions that do not have high credit risk, as determined by renowned rating agencies, which minimizes the risk. The Institute sets up provision in an amount deemed sufficient to cover possible risks of making the advances; therefore, the risk of incurring losses resulting from the difficulty in receiving billed amounts is measured and accounted for. The key market risk factors that affect the Institute's business are as follows:

Credit risk

Credit risk is managed by the Institution and arises from cash and cash equivalents, deposits in banks and other financial institutions, as well as credit exposures from contracts and terms of cooperation. For banks and other financial institutions, only transactions with large, low-risk entities are accepted. Individual creditor risk limits are determined based on internal ratings according to the historical relationship.

Interest rate risk

The Institute is exposed to fluctuations in the Interbank Deposit Certificate (CDI), which is the reference for remuneration of its financial investments. The change in value is insignificant in operations.

Liquidity risk

The main risk related to liquidity refers to monitoring of the funds received in advance and their use in carrying out projects. This liquidity is managed by monitoring the resources and obligations, as shown below:

	12/31/2024	12/31/2023
Project-related funds (Note 5)	55,833,606	52,629,831
Advances for projects (Note 6)	8,209,838	4,778,429
Revenue to be executed (Note 11)	(64,542,461)	(56,615,223)
	(499,017)	793,037

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

22. Financial instruments (Continued)

Balance of short-term investments at 12/31/2024 (R\$)		Projected finance income (R\$)		
		Scenario I (Probable)*	Scenario II	Scenario III
Without restriction	17,087,249	2,520,369	1,890,277	1,260,185
With restriction	51,129,332	7,541,576	5,656,182	3,770,788

* Considered the CDI projection for 2025 according to FOCUS/Bacen on 06/16/2025, which was 14.75% for the period.

Balance of short-term investments at 12/31/2023 (R\$)		Projected finance income (R\$)		
		Scenario I (Probable)*	Scenario II	Scenario III
Without restriction	11,185,283	1,301,128	975,846	650,564
With restriction	45,466,301	5,288,867	3,966,651	2,644,434

* Considered the CDI projection for 2023 according to FOCUS/Bacen on 12/29/2023, which was 11.75% for the period.

Sensitivity analysis

IPAM uses no third-party capital for project execution or administrative activities, reason why the Institute incurs no interest expenses. On the other hand, depending on the funder's guidance, the funds received for execution of the projects are invested in Bank Deposit Certificates (CDB), which yielded an average of 99% of the Interbank Deposit Certificate (CDI).

To check the sensitivity of the indices to which the Institute is exposed as of December 31, 2024, three different scenarios were estimated, considering the total financing volume. Based on this amount, the Probable Scenario for the 12 subsequent months (Scenario I) was defined. From this scenario (Probable), a decrease of 25% (Scenario II) and 50% (Scenario III) is applied on the projections of the adjustment indices of each contract.

Instituto de Pesquisa Ambiental da Amazônia - IPAM

Notes to financial statements

December 31, 2024

(In reais, unless otherwise stated)

23. Insurance coverage

Insurance coverage as of December 31, 2024 was contracted for the amounts indicated below, according to insurance policies, and complies with management's risk assessment:

LINE	ISSUE	BEGINNING	END	INSURED AMOUNT
Fire, lightning and other occurrences	05/21/2024	05/21/2024	05/21/2025	500,000
Electronic equipment	05/21/2024	05/21/2024	05/21/2025	20,000
D&O	02/28/2025	02/21/2025	02/21/2026	5,000,000
Vehicle – Third-party property damage	02/17/2025	02/10/2025	02/10/2026	150,000
Vehicle – Third-party bodily injury	02/17/2025	02/10/2025	02/10/2026	150,000
Vehicle – Personal damage	02/17/2025	02/10/2025	02/10/2026	10,000
Vehicle – Third-party property damage	03/18/2025	03/15/2025	03/15/2026	150,000
Vehicle – Third-party bodily injury	03/18/2025	03/15/2025	03/15/2026	150,000
Vehicle – Personal damage	03/18/2025	03/15/2025	03/15/2026	10,000
Vehicle – Third-party property damage	01/27/2025	01/20/2025	01/20/2026	150,000
Vehicle – Third-party bodily injury	01/27/2025	01/20/2025	01/20/2026	150,000
Vehicle – Personal damage	01/27/2025	01/20/2025	01/20/2026	10,000
Vehicle – Property damage	12/05/2024	12/05/2024	12/05/2025	150,000
Vehicle – Third-party bodily injury	12/05/2024	12/05/2024	12/05/2025	150,000
Vehicle – Personal damage	12/05/2024	12/05/2024	12/05/2025	20,000
Vehicle – Property damage	11/29/2024	11/27/2024	11/27/2025	150,000
Vehicle – Third-party bodily injury	11/29/2024	11/27/2024	11/27/2025	150,000
Vehicle – Personal damage	11/29/2024	11/27/2024	11/27/2025	20,000
Vehicle – Property damage	12/02/2024	11/27/2024	11/27/2025	150,000
Vehicle – Third-party bodily injury	12/02/2024	11/27/2024	11/27/2025	150,000
Vehicle – Personal damage	12/02/2024	11/27/2024	11/27/2025	20,000
Vehicle – Third-party property damage	07/04/2024	07/03/2024	07/03/2025	100,000
Vehicle – Third-party bodily injury	07/04/2024	07/03/2024	07/03/2025	100,000
Vehicle – Personal damage	07/04/2024	07/03/2024	07/03/2025	20,000
Vehicle – Third-party property damage	07/04/2024	07/03/2024	07/03/2025	100,000
Vehicle – Third-party bodily injury	07/04/2024	07/03/2024	07/03/2025	100,000
Vehicle – Personal damage	07/04/2024	07/03/2024	07/03/2025	20,000
Vehicle – Third-party property damage	07/16/2024	07/03/2024	07/03/2025	200,000
Vehicle – Third-party bodily injury	07/16/2024	07/03/2024	07/03/2025	200,000
Vehicle – Personal/aesthetical damage	07/16/2024	07/03/2024	07/03/2025	5,000
Vehicle – Third-party property damage	08/05/2024	07/29/2024	07/29/2025	150,000
Vehicle – Third-party bodily injury	08/05/2024	07/29/2024	07/29/2025	150,000
Vehicle – Personal/aesthetical damage	08/05/2024	07/29/2024	07/29/2025	10,000
Vehicle – Third-party property damage	10/14/2024	10/10/2024	10/10/2025	150,000
Vehicle – Third-party bodily injury	10/14/2024	10/10/2024	10/10/2025	150,000
Vehicle – Personal/aesthetical damage	10/14/2024	10/10/2024	10/10/2025	10,000
Vehicle – Third-party property damage	12/09/2024	11/29/2024	11/29/2025	150,000
Vehicle – Third-party bodily injury	12/09/2024	11/29/2024	11/29/2025	150,000
Vehicle – Personal/aesthetical damage	12/09/2024	11/29/2024	11/29/2025	10,000
Bodily injury – Prudential employees*	05/09/2025	04/01/2025	04/30/2025	257,646
Bodily injury – Prudential D&O*	05/09/2025	04/01/2025	04/30/2025	322,057
Bodily injury – Porto Seguro employees*	05/13/2025	05/04/2025	06/03/2025	255,525
Bodily injury – Porto Seguro D&O*	05/13/2025	05/04/2025	06/03/2025	319,407
				10,339,635

*Monthly renewal
