

**FUNDACIÓN CLÍNICA VALLE DEL LILI'S
VOLUNTEERS SOCIETY**

Financial statements

For the year closing on December 31, 2017 with
comparative figures for the year closing on December 31,
2016

Tax Auditor's Report attached

FISCAL AUDITOR'S REPORT

Dear Members of the Assembly
Fundación Clínica Valle del Lili's Volunteers' Society:

Financial statement report

I have audited the financial statements of the Fundación Clínica Valle del Lili's Volunteers' Society, henceforth the (Volunteer Service), which cover the financial situation as of December 31, 2017 and the results, equity changes and cash flow statements for the year that ended on this date and their respective notes, which include a summary of the significant accounting standards and other explanatory information.

The administration's responsibility regarding financial statements

The administration is responsible for the adequate preparation and presentation of these financial statements in accordance with the Financial Reporting and Accounting Standards accepted in Colombia. This responsibility includes: the design, implementation and maintenance of a relevant internal control system for the preparation and presentation of financial statements, free from errors of material importance, whether due to fraud or error; the selection and application of appropriate accounting policies as well as making reasonable accounting estimates under these circumstances.

Responsibilities of the tax auditor

My responsibility is expressing an opinion on the financial statements, based on my audit. I obtained the information necessary to fulfill my tasks and I carried out an examination in accordance with the Financial Reporting and Accounting Standards accepted in Colombia. Such standards require me to comply with ethical requirements, to plan and make an audit in order to obtain reasonable certainty on whether the financial statements are free of errors of material importance.

An audit includes carrying out procedures to obtain evidence on the amounts and disclosures of the financial statements. The procedures selected depend on the judgment of the tax auditor, including the evaluation of the risk of errors of material importance in financial statements. In the aforesaid risk evaluation, a fiscal auditor considers relevant internal controls for the preparation and presentation of the financial statements in order to design auditing procedures that are appropriate under the circumstances. An audit also includes evaluating the use of appropriate accounting policies and the reasonableness of the accounting estimates generated by the administration, as well as evaluating the general presentation of the financial statements.

I consider that the audit evidence that I have obtained provides a reasonable basis to support the opinion that I express below.

Opinion

In my opinion, the aforementioned financial statements, accurately taken from the books and attachments to this report, reasonably show, in all aspects of material importance, the financial position of the Volunteer Service as of December 31, 2017, the results of their operations and cash flow for the year closing on this date, in accordance with the Financial Reporting and Accounting Standards accepted in Colombia.

Other matters

The financial statements as of and for the year closing on December 31, 2016 are presented solely for purposes of comparison. They were edited by another certified public accountant, and in his report, dated on March 27, 2017 he expressed an unqualified opinion on such statements.

Report on other legal and regulatory requirements

Based on the results of my tests, my opinion for the year 2017 is as follows:

- a) The Volunteer Service accounting has been carried out in accordance with legal regulations and accounting techniques.
- b) The operations recorded in books and administrator minutes are in line with the statutes and decisions of the Shareholder Assembly and Board of Directors.
- c) Correspondence, account statements and minutes books are duly kept and retained.
- d) There are adequate internal control measures for the conservation and care of the goods of the Volunteer Service and third parties that are in their possession.
- e) There is consistency between the accompanying financial statements and the management report prepared by the administrators, which includes evidence by the administration on the free circulation of invoices issued by sellers or providers.

- f) The information contained in the contributions statement declarations to the integrated social security system, specially the information regarding affiliates and their income contribution base has been taken from the accounting records and supporting documents. The Volunteer Service has no delayed payments of contributions to the integrated social security system.

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Jorge Valderrama Urrea
Tax Auditor of Fundación Clínica Valle del Lili's
Volunteers Association

T.P. 42832 - T
Member of KPMG S.A.S.

March 22, 2018

FUNDACIÓN CLÍNICA VALLE DEL LILI'S VOLUNTEERS' SOCIETY
FINANCIAL STATEMENT

As of December 31, 2017

(With comparative figures as of December 31, 2016)

(In thousands of Colombian Pesos)

	Note	December 31, <u>2017</u>	December 31, <u>2016</u>
Assets			
Cash and cash equivalents	6	\$ 125,981	106,167
Commercial debtors and other accounts receivable	7	16,017	14,104
Stock	8	2,383	2,448
Other assets	9	<u>3,076</u>	<u>2,096</u>
Total current assets		<u>147,457</u>	<u>124,815</u>
Property, facilities and equipment	10	<u>11,087</u>	<u>15,160</u>
Total noncurrent assets		<u>11,087</u>	<u>15,160</u>
Total assets		<u>\$ 158,544</u>	<u>139,975</u>
Liabilities			
Commercial creditors and other accounts payable	11	8,694	4,667
Employee benefits	13	10,476	8,424
Current tax liabilities	12	14,538	15,883
Income received in advance		557	156
Total liabilities		<u>\$ 34,265</u>	<u>29,130</u>
Capital			
Donated capital	14	520	520
Surplus from donations		9,607	9,607
Statutory reserve		38,309	38,309
Adjustments due to first time adoption of the NCIF		4,782	4,782
Accumulated surplus		57,627	34,580
Financial year net income		13,434	23,047
Total capital		<u>\$ 124,279</u>	<u>110,845</u>
Total liabilities and capital		<u>\$ 158,544</u>	<u>139,975</u>

The attached notes are an integral part of the financial statements

[ILLEGIBLE SIGNATURE]

María Mercedes Herrera
Legal Representative (*)

[ILLEGIBLE SIGNATURE]

María Esmeralda Cárdenas
Certified Public Accountant (*)
T.P. 69617 – T

[ILLEGIBLE SIGNATURE]

Jorge Valderrama Urrea
Tax Auditor
Professional Card 42832 - T
Member of KPMG S.A.S.
(See my report of March 22, 2018)

(*) The undersigned Legal Representative and Certified Public Accountant certify that we have previously verified the declarations contained in these financial statements and that they have been accurately taken from the accounting books of the Volunteer Service.

FUNDACIÓN CLÍNICA VALLE DEL LILI'S VOLUNTEERS' SOCIETY
Results Statement
For the year closing on December 31, 2017
(With comparative figures for the year closing on December 31, 2016)
(Expressed in thousands of Colombian Pesos)

	Note	2017	2016
Income from ordinary activities	15	950,193	959,541
Sales costs	16	(479,209)	(489,104)
Gross surplus		<u>\$ 470,984</u>	<u>470,437</u>
Other income	17	2,289	3,057
Administration expenses	18	(239,549)	(234,952)
Sales operational expenses	19	(210,929)	(204,844)
Other expenses	20	(8,720)	(10,055)
Surplus before income tax		<u>14,075</u>	<u>23,643</u>
Income tax	21	(641)	(596)
Net surplus for the financial year		<u>\$ 13,434</u>	<u>23,047</u>

The attached notes are an integral part of the financial statements.

[ILLEGIBLE SIGNATURE]

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FUNDACIÓN CLÍNICA VALLE DEL LILI'S VOLUNTEERS' SOCIETY
Equity Changes Statement
For the year closing on December 31, 2017
(With comparative figures for the year closing on December 31, 2016)
(Expressed in thousands of Colombian Pesos)

	Note	Donated capital	Surplus from donations	Statutory reserves	Adjustments for the first-time adoption of NCIF	Financial year income	Surplus from previous financial years	Total capital
Initial balance as of January 1, 2016		\$ 520	9,607	38,309	4,782	(33,379)	67,959	87,798
Financial year net income		-	-	-	-	23,047	-	23,047
Appropriation account and/or reclassifications		-	-	-	-	33,379	(33,379)	-
Final balance as of December 31, 2016	14	<u>520</u>	<u>9,607</u>	<u>38,309</u>	<u>4,782</u>	<u>23,047</u>	<u>34,580</u>	<u>110,845</u>
Changes in capital								
Transfers		-	-	-	-	13,434	-	13,434
Period income		-	-	-	-	(23,047)	23,047	-
Balances as of December 31, 2017	14	<u>\$ 520</u>	<u>9,607</u>	<u>38,309</u>	<u>4,782</u>	<u>13,434</u>	<u>57,627</u>	<u>124,279</u>

The attached notes are an integral part of the financial statements

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FUNDACIÓN CLÍNICA VALLE DEL LILI'S VOLUNTEERS' SOCIETY
CASH FLOW STATEMENT
For the year closing on December 31, 2017
(With comparative figures for the year closing on December 31, 2016)
(Expressed in thousands of Colombian Pesos)

	Note	2017	2016
Cash flow from operational activities			
Financial year income		\$ 13,434	23,047
Adjustments to reconcile the financial year income with the net cash coming from operational activities:			
Depreciation of property and equipment	19	7,186	11,358
Amortization of intangible assets	19	-	1,939
Sales loss, withdrawal of property and equipment		-	1,484
Income tax		641	596
Changes in assets and liabilities:			
Commercial accounts to be charged and other receivable		(1,913)	3,109
Stock		65	65
Commercial accounts to be paid and other accounts payable		4,427	(12,147)
Labor liabilities		2,052	1,498
Other assets		(980)	4,932
Levy taxes and rates		(1,345)	2,806
Taxes paid		(641)	(405)
Net cash provided by operational activities		<u>\$ 22,928</u>	<u>38,282</u>
Cash flow from investment activities			
Fixed asset sales			800
Equipment acquisition		(3,112)	(7,943)
Net cash used in investment activities		<u>(3,112)</u>	<u>(7,143)</u>
Net cash and cash equivalents increase		<u>19,816</u>	<u>31,139</u>
Cash and cash equivalents balance at the start of the year		106,167	75,028
Cash and cash equivalents as of December 31		<u>\$ 125,981</u>	<u>106,167</u>

The attached notes are an integral part of the financial statements

[ILLEGIBLE SIGNATURE]

María Mercedes Herrera
Legal Representative (*)

[ILLEGIBLE SIGNATURE]

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Certified Public Accountant (*)
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***Fundación Clínica Valle del Lili's
Volunteers' Society***

*Financial Statements for the year closing
on December 31, 2017 (with comparative
figures as of December 31, 2016) with the
Tax Auditor's Report*

Note 1. Reporting entity

Fundación Clínica Valle del Lili's Volunteers Society (henceforth the Volunteer Service) was constituted on July 14, 1999. The main objectives of the Volunteer Service are focused on: a) planning, organizing, controlling and evaluating actions aimed at achieving the welfare of patients during their hospital stay at Fundación Valle del Lili, as well as that of their families and obtaining economic resources for the functioning of the Volunteer Service, b) Protecting and maintaining a high quality service image within the Fundación and c) Collaborating in the development of the institution's objectives, working in compliance with the regulations of Fundación Valle del Lili's Board of Directors. The Volunteer Service shall also have as its purpose surplus donation to aid programs for patients of low resources at any of the Institution's departments or service areas, or for high-technology equipment requested by Fundación Valle del Lili.

Note 2. Technical regulatory framework

For its accounting records and for the preparation of its financial statements, the Volunteer Service, in accordance with Law 1314/2009 and Regulatory Decrees 2706 and 2784 of December 2012, legal persons are obliged to start the convergence process of the accounting principles generally accepted in Colombia with the international financial reporting standards (IFRS). For this purpose, the Public Accounting Technical Council (CTCP, in Spanish) issued the Strategic Guideline classifying companies into three groups.

The CTCP's Strategic Guideline states the following in relation to nonprofit entities: "the CTCP considers, as the IASB has established in paragraph 9 of the document named: "Prologue to International Financial Reporting Standards", that nonprofit entities may consider as appropriate the use of IFRS. Therefore, this type of entities must be included in the proposal group classification, depending on the requirements established for each of the three groups, and the standards belonging to each group shall be applied."

Given that the Volunteer Service belongs to group 3 according to Decree 2706 of 2013, the obligatory transition period starts on January 1, 2014 and the issue of the first comparative financial statements under the IFRS for Micro-Enterprises was December 31, 2015.

Note 3. Measurement bases

Financial Statements have been prepared on a historical cost base.

Note 4. Operating and reporting currency

In accordance with legal provisions, the currency unit used by the Society for the accounting record of its operations is the Colombian Peso.

- a. *Accounting period* - The Society has defined as its accounting cut-off period, for the preparation and issue of annual general purpose financial statements, December 31.
- b. *Accounting system* - The Volunteer Service's accounting system is a causal system, except for donations, which are recorded against the period income insofar as they are received.

Note 5. Main significant accounting principles

The accounting policies established below have been consistently applied in the preparation of the financial position statement and the financial statements prepared in accordance with the financial reporting technical regulatory framework for micro-enterprises.

a. Property and equipment

The Volunteer Service records its property and equipment at acquisition cost, and depreciate based on the linear model on estimated shelf lives, using the following annual rates:

Office equipment	10%
Computer and communication equipment	20%
Hotel and restaurant equipment	10%

b. Stock

Stock is accounted under the weighted average method.

c. Income tax

As a non-profit entity, the Volunteer Service is subject to the Special Tax Regime in accordance with Article 19 Number 2 of the Tax Statute. Therefore, the Volunteer Service is subject to income and additional tax on net or surplus profit at the unique rate of 20% over the net profit that for the years 2017 and 2016 is exempted, provided that: (i) it is intended for healthcare, amateur sport, education and culture activities, scientific or technological research and social development programs, provided that they are destined to the public interest and are accessible for the community under the terms defined by Decree 4400 of 2004, and (ii) that their accounting surplus is totally reinvested in the activities comprised in their corporate purpose.

Both Decree 4400 of 2004 and Decree 640 of 2005 that modified the special tax regime on income tax to which the Volunteer Service belongs, apply equally to the profit declaration for the taxable years 2017 and 2016.

d. Deterioration in asset value - property, facilities and equipment

Property, facilities and equipment, as well as intangible assets, are valued to estimate their deterioration/amortization when events or changes in circumstance indicate that their value in books may not be fully recoverable. If the recoverable value of an asset is lower than its value in books, a loss due to deterioration is noted in the financial statements.

e. Cash flow statements

The Volunteer Service prepares a cash flow statement following the indirect method, classifying temporary investments as cash equivalents.

Note 6. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include all the money that the Volunteer Service has available for immediate use in cash transactions, current accounts and savings accounts and that are maintained at their par value.

As of December 31, the available account is broken down as follows:

	2017	2016
Savings accounts	\$ 70,492	78,923
Current accounts	50,711	24,786
Petty cash	1,520	1,420
Cash department	3,258	1,038
Total cash and cash equivalents	\$ <u>125,981</u>	<u>106,167</u>

Note 7. Commercial debtors and other accounts payable

Detailed below are the commercial debtors and other accounts payable as of December 31 of:

	2017	2016
Clients (*)	\$ 15,062	13,813
Contributions to be charged	104	291
Employee loans and advance payments	851	-
Total	\$ <u>16,017</u>	<u>14,104</u>

(*) This corresponds to the sale of commercial activities of the Volunteer Service. The largest balance as of December 31, 2017 corresponds to Fundación Valle del Lili's for a value equal to \$9,095 and to Abbott Laboratories for \$3,580.

Note 8. Stock

Detailed below is the stock count as of December 31:

	2017	2016
Merchandise not manufactured by the company	\$ 2,383	2,448
<u>Total</u>	\$ <u>2,383</u>	<u>2,448</u>

Note 9. Other assets

As of December 31, the category relative to other assets corresponds to in-kind donations (disposable diapers and wipes) supplied by Tecnoquímicas, which are delivered to patients with few economic resources.

Donations received	\$	3,076	2,096
<u>Total</u>	\$	<u>3,076</u>	<u>2,096</u>

Note 10. Property and equipment

Detailed below are property and equipment as of December 31:

		2017	2016
Computer and communication equipment	\$	44,953	45,301
Hotel and restaurant equipment - cafeteria		27,291	27,590
Office equipment		<u>13,362</u>	<u>10,379</u>
Subtotal		85,606	83,270
Less - Accumulated depreciation		<u>(74,519)</u>	<u>(68,110)</u>
Total*	\$	<u>11,087</u>	<u>15,160</u>

Detailed below are property and equipment classified by asset class.

		Computer and communication equipment	Hotel and restaurant equipment	Office equipment	Total
Balance as of January 1, 2016	\$	<u>42,901</u>	<u>31,142</u>	<u>6,116</u>	<u>80,159</u>
Additions		2,400	1,280	4,263	7,943
Withdrawals		-	(4,832)	-	(4,832)
Balance as of December 31, 2016	\$	<u>45,301</u>	<u>27,590</u>	<u>10,379</u>	<u>83,270</u>
Additions (*)		-	-	3,112	3,112
Withdrawals		(348)	(299)	(129)	(776)
Balance as of December 31, 2017	\$	<u>44,953</u>	<u>27,291</u>	<u>13,362</u>	<u>85,606</u>
Depreciations:					
Balance as of January 1, 2016		<u>34,061</u>	<u>22,523</u>	<u>2,523</u>	<u>59,107</u>
Annual depreciation expense	\$	6,083	5,250	25	11,358
Withdrawals			(2,356)	-	(2,356)
Balance as of December 31, 2016	\$	<u>40,144</u>	<u>25,417</u>	<u>2,548</u>	<u>68,109</u>
Annual depreciation expense		4,039	10	3,137	7,186
Withdrawals		(348)	(299)	(129)	(776)

Balance as of December 31, \$ 2017	43,835	25,128	5,556	74,519
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(*) During 2017, fixed assets were purchased for \$3,112 (Windmill, Security Cameras)

Note 11. Commercial creditors and other accounts payable

Detailed below are the commercial creditors and other accounts payable as of December 31:

	2017	2016
Payroll withholdings	\$ 2,722	2,467
Coopvalili (*)	2,009	1,387
Others	3,963	813
Total	\$ <u>8,694</u>	<u>4,667</u>

(*) The Fundación's Cooperative where employees are registered to receive loans and other benefits.

Note 12. Current tax liability

Detailed below are the current tax liabilities as of December 31:

Income and additional taxes	\$ 641	225
VAT payable	6,037	4,942
Consumer tax	3,276	3,659
Industry and commerce tax	4,584	7,057
Total current tax liabilities	\$ <u>14,538</u>	<u>15,883</u>

Note 13. Employee benefits

Detailed below are employee benefits as of December 31:

	2017	2016
Termination indemnities payable	\$ 8,022	6,308
Vacation leave payable	1,491	1,385
Interests payable	963	731
Total labor liabilities	\$ <u>10,476</u>	<u>8,424</u>

Note 14. Donated capital

During the years 2017 and 2016, the Volunteer Service did not receive donations of goods to increase operational and/or administrative capacity.

	2017	2016
Donated capital	\$ 520	520
Total	\$ <u>520</u>	<u>520</u>

Note 15. Income from ordinary activities

Operational income corresponds to the public sale of food products generated through the sales point of the “Delicias Palpitar” store, events attendance and received donations.

Detailed below is the income from ordinary activities as of December 31:

	2017	2016
Delicias Palpitar	\$ 583,136	604,323
Events	313,902	283,454
Donations to the secondhand items store	33,519	48,712
Bonos palpitar	5,740	9,050
Other (diapers, wipes and cleaning kits)	7,871	8,478
Volunteer Ladies installments	6,025	5,524
Total operational income	\$ <u>950,193</u>	<u>959,541</u>

Note 16. Sales costs

This corresponds to the cost of merchandise and food marketed by the Volunteers Society. As of December 31, it is broken down as follows:

	2017	2016
Delicias Palpitar	\$ 334,861	332,946
Events	144,348	156,158
Total	\$ <u>479,209</u>	<u>489,104</u>

Note 17. Other income

Detailed below are other incomes as of December 31:

	2017	2016
Commercial discounts	\$ 989	957
Compensation - Sick Leave	882	827
Miscellaneous	358	404
Asset sales	-	800
Financial returns	60	69
Total	\$ <u>2,289</u>	<u>3,057</u>

Note 18. Administration expenses

Detailed below are administration expenses as of December 31:

	2017	2016
"FVL y Betania" patient support programs (a)	\$ 122,735	134,029
Fees – Tax audits, Accounting, Healthcare audits	63,775	57,283
Taxes	29,663	25,427
Other minor expenses	10,879	10,357
Meetings and healthcare activities	7,010	4,483
Stationery and photocopies	4,213	2,075
Services	1,274	1,298
Total	\$ <u>239,549</u>	<u>234,952</u>

(a) This corresponds to healthcare expenses for patients with few economic resources as part of the Volunteer Service's social plan. The following programs were developed in the years 2017 and 2016:

	2017	2016
"Caritas Felices" and "Aula Hospitalaria"	\$ 3,299	4,055
Cleaning Supplies Support	1,546	1,241
Transport Support	3,050	2,687
Support via Donations in Kind (diapers-wipes)	6,891	13,409
Food Aid Support	33,811	15,252
Purchased Donations (adult diapers, backpacks)	5,543	7,240
Purchased Donations (Sonometers, simulation dummy)	13,000	12,000
Institutional Workshop Social Support	34,077	68,572
Recreation	6,961	824
Breast Prosthesis	1,775	1,472
Diagnostic Exams	2,258	810
Pediatric and neonatal kits	3,284	761
Crafts	148	-
Workshop Snacks	776	-
"Tejer es sanar" [Weaving is Healing]	59	196
Library	430	328
"Leer es sanar" [Reading is Healing]	607	185
Chemotherapy Support	94	104
Betania Activities	1,663	752
Halloween	1,692	1,906
Christmas	1,771	2,235
Total implementation of FVL and Betania programs	\$ <u>122,735</u>	<u>134,029</u>

Note 19. Operational sales expenses

This corresponds to service staff expenses at the point of sale and staff for events services. As of December 31, this account is made up of:

	2017	2016
Staff expenses	\$ 147,058	125,611
Fees	36,000	33,476
Services	7,532	9,106
Miscellaneous	7,873	8,725
Taxes	4,733	7,157
Depreciation	7,186	11,358
Amortizations	-	1,939
Equipment and facilities maintenance	547	7,472
Total	\$ <u>210,929</u>	<u>204,844</u>

Note 20. Other expenses

Detailed below are other administration expenses as of December 31:

	2017	2016
Financial expenses	\$ 8,711	7,758
Extraordinary expenses	2	2,284
Miscellaneous	7	13
Total	\$ <u>8,720</u>	<u>10,055</u>

Note 21. Income tax expenses

The summary below shows the principal reconciliation entries between the accounting deficit and the taxable income:

Period Surplus (Deficit) before tax	\$ 14,075	23,643
Non-deductible expenses (a)	783	5,338
Non-deductible expenses from previous years (b)	23,047	34,580
Exempted income	<u>(34,699)</u>	<u>(60,582)</u>
Taxable income	<u>3,205</u>	<u>2,979</u>
Income tax 20%	\$ <u>641</u>	<u>596</u>

(a) This corresponds to expenses incurred for provisions from industry and commerce activities for the year 2017, extraordinary expenses, miscellaneous expenses and financial levies minus the value allowing to fiscally deduce that it is the industry and commerce tax paid for the year 2016 and 50% of the financial levy.

(b) This corresponds to the implementation of the surplus of the year 2016.

As a non-profit entity, the Volunteer Service is subject to the Special Tax Regime in accordance with Article 19, Paragraph 2 of the Tax Statute. Therefore, the Volunteer Service is subject to income and supplementary taxes on net or excess profit at the unique rate of 20% net profit that for the years 2017 and 2016 is exempt, provided that: (i) it is destined to healthcare, amateur sport, education and culture activities, scientific or technological research and social development programs, provided that they are for the

public interest and that are accessible to the community under the terms defined by Decree 4400 of 2004, and (ii) that the accounting surplus is totally reinvested in activities related to their corporate purpose.

Both Decree 4400 of 2004 and Decree 640 of 2005 that modified the special tax regime on income tax to which the Volunteer Service is subject, equally apply to income tax return declaration for the taxable years 2017 and 2016.

Note 22. Capital commitments

At the closure of December 31, 2017, the Volunteer Service has no significant future commitments that involve capital.

Note 23. Approval of financial statements

These financial statements will be presented for the consideration of the Superior Council on March 22, 2018, that has the power to approve or reject these Financial Statements.