

# Philippine Center for Population and Development, Inc.

**IMPORTANT NOTE:**

- (1) For issuers of securities to the public, the SMR shall be attached to both the consolidated financial statements and the parent company's financial statements for filing with the Commission.
- (2) Paragraph (iv) of Part I (2)(B)(iv) of the Rule is also applicable to representative offices established in the Philippines. Thus, the SMR shall be signed by its local manager or chief representative in the Philippines.
- (3) If the financial statements for filing are comparative, the SMR has to be comparative, even if the independent auditors for the comparative periods are different.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

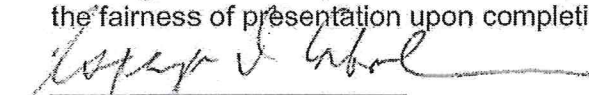
The management of PHILIPPINE CENTER FOR POPULATION AND DEVELOPMENT is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

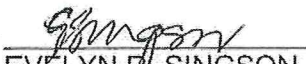
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

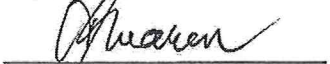
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Isla Lipana & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
 ESPERANZA L. CABRAL  
 Chairperson

  
 EVELYN F. SINGSON  
 President

  
 ARCATOMY S. GUARIN  
 Executive Director

Signed this 29 th day of April 2024

**ACKNOWLEDGEMENT** APR 29 2024

BEFORE ME, a notary for in the City of Makati, this day \_\_\_\_\_ of \_\_\_\_\_ and personally appeared \_\_\_\_\_ and \_\_\_\_\_ with ID No. \_\_\_\_\_ who is /are known to me to be the same persons who executed the foregoing act and deed and that the same is their free and voluntary act and deed

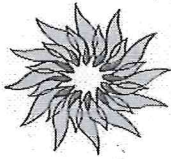
**ATTY. JOSHUA P. LAPUZ**  
 Notary Public Makati City  
 Until Dec. 31, 2025

Appointment No. M-016 (2024-2025)  
 PTR No. 10073910 Jan. 2, 2024 / Makati  
 IBP Lifetime No. 04857 Roll No. 43790  
 MCLE Compliance No. 0016585  
 G/F Fedman Bldg., 129 Salcedo St.  
 Legaspi Village, Makati City

INTERNAL REVENUE  
 REVENUE REGION NO. 8B - SOUTH NCR  
 OFFICE NO. 44  
 PATEROS  
 PAGE 1

Doc No. 383  
 Page No. 78  
 Book No. 90  
 Series 2024

30 2024



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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

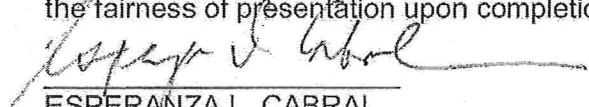
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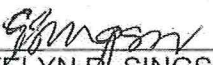
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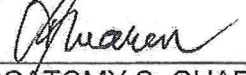
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The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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 Chairperson

  
 EVELYN R. SINGSON  
 President


  
 ARCATOMY S. GUARIN  
 Executive Director

Signed this 29 th day of April 2024

### ACKNOWLEDGEMENT

APR 29 2024

BEFORE ME, a notary for in the City of Makati, this day \_\_\_\_\_ of \_\_\_\_\_ and personally appeared \_\_\_\_\_ and \_\_\_\_\_ with ID No. \_\_\_\_\_ who is/are known to me to be the same persons who executed the ( foregoing and \_\_\_\_\_ is their free and voluntary act and deed

  
 ATTY. JOSHUA P. LAPUZ  
 Notary Public Makati City  
 Until Dec. 31, 2025

Appointment No. M-016-(2024-2025)  
 PTR No. 10073910 Jan. 2, 2024 / Makati  
 IBP Lifetime No. 04897 Roll No. 43790  
 MCLF Compliance No. VI-0016565  
 G/F Fedman Bldg., 135 Salcedo St.  
 Legaspi Village, Makati City

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 Series 2024



## **Independent Auditor's Report**

To the Members and Board of Trustees of  
**Philippine Center for Population & Development, Inc.**  
(A Non-Stock, Non-Profit Organization)  
PCPD Building, 2332 Don Chino Roces Ave. Extension  
Taguig City

### ***Report on the Audits of the Financial Statements***

#### **Our Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Philippine Center for Population & Development, Inc. (the "Organization") as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### *What we have audited*

The financial statements of the Organization comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in fund balances for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

#### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Organization in accordance with the Code of Ethics for Professional Accountants in the Philippines ("Code of Ethics"), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.



Independent Auditor's Report  
To the Members and Board of Trustees of  
Philippine Center for Population & Development, Inc.  
(A Non-Stock, Non-Profit Organization)  
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### **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 PFRS, 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 Organization'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 management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 PSA 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report  
To the Members and Board of Trustees of  
Philippine Center for Population & Development, Inc.  
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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization'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 Organization to cease to continue as a going concern.
- Evaluate 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 communicate 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.

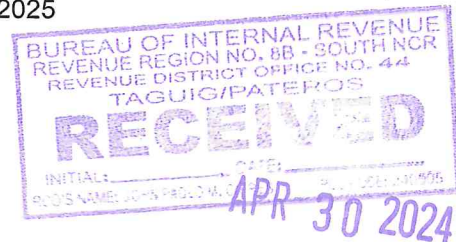
**Report on the Bureau of Internal Revenue (BIR) Requirement**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BIR Revenue Regulations Nos. 15-2010 and 34-2020 in Note 24 to the financial statements is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management of the Organization. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Isla Lipana & Co.**

Pocholo C. Domondon  
Partner  
CPA Cert. No. 108839  
P.T.R. No. 0011401; issued on January 12, 2024 at Makati City  
T.I.N. 213-227-235  
BIR A.N. 08-000745-128-2021; issued on December 9, 2021; effective until December 8, 2024  
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
April 29, 2024

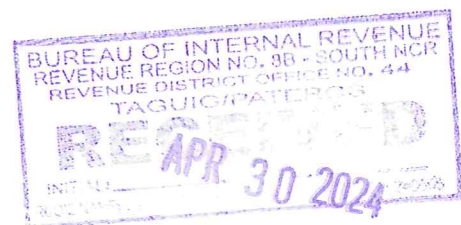


**Philippine Center for Population & Development, Inc.**  
(A Non-Stock, Non-Profit Organization)

Statements of Financial Position  
As at December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	2023	2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	32,258,235	47,626,285
Financial assets at fair value	3	328,952,691	307,346,095
Receivables, net	4	9,280,914	8,385,673
Prepayments	5	3,635,785	405,209
<b>Total current assets</b>		<b>374,127,625</b>	<b>363,763,262</b>
<b>Non-current assets</b>			
Property and equipment, net	7	4,127,091	1,424,831
Investment properties, net	6	-	38,996,350
Deferred tax assets, net	19	-	1,333,213
Other assets, net	8	13,779,460	17,279,460
<b>Total non-current assets</b>		<b>17,906,551</b>	<b>59,033,854</b>
<b>Total assets</b>		<b>392,034,176</b>	<b>422,797,116</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accrued expenses and other payables	9	1,712,404	1,841,807
Rental deposits	10	2,648,444	14,371,313
Income tax payable		-	573,545
<b>Total current liabilities</b>		<b>4,360,848</b>	<b>16,786,665</b>
<b>Noncurrent liabilities</b>			
Deferred tax liabilities, net	19	4,512,916	-
Net retirement benefit liability	18	282,553	1,198
Other non-current liabilities	11	-	37,228,882
<b>Total non-current liabilities</b>		<b>4,795,469</b>	<b>37,230,080</b>
<b>Total liabilities</b>		<b>9,156,317</b>	<b>54,016,745</b>
<b>Fund balances</b>			
General fund	22	371,818,424	367,659,328
Program fund	13	9,811,183	-
Remeasurement of plan asset	18	1,248,252	1,121,043
<b>Total equity</b>		<b>382,877,859</b>	<b>368,780,371</b>
<b>Total liabilities and equity</b>		<b>392,034,176</b>	<b>422,797,116</b>

The notes on pages 1 to 38 are an integral part of these financial statements.

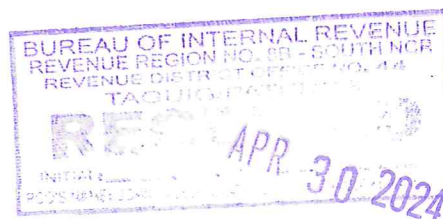


**Philippine Center for Population & Development, Inc.**  
(A Non-Stock, Non-Profit Organization)

Statements of Total Comprehensive Income  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	2023	2022
<b>Revenue</b>			
<b>General</b>			
Rental income	12	33,223,655	52,115,024
Gain on reversal of provision	11	31,345,954	-
Unrealized fair value gains on financial assets at fair value	3	16,910,078	-
Unrealized foreign exchange gain	3	9,881,684	-
Interest income	2, 4	1,492,621	484,702
Gain on disposal of property and equipment	7	379,762	172,856
Realized foreign exchange gains	3	118,162	-
Other income	14	441,241	15,143
<b>Total Revenue</b>		<b>93,793,157</b>	<b>52,787,725</b>
<b>Expense</b>			
<b>General</b>			
Loss on retirement of investment property	6	38,996,350	-
Cost of building maintenance held for rental	16	10,149,878	13,130,040
Operating expenses	15	10,077,224	9,127,105
Unrealized foreign exchange losses	3	4,416,033	1,206,970
Project expenses	15	3,647,161	4,736,658
Realized foreign exchange losses	3	856,349	2,949,898
Depreciation	7	702,191	696,918
Provision for impairment of receivables	4	646,837	-
Fair value losses on financial assets at fair value	3	-	8,107,562
		69,492,023	39,955,151
<b>Program</b>			
Grant Expense	13	4,235,395	4,920,419
<b>Total Expenses</b>		<b>73,727,418</b>	<b>44,875,570</b>
<b>Excess of revenues over expenses before income tax</b>		<b>20,065,739</b>	<b>7,912,155</b>
<b>Provision for income tax expense (benefit)</b>			
Current		249,331	3,932,245
Deferred		5,846,129	(3,380,737)
	19	6,095,460	551,508
<b>Excess of revenues over expenses</b>		<b>13,970,279</b>	<b>7,360,647</b>
<b>Other comprehensive income not to be reclassified to profit in subsequent years:</b>			
Remeasurement gain on plan assets	18	127,209	505,759
<b>Total comprehensive income</b>		<b>14,097,488</b>	<b>7,866,406</b>

The notes on pages 1 to 38 are an integral part of these financial statements.



**Philippine Center for Population & Development, Inc.**  
(A Non-Stock, Non-Profit Organization)

Statements of Changes in Fund Balances  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	General Funds	Program fund	Remeasurement gain (loss) in plan assets	Total fund balances
<b>Balances at January 1, 2022</b>		357,580,437	2,718,244	615,284	360,913,965
Transfer to program fund	13	(2,202,175)	2,202,175	-	-
Excess (deficiency) of revenues over expenses		12,281,066	(4,920,419)	-	7,360,647
Remeasurement gain on net retirement plan asset	18	-	-	505,759	505,759
<b>Balances at December 31, 2022</b>		367,659,328	-	1,121,043	368,780,371
Transfer to program fund		(14,046,578)	14,046,578	-	-
Excess (deficiency) of revenues over expenses		18,205,674	(4,235,395)	-	13,970,279
Remeasurement gain on net retirement plan asset	18	-	-	127,209	127,209
<b>Balances at December 31, 2023</b>		371,818,424	9,811,183	1,248,252	382,877,859

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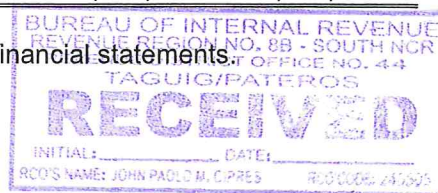


**Philippine Center for Population & Development, Inc.**  
(A Non-Stock, Non-Profit Organization)

Statements of Cash Flows  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Excess of revenues over expenses before income tax		20,065,739	7,912,155
Adjustments to reconcile excess of revenues over expenses for the period to net cash provided by operating activities:			
Fair value changes in financial assets at fair value	3	16,910,078	8,107,562
Interest income	2, 4	(1,492,621)	(484,702)
Depreciation	7	702,191	696,918
Unrealized foreign exchange loss (gain)	3	(5,465,651)	1,206,970
Retirement benefit cost	18	408,564	377,144
Gain on disposal of property and equipment	7	(379,762)	(172,856)
Bad debts expense	4	646,837	-
Retirement of investment properties	6	38,996,350	-
Gain on reversal of provision	11	(31,345,954)	-
Operating income before working capital changes		39,045,771	17,643,191
Decrease (increase) in:			
Receivables		(1,542,078)	(1,576,623)
Prepayments		(3,479,907)	(2,432,882)
Increase (decrease) in:			
Rental deposits		(11,722,869)	12,687,523
Accrued expenses and other payables		(129,403)	(1,763,330)
Cash generated from operations		22,171,514	24,557,879
Income tax paid		(573,545)	(700,772)
Interest received from cash in bank	2	14,921	38,713
Net cash provided by operating activities		21,612,890	23,895,820
<b>Cash flows from investing activities</b>			
Reductions (additions) to			
Financial assets at fair value, net	3	(32,702,365)	(37,093,628)
Rental deposits	10	(5,882,928)	(14,184,166)
Other assets, net	8	3,500,000	(4,375,000)
Property and equipment	7	(3,904,689)	(145,095)
Interest received	2, 4	1,477,700	445,989
Proceeds from disposal of property and equipment	7	880,000	204,995
Net cash used in investing activities		(36,632,282)	(55,146,905)
<b>Net decrease in cash and cash equivalents</b>		(15,019,392)	(31,251,085)
Cash and cash equivalents at the beginning of year		47,626,285	80,084,340
Effect of foreign exchange rate changes on cash and cash equivalents		(348,658)	(1,206,970)
<b>Cash and cash equivalents at the end of year</b>	2	32,258,235	47,626,285

The notes on pages 1 to 38 are an integral part of these financial statements.



APR 30 2024

**Philippine Center for Population & Development, Inc.**  
(A Non-Stock, Non-Profit Organization)

Notes to Financial Statements

As at and for the years ended December 31, 2023 and 2022

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

**1 General information**

Philippine Center for Population and Development, Inc. (PCPD of the "Organization") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 15, 1971 as a non-stock, non-profit organization primarily for the following purposes:

- a. The construction and maintenance of a Population Center;
- b. The establishment and maintenance of an appropriate facility to support and finance the organization, maintenance, and operation of private family planning service centers or clinics where indicated;
- c. The conduct or holding of conferences, seminars, forums, work ops, symposia and other orientation, instruction or information activities on population policies and pre and family planning among scientists, professionals and/or the general public;
- d. The establishment, maintenance and oper public and private institutions that are presently involved or may become involved in demographic studies and social research of an information center on population and general human resources and environment in the Philippines which shall serve the needs of population groups, scholars and concerned citizens;
- e. The development and operation of a central and national private agency through which a systematic exchange of views and expertise may be effected among government and private agencies and program in the Philippines and where appropriate, between the Philippines and the population agencies of other countries, the United Nations and other international bodies and organizations;
- f. The quest or pursuit of knowledge via investigation and/or experiment in the social sciences and in the biological sciences such bio-medicine, bio-chemistry, molecular biology, and genetics that may be useful to population policies and programs and that may be within the bounds of morality, public order and public policy;
- g. The undertaking of scientific and technical activity aimed at producing workable schemes, methods, substances, and/or patentable inventions that may fill the specific needs of population projects required in the operation of clinic facilities and in the extension of consultation services to the general public; and
- h. The establishment of consultancies, scholarships, and professional chairs in the biological, social sciences, and humanities in order to enlarge the pool of specially trained manpower from which the Organization may draw the expertise necessary for the discharge of its functions and attainment of its purpose.

As a non-stock, non-profit organization, the Organization falls under Section 30 (E) of the Republic Act No. 8424 entitled. "An Act Amending the National Internal Revenue Code, as Amended, and for Other Purposes". The receipts from activities conducted in pursuit of the objectives for which the Organization was established are exempt from income tax. However, any income arising from its real or personal properties, or from activities conducted for profit, regardless of the disposition made of such income, is subject to income tax. No part of its income shall inure to the benefit of any person or member.

Under Section 34 (H)(2)(c)(3) of the Tax Code, the level of administrative expenses of which shall, on annual basis, but in no case to exceed thirty percent (30%) of the total expenses.

On June 1, 2017, the Organization renewed its certification granted by the Bureau of Internal Revenue (BIR) as a donee institution, in accordance with the provisions of Revenue Regulations (RR) No. 13-98, "An Act Amending the National Internal Revenue Code, as amended (Tax Code)" Specifically Section 34(H) Relative to the Deductibility of Contributions or Gifts Actually Paid or Made to Accredited Donee Institutions in Computing Taxable Income". Donations to accredited donee-institutions shall entitle the donor to full or limited deduction pursuant to Section 34 (H) (paragraphs 1 or 2) and exemption from donor's tax pursuant to Section 101(A)(3) of the Tax Code, as amended, subject to the terms of the Philippine Council for Non-Governmental Organization Certification (PCNC) accreditation and other rules and regulations of the BIR. The Organization's accreditation shall be valid only until April 21, 2019 unless sooner revoked by the BIR or upon withdrawal of the Certificate of Accreditation by PCNC. To date, the application for renewal for the accreditation with PCNC is in process.

The Organization's registered office address is PCPD Building, 2332 Don Chino Roces Avenue Extension, Taguig City.

The accompanying financial statements of the Organization as at and for the years ended December 31, 2023 were reviewed and authorized for issuance by the Board of Trustees (BOT) on April 29, 2024.

## 2 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2023	2022
Cash on hand	70,000	70,000
Cash in banks	27,299,595	42,671,962
Cash equivalents	4,888,640	4,884,323
	32,258,235	47,626,285

Cash accounts with the banks generally earn interest at rates based on daily bank deposit rates. Cash equivalents pertain to time deposits which are placed for periods of 35 days depending on the immediate cash requirements of the Organization and earn interest at the prevailing short-term investment rates.

Interest income recognized in 2023 and 2022 for cash in bank and cash equivalents amounted to P14,921 and P38,713, and P917,700 and P25,989, respectively.

## 3 Financial assets at fair value

The Organization has established investment funds which are administered by different banks for the fulfillment of the Organization's projects and programs.

The financial assets at fair value that are maintained and managed under several investment funds as at December 31 are as follows:

	2023	2022
Unit investment trust funds (UITF) and mutual funds	279,084,877	254,363,791
Government securities	18,561,330	21,675,820
Marketable equity securities	17,188,376	17,188,376
Private bonds and commercial papers	14,118,108	14,118,108
	328,952,691	307,346,095

The Organization's revenue and expenses from investment funds for the years ended December 31 are as follows:

	2023	2022
<b>Revenues</b>		
Unrealized fair value gains on financial assets at fair value	16,910,078	-
Foreign exchange gains (losses)	4,727,464	(4,156,868)
	21,637,542	(4,156,868)
<b>Expenses</b>		
Fair value losses	-	8,107,562
Excess of revenues over expenses	21,637,542	(12,264,430)

No impairment was recognized in 2023 and 2022 based on management's assessment.

#### 4 Receivables, net

Receivables, net as at December 31 consists of:

	2023	2022
Accrued rent receivables	3,055,172	3,055,172
Notes receivables	4,375,000	2,625,000
Rent receivables	2,270,833	2,425,829
Advances to offices and employees	31,750	58,687
Other receivables	258,711	284,700
	9,991,466	8,449,388
Allowance for impairment of receivables	(710,552)	(63,715)
Net carrying amount	9,280,914	8,385,673

Accrued rent receivable pertains to rental income already earned but not yet billed. Rent receivables are noninterest-bearing and are generally collected on a 30-day term.

Note receivable pertains to the promissory note executed between the Organization and Friendlycare Foundation, Inc. in 2022 which promises to pay the Organization a principal amount of P7,000,000 with interest at 8% per annum. The principal will be received on a quarterly basis starting June 10, 2023 while interest will be received starting June 10, 2022.

Details of movement in note receivable as at December 31 are as follows:

	Note	2023	2022
At January 1		7,000,000	-
Additions		-	7,000,000
Payments		(1,750,000)	-
		5,250,000	7,000,000
Less: noncurrent portion of notes receivable	8	(875,000)	(4,375,000)
		4,375,000	2,625,000

As at December 31, 2023, the Organization recognized interest income amounting to P560,000 (2022 - P420,000).

Interest receivable pertains to accrual of interest earned on financial assets at fair value.

Advances to offices and employees pertain to salary loans availed by the employees which are noninterest-bearing and are generally collected within one year.

Other receivables pertain to various receivable from employees.

Details of changes in allowance for impairment of receivables for the years ended December 31 are as follows:

	2023	2022
At January 1	63,715	63,715
Provision	646,837	-
	710,552	63,715

## 5 Prepayments

Prepayments as at December 31 consist of:

	2023	2022
Prepaid taxes	3,620,271	-
Prepaid insurance	14,934	404,629
Others	580	580
	3,635,785	405,209

## 6 Investment properties, net

Details of investment properties, net as at December 31 are as follows:

	Buildings	Other Parts of the Building	Total
<b>Cost</b>			
At January 1, 2022	55,201,988	9,121,799	64,323,787
Additions during the year	598,620	-	598,620
At December 31, 2022	55,800,608	9,121,799	64,922,407
Retirement	(55,800,608)	(9,121,799)	(64,922,407)
At December 31, 2023	-	-	-
<b>Fair value adjustment</b>			
At January 1, 2022 and December 31, 2022	(22,056,608)	(3,869,449)	(25,926,057)
Retirement	22,056,608	3,869,449	25,926,057
At December 31, 2023	-	-	-
<b>Carrying amount</b>			
At December 31, 2022	33,744,000	5,252,350	38,996,350
At December 31, 2023	-	-	-

The land on which the buildings are built is leased from the Philippine Government for a period of 50 years beginning June 20, 1973, subject to the condition that it shall be used only in pursuance of the Organization's objectives.

On September 1, 1990, the Organization leased a portion of its premises to local companies. The rental proceeds are used to finance programs and operations of the Organization. Rental income generated from the above properties for the year ended December 31, 2023 amounted to P33,223,655 (2022 - P52,115,024). Expenses directly attributable to the leased properties for the year ended December 31, 2023 amounted to P10,149,878 (2022 - P13,130,040) (Note 16).

On August 31, 2021, the valuation of the Organization's investment properties was performed by an accredited independent appraiser.

As set out in Note 22.1.3, to the financial statements, in arriving at their estimated fair values, local market conditions and estimate of costs/value were considered. The studies and analyses include;

- Reproduction cost/replacement cost of each replaceable asset in accordance with current market prices of materials, labor, manufactured equipment, contractor's overhead, profit and fees and all other attendant costs associated with its acquisition and installation;
- Accrued depreciation as evidenced by observed condition and present and prospective serviceability in comparison with new units of like kind; and
- Extent, character and utility of the property.

There were no fair value losses in 2023 and 2022.

On June 20, 2023, the lease on building expired and no renewal option was granted to the Company. As at December 31, 2023, the Company retired the investment properties and a loss on retirement of P38,996,350 was recognized in the statements of total comprehensive income.

## 7 Property and equipment, net

Details and movement of the property and equipment, net as at December 31 are as follows:

	Furniture, fixtures and equipment	Transportation equipment	Communication equipment	Land	Total
<b>Cost</b>					
At January 1, 2022	6,811,986	4,289,774	248,197	-	11,349,957
Additions	145,095	-	-	-	145,095
Disposal	(42,853)	(748,500)	-	-	(791,353)
At December 31, 2022	6,914,228	3,541,274	248,197	-	10,703,699
Additions	20,243	1,484,446	-	2,400,000	3,904,689
Disposal	-	(1,364,286)	-	-	(1,364,286)
At December 31, 2023	6,934,471	3,661,434	248,197	2,400,000	13,244,102
<b>Accumulated Depreciation</b>					
At January 1, 2022	5,644,505	3,448,462	248,197	-	9,341,164
Depreciation	424,061	272,857	-	-	696,918
Disposal	(10,714)	(748,500)	-	-	(759,214)
At December 31, 2022	6,057,852	2,972,819	248,197	-	9,278,868
Depreciation	436,051	266,140	-	-	702,191
Disposal	-	(864,048)	-	-	(864,048)
At December 31, 2023	6,493,903	2,374,911	248,197	-	9,117,011
<b>Carrying amount</b>					
At December 31, 2022	856,376	568,455	-	-	1,424,831
At December 31, 2023	440,568	1,286,523	-	2,400,000	4,127,091

There are no idle assets as at December 31, 2023 and 2022.

Depreciation expense recognized in 2023 and 2022 amounted to P702,191 and P696,918, respectively.

Gain on disposal of property and equipment for the year ended December 31, 2023 is computed as follow:

	Transportation Equipment
Cash proceeds	880,000
Less: Cost	1,364,286
Accumulated depreciation	(864,048)
Net book value	500,238
Gain on disposal	379,762

Gain on disposal of property and equipment for the year ended December 31, 2022 is computed as follow:

	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cash proceeds	44,995	160,000	204,995
Less: Cost	42,853	748,500	791,353
Accumulated depreciation	(10,714)	(748,500)	(759,214)
Net book value	32,139	-	32,139
Gain on disposal	12,856	160,000	172,856

Based on the impairment review of non-financial assets, the Organization believes that there is no impairment loss occurred on its property and equipment as at December 31, 2023 and 2022.

There are no property and equipment as at December 31, 2023 and 2022 that are pledged as security to liabilities.

## 8 Other assets, net

Other assets, net as at December 31 consists of:

	Note	2023	2022
Other assets		12,860,000	12,860,000
Notes receivable	4	875,000	4,375,000
Refundable deposits, net		44,460	44,460
		13,779,460	17,279,460

Other assets pertain to donated paintings. No fair value changes and impairment losses were recognized in 2023 and 2022.

Notes receivable pertain to the payment of principal arising from the promissory note due 2025 (Note 4).

Refundable deposits pertain to security bonds paid by the Organization for the implementation of its projects but are refundable upon completion of the projects and deposit with internet service provider.

Details of allowance for impairment as at December 31 are as follows:

	2023	2022
Refundable deposit	588,060	588,060
Allowance for impairment	(543,600)	(543,600)
	44,460	44,460

There is no additional provision or reversal on the allowance for impairment of refundable deposits for the years ended December 31, 2023 and 2022.

## 9 Accrued expenses and other payables

Accrued expenses and other payables as at December 31 consists of:

	2023	2022
Accrued expenses	1,054,759	-
Deferred output value-added tax (VAT)	355,199	1,394,079
Statutory payables	180,602	325,884
Accounts payable	121,844	121,844
	1,712,404	1,841,807

Deferred output VAT refers to output VAT refers to 12% VAT on rental income not yet collected from tenants.

Statutory payables include salary statutory obligations, output VAT and withholding taxes payable.

Accrued expenses consist of accrued utilities, professional and legal fees, and security services.

Accounts and other payables include are noninterest-bearing and are generally settled on a 30-day term.

## 10 Rental deposits

Rental deposits as at December 31 consists of:

	2023	2022
Security deposits	1,912,987	7,184,119
Advance rentals	735,457	7,187,194
	2,648,444	14,371,313

Security deposits pertain to initial payment of tenants to the Organization for the application of lease which will be refunded in 2024. These are initially recorded as liability and measured at the amount of cash paid and subsequently measured at amortized cost.

Advance rentals are advance payments for rent applied during the last one to two months of the lease term which will be refunded in 2024. These are initially recorded as liability and measured at the amount of cash paid and subsequently measured at amortized cost

## 11 Other non-current liabilities

Other non-current liabilities as at December 31, 2022 consists of:

	Amount
Security deposits	813,345
Advance rentals	1,069,583
Provision for general obligation	35,345,954
	37,228,882

Security deposits pertain to initial payment of tenants to the Organization for the application of lease which will be refunded after 2024.

Advance rentals are advance payments for rent applied during the last one to two months of the lease term which will be refunded after 2024.

Provision for general obligation refers to provisions recognized for possible obligation involving the Organization. The timing of cash outflows of these provisions is uncertain as it depends upon the outcome of the Organization's negotiations, which are currently going with the parties involved.

Disclosure of additional details beyond the present disclosure may prejudice the Organization's position. Thus, as allowed under PAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

## 12 Rental income

The Organization entered into commercial property leases on its investment property portfolio. These contracts are cancellable at any time with one-month notice. All lease agreements include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. Rental income for the year ended December 31, 2023 amounted to P33,223,655 (2022 - P52,115,024).



### 13 Program fund

This account pertains to funds received from donors or allocations from general fund which are restricted for specific purposes.

The movements in the program fund for the years ended December 31 are as follows:

	Note	2023	2022
Balance at beginning of year		-	2,718,244
Grants utilized		(4,235,395)	(4,920,419)
Transfer from general fund		14,046,578	2,202,175
Balance at end of year	2	9,811,183	-

Breakdown of grant utilization as at December 31 are as follows:

	2023	2022
Family Planning Organization of the Philippines - Iloilo Chapter	2,039,200	2,549,000
Likhaan Center for Women's Health Inc.	2,196,195	2,371,419
	4,235,395	4,920,419

The Organization did not receive any grants during 2023 and 2022.

The Organization utilized P175,223 for the 5th (last) tranche on quick response to Pandemic-Induced Crisis in FP Services to Likhaan Center for Women's Health Inc. from the grant received in 2021.

On November 11, 2022, the Organization disbursed P2,196,196 as 1st tranche (50% of the total project cost) to Likhaan Center for Women's Health Inc. for the implementation of project called "Responding to Shortfalls in Sexual and Reproductive Health and Rights Services in Cavite". On May 22, 2023, the Organization disbursed P1,756,956 as 2nd tranche (40% of the total project cost) and P439,239 for the 3rd (last) tranche on August 23, 2023. This is grant funding from the Organization's general fund.

On September 23, 2022, the Organization disbursed P2,549,000 as 1st tranche (50% of the total project cost) to Family Planning Organization of the Philippines - Iloilo Chapter for the implementation of project called "Meeting Family Planning Shortfalls among Women of Reproductive Age in GIDAs in Western Visayas". On May 22, 2023, the Organization disbursed P2,039,200 as 2nd tranche (40% of the total project cost). This is grant funding from the Organization's general fund.

The Organization entered into a memorandum of agreement (MOA) with DOH-RO6 for the execution of three projects in the region which are in line with the implementation of the Responsible Parenthood and Reproductive Health (RPRH) Law. The first project is the conduct of the Regional Adolescent Health Leadership Camp, a 5-day camp held on the last week of December 2017 that aims to train adolescent community leaders and peer counselors to be role models and catalysts in encouraging young people to take control of their health by availing of health services, among others. The second project is the establishment of an After 5 Clinic, the objective of which is to provide RH-related services to adolescents even after five o'clock in the afternoon. The project commenced in December 2018 and will last until February 2019. The third project is Support to National Government Agencies for Accelerating the RPRH Law Implementation which aims to endure implementation of the RPRH Law. The project commenced in January 2018 and will last until March 2019. During 2021, the Organization utilized P6,941,063 of grant for the project with DOH. In 2023 and 2022, the Organization did not receive and utilize any grants from DOH.

### 14 Other income

Other income for the years ended December 31 are as follows:

	2023	2022
Sticker and parking fees	11,155	15,143
Gain on sale of non-current asset	430,086	-
	441,241	15,143

## 15 Project and operating expenses

Project expenses for the years ended December 31 are as follows:

	2023	2022
Salaries and wages	2,226,809	2,551,628
Taxes and licenses	331,244	-
Employee benefits	195,454	303,048
Transportation and travel	91,777	173,796
Meetings and conferences	50,565	214,135
Consultant fees	-	1,009,638
Others	751,312	484,413
	3,647,161	4,736,658

Other project expenses pertain to various fees paid necessary for the administration of the Organization's projects such as notarial fees, office supplies, bank charges and communication expense.

### ii. Operating expenses

Operating expenses for the years ended December 31 are as follows:

	2023	2022
Salaries, wages and other employee benefits	3,609,333	3,922,616
Professional fees and other outside fees	2,510,833	4,697,869
Transportation and travel	541,137	414,969
Meetings and representation	372,921	37,881
Others	3,043,000	53,770
	10,077,224	9,127,105

Other operating expenses pertain to fees paid for the administration of its rental services such as office supplies, bank charges, notarial fees and communication expense.

## 16 Cost of building maintenance held for rental

Cost of building maintenance held for rental for the years ended December 31 are as follows:

	2023	2022
Professional fees and other outside services	5,200,350	5,891,980
Repairs and maintenance	2,261,873	2,611,735
Taxes and licenses	803,656	1,053,982
Utilities	755,248	744,822
Salaries, wages and other employee benefits	515,619	1,961,307
Insurance	422,739	581,060
Supplies	190,393	285,154
	10,149,878	13,130,040

## 17 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Organization; (b) associates; and (c) enterprises or individuals owning, directly or indirectly. An interest in the voting power of the Organization that gives them significant influence over the Organization, key management personnel, including directors and officers of the Organization and close members of the family of any such enterprise or individual.

### a. Transactions with key management personnel

No remuneration for the directors and other members of key management personnel of the Organization was given during the years ended December 31, 2023 and 2022. There is no agreement between the Organization and any of its trustees and key officers providing for benefits upon termination of employment other than the retirement benefits.

### b. Transactions with retirement plan

The retirement plan of the Organization related to its key management personnel is considered as a related party. The retirement plan is in the form of a trust administered by a trust bank.

There are no other related party transactions in 2023 and 2022.

## 18 Retirement Benefits

The Organization maintains non-contributory, defined benefit retirement plans, covering substantially all of its regular employees, administered by the appointed retirement plan trustee. Under the existing regulatory framework, Republic Act 7641, Retirement Pay Law, requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The plan provides a retirement benefit amounting to certain percentage of plan salary where plan salary means an amount equivalent to the latest monthly salary times the equivalent number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. The retirement plan is managed by a retirement plan trustee appointed by the Organization, that is legally separated from the Organization.

The retirement plan trustee is responsible for the general administration of the plan and management of the fund. The control, direction, and management of the fund shall reside in and be the sole responsibility of the retirement plan trustee.

The retirement benefit cost recognized in the statements of total comprehensive income for the years ended December 31 is determined as follows:

	2023	2022
Current service cost	412,568	386,635
Interest income on plan assets	(68,165)	(66,024)
Interest expense on defined benefit obligation	64,161	56,533
	408,564	377,144

The net retirement benefit liability to be recognized in the statements of financial position as at December 31 consists of:

	2023	2022
Fair value of plan assets	1,224,704	1,321,947
Present value of defined benefit	(1,507,257)	(1,323,145)
Net retirement benefit liability	(282,553)	(1,198)

Changes in the present value of defined benefit liability as at December 31 are as follows:

	2023	2022
Balance at beginning of year	1,323,145	1,153,738
Current service cost	412,568	386,635
Interest cost	64,161	56,533
Remeasurement loss (gain):		
Changes in financial assumptions	37,871	7,206
Experience adjustments	(181,574)	(281,075)
Changes in demographic assumptions	-	108
Benefits paid	(148,914)	-
Balance at end of year	1,507,257	1,323,145

Fair value of plan assets pertains to contributions paid amounted to P1,224,703 as at December 31, 2023 (2022 - P1,321,947). Plan asset comprise the Organization's cash and cash equivalents.

The fair value of plan assets as at December 31 consists of:

	2023	2022
Cash and cash equivalents	7,856	23,120
Debt instruments:		
Government securities	434,272	632,499
Equity instruments:		
UITF and mutual funds	777,353	659,884
Interest receivables	5,223	6,444
Total	1,224,704	1,321,947

Changes in the fair value of plan assets as at December 31 are as follows:

	2023	2022
Balance at beginning of year	1,321,947	1,347,431
Benefits paid from plan assets	(148,914)	-
Remeasurement of plan assets	(16,494)	(91,508)
Interest income	68,165	66,024
Balance at end of year	1,224,704	1,321,947

Movement in cumulative remeasurement of retirement provision as at December 31 follow:

	2023	2022
Balance at beginning of year	1,121,043	615,284
Actuarial gain on remeasurement of retirement	143,703	273,761
Remeasurement of plan assets	(16,494)	(91,508)
Adjustment on cumulative remeasurement	-	323,506
Balance at end of year	1,248,252	1,121,043

The table below shows the maturity profile of the undiscounted benefit payments as at December 31:

	2023	2022
One to less than five years	1,358,705	938,459
Five to less than ten years	1,380,430	2,554,332
Ten to less than fifteen years	98,790	119,550
Fifteen years and above	1,979,619	3,048,264
	4,817,544	6,660,605

The average duration of the expected benefit payments as at December 31, 2023 is 6.93 years (2022 - 8.38 years).

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

- Investment risk*  
The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.
- Interest risk*  
A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Longevity risk*  
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
- Salary risk*  
The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Actuarial valuations of the Organization's retirement plan were performed by an independent actuary as at December 31, 2023 and 2022. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Discount rate is determined by calculating the single effective discount rate determined by discounting the projected benefit payments using different term-dependent zero-coupon rates at the end of the reporting period.

The principal assumptions used in determining the retirement benefit liability of the Organization as at December 31 are as follows:

	2023	2022
Discount rate	6.08%	7.13%
Salary increase rate	5.00%	5.00%

## Changes in the significant actuarial assumptions

The calculation of the net defined benefit asset is sensitive to the significant actuarial assumptions mentioned above. The following table summarizes the effects of changes in these actuarial assumptions on the defined benefit asset at December 31:

	2023		2022	
	Increase (Decrease)	Retirement Liability	Increase (Decrease)	Retirement asset
Discount rates	1%	(36,254)	1%	(43,296)
	-1%	40,375	-1%	48,096
Future salary increases	100%	45,771	100%	56,688
	-100%	(41,855)	-100%	(52,247)

The present value of the defined benefit obligation has been calculated with the same method (project unit credit) as the defined benefit obligation recognized in the statements of financial position. The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

## 19 Income taxes

### a. Income tax expense

The Organization's income tax expense for the years ended December 31 consists of:

	2023	2022
Current	249,331	3,932,245
Deferred	5,846,129	(3,380,737)
	6,095,460	551,508

The provision for current tax in 2023 and 2022 represents the income tax on rental income derived by the Organization on its investment properties.

The reconciliation of income tax expense computed at the statutory income tax rate to the income tax expense is as follows:

	2023	2022
Excess of revenues over expenses before income tax	20,065,739	7,912,155
Income tax at statutory rate of 25%	5,016,435	1,978,039
Additions to (reduction in) income tax resulting from:		
Nondeductible expenses	1,452,180	-
Nontaxable income	-	(650,675)
Income subject to final tax	(373,155)	(775,856)
	6,095,460	551,508

b. Deferred tax assets (liabilities), net

The details of deferred tax assets (liabilities), net as at December 31 are as follows:

	2023	2022
Deferred tax assets:		
Net operating loss carry-over (NOLCO)	10,167,228	-
Unrealized foreign exchange loss	1,330,316	301,743
Advance rentals	387,201	2,000,135
Minimum corporate income tax (MCIT)	249,331	-
Provision for doubtful accounts	161,710	-
Provisions	-	8,836,488
	12,295,786	11,138,366
Deferred tax liabilities:		
Fair value adjustments - financial assets at fair value and investment properties	(11,159,223)	(6,931,703)
Unrealized gain on other non-current assets	(2,873,750)	(2,873,750)
Unrealized foreign exchange gain	(2,470,421)	-
Net pension asset	(305,308)	300
	(16,808,702)	(9,805,153)
Net deferred tax assets (liabilities)	(4,512,916)	1,333,213
To be settled within 12 months	(3,626,654)	(571,872)
To be recovered beyond 12 months	(886,262)	1,905,085
	(4,512,916)	1,333,213

*Corporate Recovery and Tax Incentives for Enterprises or CREATE Act*

On March 26, 2021, Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises or CREATE Act, was signed into law. The CREATE Act took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation. Among the salient provisions of CREATE include changes to the corporate income tax as follows:

- lowering of regular corporate income tax (RCIT) rate to 20% from 30% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- lowering of regular corporate income tax (RCIT) to 25% from 30% for all other domestic and foreign corporations from July 1, 2020; and
- for the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

During the year 2023, the salient provision of the CREATE law in relation to MCIT has lapsed reverting the rate to the original 2% rate. The Organization's fiscal year has fallen into a period applying two different rates, thus, MCIT rate used was 1.50%, averaged during the year.

For the year ended December 31, 2023, the Organization applied the RCIT rate of 25% and MCIT rate of 1.5% (2022 - RCIT rate of 25%; MCIT rate of 1%).

## 20 Financial risk management objectives and policies; fund balance management

The Organization's principal financial instruments comprise of cash and cash equivalents, financial assets at fair value, receivables and accrued expenses and other payables. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Organization's operations.

The main risks arising from the Organization's financial instruments are foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing these risks as summarized below.

### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization has transactional currency exposure arising from providing and receiving services denominated in currencies other than the Organization's functional currency which is the Philippine peso.

The following table shows the Organization's foreign currency-denominated monetary assets and their peso equivalents as at December 31:

	2023		2022	
	Foreign currency	Philippine peso	Foreign currency	Philippine peso
Cash	\$87,143	4,493,617	\$79,488	4,460,890
Financial asset at fair value	\$1,054,609	58,393,687	\$731,840	40,803,731

In translating the US\$ denominated financial instruments into Philippine peso, the exchange rates used were P55.567 to US\$1.00 and P56.12 to US\$1.00 as at December 31, 2023 and 2022, respectively.

The following table details the effect in the Organization's income if foreign exchange rates had been higher or lower than the prevailing rates at the end of the year. The sensitivity rates represent management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes all outstanding foreign currency denominated financial assets and adjusts their translation at the period end for the percentage change in foreign currency rates. A positive number below indicates an increase in income if the Philippine Peso strengthens by the above rates against the relevant currency. On the other hand, if the Philippine Peso weakens against the relevant currency by the above rates, there would be an equal and opposite impact on the income as shown below:

2023		2022	
% Change in currency rate	Effect on income	% Change in currency rate	Effect on income
1.08%	677,835	1.10%	498,313
-1.08%	(677,835)	-1.10%	(498,313)

### *Credit Risk*

Credit risk is limited to the risk arising from inability of a debtor to make payments when due. The Organization's main credit risks arose from leasing of its property. These credits are continually monitored and therefore, the Organization does not expect to incur material credit losses.

With respect to credit risks arising from cash in bank, the Organization's exposure to credit risk arises from default of the counterparty, with a maximum exposure that is equal to the carrying amount of cash in bank.

The Organization has no significant concentrations of credit risk.



### Credit risk exposures

The table below shows the gross maximum exposure to credit risk for the components of the statements of financial position as at December 31:

	2023		2022	
	Gross Maximum Exposure (1)	Net Maximum Exposure (2)	Gross Maximum Exposure (1)	Net Maximum Exposure (2)
Cash and cash equivalents *	32,188,235	32,188,235	47,556,285	47,556,285
Financial assets at fair value	328,952,691	328,952,691	307,346,095	307,346,095
Receivables **	9,991,466	9,991,466	12,824,388	12,824,388
	<b>371,132,392</b>	<b>371,132,392</b>	<b>367,726,768</b>	<b>367,726,768</b>

(1) Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangement or insurance in case of bank deposits.

(2) Net financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.

\* Excluding cash on hand amounting to P70,000 as at December 31, 2023 and 2022

\*\* Gross of allowance for expected credit losses amounting to P710,552 and P63,715 as at December 31, 2023 and 2022

The aging analyses of financial assets as at December 31 are as follows:

	Neither past due nor impaired	Past due but not impaired		Total
		1-30 days	Over 60 days	
<b>2023</b>				
Cash and cash equivalents *	32,188,235	-	-	32,188,235
Financial assets at fair value	328,952,691	-	-	328,952,691
Receivables **	3,418,264	1,033,358	5,539,844	9,991,466
	<b>364,559,190</b>	<b>1,033,358</b>	<b>5,539,844</b>	<b>371,132,392</b>
<b>2022</b>				
Cash and cash equivalents *	47,556,285	-	-	47,556,285
Financial assets at fair value	307,346,095	-	-	307,346,095
Receivables **	3,676,608	7,625,095	1,522,685	12,824,388
	<b>358,578,988</b>	<b>7,625,095</b>	<b>1,522,685</b>	<b>367,726,768</b>

\* Excluding cash on hand amounting to P70,000 and P70,000 as at December 31, 2023 and 2022, respectively

\*\* Gross of allowance for expected credit losses amounting to P710,552 and P63,715 as at December 31, 2023 and 2022

Allowance for expected credit losses was recognized as at December 31, 2023 amounting to P710,552 (2022 - P63,715).

The Organization assessed that there are no credit-impaired financial instruments as at December 31, 2023 and 2022.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impaired financial assets are receivables which have been provided with full allowance which are overdue by more than one year or with any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract. The impairment allowance is periodically reviewed by the management to ensure alignment with the Organization's policy.

### Liquidity Risk

Liquidity risk arises from the possibility that the Organization may encounter difficulties in raising funds to meet or settle its obligations at a reasonable price.

The Organization employs asset-liability management techniques to minimize liquidity risk. Strict compliance to collection procedure and collection follow-up is being implemented for asset management. Local trade payables are strictly monitored.

The table below summarizes the maturity profile of the Organization's financial liabilities based on undiscounted payments:

	Carrying amount	Less than 1 Year	More than 1 Year Less than 5 Years
<b>2023</b>			
Security deposits	1,912,987	1,912,987	-
Accrued expenses and other payables*	1,176,603	1,176,603	-
	3,089,590	3,089,590	-
<b>2022</b>			
Security deposits	8,253,702	8,253,702	-
Accrued expenses and other payables*	121,844	121,844	-
	8,375,546	8,375,546	-

\* Excluding deferred output VAT and statutory payables amounting to P535,801 (2022 - P1,719,963)

The Organization's fund balances management objectives are to ensure the Organization's ability to continue as a going concern and to maintain an optimal fund balances structure to reduce cost of capital.

The Organization manages its fund balances structure and makes adjustments to it in light of changes in economic conditions. The Organization is not subject to externally imposed capital requirements.

The Organization sets the amount of fund balances in proportion to its overall financial structure, i.e., fund balances and financial liabilities. The Organization manages the fund balances structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

## 21 Fair value hierarchy of financial assets and liabilities

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets, which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair values of the financial assets and liabilities are approximately equal to their carrying amounts. See Note 23.3 for a description of the accounting policies for each category of financial instrument. A description of the Organization's risk management objectives and policies for financial instruments is provided in Note 21.

a. Fair value hierarchy of financial assets and liabilities. The following table shows an analysis of the Organization's financial assets by level of the fair value hierarchy:

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>2023</b>				
Unit investment trust funds (UITF) and mutual funds	-	279,084,877	-	279,084,877
Marketable equity securities	17,188,376	-	-	17,188,376
Government securities	18,561,330	-	-	18,561,330
Private bonds and commercial papers	-	14,118,108	-	14,118,108
	35,749,706	293,202,985	-	328,952,691
<b>2022</b>				
Unit investment trust funds (UITF) and mutual funds	-	254,363,791	-	254,363,791
Marketable equity securities	17,188,376	-	-	17,188,376
Government securities	21,675,820	-	-	21,675,820
Private bonds and commercial papers	-	14,118,108	-	14,118,108
	38,864,196	268,481,899	-	307,346,095

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at measurable date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified and determined based on the lowest level of significant input to the fair value measurement.

For the purpose of determining market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counter parties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Organization uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Cash and cash equivalents and receivables due to the short-term nature of the transactions, the fair values of these instruments approximate the corresponding carrying values at end of each reporting period.

Unit Investment Trust Fund (UITF) and mutual funds amounting to P279,084,877 and P254,363,791 as at December 31, 2023 and 2022 were classified under Level 2. The fair value of UITFs and mutual fund is derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period).

Marketable securities amounting to P17,188,376 as at December 31, 2023 and 2022 were classified under Level 1.

Government securities amounting to P18,561,330 and P21,675,820 as at December 31, 2023 and 2022, were classified under Level 1.

Private bonds and commercial papers amounting to P14,118,108 as at December 31, 2023 and 2022, were classified under Level 1.

## **22 Critical accounting estimates and assumptions and judgments**

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Organization makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

## **22.1 Critical accounting estimates and assumptions**

### **22.1.1 Allowance for impairment of receivables and refundable deposits**

The Organization, applying the simplified approach in the computation of ECL, shall use a provision matrix based on historical default rates for receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due.

The Organization shall also use appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Organization then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Organization adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Organization regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

Probability of default (PD) constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Provision for expected credit losses of receivables amounted to P710,552 and P63,715 as at December 31, 2023 and 2022, respectively (Note 4).

The carrying amount of receivables amounted to P9,280,914 and P8,385,673 as at December 31, 2023 and 2022, respectively (Note 4).

Provision for impairment recognized for refundable deposit amounted to nil as at December 31, 2023 and 2022, respectively. The carrying amount of refundable deposit amounted to P44,460 as at December 31, 2023 and 2022, respectively (Note 8).

### **22.1.2 Determination of fair value of financial assets at fair value**

Where the fair values of financial assets recorded in the statements of financial position or disclosed in the notes to financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

The carrying amount of financial assets at fair value amounted to P328,952,691 and P307,346,095 as at December 31, 2023 and 2022, respectively (Note 3).

### **22.1.3 Determination of fair value of investment properties**

Management used valuation technique where active market quotes are not available to determine the fair value of investment properties. This includes developing estimates and assumptions consistent with how market participants would price the instruments. Estimated fair value may vary from the actual price that would be achieved in an arm's-length transaction at the reporting year.

In determining the appraised values of the investment properties, the Organization hires an independent firm of appraisers. In order to arrive at a reasonable valuation, the appraisers personally inspected the properties, requested information from reputable sources and considered the following: (a) cost of reproduction of new replaceable property; (b) current prices for similar used property in the secondhand market; (c) age, condition, past maintenance, and present and prospective serviceability in comparison with new assets of like kind; (d) accumulated depreciation; and (e) recent trend and development in the industry concerned.

The fair value of the investment properties was arrived at using the Cost Approach. Under this approach, the most significant inputs are estimates of the current cost of reproduction of the replaceable property in accordance with the current market prices for materials, labor, manufactured equipment, contractor's overhead and profit and fees, but without prior provision for overtime or bonuses for labor and premiums for materials. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence to arrive at a reasonable valuation which is an unobservable input.

Fair market value is defined as the highest price in terms of money which a property will bring if exposed for sale in the open market, allowing reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.

The appraiser also considered the concept of value in use which is based on the highest and most profitable continuous use or that which may reasonably be expected to produce the greatest net return over a given period of time.

The Organization's investment properties were appraised by an independent firm of appraisers in August 31, 2021 resulting in a fair value loss of P3,261,338 recognized in 2021. Total carrying amount of investment properties as of December 31, 2023 and 2022 is nil and P38,996,350, respectively (Note 6).

#### 22.1.4 Estimated useful lives of property and equipment

The Organization estimates the useful lives of each of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying value of property and equipment amounted to P4,127,091 and P1,424,831 as at December 31, 2023 and 2022, respectively (Note 7).

#### 22.1.5 Determination of retirement benefits

The determination of the Organization's retirement cost is dependent on selection of certain assumptions used by the actuary in calculating such amount. Those assumptions include, among others, discount rates and future salary increase.

The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability. Future salary increases are based on expected future inflation rates and other relevant factors.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

Net retirement benefit liability and assets amounted to P282,553 and P1,198 as at December 31, 2023 and 2022, respectively (Note 18).

#### 22.1.6 Determination and estimation of provision

The Organization assessed if there are possible claims which the Organization believes may have an effect on its financial position. It is possible, however, that change in estimate relating to the possible claims may affect the results of operation of the Organization. The Organization recognized a provision presented as other non-current liabilities in the statements of financial position amounting to nil and P35,345,954 as at December 31, 2023 and 2022, respectively (Note 18 and 11).

### 22.1.7 Realizability of deferred tax assets and liabilities

The Organization reviews the carrying amounts at each reporting date and reduces deferred income tax assets and liabilities to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets and liabilities to be utilized. The Organization's assessment on the recognition of deferred tax assets and liabilities on temporary differences is based on forecasted taxable income of the subsequent reporting periods. The forecast is based on past results and future expectations on financial performance.

Deferred tax assets recognized as at December 31, 2023 and 2022 amounted to P12,295,786 and P11,138,366, respectively. Deferred tax liabilities recognized as at December 31, 2023 and 2022 amounted to P16,808,702 and P9,805,153, respectively.

The Management believes that it is more likely than not that sufficient future taxable income would be available against which the benefits of such deferred tax assets and liabilities would be realized (Notes 19).

### 22.1.8 Impairment of non-financial assets

The Organization assesses impairment on its non-financial assets (i.e., prepayments and other current assets, investment properties, property and equipment, deferred tax assets, net retirement benefit assets, and other assets) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results; and
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the nonfinancial assets. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Organization is required to make estimates and assumptions that may affect the carrying amount of the assets.

No impairment recognized for the Organization's non-financial assets in 2023 and 2022.

## 22.2 Critical judgments in applying the Organization's accounting policies

In the process of applying the Organization's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

### 22.2.1 Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 23.12.  
Classification of lease

The Organization, as a lessor, has entered into various lease agreements with lessee. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Organization has determined that it does not transfer all the significant risk and rewards of ownership of property (Note 23.10).

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of the ownership to the lessee. Otherwise, leases are classified as operating leases.

Judgment is used in determining whether the significant risk and rewards of ownership are transferred to the lessee. In making such judgment, the Organization evaluates the terms and conditions of the lease arrangement.

All sales offices, parking spaces and other facilities held for rent, and the main office of the Organization are rented under operating leases.

Rental income amounted to P33,223,655 and P52,115,024 in 2023 and 2022, respectively.

#### 22.2.2 Estimation of allowance for impairment of receivables

Significant increase in credit risk ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Organization takes into account qualitative and quantitative reasonable and supportable forward looking information.

### 23 Summary of material accounting policies

The accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all the years presented unless otherwise stated.

#### 23.1 Basis of preparation

##### 23.1.1 Statement of compliance

The financial statements of the Organization have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, PAS, and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Organization's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 22.

##### 23.1.2 Basis of measurement

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis except for:

- a. defined benefit asset or obligation recognized as the net total of the fair value of plan assets the present value of the defined benefit obligation; and
- b. provisions measured at its best estimate of the expenditure required to settle the present obligation, with discounting if the effect of time value of money is material.
- c. investment properties measured based on an independent appraiser's appraisal;
- d. financial assets at fair value

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### 23.1.3 Changes in accounting policies and disclosures

#### *(a) New standards, and amendments and interpretations to existing standards adopted*

The Organization has applied the following amendments for the first time for their annual reporting period commencing January 1, 2023:

- Disclosure of accounting policies - Amendments to PAS 1 and PFRS Practice Statement 2

The International Accounting Standards Board (IASB) amended PAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended PFRS Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The effects of adoption of amendments to PAS 1 and PFRS Practice Statement 2 as at January 1, 2023 are considered in the summary of material accounting policies.

- Definition of accounting estimates - Amendments to PAS 8

The amendment to PAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The adoption did not have a significant impact on the Organization's financial statements as at December 31, 2023 and 2022.

- Deferred tax related to assets and liabilities arising from a single transaction - Amendments to PAS 12

The amendments to PAS 12 require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in the opening balance of retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The adoption did not have any impact on the amounts recognized in prior periods and is not expected to significantly affect the current or future periods.



*(b) New standards, and amendments and interpretations to existing standards not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Organization. These standards, amendments or interpretations are not expected to have a material impact on the Organization in the current or future reporting periods and on foreseeable future transactions.

## 23.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### Initial Recognition

Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Organization's financial assets, except for investments classified at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

#### *Classification and Subsequent Measurement*

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as follows:

- a. financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- b. financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- c. all other financial assets managed on their fair value basis and equity instruments are subsequently measured at FVTPL.

However, the Organization may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- d. the Organization may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies, in OCI; and
- e. financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI).

#### *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

#### *Financial assets at FVTPL*

Financial assets at FVTPL are:

- a. assets with contractual cash flows that are not SPPI; or
- b. assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- c. assets designated at FVTPL using the fair value option.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

#### *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- a. for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss;
- b. for debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss. Other exchange differences are recognized in OCI in the investments revaluation reserve;
- c. for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognized in profit or loss; and
- d. for equity instruments measured at FVOCI, exchange differences are recognized in OCI in the investments revaluation reserve.

#### *Impairment of financial assets*

PFRS 9 requires the Organization to recognize an allowance for ECL for all debt instruments not held at fair value through profit or loss and contract assets. The adoption of PFRS 9 ECL approach, however, did not materially impact the recognized impairment on the Organization's financial assets.

### *Significant increase in credit risk*

The Organization monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Organization will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Organization compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Organization considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Organization's historical experience and expert credit assessment including forward-looking information.

#### **Default**

The Organization considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- a. when there is a breach of financial covenants by the debtor; or
- b. information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Organization, in full (without taking into account any collateral held by the Organization).

Irrespective of the above analysis, the Organization considers that default has occurred when a financial asset is more than 90 days past due unless the Organization has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

When assessing if the borrower is unlikely to pay its credit obligation, the Organization takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Organization uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

#### *Write-off*

Financial assets are written off when the Organization has no reasonable expectations of recovering the financial asset either in its entirety or a portion of it. This is the case when the Organization determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

#### *Derecognition*

The Organization derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Organization neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Organization recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Organization retains substantially all the risks and rewards of ownership of a transferred financial asset, the Organization continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety, the Organization allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Financial assets presented in the statements of financial position are cash and cash equivalents (Note 2), financial assets at fair value (Note 3), receivables (Note 4) and refundable deposit under other non-current assets (Note 8).

#### Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Organization or a contract that will or may be settled in the Organization's own equity instruments and is a non-derivative contract for which the Organization is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Organization's own equity instruments.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

#### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- a. it has been incurred principally for the purpose of repurchasing it in the near term; or
- b. on initial recognition it is part of a portfolio of identified financial instruments that the Organization manages together and has a recent actual pattern of short-term profit-taking; or
- c. it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- a. such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b. the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Organization's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- c. it forms part of a contract containing one or more embedded derivatives, and PFRS 9 permits the entire hybrid contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For financial liabilities that are designated as at FVTPL all gains and losses are recognized in profit or loss.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Organization assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

#### *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where The EIR appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

#### *Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

#### *Derecognition of financial liabilities*

Financial liabilities are derecognized by the Organization when the obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Financial liabilities presented in the statements of financial position are accrued expenses and other payables excluding statutory payables and security deposits under rental deposits (Note 9 and 10).

### 23.3 Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Organization uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Organization determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Organization has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

Fair-value related disclosures for financial instruments that are measured at fair value are summarized in Note 21 (Fair Value Hierarchy of Financial Assets and Liabilities).

### 23.4 Cash and cash equivalents

Cash includes cash on hand, cash in banks and cash equivalents. Cash on hand and in banks are stated at amortized cost. For the purpose of cash flow statement, cash on-hand and banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash in banks are stated net of bank charges and other bank disbursement as at year end.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisitions and that are subject to an insignificant risk of changes in value.

### 23.5 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the properties, as follows:

Category	Estimated Useful Life
Furniture and fixtures	10 years
Office equipment	5 years
Computer equipment	3 - 5 years
Transportation equipment	5 years
Communication equipment	5 years

The depreciation method and useful lives are reviewed periodically to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciating an item begins when property and equipment is available for use and to continue depreciating until it is derecognized, even if in that period those items are idle.

The initial cost of property and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to expenses in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its original assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are sold or retired, their costs and the related accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is credited to or charged against current operations.

The cost of repairs and maintenance is charged to statements of comprehensive income as incurred, significant renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as income for the year.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The carrying amount of a part of an item of property and equipment is derecognized if that part has been replaced and included in the cost of the replacement in the carrying amount of the item.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount of the assets. The cost and related accumulated depreciation of assets sold/disposed of or retired are removed from the property and equipment accounts and any resulting gain or loss is credited or charged to other operating income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income in the year the item is derecognized.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are charged to current operations.

### **23.6 Investment properties**

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business nor for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting year. Changes in the fair values of investment properties are included in profit or loss in the year in which they arise, including the corresponding tax effect.

Investment properties are derecognized either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation, ending of operating lease or commencement of development with a view to sale.

### **23.7 Impairment of non-financial asset**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the assets or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The net realizable value is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit loss.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in profit or loss. However, the increase in carrying amount of an asset due to a recovery of an impairment of loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

### **23.8 Other non-current assets**

Other non-current assets pertain to artwork donated to the Organization. All kinds of art collections or individual pieces including various paintings, statues and sculptures are held primarily as a store of wealth. PFRS do not contain any guidance in relation to this type of asset, however, PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors specifically states that in the absence of a PFRS that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is both relevant and reliable.

The Organization classified artwork as other non-current assets in the statements of financial position. These assets have no definite useful life and are recognized initially at cost. Subsequent to initial recognition, other non-current assets are stated at fair value, which reflects market conditions at the reporting year. Changes in the fair values of other non-current assets are included in profit or loss in the year in which they arise, including the corresponding tax effect.

### **23.9 Rental deposits**

Rental deposits include security deposits and advance rentals received from tenants.

Security deposits pertain to initial payment of tenants to the Organization for the application of lease which are refundable at the end of lease term. These are initially recorded as liability and measured at the amount of cash paid and subsequently measured at amortized cost.

Advance Rentals Advance rentals are advance payments for rent applied during the last one to two months of the lease term. These are initially recorded as liability and measured at the amount of cash paid and subsequently measured at amortized cost.

### **23.10 Leases**

#### The Organization as lessor

The Organization's accounting policy under PFRS 16 has not changed from the comparative period. As a lessor, the Organization classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.



The Organization classifies its leases as operating leases and earns rental income from operating leases of its leased properties. Rental income is recognized on a straight-line basis over the term of the lease.

### **23.11 Employee benefits**

#### *Short-term benefits*

The Organization recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period.

#### *Post-employment benefits*

The Organization has defined benefit plan during the year.

#### *Defined benefit plan*

The Organization has a noncontributory and of the final salary defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest is calculated by applying the single effective discount rate based on different term-dependent zero-coupon rate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the defined benefit liability and the return on plan assets, are recognized immediately in the statements of financial position with a corresponding debit or credit to equity through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The level of benefits provided depends on the employee's length of service and salary at retirement age.

Plan assets are assets that are held in trust with an insurance entity. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Organization's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### *Termination benefits*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes the related restructuring costs. Initial and subsequent changes to termination benefits are measured in accordance with the nature of recognition the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

### **23.12 Provisions**

Provisions are recognized when the Organization has a present obligation (legal or constructive): (a) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. Where the Organization expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized in the statements of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized under the "Finance costs" account in the statements of comprehensive income.

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of reporting period including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision.

Where there are numbers of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, where time value of money is material, long-term provision is discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation.

Provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate. In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

#### *Onerous contracts*

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist when the Organization has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

### **23.13 Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

### **23.14 Fund balances**

To ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the process by which resources for various activities are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate statements are maintained for each fund; however, in the financial statements, funds which have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund groups.

The financial position of the Organization is reported as unrestricted funds, which represent unrestricted resources for the sustenance of the Organization's activities and day-to-day operations. Any restricted fund allocated for a specific purpose shall be classified separately.

The following are the types of funds:

#### General Fund

This pertains to unrestricted funds generated from rentals of Organization's investment properties and used for the sustenance of the Organization's activities and day-to-day operations

#### Program Fund

This pertains to funds received from donors which are restricted for specific purposes. Remeasurement of Plan Assets This pertains to actuarial gain or loss - which are changes in the net retirement plan assets resulting from (1) experience adjustments - the effects of differences between the previous actuarial assumptions and what has actually occurred - and (2) the effects of changes in actuarial assumptions

### **23.15 Revenue recognition**

Revenue arises mainly from the sale of rental services.

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Organization perform its obligations; (b) the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Organization's performance does not create an asset with an alternative use to the Organization and the Organization has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

To determine whether to recognize revenue, the Organization follows a 5-step process:

- 1) Identifying the contract with a customer
- 2) Identifying the performance obligations
- 3) Determining the transaction price
- 4) Allocating the transaction price to the performance obligations
- 5) Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Organization satisfies performance obligations by transferring the promised goods or services to its customers.

As a lessor, the Organization's revenue from rental income under operating lease is covered by PFRS 16 Leases.

The following specific recognition criteria must also be met before revenue is recognized:

*Rental income.* Rental income is recognized over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset is diminished.

*Grant income.* Grant income represents contributions received by the Organization. Contributions received with restrictions as to when it can be utilized is initially recognized as a liability of the Organization and will be recognized as revenue once the restrictions on the contributions has been met.

*Investment and interest income.* Investment income represents interest income earned on cash and cash equivalents, dividend income and realized and unrealized gains or losses on financial assets at FVPL. Interest income is recognized on a time proportion basis computed on the outstanding principal using the applicable rate. Dividend income is recognized when the right to receive payment is established. Gain or loss on sale of investments are recognized in profit or loss if the Organization disposes some of its debt instrument classified as financial assets at FVPL. Gain or loss on sale of investments is computed as the difference between the proceeds of the disposal and its carrying amount.

*Other income.* Income from other sources is recognized when earned during the period.

### **23.16 Expense recognition**

Expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method.

*Operating expenses.* Operating expenses constitute cost of administering the Organization and are expensed as incurred.

*Project expenses.* Project expenses are directly attributable costs necessary to fulfill the purpose for which the Organization exists and are recognized as expenses when incurred.

*Grant expense.* Any expenditure made out of grants is charged to expense under program fund as incurred.

*Trust and Investment Fees.* Trust and investment fees are charged by the trust companies for the management of the Organization's financial assets.

Cost of building maintenance held for rental. Cost of building maintenance held for rental pertains to expenses incurred necessary to ensure that the building is operating for its intended use.

### **23.17 Income taxes**

Income tax expense represents the sum of the current tax and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Organization's current tax expense is calculated using the enacted regular corporate income tax (RCIT) rate or minimum corporate income tax (MCIT) rate, whichever is higher.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Organization is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Organization expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and deferred income tax liabilities are offset, if legally enforceable right exists to set off current income taxes relate to same taxable entity and the same taxation authority. Valuation allowance is provided when it is more likely that some portion or all of the deferred tax assets will not be realized. Any change in the valuation allowance on deferred tax asset is also included in the computation of the provision for deferred income tax for the year.

#### *Current and deferred tax for the year*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 23.18 Foreign currency-denominated transaction

Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange prevailing at the end of the reporting period. All differences are recognized in the statements of comprehensive income except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

### 23.19 Events after the end of the reporting period

Events after the end of reporting period are those events, favorable and unfavorable, that occur between the end of reporting period and the date when the financial statements for issue. Post year-end events, if any, that provide additional information and evidence of the condition about the Organization's position at the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

There are no restrictions approved by the Board of Trustees of the Organization's general fund for social enterprise projects.

## 24 Supplementary Information Required by Bureau of Internal Revenue

The following supplementary information are presented for purpose of filing with the BIR and are not required part of the basic financial statements.

### *Revenue Regulation No. 15-2010*

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year.

#### a. Output VAT declared in the Organization's VAT returns

The Organization is a VAT-registered organization with VAT output tax declaration and gross receipts during the year as follows:

	Tax base	Output tax
Vatable receipts	38,155,610	4,578,673
Exempt receipts	1,770,648	-
Gross receipts	39,926,258	4,578,673

The Organization charged VAT based on actual collections received, hence may not be the same amounts recognized in the statements of comprehensive income.

#### b. Input VAT

Movements in input VAT for the year ended December 31, 2023 are as follows:

		2023
Balance at January 1		(247,755)
Domestic purchases/payments for goods and services		13,969,131
Total available input VAT		1,676,296
Less: Total output tax for the year	(4,578,673)	
VAT payments during the year	2,810,548	(1,768,126)
Balance at December 31		(91,830)

c. Importations

The Organization has no transaction involving importations for the year ended December 31, 2023.

d. Documentary stamp taxes

The Organization has no transaction involving items subject to documentary stamp taxes for the year ended December 31, 2023.

e. Excise taxes

The Organization has no transaction involving items subject to excise tax for the year ended December 31, 2023.

f. Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2023 consist of:

	Paid	Accrued	Amount
Expanded withholding taxes	264,093	11,074	275,167
Compensation withholding taxes	445,318	39,392	484,710
Total withholding taxes	709,411	50,446	759,877

g. All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2023 consist of:

	Amount
Business permit	1,070,372
Real estate property taxes	63,588
Registration fees	500
Others	440
Total	1,134,900

h. There are no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at December 31, 2023.

**Revenue Regulation No. 34-2020**

RR No. 34-2020 prescribes the guidelines, and procedures for the submission of BIR Form 1709, Transfer Pricing Documentation (TPD) and other supporting documents, amending for this purpose the pertinent provisions of Revenue Regulations (RR) Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010.

In compliance with RR No. 34-2020, the Organization is not covered under Section 2 of the said RR and is therefore not covered by the requirements and procedures for related party transactions as stated thereof.