

JONATHAN M. ABAO

CERTIFIED PUBLIC ACCOUNTANT

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PRACTITIONER'S COMPILATION REPORT

The Board of Trustees and Members
MINDORO BIODIVERSITY CONSERVATION FOUNDATION INC.
Unit 406 Richville Corporate Centre, 1314 Commerce Ave.,
Madrigal Business Park, Ayala Alabang, Muntinlupa City

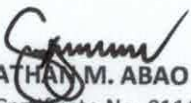
I have compiled the accompanying financial statements of MINDORO BIODIVERSITY CONSERVATION FOUNDATION INC. based on information you have provided. These financial statements comprise the statement of assets, liabilities and fund balance of MINDORO BIODIVERSITY CONSERVATION FOUNDATION INC. as at December 31, 2018, the statement of revenues and expenses, statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SME). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRS for SME.


JONATHAN M. ABAO
CPA Certificate No. 0114107
Tax Identification No. 243-054-243
BOA Accreditation No. 8019; Valid until August 13, 2020
BIR Accreditation No. 08-007183-001-2018
Issued March 7, 2018; Valid until March 7, 2021
PTR No. 11667885
Issued January 11, 2019, Las Piñas City

April 11, 2019
Las Piñas City, Metro Manila

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Isla Lipana & Co.

Independent Auditor's Report

To the Board of Trustees of
Mindoro Biodiversity Conservation Foundation, Inc.
(A non-stock, non-profit organization)
Gumamela Street, Barangay Suqui
Calapan City, Oriental Mindoro

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 Mindoro Biodiversity Conservation Foundation, Inc. (the "Foundation") as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-Sized Entities (PFRS for SMEs).

What we have audited

The financial statements of the Foundation comprise:

- the statements of assets, liabilities and fund balance as at December 31, 2018 and 2017;
- the statements of total comprehensive income for the years ended December 31, 2018 and 2017;
- the statements of changes in fund balance for the years ended December 31, 2018 and 2017;
- the statements of cash flows for the years ended December 31, 2018 and 2017; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 Foundation 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.

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 for SMEs, 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.

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To the Board of Trustees of
Mindoro Biodiversity Conservation Foundation, Inc.
(A non-stock, non-profit organization)
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In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation'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 Foundation to cease to continue as a going concern.

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Independent Auditor's Report
To the Board of Trustees of
Mindoro Biodiversity Conservation Foundation, Inc.
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- 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 Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 13 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary 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 8, 2019 at Makati City

SEC A.N. (individual) as general auditors 1567-A, Category A; effective until June 9, 2019

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 213-227-235

BIR A.N. 08-000745-128-2019; issued on January 14, 2019; effective until January 13, 2022

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 12, 2019

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Mindoro Biodiversity Conservation Foundation, Inc.
(A non-stock, non-profit organization)

Statements of Assets, Liabilities and Fund Balance
As at December 31, 2018 and 2017
(All amounts in Philippine Peso)

	Notes	2018	2017
<u>ASSETS</u>			
Current assets			
Cash	2	18,703,865	18,484,298
Receivables		-	850,000
Prepayments and other current assets	3	522,535	497,677
Total current assets		19,226,400	19,831,975
Non-current asset			
Property and equipment, net	4	1,182,684	1,592,793
Total assets		20,409,084	21,424,768
<u>LIABILITIES AND FUND BALANCE</u>			
Current liabilities			
Accounts payable and other current liabilities	5	999,640	1,373,459
Fund balance			
Prior period accumulated excess of receipts over expenses		20,051,309	15,736,407
Excess (Deficiency) of receipts over expenses during the year		(641,865)	4,314,902
Total fund balance		19,409,444	20,051,309
Total liabilities and fund balance		20,409,084	21,424,768

The notes on pages 1 to 10 are integral part of these financial statements.

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Mindoro Biodiversity Conservation Foundation, Inc.
(A non-stock, non-profit organization)

Statements of Total Comprehensive Income
For the years ended December 31, 2018 and 2017
(All amounts in Philippine Peso)

	Notes	2018	2017
Receipts			
Donations, net	7	19,687,325	21,260,886
Interest income	2	38,448	57,706
Total receipts		19,725,773	21,318,592
Expenses			
Program expenses	8	(17,805,345)	(14,529,570)
Operating expenses	9	(2,569,476)	(2,474,120)
Unrealized foreign currency exchange gain		7,183	-
Total expenses		(20,367,638)	(17,003,690)
Excess (Deficiency) of receipts over expenses		(641,865)	4,314,902
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		(641,865)	4,314,902

The notes on pages 1 to 10 are integral part of these financial statements.

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Mindoro Biodiversity Conservation Foundation, Inc.
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Statements of Changes in Fund Balance
For the years ended December 31, 2018 and 2017
(All amounts in Philippine Peso)

	Total
Balance at January 1, 2017	15,736,407
Comprehensive income for the year	
Excess of receipts over expenses	4,314,902
Other comprehensive income	-
Total comprehensive income for the year	4,314,902
Balance at December 31, 2017	20,051,309
Comprehensive loss for the year	
Deficiency of receipts over expenses	(641,865)
Other comprehensive income	-
Total comprehensive loss for the year	(641,865)
Balance at December 31, 2018	19,409,444

The notes on pages 1 to 10 are integral part of these financial statements.

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Mindoro Biodiversity Conservation Foundation, Inc.
(A non-stock, non-profit organization)

Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(All amounts in Philippine Peso)

	Notes	2018	2017
Cash flows from operating activities			
Excess (Deficiency) of receipts over expenses		(641,865)	4,314,902
Adjustments for:			
Depreciation and amortization	4	874,883	623,615
Interest income	2	(38,448)	(57,706)
Unrealized foreign currency exchange gain		(7,183)	-
Excess of receipts over expenses before working capital changes		187,387	4,880,811
Changes in:			
Receivables		850,000	(800,500)
Prepayments and other current assets		(24,858)	87,860
Accounts payable and other current liabilities		(373,819)	904,833
Cash generated from operations		638,710	5,073,004
Interest received		38,448	57,706
Net cash provided by operating activities		677,158	5,130,710
Cash flows from an investing activity			
Acquisition of property and equipment	4	(464,774)	(1,460,621)
Net increase in cash		212,384	3,670,089
Cash at beginning of year		18,484,298	14,814,209
Effect of foreign currency exchange rate changes on cash		7,183	-
Cash at end of year	2	18,703,865	18,484,298

The notes on pages 1 to 10 are integral part of these financial statements.

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Mindoro Biodiversity Conservation Foundation, Inc.
(A non-stock, non-profit organization)

Notes to the Financial Statements
As at and for the years ended December 31, 2018 and 2017
(All amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

Mindoro Biodiversity Conservation Foundation, Inc. (the "Foundation") is a non-stock and non-profit organization formed under the laws of Republic of the Philippines. It was registered with the Securities and Exchange Commission on March 19, 2008.

The purpose of the Foundation is: (1) to enable the conservation of Mindoro's unique and threatened environment, biodiversity and natural resources into perpetuity; (2) to establish an integrated and properly structured biodiversity; (3) to promote greater awareness and concern for the environment; (4) to complete and produce/publish relevant information; (5) to strengthen local expertise and capacity with a view to the improved protection, restoration and management of the island's few remaining natural resources; and (6) to recognize and integrate indigenous knowledge, systems and sustainable practices towards more effective resources management.

Its operations are funded mainly by Shell Philippines Exploration B.V., Chevron Malampaya LLC, and Philippine National Oil Company-Exploration Corporation, joint venture partners of the Malampaya Joint Venture. The Foundation also receives contributions from other organizations.

The Foundation is an organization which is operated mainly for the promotion of social welfare as contemplated under Section 30 (g) of the Tax Code, and therefore, exempt from payment of tax on income received by it. However, it is subject to corresponding internal revenue taxes imposed under the Tax Code on its income derived from any of its properties, real or personal, or any activities conducted for profit regardless of the disposition.

The Foundation's registered office, which is also its principal place of business, is located at Gumamela Street Barangay Suqui, Calapan City, Oriental Mindoro. As at December 31, 2018 and 2017, the Foundation has no regular employees.

The financial statements were approved and authorized for issue on April 12, 2019 by the Board of Trustees of the Foundation.

Note 2 - Cash

Cash as at December 31 consist of the following:

	2018	2017
Cash in bank	18,598,138	18,484,298
Cash on hand	105,727	-
	18,703,865	18,484,298

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Cash in bank earns interest at prevailing bank deposit rates. For the year ended December 31, 2018, interest income earned amounted to P38,448 (2017 - P57,706). Cash in bank includes deposit denominated in foreign currency amounting to USD665 (2017 - USD663). In 2018, the foundation recognized unrealized foreign currency exchange gains amounting to P7,183 (2017 - nil).

Note 3 - Prepayments and other current assets

Prepayment and other current assets as at December 31 consist of the following:

	Note	2018	2017
Staff advances		360,881	336,023
Rental deposits	10	132,420	132,420
Prepayments		29,234	29,234
		522,535	497,677

Note 4 - Property and equipment, net

Details of property and equipment and their movements as at and for the years ended December 31 are as follows:

	Leasehold improvement	Furniture and equipment	Computer software and accessories	Total
Cost				
At January 1, 2017	7,700	791,109	1,015,229	1,814,038
Additions	-	1,271,800	188,821	1,460,621
At December 31, 2017	7,700	2,062,909	1,204,050	3,274,659
Accumulated depreciation and amortization				
At January 1, 2017	7,700	400,195	650,356	1,058,251
Depreciation and amortization	-	352,713	270,902	623,615
At December 31, 2017	7,700	752,908	921,258	1,681,866
Net book value at December 31, 2017	-	1,310,001	282,792	1,592,793
Cost				
At January 1, 2018	7,700	2,062,909	1,204,050	3,274,659
Additions	-	224,210	240,564	464,774
Disposals	-	(7,628)	(14,900)	(22,528)
At December 31, 2018	7,700	2,279,491	1,429,714	3,716,905
Accumulated depreciation and amortization				
At January 1, 2018	7,700	752,908	921,258	1,681,866
Depreciation and amortization	-	632,536	242,347	874,883
Disposals	-	(7,628)	(14,900)	(22,528)
At December 31, 2018	7,700	1,377,816	1,148,705	2,534,221
Net book value at December 31, 2018	-	901,675	281,009	1,182,684

Depreciation and amortization have been charged in program expenses and operating expenses as follows:

	Note	2018	2017
Program expenses		656,162	467,711
Operating expenses	9	218,721	155,904
		874,883	623,615

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As at December 31, 2018 and 2017, there is no impairment charge recorded against the Foundation's property and equipment.

The cost of fully depreciated property and equipment still being used as at December 31, 2018 amounted to P620,751 (2017 - P476,459).

Note 5 - Accounts payable and other current liabilities

Accounts payable and other current liabilities as at December 31 consist of the following:

	2018	2017
Accounts payable	226,771	935,520
Accrued expenses	599,106	299,000
Withholding tax payable	173,763	138,939
	999,640	1,373,459

Accrued expenses pertain to various unpaid program expenses and administrative expenses.

Note 6 - Related party transactions

In the normal course of its operations, the Foundation transacts with companies considered as related parties under Section 33, *Related Party Disclosures*. Transactions with donors mainly consist of (a) funding of expenses and (b) recoveries of expenses for the Foundation's core programs.

In 2018, donations amounting to P20,071,817 (2017 - P20,410,886) were received from Shell Philippines Exploration BV. As at December 31, 2018 and 2017, there were no receivable from donors for the recovery of expenses.

The Foundation does not pay its trustees any compensation, and has no receivable from or payable to them.

Note 7 - Donations, net

Donations, net for the years ended December 31 consist of the following:

	Note	2018	2017
Shell Philippines Exploration BV	6	20,071,817	20,410,886
Department of Environment and Natural Resources		-	850,000
		20,071,817	21,260,886
Less: Grant refund		(384,492)	-
		19,687,325	21,260,886

A partnership project with Philippine Tropical Forest Conservation Foundation (PTFCF) was established in 2016. Upon completion of the project on March 28, 2018, the Foundation issued a grant refund to PTFCF amounting to P384,492, representing unused funds from the partnership project. This was presented as an offset to the donations received in 2018 in the statements of total comprehensive income.

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Note 8 - Program expenses

The components of program expenses for the years ended December 31 consist of the following:

	2018	2017
Core programs		
MISSION	7,512,562	5,759,006
CARE	5,482,237	5,472,001
RESEARCH	3,835,747	3,114,720
	16,830,546	14,345,727
Special project		
MBCC	974,799	183,843
	17,805,345	14,529,570

(a) *Mindoro Island Symbolic Species Icons of Nature (MISSION)*

The purpose of this project is to facilitate the formation of community-based biodiversity protection groups who shall take the lead in protecting the different ecosystems, habitats, and threatened endemic species which are symbolic icons of Mindoro Island. This involves development and implementation of intensive biodiversity protection and law enforcement to curtail illegal and destructive activities in conservation priority sites especially in protected areas.

(b) *Conservation Awareness Raising and Education (CARE)*

This program aims to popularize the biodiversity and cultural significance of Mindoro to gain broader support for its protection and conservation from the general public. Various information, education and communication strategies shall be developed and implemented to increase the conservation awareness of the Mangyans, non-Indigenous People communities and other stakeholders.

Program strategies include communication material development, interpersonal approach of communication, conservation events, flagship species campaign, and providing access to information.

(c) *Resources, Environment, Species and Ecological Assessment for Responsible Change (RESEARCH)*

This program involves project site profiling, habitat and/or species focused research, studies on ecological services and functions and regular biodiversity monitoring. The Foundation explores the possibility of engaging partnership with research and academic institutions and/or other interested and competent organizations in the implementation of this program.

Program strategies entail conservation research and monitoring, species and/or habitat-focused researches, perception survey, project sites profiling, studies on ecological services and function, and regular biodiversity monitoring.

(d) *Mindoro Biodiversity Conservation Center (MBCC)*

On June 8, 2017, the Board of Trustees authorized the establishment of MBCC. This special project aims to conserve and educate local and the general public of Mindoro's "unspoiled natural beauty" and the importance of Mindoro's unique biodiversity and its impact on society and climate change. The establishment of this iconic center will benefit the present and future generations to remember the symbiotic relationship between the people and the natural resources.

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The center will hold several components such as conservation education center, forest restoration and demonstration areas, wildlife and rescue center for endemic species, cultural heritage center (particularly of Mangyan culture) and ecotourism areas.

The Foundation intends to design and implement culturally appropriate and sustainable livelihood that would reduce pressure on natural resources and mitigate threats to Mindoro's biodiversity.

Note 9 - Operating expenses

Operating expenses for the years ended December 31 consist of the following:

	Notes	2018	2017
Staff fees		599,965	257,561
Rental	10	589,515	594,223
Communication, light and water		252,200	188,300
Depreciation and amortization	4	218,721	155,904
Supplies and materials		199,777	301,459
Board meetings and planning		149,448	76,081
Staff benefits		131,102	258,495
Professional fees		113,017	164,186
Transportation and travel		96,014	126,849
Staff meeting/workshop		55,556	201,626
Membership dues		49,364	36,188
Taxes and licenses		21,899	13,305
Miscellaneous		92,898	99,943
		2,569,476	2,474,120

Note 10 - Leases

The Foundation has the following lease agreements with the option to renew, subject to the negotiation of both parties:

- (a) A one-year lease agreement starting January 1, 2015 until December 31, 2015 for San Jose, Occidental Mindoro office. As at reporting date, the lease agreement was renewed and extended until June 30, 2019. Total rent expense amounted to P54,000 in 2018 and 2017 and is shown as part of program expenses.
- (b) Lease agreement entered on March 1, 2016 until February 28, 2017 for its office space in Muntinlupa City. As at reporting date, the lease agreement was renewed and extended until February 28, 2020. Total rent expense and building dues amounted to P387,520 (2017 - P366,783), which is shown as part of operating expenses.
- (c) A one-year lease agreement starting January 1, 2016 until December 31, 2016 for City of Calapan, Oriental Mindoro office and staff house. As at reporting date, the lease agreement was renewed and extended until June 30, 2019. Total rent expense amounted to P90,000 in 2018 and 2017 and is shown as part of program expenses.

The minimum lease payments, gross of withholding tax, on the above leases within 12 months after December 31, 2018 totaled to P72,000 (2017 - P62,710).

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As at December 31, 2018 and 2017, rental deposits of P132,420 pertaining to the above leases are shown as part of prepayments and other current assets in the statement of assets, liabilities and fund balance.

Note 11 - Information about key sources of estimation, uncertainty 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.

There are no critical estimates and significant judgment applied in the preparation of the 2018 and 2017 financial statements.

Note 12 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

12.1 Basis of preparation

The financial statements of the Foundation have been prepared in accordance with the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with PFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Foundation's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 11.

There are no standards, amendments or interpretations that are effective beginning on or after January 1, 2018 that would be expected to have material impact on the Foundation.

12.2 Cash

Cash includes cash on hand and cash in bank. Cash in bank pertains to deposits held at call with banks. These are carried in the statement of assets, liabilities and fund balance at face amount or at nominal amount.

12.3 Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered as indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of total comprehensive income within operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of total comprehensive income.

Receivables are derecognized when collected or when the rights to receive cash flows have expired or have been transferred and the Foundation has transferred substantially all risks and rewards of ownership.

12.4 Prepayments and other current assets

Prepayments, which are carried at cost, are expenses paid in cash and recorded as assets before these are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption. Other current assets are recorded at cost and include assets that are realized as part of the normal operating cycle and are expected to be realized within 12 months after the reporting period. Otherwise, these are presented as non-current assets.

12.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization and accumulated impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Foundation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Depreciation is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives (in years), as follows:

Computer software and accessories	3 years
Furniture and equipment	3 years
Leasehold improvements	Shorter of 3 years or lease term

The estimated useful lives and depreciation method are reviewed annually based on expected asset utilization to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost, appraisal increase and their related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the receipts section of the statement of total comprehensive income. Fully depreciated assets are retained in the account until these are no longer in use.

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12.6 Impairment of non-financial assets

Property and equipment and other non-financial assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

12.7 Accounts payable and other current liabilities

Accounts payable and other current liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Foundation is established. These are measured at amortized cost, normally equal to its nominal amount and subsequently measured at amortized cost using effective interest method.

Accounts payable and other current liabilities are derecognized from the statement of assets, liabilities and fund balance when the obligation is paid or cancelled or expired.

12.8 Fund balance

Fund balance includes current and prior years' excess (deficiency) of receipts/donations over actual expenses incurred. There are no permanent or temporary restrictions imposed by the donor, law, or Board of Trustees on the Foundation's fund balance.

12.9 Donations and interest income

(a) Donations, net

Donations are recognized as receipts in the period received and measured at fair market value. These are presented net of issued refunds in the statement of total comprehensive income.

(b) Interest income

Interest income is recognized on a time proportion basis, taking account of principal outstanding and effective rate over the period to maturity when it is determined that such income will accrue to the Foundation.

12.10 Foundation expenses

Foundation expenses are expensed when incurred and measured at the amount paid or payable. Such are classified as program or operating expenses.

12.11 Foundation is the lessee

Leases of field and administrative offices are classified as operating leases where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases are charged to operations in the statement of total comprehensive income on a straight-line basis over the period of the lease.

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12.12 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine Peso, which is the Foundation's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets are translated at the exchange rate prevailing at reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rate of monetary assets denominated in foreign currencies are recognized in the statement of total comprehensive income through excess of receipts over expenses.

12.13 Related party relationships and transactions

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among donors with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, trustees, or its stakeholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

12.14 Events after the reporting date

Post year-end events that provide additional information about the Foundation's position at the reporting date (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.

Note 13 - Supplementary information required by the Bureau of Internal Revenue (BIR)

The following information is presented for purposes of filing with the BIR as required by Revenue Regulation (RR) No. 15-2010 and is not a required part of the basic financial statements.

(a) Other local and national taxes

All other local and national taxes paid for the year ended December 31, 2018 and presented under operating expenses consist of:

Business permit and registration fees	13,544
Barangay clearance and community tax	1,357
Others	6,998
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	21,899

Other local taxes paid pertains to registration fees for 2018 and penalty for late filing of tax returns.

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(b) Withholding taxes

Expanded withholding taxes paid and accrued as at and for the year ended December 31, 2018 are as follow:

Paid	635,362
Accrued	87,126
	722,488

(c) Tax assessments and cases

The Foundation is neither a party to any tax assessments nor involved in tax cases under preliminary litigation and/or prosecution in court or bodies outside the BIR as at December 31, 2018.

All other requirements of RR No. 15-2010 are not applicable because the Foundation is a non-profit organization.

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March 22, 2019

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Mindoro Biodiversity Conservation Foundation Inc. (MBCFI) is responsible for the preparation and fair presentation of the financial statements including the schedules therein, for the year ended December 31, 2018, 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 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 members.

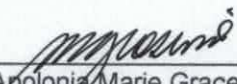
Isla Lipana & Co., the independent auditor, appointed by the management, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.



Sabino L. Santos
President



Gerardo L. Concepcion
Trustee



Apolonia Marie Grace C. Diamante
Executive Director

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**JOJO M. BARRIENTOS
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Signed this 12th day of April 2019

Mindoro Biodiversity Conservation Foundation Inc.

Muntinlupa Office: Unit 406, Richville Corporate Center, 1314 Commerce Ave., Madrigal Business Park, Ayala Alabang, Muntinlupa City, Philippines
Calapan Office: Gozar Street, Brgy. Camilmil, Calapan City, Oriental Mindoro, Philippines
Telephone: Muntinlupa - (02) 808 4446; Calapan - (043) 288 2326 | Email: info@mbcfi.org.ph | www.mbcfi.org.ph




March 22, 2019

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN


The management of Mindoro Biodiversity Conservation Foundation Inc. (MBCFI) responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Mindoro Biodiversity Conservation Foundation Inc. are complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting roles has been reported as reconciling items and maintained in the Pearl Energy Philippines Operating, Inc.'s books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- (c) Mindoro Biodiversity Conservation Foundation Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


Sabino L. Santos
President

Gerardo L. Concepcion
Trustee


Apolonia Marie Grace C. Diamante
Executive Director

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Mindoro Biodiversity Conservation Foundation Inc.

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