

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

**Financial Statements**

**As at and for the years ended December 31, 2020 and 2019**



## **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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small Entities (PFRS for SE).

### *What we have audited*

The financial statements of the Foundation comprise:

- the statements of assets, liabilities and fund balance as at December 31, 2020 and 2019;
- the statements of income for the years ended December 31, 2020 and 2019;
- the statements of changes in fund balance for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; 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 SE, 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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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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- 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 12 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 5, 2021 at Makati City

SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

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 January 21, 2023

Makati City  
April 13, 2021



Statement Required by Section 8-A, Revenue Regulation No. V-1

To the Board of Trustees of  
**Mindoro Biodiversity Conservation Foundation, Inc.**  
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Gumamela Street, Barangay Suqui  
Calapan City, Oriental Mindoro

None of the partners of the firm have any financial interest in Mindoro Biodiversity Conservation Foundation, Inc. or any family relationships with its president, manager, or trustees.

The supplementary information on taxes and licenses is presented in Note 12 to the financial statements.

**Isla Lipana & Co.**

Pocholo C. Domondon  
Partner

CPA Cert. No. 108839

P.T.R. No. 0011401; issued on January 5, 2021 at Makati City

SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022

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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, 2020 and 2019  
(All amounts in Philippine Peso)

	Notes	2020	2019
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash	2	18,672,481	20,404,860
Prepayments and other current assets	3	565,537	464,296
Total current assets		19,238,018	20,869,156
<b>Non-current asset</b>			
Property and equipment, net	4	9,854,730	958,172
<b>Total assets</b>		29,092,748	21,827,328
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Current liabilities</b>			
Accounts payable and other current liabilities	5	668,003	1,987,333
<b>Fund balance</b>			
Prior period accumulated excess of receipts over expenses		19,839,995	19,409,444
Excess of receipts over expenses during the year		8,584,750	430,551
Total fund balance		28,424,745	19,839,995
<b>Total liabilities and fund balance</b>		29,092,748	21,827,328

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

**Mindoro Biodiversity Conservation Foundation, Inc.**  
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Statements of Income  
For the years ended December 31, 2020 and 2019  
(All amounts in Philippine Peso)

	Notes	2020	2019
<b>Receipts</b>			
Donations	7	17,014,820	17,600,000
Interest income	2	67,673	31,713
Total receipts		17,082,493	17,631,713
<b>Expenses</b>			
Program expenses	8	(6,653,622)	(14,408,066)
Operating expenses	9	(1,811,781)	(2,783,603)
Unrealized foreign currency exchange loss		(32,340)	(9,493)
Total expenses		(8,497,743)	(17,201,162)
<b>Excess of receipts over expenses</b>		<b>8,584,750</b>	<b>430,551</b>

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

**Mindoro Biodiversity Conservation Foundation, Inc.**  
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Statements of Changes in Fund Balance  
For the years ended December 31, 2020 and 2019  
(All amounts in Philippine Peso)

	<b>Total</b>
<b>Balance at January 1, 2019</b>	19,409,444
<b>Income for the year</b>	
Excess of receipts over expenses	430,551
<b>Balance at December 31, 2019</b>	19,839,995
<b>Income for the year</b>	
Excess of receipts over expenses	8,584,750
<b>Balance at December 31, 2020</b>	28,424,745

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



**Mindoro Biodiversity Conservation Foundation, Inc.**  
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Statements of Cash Flows  
For the years ended December 31, 2020 and 2019  
(All amounts in Philippine Peso)

	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Excess of receipts over expenses		8,584,750	430,551
Adjustments for:			
Depreciation and amortization	4	745,737	845,984
Unrealized foreign currency exchange loss		32,340	9,493
Interest income	2	(67,673)	(31,713)
Excess of receipts over expenses before working capital changes		9,295,154	1,254,315
Changes in:			
Prepayments and other current assets		(101,241)	58,239
Accounts payable and other current liabilities		(1,319,330)	987,693
Cash generated from operations		7,874,583	2,300,247
Interest received		67,673	31,713
Net cash provided by operating activities		7,942,256	2,331,960
<b>Cash flows from an investing activity</b>			
Acquisition of property and equipment	4	(9,642,295)	(621,472)
<b>Net (decrease) increase in cash</b>		(1,700,039)	1,710,488
Cash at beginning of year		20,404,860	18,703,865
Effect of foreign currency exchange rate changes on cash		(32,340)	(9,493)
<b>Cash at end of year</b>	2	18,672,481	20,404,860

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

## **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, 2020 and 2019

(In the notes, 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 Foundation is also accredited by the Philippine Council for NGO Certification (PCNC).

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., UC38 LLC (formerly 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, 2020 and 2019, the Foundation has no regular employees.

The financial statements were approved and authorized for issue on April 12, 2021 by the Board of Trustees of the Foundation.

### **Note 2 - Cash**

Cash as at December 31 consist of the following:

	2020	2019
Cash in bank	18,619,481	20,317,400
Cash on hand	53,000	87,460
	18,672,481	20,404,860

Cash in bank earns interest at prevailing bank deposit rates. For the year ended December 31, 2020, interest income earned amounted to P67,673 (2019 - P31,713). Cash in bank includes deposit denominated in foreign currency amounting to USD14,643 (2019 - USD5,665). In 2020, the Foundation recognized unrealized foreign currency exchange loss amounting to P32,340 (2019 - P9,493).

### **Note 3 - Prepayments and other current assets**

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

	Note	2020	2019
Staff advances		416,820	320,142
Rental deposits	10	144,420	139,920
Prepayments		4,234	4,234
Others		63	-
		565,537	464,296

### **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	Construction in-progress	Total
Cost					
At January 1, 2019	7,700	2,279,491	1,429,714	-	3,716,905
Additions	-	384,054	237,418	-	621,472
At December 31, 2019	7,700	2,663,545	1,667,132	-	4,338,377
Accumulated depreciation and amortization					
At January 1, 2019	7,700	1,377,816	1,148,705	-	2,534,221
Depreciation and amortization	-	529,240	316,744	-	845,984
At December 31, 2019	7,700	1,907,056	1,465,449	-	3,380,205
Net book value at December 31, 2019	-	756,489	201,683	-	958,172
Cost					
At January 1, 2020	7,700	2,663,545	1,667,132	-	4,338,377
Additions	-	127,709	107,196	9,407,390	9,642,295
At December 31, 2020	7,700	2,791,254	1,774,328	9,407,390	13,980,672
Accumulated depreciation and amortization					
At January 1, 2020	7,700	1,907,056	1,465,449	-	3,380,205
Depreciation and amortization	-	497,329	248,408	-	745,737
At December 31, 2020	7,700	2,404,385	1,713,857	-	4,125,942
Net book value at December 31, 2020	-	386,869	60,471	9,407,390	9,854,730

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

	Note	2020	2019
Program expenses		596,590	634,488
Operating expenses	9	149,147	211,496
		745,737	845,984

As at December 31, 2020 and 2019, there is no impairment charge recorded against the Foundation's property and equipment.

**Note 5 - Accounts payable and other current liabilities**

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

	2020	2019
Accounts payable	138,186	186,598
Payable to government agencies	207,928	184,771
Accrued expenses	321,889	1,615,964
	668,003	1,987,333

Accrued expenses pertain to outside services for the construction of the Mindoro Biodiversity Conservation Center (MBCC), audit fees, and other unpaid program 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 26, *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 2020, donations amounting to P17,000,000 (2019 - P17,600,000) were received from Shell Philippines Exploration BV. As at December 31, 2020 and 2019, 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**

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

	Note	2020	2019
Shell Philippines Exploration BV	6	17,000,000	17,600,000
Others		14,820	-
		17,014,820	17,600,000

**Note 8 - Program expenses**

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

	2020	2019
Core programs		
MISSION	1,568,796	2,801,126
CARE	910,933	3,722,817
RESEARCH	1,632,658	3,428,068
	4,112,387	9,952,011
Special project		
MBCC	2,541,235	4,456,055
	6,653,622	14,408,066

*(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.

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	2020	2019
Staff fees		554,582	725,254
Rental	10	530,650	544,135
Depreciation and amortization	4	149,147	211,496
Communication, light and water		119,902	257,123
Membership dues		107,903	68,398
Professional fees		63,689	143,766
Transportation and travel		62,132	79,283
Staff benefits		48,398	178,253
Supplies and materials		29,172	203,920
Taxes and licenses		17,270	45,765
Staff meeting/workshop		16,617	83,476
Board meetings and planning		2,178	117,325
Miscellaneous		110,141	125,409
		1,811,781	2,783,603

### **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, renewed annually. The lease agreement was renewed and extended only until December 31, 2019. Total rent expense in 2019 amounted to P53,550, which is shown as part of operating expenses.
- (b) Lease agreement entered on March 1, 2016 until February 28, 2017 for its office space in Muntinlupa City, renewed annually. As at reporting date, the lease agreement has expired on February 28, 2021 and was no longer renewed. Total rent expense and building dues amounted to P414,400 (2019 - P400,960), 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, renewed annually. As at reporting date, the lease agreement was renewed and extended until February 15, 2022. Total rent expense amounted to P116,250 (2019 - P89,625), which is shown as part of operating expenses.

As at December 31, 2020, rental deposits of P144,420 (2019 - P139,920) 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 - 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.

### **11.1 Basis of preparation**

The financial statements of the Foundation have been prepared in accordance with the Philippine Financial Reporting Standard for Small Entities (PFRS for SE) as approved by the Financial Reporting Standards Council, Board of Accountancy, and Securities and Exchange Commission (SEC).

They have been prepared on a historical cost basis.

### **11.2 Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognized when the entity becomes a party to its contractual provisions. The Foundation classifies its financial instruments into the following categories: (a) basic financial instruments; and (b) complex financial instruments. The Foundation has no complex financial instruments.

#### ***Basic financial instruments***

The Foundation's basic financial instruments as at December 31, 2020 and 2019 are composed of cash (Note 2), rental deposits (Note 3) and accounts payable and other current liabilities (except payable to government agencies) (Note 5).

#### ***(a) Initial recognition and measurement***

On initial recognition, a basic financial instrument is measured at transaction price (including transaction costs), unless the arrangement is in effect a financing transaction. In this case, it is measured at present value of the future payment discounted using a market rate of interest for a similar instrument.

#### ***(b) Subsequent measurement***

Basic financial instruments are subsequently measured at amortized cost using the effective interest rate method.

#### ***(c) Impairment of financial instruments measured at cost or amortized cost***

At each reporting date, the Foundation assesses whether there is objective evidence of impairment on any financial assets that are measured at cost or amortized cost. Where there is any objective evidence of impairment, an impairment loss is recognized immediately in statement of income.

The impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

#### ***(d) Derecognition of financial assets***

The Foundation only derecognizes a financial asset when the contractual rights to the cash flows from the assets have expired or are settled, or the entity has transferred to another party substantially all the risks and rewards of ownership relating to the financial asset.

*(e) Derecognition of financial liabilities*

Financial liabilities are derecognized when the obligation is discharged, cancelled or has expired.

**11.3 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 amortized cost.

**11.4 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.

**11.5 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.

Construction-in-progress is stated at cost, which includes cost of construction, equipment and other direct costs. Costs of assets under construction are accumulated in the accounts until these projects are completed upon which these are classified to the appropriate property accounts. Construction-in-progress is not depreciated and amortized until such time as the relevant assets are completed and put into operational use.

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 asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the receipts section of the statement of income. Fully depreciated assets are retained in the account until these are no longer in use.



## **11.6 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).

Property and equipment and other non-financial assets that are subject to depreciation and amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. When an impairment indicator is identified, the carrying value of the asset is tested for impairment. 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. If the recoverable amount cannot be estimated for an individual asset, the Foundation estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are independent of the cash flows from other assets within the Foundation.

If an impairment indicator no longer exists or the recoverable amount has increased subsequently, the Foundation will determine the amount of impairment loss that can be reversed to the extent that the reversal should not result in a carrying amount of the asset that is higher had no impairment loss was recognized in the prior years.

## **11.7 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 the transaction price and subsequently measured at amortized cost using effective interest method.

## **11.8 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.

## **11.9 Donations and interest income**

### *(a) Donations*

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 income, if any.

### *(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.

## **11.10 Foundation expenses**

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

### **11.11 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 income.

### **11.12 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 income through excess of receipts over expenses.

### **11.13 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.

### **11.14 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 12 - Supplementary information required by the Bureau of Internal Revenue (BIR)**

The following information required by Revenue Regulation (RR) is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

#### RR No. 15-2010

#### *(a) Other local and national taxes*

All other local and national taxes paid for the year ended December 31, 2020 and presented under operating expenses consist of:

Business permit and registration fees	12,668
Barangay clearance and community tax	2,275
Others	2,327
	<u>17,270</u>

Other local taxes paid pertains to various certification fees.

*(b) Withholding taxes*

Expanded withholding taxes paid and accrued as at and for the year ended December 31, 2020 are as follow:

Paid	671,959
Accrued	161,898
	<u>837,857</u>

*(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, 2020.

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

RR No. 34-2020

On December 18, 2020, BIR issued RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Foundation is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of taxpayers prescribed in Section 2 of the RR.