COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						4	5	8	4	3

Company Name

PHILIPPINE CENTER FOR POPULATION AND DEVELOPMENT, INC. (A Non-stock, Non-profit Corporation)

Principal Office (No./Street/Barangay/City/Town)Province)

PCPD Building, 2332 Don Chino Roces Avenue Extension, Taguig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	(02) 8843-7061	N/A

No. of Trustees	Annual Meeting Month/Day	Fiscal Year Month/Day
11	Last Wednesday Of August	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Belen Jesusa J. Danguilan	marilen.danguilan8@mac.com	(02) 8843-7061	09178010006

CONTACT PERSON's ADDRESS

PCPD Building, 2332 Don Chino Roces Avenue Extension, Taguig City

Note: 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's record with the Commission and/or non-receipt of Notice of Deficiencies. Futher, non-receipt of Notice of Deficiencies shall not excuse corporation from liability for its dificiencies.

Philippine Center for Population and Development, Inc.

2332 Don Chino Roces Avenue Extension, Taguig City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **PHILIPPINE CENTER FOR POPULATION & DEVELOPMENT, INC.** ***(A Non-Stock, Non-Profit Organization)*** is responsible for the preparation and fair presentation of financial statements, including the schedules attached therein, as of and for the years ended December 31, 2020 and 2019 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 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.

The Board of Trustees is responsible for overseeing the Organization's financial reporting process.

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

RAMON F. GARCIA AND CO., CPAs, the independent auditors appointed by the members, have audited the financial statements of the Organization in accordance with Philippine Standards on Auditing, and in their report to the members, have expressed their opinion on the fairness of presentation upon completion of such audit.

SENEN C. BACANI
Acting Chairman

MARIA BELEN JESUSA J. DANGUILAN
Executive Director

RHANDY R. ROWAN
Finance Manager

Signed this day of: April 6, 2021

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8B - SOUTH NCR
REVENUE DISTRICT OFFICE NO.044
TAGUIG/PATEROS
RECEIVED
INITIAL: DATE:
RCO'S NAME: MARIENEL P. AGARMA RCO CODE: 006529

APR 14 2021

Ramon F. Garcia & Company CPAs
30F Burgundy Corporate Tower,
252 Sen. Gil Puyat Ave., Makati City
Telephone No. +632 8821 05 63
www.crowe.com/ph

INDEPENDENT AUDITORS' REPORT

To the Members and Board of Trustees
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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **PHILIPPINE CENTER FOR POPULATION & DEVELOPMENT, INC.** which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in fund balances and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **PHILIPPINE CENTER FOR POPULATION & DEVELOPMENT, INC.** 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 (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of the 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.

Auditors' 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 auditors' 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 PSAs 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.

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INITIAL: DATE:
RDO'S NAME: MARIENEL P. AGARMA RDO CODE: 005529

As part of an audit in accordance with PSAs, 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.

- 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 auditors' 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 auditors' 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 Other Legal and Regulatory Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 26 of Notes 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. The supplementary information has been subjected to the auditing procedures applied in our audit 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.

RAMON F. GARCIA AND CO., CPAs
TIN: 000-666-059-000
By:

Ailene B. Valenzuela

AILENE B. VALENZUELA
Partner
CPA Certificate No. 102044
PTR No. 8567302, January 24, 2021, Makati City
TIN 210-229-481-000
BOA/PRC Accreditation No.0207 (November 11, 2019 to April 8, 2023)
Partner's BIR Accreditation No. 08-001759-011-2020 (April 14, 2020 to April 13, 2023)
Partner's SEC Accreditation No. 102044-SEC-Category A, effective for five (5) years covering the audit of 2019 to 2023 financial statements
Firm's BIR Accreditation No. 08-001759-001-2020 (February 24, 2020 to February 23, 2023)
Firm's SEC Accreditation No. 0257-FR-2-Group A (October 18, 2018 to October 17, 2021)

April 6, 2021

PHILIPPINE CENTER FOR POPULATION & DEVELOPMENT, INC.
(A Non-Stock, Non-Profit Organization)
Statements of Financial Position
As of December 31, 2020 and 2019
(in Philippine Peso)

ASSETS	Notes	2020	2019
Current Assets			
Cash and cash equivalents	2c, 2e, 4, 15, 22, 23	**63,856,687**	52,634,938
Financial assets at fair value	2c, 3b.2, 5, 22, 23	**272,159,555**	265,871,846
Receivables - net	2c, 2f, 3a.6, 3b.1, 6, 22	**11,848,683**	17,483,723
Prepayments & other current assets	2g, 2j, 3b.8, 7	**170,633**	29,366
Total		**348,035,558**	336,019,873
Non-Current Assets			
Investment properties - net	2i, 2j, 3b.3, 3b.8, 8	**41,659,068**	40,393,800
Property and equipment - net	2h, 2j, 3b.4, 3b.8, 9	**1,857,751**	684,856
Net retirement benefit assets	2j, 2n, 3b.5, 3b.8, 20	**167,861**	423,031
Deferred tax assets	2j, 2u, 3b.7, 3b.8, 21	**11,659,357**	11,279,283
Other assets - net	2j, 2k, 3a.6, 3b.1, 3b.8, 10	**12,880,160**	12,860,000
Total		**68,224,197**	65,640,970
TOTAL ASSETS		**416,259,755**	401,660,843

LIABILITIES AND FUND BALANCES	Notes	2020	2019
LIABILITIES			
Current Liabilities			
Accrued expenses and other payables	2c, 11	**2,511,891**	4,868,970
Rental deposits	2b, 2c, 2l, 12	**17,842,832**	19,733,303
Income tax payable	2u, 21	**479,506**	2,867,862
Total		**20,834,229**	27,470,135
Non-Current Liabilities			
Deferred tax liabilities	2u, 3b.7, 21	**16,565,413**	18,302,873
Other non-current liability	2o, 2p, 3a.1, 3b.6, 13	**32,314,410**	29,858,971
Total		**48,879,823**	48,161,844
TOTAL LIABILITIES		**69,714,052**	75,631,979
FUND BALANCES			
General Fund	2q, 24	**346,220,592**	324,704,827
Program Fund	2q, 15, 24	**109,272**	1,042,785
Remeasurement of plan asset	2n, 3b.5, 20	**215,839**	281,253
TOTAL FUND BALANCES		**346,545,703**	326,028,865
TOTAL LIABILITIES AND FUND BALANCES		**416,259,755**	401,660,843

(see accompanying notes to financial statements)

PHILIPPINE CENTER FOR POPULATION AND DEVELOPMENT, INC.
(A Non-Stock, Non-Profit Organization)
Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(in Philippine Peso)

	Notes	2020 General	2020 Program	2020 Remeasurement loss on plan asset	2020 Total	2019 General	2019 Program	2019 Remeasurement gain on plan asset	2019 Total
REVENUES									
Rental income	2m, 2r, 2s, 3a.3, 3b.9	50,619,685	-	-	50,619,685	49,914,302	-	-	49,914,302
Grant income	2s, 3a.4, 3a.5, 3b.9, 15	-	698,950	-	698,950	-	7,064,514	-	7,064,514
Interest income	2c, 2s, 4, 5	1,963,783	-	-	1,963,783	1,875,393	-	-	1,875,393
Gain on sale of financial assets at fair value	2c, 2s, 5	3,248,954	-	-	3,248,954	7,212,060	-	-	7,212,060
Dividend income	2s, 5	867,267	-	-	867,267	1,046,949	-	-	1,046,949
Fair value gains on financial assets at fair value	2c, 2s, 5	2,026,626	-	-	2,026,626	11,696,281	-	-	11,696,281
Other income	2s, 16	5,120,498	-	-	5,120,498	8,943,621	-	-	8,943,621
		63,846,813	698,950	-	64,545,763	80,688,606	7,064,514	-	87,753,120
EXPENSES									
Grant expense	2t, 3b.9, 15	-	3,856,937	-	3,856,937	-	8,495,932	-	8,495,932
Cost of building maintenance held for rental	2t, 3b.9, 18	16,271,706	-	-	16,271,706	21,257,204	-	-	21,257,204
Fair value losses on investment properties	2i, 2j, 3b.3, 3b.8, 8	-	-	-	-	5,910,971	-	-	5,910,971
Project expenses	2t, 17	2,641,100	-	-	2,641,100	1,493,787	-	-	1,493,787
Operating expenses	2t, 17	7,519,448		-	7,519,448	3,582,374		-	3,582,374
Provision	2o, 3a.1, 3b.6, 13	2,455,439	-	-	2,455,439	2,394,916	-	-	2,394,916
Trust and investment fees	2t, 5	581,512	-	-	581,512	586,685	-	-	586,685
Depreciation expense	2h, 2t, 3b.4, 9	514,703	-	-	514,703	225,688	-	-	225,688
Unrealized foreign exchange losses	2v	235,383	-	-	235,383	462,068	-	-	462,068
Realized foreign exchange losses	2v	41,961	-	-	41,961	537,087	-	-	537,087
Loss on impairment of refundable deposit	2c, 3b.1, 3b.8, 10	-	-	-	-	543,600	-	-	543,600
Bad debts expense	2c, 3b.1	121,582	-	-	121,582	-	-	-	-
Loss on sale of financial assets at fair value	2c, 2s, 5	951,979	-	-	951,979	-	-	-	-
Others	2t	18,368	-	-	18,368	39,373	-	-	39,373
		31,353,181	3,856,937	-	35,210,118	37,033,753	8,495,932	-	45,529,685
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE INCOME TAX		32,493,632	(3,157,987)	-	29,335,645	43,654,853	(1,431,418)	-	42,223,435

PHILIPPINE CENTER FOR POPULATION AND DEVELOPMENT, INC.
(A Non-Stock, Non-Profit Organization)
Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(in Philippine Peso)

		2020				2019			
	Notes	General	Program	Remeasurement loss on plan asset	Total	General	Program	Remeasurement gain on plan asset	Total
PROVISION FOR INCOME TAX EXPENSE (BENEFIT)									
Current	2u, 21	10,870,426	-	-	10,870,426	11,707,075	-	-	11,707,075
Deferred	2u, 21	(2,117,533)	-	-	(2,117,533)	(1,039,723)	-	-	(1,039,723)
		8,752,893	-	-	8,752,893	10,667,352	-	-	10,667,352
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES		23,740,739	(3,157,987)	-	20,582,752	32,987,501	(1,431,418)	-	31,556,083
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT (LOSS) IN SUBSEQUENT YEARS:									
Remeasurement gain (loss) on plan assets	2n, 20	-	-	(65,414)	(65,414)	-	-	369,857	369,857
TOTAL COMPREHENSIVE INCOME		23,740,739	(3,157,987)	(65,414)	20,517,338	32,987,501	(1,431,418)	369,857	31,925,940

(see accompanying notes to financial statements)

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8B - SOUTH NCR
REVENUE DISTRICT OFFICE NO.044
TAGUIG/PATEROS
RECEIVED
APR 14 2021
INITIAL: DATE:
RCO'S NAME: RCO CODE: 006629

PHILIPPINE CENTER FOR POPULATION & DEVELOPMENT, INC.
(A Non-Stock, Non-Profit Organization)
Statements of Changes in Fund Balances
For the years ended December 31, 2020 and 2019
(in Philippine Peso)

	Notes	General Fund	Program Fund	Remeasurement gain (loss) on plan assets	Total Fund Balances
Balances at January 1, 2019, as restated		292,008,926	2,182,603	(88,604)	294,102,925
Transfer to program		(291,600)	-	-	(291,600)
Transfer from general fund		-	291,600	-	291,600
Excess (deficiency) of revenues over expenses		32,987,501	(1,431,418)	-	31,556,083
Remeasurement gain on net retirement plan asset	2n, 20	-	-	369,857	369,857
Balances at December 31, 2019		324,704,827	1,042,785	281,253	326,028,865
Adjustment on trust fund		(500)	-	-	(500)
Transfer to program		(2,224,474)	-	-	(2,224,474)
Transfer from general fund		-	2,224,474	-	2,224,474
Excess (deficiency) of revenues over expenses		23,740,739	(3,157,987)	-	20,582,752
Remeasurement loss on net retirement plan asset	2n, 20	-	-	(65,414)	(65,414)
Balances at December 31, 2020	2q, 15, 24	**346,220,592**	**109,272**	**215,839**	**346,545,703**

(see accompanying notes to financial statements)

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8B - SOUTH NCR
REVENUE DISTRICT OFFICE NO. 044
TAGUIG/PATEROS
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RCO CODE: 006529
APR 14 2021

PHILIPPINE CENTER FOR POPULATION & DEVELOPMENT, INC.
(A Non-Stock, Non-Profit Organization)
Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(in Philippine Peso)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses before income tax		**29,335,645**	42,223,435
Adjustments to reconcile profit for the period to net cash used in operating activities:			
Fair value changes in:			
Financial assets at fair value	5	**(2,026,626)**	(11,696,281)
Investment properties	8	**-**	5,910,971
Provision	13	**2,455,439**	2,394,916
Interest income	4, 5	**(1,963,783)**	(1,875,393)
Gain on sale of financial assets at fair value	5	**(3,248,954)**	(7,212,060)
Loss on sale of financial assets at fair value	5	**951,979**	-
Bad debts expense	6	**121,582**	
Dividend income	5	**(867,267)**	(1,046,949)
Depreciation	9	**514,703**	225,688
Unrealized foreign exchange loss		**235,383**	462,068
Loss on impairment of refundable deposits	10	**-**	543,600
Advance rental applied as payment for rent expense	6	**(1,527,041)**	-
Retirement benefit cost	20	**189,756**	146,943
Operating income before working capital changes		**24,170,816**	30,076,938
Decrease (increase) in:			
Receivables	6	**5,448,918**	19,148,938
Prepayments and other current assets	7	**(141,267)**	154,468
Increase (decrease) in:			
Rental deposits	12	**(363,430)**	2,305,256
Accrued expenses and other payables	11	**(1,775,567)**	667,707
Cash generated from operations		**27,339,470**	52,353,306
Income tax paid	21	**(13,258,782)**	(10,844,170)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**14,080,688**	41,509,136
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Financial assets at fair value, net	5	**(1,964,108)**	(31,259,687)
Property and equipment	9	**(1,687,598)**	(225,174)
Investment properties	8	**(1,265,268)**	(4,241,071)
Refundable deposits	10	**(20,160)**	-
Adjustment on trust fund		**(500)**	-
Interest received	4, 5	**1,942,624**	1,751,228
Dividends received	5	**952,966**	1,040,506
Payments of trust and investment fees	5	**(581,512)**	(586,685)
NET CASH USED IN INVESTING ACTIVITIES		**(2,623,556)**	(33,520,883)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(235,383)**	(462,068)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11,221,749**	7,526,185
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**52,634,938**	45,108,753
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	4	**63,856,687**	52,634,938

(see accompanying notes to financial statements)

Note 1 - Corporate Information

Philippine Center for Population and Development, Inc. (PCPD or 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 services and centers or clinics where indicated;

c. The conduct or holding of conferences, seminars, forums, workshops, symposia and other orientation, instruction or information activities on population policies and programs and on the population and family planning among scientists, professionals and/or the general public;

d. The establishment, maintenance and operation, in coordination and cooperation with 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, 2020 and 2019 were reviewed and authorized for issuance by the Board of Trustees (BOT) on April 6, 2021.

Note 2 - Summary of Significant Accounting Policies

The significant 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.

a. Basis of Preparation

1. Statement of compliance

The financial statements of the Organization have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), which includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

The preparation of financial statements in conformity with PFRSs require 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 3.

2. Basis of measurement

The financial statements have been prepared using the measurement bases specified by PFRSs 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 less 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 report
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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Organization takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of PAS 17 and PFRS 16, Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in PAS 36, Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

b. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

c. Level 3 inputs are unobservable inputs for the asset or liability.

3. Presentation of financial statements

In accordance with PAS 1 (Effective 2013), the Organization is required to present a third Statement of Financial Position as at the beginning of the preceding period (hereinafter referred to as third Statement of Financial Position) when an entity:

i. Applies an accounting policy retrospectively; or
ii. Makes a retrospective restatement of items in its financial statements; or
iii. Reclassifies items in its financial statements, and
iv. The retrospective application, retrospective restatement or reclassification has a material effect on such third Statement of Financial Position.

Accordingly, no notes are required for this third Statement of Financial Position, except for information required under PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. Consequently, no third Statement of Financial Position was presented.

The financial statements are presented in accordance with PAS 1 (Amended 2011), Presentation of Financial Statements. The Organization presents all items of income and expenses in a single statement of profit or loss and comprehensive income.

4. Functional and presentation currency

The financial statements are presented in Philippine peso, the Organization's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Organization are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

5. Current versus non-current classification

The Organization presents assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the financial reporting date; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting date.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the financial reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the financial reporting date.

All other liabilities are classified as non-current.

Deferred tax asset, deferred tax liabilities, and net retirement benefit assets are classified as non-current assets and liabilities, respectively.

b. Adoption of new and revised accounting standards and pronouncements

1. Adoption of New and Revised Accounting Standards Effective in 2020

a. Amendments to PAS 1 and PAS 8, *Definition of Material*

PAS 8.31(b-d) The amendments relate to a revised definition of 'material': "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose of the consolidated financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity."

Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

The amendments stress especially five ways material information can be obscured:

a. if the language regarding a material item, transaction or other event is vague or unclear;
b. if information regarding a material item, transaction or other event is scattered in different places in the consolidated financial statements;
c. if dissimilar items, transactions or other events are inappropriately aggregated;
d. if similar items, transactions or other events are inappropriately disaggregated; and
e. if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for periods beginning on or after January 1, 2020. Earlier application is permitted.

The adoption of these amendments has no significant impact on the Organization's financial statements.

b. Amendments to PFRS 3, *Definition of Business*

The amendments are to:

a. clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
b. narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
c. add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
d. remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
e. add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

The adoption of these amendments has no significant impact on the Organization's financial statements as the Organization did not enter to business combinations as of the covered period.

c. Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19, and that meets certain conditions, is a lease modification. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

The practical expedient only applies to lessees' rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. any reduction in lease payments affects only payments due on or before June 30, 2021; and
c. there is no substantive change to other terms and conditions of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

The amendment is to be applied retrospectively in accordance with IAS 8. However, lessees are not required to restate prior period amounts, and they are not required to disclose the information required by paragraph 28(f) of PAS 8 in the period of adoption.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in interim or year-end financial statements not yet authorised for issue at May 28, 2020, to permit application of the relief as soon as possible, subject to any endorsement process.

Impact as a Lessee

The Management of the Organization has assessed that the amendments has no impact on the Organization's financial statements as a lessee since it has no lease arrangements as of December 31, 2020.

Impact as a Lessor

The amendment has no practical expedients provided for lessors, thus, the Organization assessed that it does not have significant impact on its financial statements.

2. New Accounting Standards Effective after the Reporting Period Ended December 31, 2020

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Organization has not early adopted the following new or amended standards in preparing these financial statements.

a. PFRS 17, *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of the financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

i. identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;

ii. separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;

iii. divides the contracts into groups that it will recognize and measure;

iv. recognizes and measures groups of insurance contracts at:

1. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); or

2. an amount representing the unearned profit in the group of contracts (the contractual service margin);

v. recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;

vi. presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and

vii. discloses information to enable users of the financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2022. Earlier application is permitted.

The adoption of the new standard does not have an impact on the Organization for it is not an issuer of insurance contracts.

b. Annual Improvements to PFRS Standards 2018-2020 Cycle

- Amendments to PFRS 1, *Subsidiary as a first-time adopter*

  Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

- Amendments to PFRS 9, *Fees in the 10 per cent' test for derecognition of financial liabilities*

  Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test of PFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- Amendments to PFRS 16, *Lease Incentives*

  The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives

- Amendments to PAS 41, *Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to PFRS 1, PFRS 9, and PAS 41 are all effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The amendment to PFRS 16 only regards an illustrative example, so no effective date is stated.

The Management of the Organization is still evaluating the impact of these new amendments.

c. Amendments to PFRS 3, *Reference to the Conceptual Framework*

The changes in Reference to the Conceptual Framework (Amendments to PFRS 3):

- Update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- Add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- Add to PFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The Management of the Organization is still evaluating the impact of these new amendment.

d. Amendments to PAS 16, Property, *Plant and Equipment - Proceeds Before Intended Use*

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to PAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The Management of the Organization is still evaluating the impact of these new amendment.

e. Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*

The changes in Onerous Contracts — Cost of Fulfilling a Contract (Amendments to PAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments published today are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

The Management of the Organization is still evaluating the impact of these new amendment.

f. Amendments to PFRS 17, *Insurance Contracts*

The main changes resulting from Amendments to PFRS 17 and Extension of the Temporary Exemption from Applying PFRS 9 (Amendments to PFRS 4) issued on June 25, 2020 are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.

- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
- Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
- Several small amendments regarding minor application issues

An entity shall apply PFRS 17 for annual reporting periods beginning on or after January 1, 2023. If an entity applies PFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply PFRS 9 Financial Instruments on or before the date of initial application of PFRS 17.

The Management of the Organization expects that this does not have an impact on the Organization for it is not an issuer of insurance contracts.

g. Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

On January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) providing a more general approach to the classification of liabilities under PAS 1, Presentation of Financial Statements based on the contractual arrangements in place at the reporting date. The amendments currently have an effective date of January 1, 2022.

In April 2020, the IASB held a supplementary IASB meeting to consider COVID-19-related matters including the Board's timelines in view of the COVID-19 pandemic. The Board tentatively decided to delay by one year the effective date of Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) to annual reporting periods beginning on or after January 1, 2023.

There are no changes in the original amendments other than the deferral of the effective date.

The Management of the Organization is still evaluating the impact of these new amendment.

3. PIC Q&A No. 2020-07, PAS 12 – *Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)*

The interpretation explains the details of the CREATE and its impact on the financial statements once passed.

Interpretation discussed that impact on the financial statements ending December 31, 2020 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020;
- If the CREATE is enacted before financial statement issue date, this will be non-adjusting event but the significant effects of the changes in tax rate on current and deferred tax assets and liabilities should be disclosed; and
- If the CREATE is enacted after financial statements' issue date but before the filling of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of CREATE and the expected impact on the financial statements.

For the financial statements ending December 31, 2021, the impact are follows:

- Standard provides that the component of the tax expense (income) may include "any adjustment recognized in the period of current tax of the prior periods" and "the amount of the deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes";
- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed;
- The provision for current income tax for the year 2021 will include the difference between the income tax per 2020 financial statements and 2020 income tax return; and
- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates.

Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Law

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law has been signed by President Duterte on March 26, 2021 as RA No. 11534.

Salient provisions include the following, among others:

1) Effective July 1, 2020, corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5million and with total assets not exceeding P100million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax.

2) Effective January 1, 2021 income tax rate for non-resident foreign corporation is reduced from 30% to 25%.

3) MCIT rate reduced from 2% to 1% effective July 1, 2020 to June 30, 2023

4) Percentage tax reduced from 3% to 1 % effective July 1, 2020 to June 30, 2023

5) Rate of proprietary educational institutions and hospital reduced from 10% to 1% effective July 1, 2020 to June 30, 2023

6) Imposition of IAET (Improper Accumulation of Earnings Tax) repealed

7) Definition of reorganization for purposes of applying the tax free exchange provision under Section 40(C)(2) is expanded. Prior BIR ruling or confirmation shall not be required for purposes of availing the tax exemption of the exchange.

8) Qualified export enterprises shall be entitled to 4 to 7 years ITH to be followed by 10 years 5% SCIT OR Enhanced Deductions (ED).

9) Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH (Income Tax Holiday) to be followed by 5 years ED.

10) Registered enterprises are exempt from customs duty on importation of capital equipment, raw materials, spare parts, or accessories directly and exclusively used in the registered project or activity.

11) VAT exemption on importation and VAT zero-rating on local purchases shall only apply to goods and services directly and exclusively used in the registered project or activity by a RBE.

12) For investments prior to effectivity of CREATE: RBEs granted only an ITH - continue with the availment of the ITH for the remaining period of the ITH. RBEs granted an ITH + 5% GIT or currently enjoying 5% GIT - allowed to avail of the 5% GIT for 10 years.

The following line items have been vetoed by the President:

1) Increasing VAT-exempt threshold on sale of residential lot from P1.5million to P2.5million and house and lot from P2.5million to P4.2million. – The tax exemption is highly distorting and prone to abuse.

2) 90-day period for the processing of general tax refunds – May cause damage or more delays to the prejudice of taxpayers. Legislature, DOF and BIR to come up with mechanism to streamline the processing of tax refunds in a separate bill.

3) Definition of investment capital to exclude land and working capital – may lead to an underestimation of investment promotion performance

4) Redundant incentives for domestic corporations – The SCIT for domestic enterprise, which is in lieu of all local and national taxes, is redundant, unnecessary, and weakens the fiscal incentives system.

5) Allowing existing registered activities to apply for further extensions of new incentives for the same activity

6) Limitations on the power of the FIRB (Fiscal Incentives Review Board) – The oversight functions of the FIRB will ensure the proper grant and monitoring of tax incentives. These powers must remain plenary over those of the investment promotion agencies.

7) Specific industries mentioned under activity tiers - The CREATE Law must be kept flexible to be able to keep up with the changing times.

8) Provision granting the President the power to exempt any IPA (Investments PromotionAgency) from the reform

9) Automatic approval of applications for incentives - The FIRB or the IPA should be allowed to carefully review the application for tax incentives since these are privileges granted by the State.

Impact of the CREATE law to the Organization's financial statements for the year-ended December 31, 2020 is further discussed in note 21.

c. **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:

a. 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

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).

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, financial assets at fair value, receivables and refundable deposit under other non-current assets (see notes 2e, 2f, 4, 5, 6 and 10).

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. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where 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 advance rentals under rental deposits (see notes 2l, 11 and 12).

d. 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 23 (Fair Value Hierarchy of Financial Assets and Liabilities).

e. Cash and cash equivalents

Cash includes cash on hand, cash in banks and cash equivalents. Cash on hand and in banks are stated at face value. 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.

f. Receivables

Receivable from customers are recognized initially at the transaction price or at the undiscounted amount which is normally the invoice price. These are subsequently measured at undiscounted amount of the cash or other consideration expected to be received.

g. Prepayments and other current assets

Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period earned by the payment and included in profit or loss when incurred. Prepayments that are expected to be realized for within 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as non-current assets.

h. 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	No. of years
Furniture, fixtures and equipment	5 to 10
Transportation equipment	5
Communication equipment	5

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.

i. 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.

j. 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 is 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 determine (net of depreciation) had no impairment loss been recognized for that asset in prior years.

k. 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. PFRSs 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.

Furthermore, PAS 8 states that in developing accounting policy, the Organization should refer to and consider the following resources in descending order:

(1) The requirements in PFRSs dealing with similar and related issues;
(2) The definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework; and finally,
(3) The most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industries if they do not conflict with the sources in points 1 and 2.

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.

l. Rental deposits

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

<u>Security Deposits</u>

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.

<u>Advance Rentals</u>

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.

m. Leases

<u>The Organization as lessor</u>

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.

n. 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 recognition and subsequent changes to termination benefits are measured in accordance with the nature of 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.

o. 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.

p. 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.

q. 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.

r. Value-Added Tax (VAT)

Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Accrued expenses and other payables" in the statements of financial position (see notes 7 and 11).

s. 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.

t. 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.

u. Income taxes

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

Current tax

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 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax (MCIT) rate, whichever is higher.

Deferred tax

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 of 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.

v. 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.

Translation rates at the year-end 2020 and 2019 are ₱48.04 and ₱50.74 to a US$1.00, respectively.

w. Related party transactions and relationships

Parties are considered related if one party has an ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in economically comparable market except for the payment terms and non-charging of interest on cash advances from related parties or personnel.

x. 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.

Note 3 – Use of Estimates and Judgments

The Organization's financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

a. Critical management judgments in applying 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:

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 notes 2o and 2p.

2) Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Organization, the functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the sale of goods and services and the Organization's operations.

3) 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 (see note 2m).

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 ₱ 50,619,685 and ₱ 49,914,302 in 2020 and 2019, respectively.

4) Recognition of revenue from grants

As revenue from grant is recognized at a point in time, the amount of revenue recognized in a reporting period when the contributions are received from Donors without restrictions or once the restrictions on the contributions has been met.

In making their judgment, the Management considered the detailed criteria for the recognition of revenue set out in PFRS 15 and, in particular, whether the contributions are received are without restrictions or whether the restrictions on the contributions has been met.

Grant income amounted to ₱ 698,950 and ₱ 7,064,514 in 2020 and 2019, respectively.

5) Principal versus agent considerations

The memorandum of agreement for program funds includes implementing of projects rendered by third parties contracted by the Organization on behalf of the Donor. The Organization has generally concluded that it acts as the principal to these revenue arrangements. This is because it is the Organization who retains the right to direct the services rendered by the third parties before it is transferred to its grantees. The right to direct the services mentioned were not transferred to third parties.

6) 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.

b. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1) Allowance for impairment – receivables and refundable deposit

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 ₱ 121,582 and nil as at December 31, 2020 and 2019, respectively (see note 6).

The carrying amount of receivables amounted to ₱ 11,848,683 and ₱ 17,483,723 as at December 31, 2020 and 2019, respectively (see note 6).

Provision for impairment recognized for refundable deposit amounted to nil and ₱ 543,600 as at December 31, 2020 and 2019, respectively. The carrying amount of refundable deposit amounted to ₱ 20,160 and nil as at December 31, 2020 and 2019, respectively (see note 10).

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 ₱ 272,159,555 and ₱ 265,871,846 as at December 31, 2020 and 2019, respectively (see note 5).

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 March 4, 2020 resulting in a loss on fair value of ₱ 5,910,971 recognized in 2019. Total carrying amount of investment properties as of December 31, 2020 and 2019 is ₱ 41,659,068 and ₱ 40,393,800, respectively (see notes 2i and 8).

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 ₱ 1,857,751 and ₱ 684,856 as of December 31, 2020 and 2019, respectively (see notes 2h and 9).

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.

(in Philippine Peso)

Net retirement benefit assets amount to ₱ 167,861 and ₱ 423,031 as at December 31, 2020 and 2019, respectively (see notes 2n and 20).

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 ₱ 32,314,410 and ₱ 29,858,971 as at December 31, 2020 and 2019, respectively (see note 2o and 13).

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, 2020 and 2019 amounted to ₱ 11,659,357 and ₱11,279,283, respectively. Deferred tax liabilities recognized as at December 31, 2020 and 2019 amounted to ₱ 16,565,413 and ₱ 18,302,872, 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 (see notes 2u and 21).

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.

The carrying values of the Organization's non-financial assets as of December 31, 2020 and 2019 are disclosed below.

	Notes	**2020**	2019
Investment properties	8	**41,659,068**	40,393,800
Deferred tax assets	21	**11,659,357**	11,279,283
Property and equipment	9	**1,857,751**	684,856
Net retirement benefit assets	20	**167,861**	423,031
Prepayments and other current assets	7	**170,633**	29,366
Other assets	10	**12,880,160**	12,860,000
		68,394,830	65,670,336

(in Philippine Peso)

The impairment recognized for the Organization's non-financial assets in 2020 and 2019 is summarized as follows:

	Notes	2020	2019
Investment properties	8	-	5,910,971
Other assets	10	-	543,600
		-	6,454,571

9) Revenue and cost recognition

The Organization's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs.

The Organization's revenue and cost from rental services is under PFRS 16, *Leases* – 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.

On the other hand, the Organization's revenue and cost from the grants is under PFRS 15, *Revenue from contracts with customers* – where performance obligation is satisfied at a point in time - when or as the Organization received contributions from Donors without restrictions or once the restrictions on the contributions has been met.

For the years ended December 31, 2020 and 2019, the rental services recognized the lease term on a straight-line basis amounted to ₱ 50,619,685 and ₱ 49,914,302, respectively, while the related cost of building maintenance held for rental amounted to ₱ 16,271,706 and ₱ 21,257,204, respectively (see note 18).

Grant income recognized at a point in time amounted to ₱ 698,950 and ₱ 7,064,514 in 2020 and 2019, respectively, while the related grant expenses amounted to ₱ 3,856,937 and ₱ 8,495,932 in 2020 and 2019, respectively (see note 15).

Note 4 - Cash and Cash Equivalents

Cash and cash equivalents is comprised of the following accounts:

	2020	2019
Cash on hand	**35,000**	15,000
Cash in banks	**59,202,672**	47,790,780
Cash equivalents	**4,619,015**	4,829,158
Total	**63,856,687**	52,634,938

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 2020 and 2019 amounted to ₱ 147,988 and ₱ 174,826, respectively.

Cash in banks include unutilized grants received from donors amounting to ₱ 109,272 and ₱ 1,042,785 as at December 31, 2020 and 2019, respectively (see note 15). This fund is restricted and intended for specific activities of the Organization and not available for general purposes.

(in Philippine Peso)

Note 5 – 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 follow:

	2020	2019
Unit investment trust funds (UITF) and mutual funds	**186,188,595**	191,034,558
Marketable equity securities	**40,229,083**	41,363,761
Government securities	**28,384,885**	20,805,541
Private bonds and commercial papers	**17,356,992**	12,667,986
Carrying Amount	**272,159,555**	265,871,846

The Organization's revenue and expenses from investment funds for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Revenues		
Fair value gains	**2,026,626**	11,696,281
Gain on sale of financial assets at fair value	**3,248,954**	7,212,060
Interest income	**1,815,795**	1,700,567
Dividend income	**867,267**	1,046,949
	7,958,642	21,655,857
Expenses		
Loss on sale of financial assets at fair value	**951,979**	-
Trust and investment fees	**581,512**	586,685
Foreign exchange losses	**41,961**	826,935
Other expenses	**18,369**	39,373
	1,593,821	1,452,993
Excess of revenues over expenses	**6,364,821**	20,202,864

Movement of investment funds in 2020 and 2019 are as follows:

	2020	2019
Beginning balance	**266,267,715**	216,064,851
Additional investment	**-**	30,000,000
Excess of revenues over expenses	**6,364,821**	20,202,864
Ending balance	**272,632,536**	266,267,715

In September 2019, the BOT approved the release of fund amounting to ₱ 30,000,000 to investment funds administered by its banks. No additional investment was made during the year.

No impairment was recognized based on Management's assessment as discussed in notes 2c and 3b.1.

Note 6 – Receivables - net

The account at December 31 consists of:

	Note	2020	2019
Accrued rent receivables		**5,591,023**	13,154,008
Rent receivables		**5,554,245**	3,258,734
Interest receivable		**348,435**	369,507
Advances to offices and employees		**191,790**	172,927
Other receivables		**182,540**	248,080
Receivables from grantees		**60,000**	237,000
Dividend receivable		**42,232**	43,467
		11,970,265	17,483,723
Allowance for expected credit losses	3b.1	**(121,582)**	-
Net carrying amount		**11,848,683**	17,483,723

(in Philippine Peso)

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.

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

Receivable from grantees pertains to funds receivable from Civil Society Organizations (CSOs).

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

Dividend receivable pertains to the dividend income earned from marketable equity securities that are not yet received as of reporting year.

Other receivables pertain to various receivable from employees.

Allowance for expected credit losses is recognized amounting to ₱ 121,582 for the outstanding amounts based on the assessment of management as discussed in notes 2c and 3b.1.

Note 7 - Prepayments and Other Current Assets

Prepayments amounted to ₱ 170,633 and ₱ 29,366 as at December 31, 2020 and 2019, respectively. This account is composed of prepaid insurance and prepaid tax.

No impairment was recognized based on Management's assessment as discussed in notes 2j and 3b.8.

Note 8 – Investment Properties - net

This account consists of:

2020	**Buildings**	**Other Parts of the Building**	**Total**
Cost			
Beginning balances	53,936,720	9,121,799	63,058,519
Additions during the year	1,265,268	-	1,265,268
Disposals during the year	-	-	-
Ending balances	**55,201,988**	**9,121,799**	**64,323,787**
Fair Value Adjustment			
Beginning balances	19,689,720	2,974,999	22,664,719
Fair value losses for the year	-	-	-
Ending balances	19,689,720	2,974,999	22,664,719
Carrying amount	**35,512,268**	**6,146,800**	**41,659,068**

2019	Buildings	Other Parts of the Building	Total
Cost			
Beginning balances	49,695,649	9,121,799	58,817,448
Additions during the year	4,241,071	-	4,241,071
Disposals during the year	-	-	-
Ending balances	53,936,720	9,121,799	63,058,519
Fair Value Adjustment			
Beginning balances	14,406,648	2,347,100	16,753,748
Fair value losses for the year	5,283,072	627,899	5,910,971
Ending balances	19,689,720	2,974,999	22,664,719
Carrying amount	34,247,000	6,146,800	40,393,800

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.

(in Philippine Peso)

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 amounted to ₱ 50,619,685 and ₱ 49,914,302 in 2020 and 2019, respectively. Expenses directly attributable to the leased properties amounted to ₱ 16,271,706 and ₱ 21,257,204 in 2020 and 2019, respectively (see note 18).

In March 2020, the valuation of the Organization's investment properties was performed by an accredited independent appraiser.

As set out in Note 3b.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.

Fair value losses in 2020 and 2019 amounted to nil and ₱ 5,910,971, respectively (see notes 2i, 2j, 3b.3 and 3b.8).

Note 9 - Property and Equipment – net

This account consists of the following:

2020	Furniture, Fixtures and Equipment	Transportation Equipment	Communication Equipment	Total
Cost				
Beginning balances	5,689,529	2,925,487	248,196	8,863,212
Additions for the year	323,311	1,364,287	-	1,687,598
Disposals for the year	-	-	-	-
Ending balances	**6,012,840**	**4,289,774**	**248,196**	**10,550,810**
Accumulated Depreciation				
Beginning balances	5,004,673	2,925,487	248,196	8,178,356
Provisions for the year	264,584	250,119	-	514,703
Ending balances	**5,269,257**	**3,175,606**	**248,196**	**8,693,059**
Carrying amount	**743,583**	**1,114,168**	**-**	**1,857,751**

2019	Furniture, Fixtures and Equipment	Transportation Equipment	Communication Equipment	Total
Cost				
Beginning balances	5,464,354	2,925,487	248,196	8,638,037
Additions for the year	225,175	-	-	225,175
Disposals for the year	-	-	-	-
Ending balances	5,689,529	2,925,487	248,196	8,863,212
Accumulated Depreciation				
Beginning balances	4,781,011	2,925,487	246,170	7,952,668
Provisions for the year	223,662	-	2,026	225,688
Ending balances	5,004,673	2,925,487	248,196	8,178,356
Carrying amount	684,856	-	-	684,856

The cost of fully depreciated assets still in use as at December 31, 2020 and 2019 amounted to ₱ 7,726,416 and ₱ 6,164,849, respectively. There are no idle assets as at December 31, 2020 and 2019.

(in Philippine Peso)

Depreciation expense recognized in 2020 and 2019 amounted to ₱ 514,703 and ₱ 225,688, respectively.

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, 2020 and 2019 (see notes 2h, 2j, and 3b.8).

There are no property and equipment as at December 31, 2020 and 2019 that are pledged as security to liabilities.

Note 10 – Other Assets - net

The account at December 31 consists of:

	2020	2019
Other assets	12,860,000	12,860,000
Refundable deposits – net	20,160	-
Total	**12,880,160**	12,860,000

Other assets pertain to donated paintings. No fair value changes and impairment losses were recognized in 2020 and 2019 (see notes 2j and 3b.8).

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. Movement in allowance for impairment as follows (see notes 2c and 3b.1):

	2020	2019
Refundable deposit	563,760	543,600
Allowance for impairment	(543,600)	(543,600)
Net	**20,160**	-

Note 11 – Accrued Expenses and Other Payables

The account at December 31 consists of:

	2020	2019
Deferred output VAT	1,536,876	1,134,528
Statutory payables	411,678	611,089
Accrued expenses	362,903	3,123,353
Accounts payable	200,434	-
Total	**2,511,891**	4,868,970

Accrued expenses and other payables are noninterest-bearing and are generally settled on a 30-day term.

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 fees and security services.

Note 12 – Rental Deposits

The account at December 31 consists of:

	2020	2019
Security deposits	9,041,722	9,970,351
Advance rentals	8,801,110	9,762,952
Total	**17,842,832**	19,733,303

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

(in Philippine Peso)

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.

Note 13 – Other Non-Current Liability

The movements in the other non-current liability during the year are as follows:

	2020	2019
Balance at beginning of year	**29,858,971**	27,464,054
Additions	**2,455,439**	4,881,294
Reversal	-	(2,486,377)
Balance at end of year	**32,314,410**	29,858,971

Other current liability refers to provisions recognized for possible claims 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.

Note 14 – Commitments and Contingencies

Commitment under operating leases

The Organization has entered into commercial property leases on its investment property portfolio. These contracts are cancellable at any time with one-month notice. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. Rental income amounted to ₱ 50,619,685 and ₱ 49,914,302, in 2020 and 2019, respectively.

Note 15 – Program Fund

This account pertains to funds received from donors which are restricted for specific purposes.

The movements in the program fund during the year are as follows:

	Note	2020	2019
Balance at beginning of year		**1,042,785**	2,182,603
Grants received		**698,950**	7,064,514
Grants utilized		**(3,856,937)**	(8,495,932)
Transfer from general fund		**2,224,474**	291,600
Balance at end of year	4	**109,272**	1,042,785

Breakdown of grant utilization are as follows:

	2020	2019
Department of Health – various regional offices	**3,856,937**	8,240,512
Commission on Population	-	255,420
Total	**3,856,937**	8,495,932

(in Philippine Peso)

Department of Health – Regional Office VI (DOH-RO6)

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.

The Organization partnered with Family Planning Organization of the Philippines (FPOP) Iloilo Chapter, as its implementing CSO.

Commission on Population and Development (POPCOM)

On September 10, 2019, the Organization entered into an MOA with POPCOM to assist the latter in addressing unmet need for modern family planning through the project "CSO Engagement for Responsible Parenthood and Family Planning Implementation in Region VI" by providing FP counseling and services. Total cash received in 2019 amounted to ₱187,560 of which 63% has been utilized.

Note 16 – Other Income

This account is composed of:

	2020	2019
Electricity fees	**4,230,018**	7,517,280
Water fees	**847,621**	1,159,910
Other income	**42,859**	266,431
Total	**5,120,498**	8,943,621

Electricity and water fees pertain to electricity and water charges billed by the Organization to its lessees.

Other income pertains to fees received for parking spaces and pass-through stickers.

Note 17 – Project and Operating Expenses

<u>Project expenses</u>

This account consists of:

	2020	2019
Salaries and wages	**1,210,239**	1,076,193
Consultant fees	**1,120,690**	3,189
Employee benefits	**117,785**	90,197
Meetings and conferences	**103,437**	84,972
Transportation and travel	**31,564**	79,482
Others	**57,385**	159,754
Total	**2,641,100**	1,493,787

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.

(in Philippine Peso)

Operating expenses

This account consists of:

	2020	2019
Professional fees & other outside fees	**3,875,490**	599,761
Salaries, wages and other employee benefits	**2,738,723**	2,283,014
Meetings and representation	**353,261**	118,989
Transportation and travel	**328,139**	105,160
Others	**223,835**	475,450
Total	**7,519,448**	3,582,374

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.

Note 18 – Cost of Building Maintenance Held for Rental

This account consists of:

	2020	2019
Professional fees and other outside services	**6,137,540**	6,179,517
Utilities	**5,394,975**	9,457,377
Repairs and maintenance	**1,926,267**	2,531,557
Salaries, wages and other employee benefits	**1,042,212**	1,100,658
Taxes and licenses	**880,636**	1,079,316
Insurance	**560,995**	531,199
Supplies	**299,669**	207,358
Others	**29,412**	170,222
Total	**16,271,706**	21,257,204

Other cost of building maintenance pertains to expenses incurred for tenant relations.

Note 19 - 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 year ended December 31, 2020 and 2019.

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 2020 and 2019.

(in Philippine Peso)

Note 20 – 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 components of retirement benefit cost included in "Salaries, wages and other employee benefits" under "Operating expenses" account in the statements of comprehensive income follows (see Note 17):

Defined benefit plan expenses

	2020	2019
Current service cost	**209,639**	161,272
Interest income on plan assets	**(54,964)**	(76,923)
Interest expense on defined benefit obligation	**35,081**	62,594
Total	**189,756**	146,943

The net retirement benefit assets to be recognized in the statements of financial position consists of:

	2020	2019
Fair value of plan assets	**1,237,391**	1,169,439
Present value of defined benefit liability	**(1,069,530)**	(746,408)
Net retirement benefit assets	**167,861**	423,031

Defined benefit obligation

Changes in the present value of defined benefit liability follows:

	2020	2019
Balance at beginning of year	**746,408**	874,223
Current service cost	**209,639**	161,272
Interest cost	**35,081**	62,594
Remeasurement loss (gain):		
Changes in financial assumptions	**78,402**	86,691
Experience adjustments	**-**	(438,372)
Changes in demographic assumptions	**-**	-
Balance at end of year	**1,069,530**	746,408

(in Philippine Peso)

Plan assets

Fair value of plan assets pertains to contributions paid during the year amounting ₱1,237,391. Plan asset comprise the Organization's own financial instruments, and cash and cash equivalents.

The fair value of plan assets consists of:

	2020	2019
Cash and cash equivalents	5,628	147,009
Debt instruments:		
Government securities	903,074	552,587
Private bonds and commercial papers	220,792	249,435
Equity instruments:		
UITF and mutual funds	100,352	211,597
Marketable equity securities		-
Interest receivables	7,545	8,811
Total	**1,237,391**	1,169,439

Changes in the fair value of plan assets follows:

	2020	2019
Balance at beginning of year	1,169,439	1,074,340
Benefits paid	-	-
Remeasurement of plan assets	12,988	18,176
Interest income	54,964	76,923
Balance at end of year	1,237,391	1,169,439

The table below shows the maturity profile of the undiscounted benefit payments as at December 31, 2020 and 2019:

	2020	2019
Less than one year	-	-
One to less than five years	956,127	622,353
Five to less than ten years	729,516	927,770
Ten to less than fifteen years	1,575,467	1,718,943
Fifteen years and above	1,079,433	613,677
Total	**4,340,543**	**3,882,743**

The average duration of the expected benefit payments as at December 31, 2020 and 2019 is five 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.

(in Philippine Peso)

The latest actuarial valuation conducted by an independent actuary is dated February 4, 2020. 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, 2020 and 2019 are as follows:

	2020	2019
Discount rate	**3.40%**	4.70%
Salary increase rate	**3.00%**	3.00%

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, 2020 and 2019:

	2020		2019	
	Increase (Decrease)	**FV of Plan Assets**	Increase (Decrease)	FV of Plan Assets
Discount rates	**1.0%**	**(209,489)**	1.0%	(460,613)
	-1.0%	**(121,493)**	-1.0%	(381,731)
Future salary increases	**1.0%**	**(126,822)**	1.0%	(384,696)
	-1.0%	**(205,383)**	-1.0%	(458,665)

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.

Note 21 – Income Taxes

a. Income tax expense

The Organization's income tax expense consists of:

	2020	2019
Current	**10,870,426**	11,707,075
Deferred	**(2,117,533)**	(1,039,723)
Total	**8,752,893**	10,667,352

The provision for current tax in 2020 and 2019 represents the income tax on rental income derived by the Organization on its investment properties.

(in Philippine Peso)

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

	2020	2019
Excess of revenues over expenses before income tax	**29,335,647**	42,223,435
Income tax at statutory rate of 30%:	**8,800,694**	12,667,031
Additions to (reduction in) income tax resulting from:		
Grant expense – net	**947,396**	429,426
Interest income on bank deposits subject to final tax	**(589,135)**	(562,618)
Gain on sale of financial assets at fair value subject to final tax	**(974,686)**	(2,163,618)
Dividend income exempt from tax	**(260,180)**	(314,085)
Project expenses	**792,330**	448,136
Allowance for impairment of refundable deposits	**-**	163,080
Allowance for doubtful accounts of receivables	**36,475**	-
Unrealized foreign exchange losses	**(68,005)**	138,620
Reversal of accrued rent revenue not yet subject to income tax	**2,268,895**	1,603,592
Fair value losses (gains) on investment properties	**-**	1,773,291
Fair value losses (gains) on financial assets at fair value	**(607,988)**	(3,508,884)
Increase in provision	**736,631**	718,475
Increase (decrease) in advance rental	**(288,552)**	381,503
Decrease (increase) in net pension asset	**76,551**	(66,874)
Total	**10,870,426**	11,707,075

b. Deferred tax assets and liabilities

The components as at December 31 are as follows:

	Statements of Financial Position		Statements of Comprehensive Income	
	2020	2019	**2020**	2019
Deferred tax assets:				
Provision	**8,948,409**	8,211,778	**(736,631)**	(718,475)
Advance rentals	**2,640,333**	2,928,885	**288,552**	(381,503)
Unrealized foreign exchange loss	**70,615**	138,620	**68,005**	(138,620)
Deferred tax asset	**11,659,357**	11,279,283	**(380,074)**	(1,238,598)
Deferred tax liabilities:				
Fair value adjustments – financial assets at fair value and investment properties	**11,389,249**	10,781,261	**607,988**	1,735,593
Unrealized gain on other non-current assets	**3,448,500**	3,448,500	**-**	(1,603,593)
Reversal of accrued rent receivable subject to income tax	**1,677,307**	3,946,202	**(2,268,896)**	-
Net Pension Asset	**50,357**	126,910	**(76,551)**	66,875
Deferred tax liability	**16,565,413**	18,302,873	**(1,737,459)**	198,875
Net deferred tax liabilities	**(4,906,056)**	(7,023,590)	**-**	-
Income tax deferred	**-**	-	**(2,117,533)**	(1,039,723)

(in Philippine Peso)

The deferred tax assets were measured using the appropriate corporate income tax on the period these are expected to be reversed or settled.

c. Change in statutory rate

Change in Applicable Tax Rate

Republic Act 9337 was recently enacted into law effective November 1, 2005 amending various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced are as follows:

1. Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
2. Increase in the unallowable interest rate from 38% to 42% with a reduction thereof to 33% beginning January 1, 2009.

d. Optional standard deduction

Effective July 2008, Republic Act 9504 was approved giving the corporate taxpayers an option to claim itemized deductions or optional standard deductions (OSD) equivalent to 40% of gross income. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

For years 2020 and 2019, the Organization opted claiming itemized deductions.

e. RA No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN)

RA No. 10963 was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. The TRAIN mainly amended the personal income tax rates, adjusted the VAT exempt thresholds and increased excise taxes on petroleum and mineral products and automobiles. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the Organization assessed that the same does not have any significant impact on the financial statement balances as of the reporting date.

f. Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Act

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Organization are as follows:

- Effective July 1, 2020, corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱ 5 million and with total assets not exceeding ₱ 100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax.

- MCIT rate reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The impact of the RA 11534 on the Organization's financial statements as at and for the year ended December 31, 2020, is presented below:

	As at December 31, 2020	Effect of changes in tax rates	Adjusted amount based on the reduced tax rates
Statement of Financial Position:			
Prepaid tax	-	426,364	426,364
Deferred tax asset	11,659,357	(1,321,631)	10,337,726
Income tax payable	479,506	(479,506)	-
Deferred tax liability	16,565,413	(2,760,901)	13,804,512
Statement of Comprehensive Income:			
Current income tax expense	10,870,426	(905,869)	9,964,557
Deferred income tax benefit	(2,117,533)	(1,439,271)	(3,556,804)
Total comprehensive income for the year	20,517,338	2,475,968	22,993,306

Note 22 – Financial Risk Management Objectives and Policies

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.

As of December 31, 2020 and 2019, cash in bank amounted to $ 87,950 and $ 87,577, with peso value equivalent to ₱ 4,226,629 and ₱ 4,445,620, respectively.

In translating the US$ denominated financial instruments into Philippine peso, the exchange rates used were ₱48.04 to U$1.00 and ₱50.74 to US$1.00 as at December 31, 2020 and 2019, respectively.

The following table presents the impact on the Organization's income before income tax due to changes in the fair value of its monetary assets and liabilities, brought about by a reasonably possible change in the Philippine peso to U.S. dollar exchange rates, with all other variables held constant. There is no other impact on the statements of changes in fund balances other than those affecting the statements of comprehensive income.

	Increase (Decrease) in Peso to U.S. Dollar Exchange Rates	Increase (Decrease) in Income Before Income Tax
2020	**5%**	**211,331**
	(5%)	**(211,331)**
2019	5%	222,281
	(5%)	(222,281)

The reasonably possible change in Philippine peso to US$ exchange rate was based on the highest and lowest closing exchange rates during 2020 and 2019.

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:

	2020		2019	
	Gross Maximum Exposure (1)	**Net Maximum Exposure (2)**	Gross Maximum Exposure (1)	Net Maximum Exposure (2)
Cash and cash equivalents *	**63,821,687**	**63,821,687**	52,619,938	52,619,938
Financial assets at fair value	**272,159,555**	**272,159,555**	265,871,846	265,871,846
Receivables**	**11,970,265**	**11,970,265**	17,483,723	17,483,723
Total	**347,951,507**	**347,951,507**	335,975,507	335,975,507

(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 ₱ 35,000 and ₱ 15,000 as at December 31, 2020 and 2019.*
*** Gross of allowance for expected credit losses amounting to 121,582 as at December 31, 2020.*

(in Philippine Peso)

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

	2020			
	Neither Past Due nor Impaired	**Past Due but not Impaired**		**Total**
		1-30 days	**Over 60 days**	
Cash and cash equivalents*	**63,821,687**	**-**	**-**	**63,821,687**
Receivables**	**8,008,837**	**1,475,900**	**2,485,528**	**11,970,265**
Financial assets at fair value	**272,159,555**	**-**	**-**	**272,159,555**
Total	**343,990,079**	**1,475,900**	**2,485,528**	**347,951,507**

	2019			
	Neither Past Due nor Impaired	Past Due but not Impaired		Total
		1-30 days	Over 60 days	
Cash and cash equivalents*	52,619,938	-	-	52,619,938
Receivables	16,478,131	763,590	242,002	17,483,723
Financial assets at fair value	265,871,846	-	-	265,871,846
Total	334,969,915	763,590	242,002	335,975,507

** Excluding cash on hand amounting to ₱35,000 and P15,000 as at December 31, 2020 and 2019.*
*** Gross of allowance for expected credit losses amounting to 121,582 as at December 31, 2020.*

Allowance for expected credit losses was recognized as of December 31, 2020 amounting to ₱ 121,582.

The Organization assessed that there are no credit-impaired financial instruments as at December 31, 2020 and 2019.

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:

2020	**Carrying amount**	**Less than 1 Year**	**More than 1 Year Less than 5 Years**
Rental deposits	**17,842,832**	**17,842,832**	**-**
Accrued expenses and other payables*	**563,337**	**563,337**	**-**
Total	**18,406,169**	**18,406,169**	**-**

2019	Carrying amount	Less than 1 Year	More than 1 Year Less than 5 Years
Rental deposits	19,733,303	19,733,303	-
Accrued expenses and other payables*	3,123,353	3,123,353	-
Total	22,856,656	22,856,656	-

** Excluding statutory payables amounting to ₱1,948,554 and ₱ 1,745,617 as at December 31, 2020 and 2019.*

The Organization's current ratio is presented below:

	2020	2019
Current assets	**348,035,558**	336,019,873
Current liabilities	**20,834,229**	27,470,135
Current ratio	**17:1**	12:1

(in Philippine Peso)

The Organization's quick ratio is 17:1 and 12:1 in 2020 and 2019, respectively, an indication of a very strong working capital position.

Note 23 – 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.

a. Comparison of carrying amounts and fair values

The carrying amounts and fair values of the categories of assets and liabilities presented in the statements of financial position are shown below:

	2020		2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents*	**63,821,687**	**63,821,687**	52,619,938	52,619,938
Financial assets at fair value	**272,159,555**	**272,159,555**	265,871,846	265,871,846
Receivables	**11,848,683**	**11,848,683**	17,483,723	17,483,723
Total	**347,829,925**	**347,829,925**	335,975,507	335,975,507

	2020		2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities				
Accrued expenses and other payables**	**563,337**	**563,337**	3,123,353	3,123,353
Rental deposits	**17,788,832**	**17,788,832**	19,733,303	19,733,303
Total	**18,406,169**	**18,406,169**	22,856,656	22,856,656

* *Excluding cash on hand amounting to ₱ 35,000 and ₱ 15,000 as at December 31, 2020 and 2019, respectively.*
** *Excluding statutory payables amounting to ₱1,948,554 and ₱1,745,617 as at December 31, 2020 and 2019, respectively.*

The fair values of the financial assets and liabilities are approximately equal to their carrying amounts. See Note 2c 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 22.

b. 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:

2020	**Fair value measurement using:**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value:				
Financial assets at fair value through profit or loss:				
Unit investment trust funds (UITF) and mutual funds	-	**186,188,595**	-	**186,188,595**
Marketable equity securities	**40,229,083**	-	-	**40,229,083**
Government securities	**28,384,885**	-	-	**28,384,885**
Private bonds and commercial papers	**17,356,992**	-	-	**17,356,992**
Total	**85,970,960**	**186,188,595**	-	**272,159,555**

(in Philippine Peso)

2019	Fair value measurement using:			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss:				
Unit investment trust funds (UITF) and mutual funds	-	191,034,558	-	191,034,558
Marketable equity securities	41,363,761	-	-	41,363,761
Government securities	20,805,541	-	-	20,805,541
Private bonds and commercial papers	12,667,986	-	-	12,667,986
Total	74,837,288	191,034,558	-	265,871,846

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 counterparties, 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. Investments in Unit Investment Trust Fund (UITF) and mutual funds amounting to ₱186,188,595 and ₱191,034,558 as of December 31, 2020 and 2019, respectively 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. Marketable securities amounting to ₱ 40,229,083 and ₱ 41,363,761 as of December 31, 2020 and 2019, respectively were classified under Level 1.

Government securities. Government securities amounting to ₱ 28,384,885 and ₱ 20,805,541 as of December 31, 2020 and 2019, respectively were classified under Level 1.

Private bonds and commercial papers. Private bonds and commercial papers amounting to ₱ 17,356,992 and ₱ 12,667,986 as of December 31, 2020 and 2019, respectively were classified under Level 1.

(in Philippine Peso)

Note 24 – Fund Balances Management Objectives, Policies and Procedures

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 following shows the components of fund balances and debt-to-fund balances ratio as at December 31:

	2020	2019
Total liabilities	**69,714,052**	75,631,979
Total fund balances	**346,545,703**	326,028,865
Debt to fund balances ratio	**0.20:1**	0.23:1

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.

Note 25 – Others

a. Reclassification of Accounts

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. Management believes that the above reclassifications resulted to a better presentation of accounts and did not have any impact on prior year's statement of comprehensive income.

b. Impact of COVID-19

The implementation of community quarantine by the government as a precautionary measure to contain COVID-19, which started in the earlier part of 2020, has negatively impacted the Philippine economy. The said impact is expected to continue in 2021.

Though the Organization is not significantly affected by the above situation, the Management has implemented sustainability measures as well as efficiency and cost cutting programs to be able to withstand the negative effect should the said pandemic may continue to evolve. The Organization continues to monitor the situation.

Note 26 – 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	57,407,766	6,888,932
Exempt receipts	3,783,952	-
Gross receipts	**61,191,718**	**6,888,932**

The Organization's revenues were subjected to output tax set at 12%. The Organization charged VAT based on actual collections received, hence may not be the same amounts recognized in the statements of comprehensive income.

(in Philippine Peso)

b. Input VAT

		2020
Balance at January 1		-
Domestic purchases/payments for goods and services		1,690,677
Total available input VAT		1,690,677
Less: Total output tax for the year	(6,888,932)	
VAT payments during the year	5,198,255	(1,690,677)
Balance at December 31		-

c. Information on the Organization's importations

The Organization has no transaction involving importations.

d. Documentary stamp taxes

The Organization has no transaction involving items subject to documentary stamp taxes.

e. Excise taxes

The Organization has no transaction involving items subject to excise tax.

f. Withholding taxes

	2020
Expanded withholding taxes	481,092
Compensation withholding taxes	349,343
Total withholding taxes	**830,435**

g. Other taxes and licenses

	2020
Business permit	843,863
Real estate/property taxes	33,773
Barangay clearance	2,000
Registration fees	500
Others	500
Total	**880,636**

h. Deficiency tax assessments, tax cases and any litigation and/or prosecution in courts or bodies outside the BIR.

The Organization has no deficiency tax assessment, tax case or any litigation/prosecution with the Bureau of Internal Revenue, courts and regulatory bodies outside BIR.

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.