

**Peace Equity Access for
Community Empowerment
(PEACE) Foundation, Inc.**
(A Nonstock, Not-for-profit Corporation)

Parent Company Financial Statements
December 31, 2019 and 2018

and

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and Members
Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. (a nonstock, not-for-profit corporation) (the Parent Company), which comprise the parent company statements of assets, liabilities and fund balances as at December 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in fund balances and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2019 and 2018, 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 *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company 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 parent company 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 Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent company financial statements.

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 parent company 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 Parent Company'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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 28 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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Partner

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January 10, 2019, valid until January 9, 2022

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January 28, 2019, valid until January 27, 2022

PTR No. 8125250, January 7, 2020, Makati City

March 31, 2020

**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION, INC.
(A Nonstock, Not-for-profit Corporation)**

**PARENT COMPANY STATEMENTS OF ASSETS, LIABILITIES
AND FUND BALANCES**

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 25)	₱54,282,256	₱75,556,135
Receivables (Notes 7 and 25)	127,498,388	135,116,975
Financial assets at fair value through profit or loss (FVTPL; Notes 8 and 25)	683,117,576	893,713,145
Investments - current portion (Notes 10 and 25)	71,087,760	–
Other current assets (Note 9)	2,699,364	2,200,827
Total Current Assets	938,685,344	1,106,587,082
Noncurrent Assets		
Receivables - net of current portion (Notes 7 and 25)	36,489,065	65,829,121
Investments - net of current portion (Notes 10 and 25)	939,815,368	824,176,266
Property and equipment (Note 11)	83,462,094	83,578,425
Investment properties (Note 12)	39,070,000	37,014,706
Investment in a subsidiary (Note 13)	125,000,000	125,000,000
Other noncurrent assets (Note 21)	5,232,569	4,409,253
Total Noncurrent Assets	1,229,069,096	1,140,007,771
	₱2,167,754,440	₱2,246,594,853
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued expenses (Notes 14 and 25)	₱43,322,586	₱25,023,691
Grants payable (Notes 15 and 25)	19,092,284	11,055,113
Funds held in trust (Notes 16 and 25)	19,643,423	100,048,490
Total Current Liabilities	82,058,293	136,127,294
Noncurrent Liability		
Deferred tax liability (Notes 11, 12 and 23)	19,761,706	19,773,886
Total Liabilities	101,819,999	155,901,180
Fund Balances		
Restricted		
Endowment fund (Note 1)	1,318,371,694	1,318,371,694
Provision for inflation (Note 4)	797,227,853	797,227,853
	2,115,599,547	2,115,599,547
Unrestricted	(49,665,106)	(24,905,874)
Total Fund Balances	2,065,934,441	2,090,693,673
	₱2,167,754,440	₱2,246,594,853

See accompanying Notes to Parent Company Financial Statements.

**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION, INC.
(A Nonstock, Not-for-profit Corporation)**

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
REVENUE		
Trading gains (Note 10)	₱50,050,217	₱2,858,494
Interest income (Notes 6, 7 and 10)	48,039,991	32,696,835
Dividends (Note 10)	33,633,514	33,422,637
Fair value gains on investment property (Note 12)	3,358,149	2,719,000
Foreign exchange gains - net	–	9,500,657
Recovery of doubtful accounts (Note 7)	–	4,703,467
Other income (Note 20)	1,557,095	419,292
	136,638,966	86,320,382
EXPENSES		
Loss on investment at fair value through profit or loss (Note 8)	48,219,251	98,781,787
Project expenses (Note 17)	40,892,198	39,230,666
Grant expenses (Note 15)	25,104,035	20,021,027
General and administrative (Note 18)	19,246,509	18,496,368
Foreign exchange loss - net	10,540,186	–
Provision for impairment losses on receivables (Note 7)	5,635,191	–
Depreciation and amortization (Note 11)	1,706,615	10,278,966
Trustee fees (Note 10)	3,205,863	4,285,653
Other expenses (Note 10)	1,603,028	1,401,673
	156,152,876	192,496,140
LOSS BEFORE TAXES	(19,513,910)	(106,175,758)
PROVISION FOR TAXES (Note 23)		
Final tax	4,368,919	4,104,528
Deferred tax	123,318	629,976
	4,492,237	4,734,504
NET LOSS	(24,006,147)	(110,910,262)
OTHER COMPREHENSIVE LOSS		
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Net movement in revaluation increment on land and building and improvements (Note 11)	–	163,795
Tax effect	135,498	2,266,649
Remeasurement gain (loss) on defined benefit plan (Note 21)	257,354	(44,249)
<i>Item to be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of financial assets at FVOCI (Note 10)	(1,145,937)	(7,198,095)
	(753,085)	(4,811,900)
TOTAL COMPREHENSIVE LOSS	(₱24,759,232)	(₱115,722,162)

See accompanying Notes to Parent Company Financial Statements.

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC.
(A Nonstock, Not-for-profit Corporation)

PARENT COMPANY STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARES ENDED DECEMBER 31, 2019 AND 2018

	Unrestricted Funds						Restricted Funds				
	Members' Contribution	Cumulative Excess of Revenue over Expenses	Fair Value Reserve on Financial Assets at FVOCI	Reserve for Fluctuation on AFS Financial Assets	Other Comprehensive Loss		Total	Endowment Fund (Note 1)	Provision for Inflation (Note 26)	Total	Grand Total
Revaluation Increment on Land and Building and Improvements (Note 11)					Remeasurement Gain on Defined Benefit Plan (Note 20)						
At January 1, 2019	₱100,000	(₱58,274,022)	(₱16,705,732)	₱-	₱48,676,297	₱1,297,583	(₱24,905,874)	₱1,318,371,694	₱797,227,853	₱2,115,599,547	₱2,090,693,673
Net loss	-	(24,006,147)	-	-	-	-	(24,006,147)	-	-	-	(24,006,147)
Amortization of revaluation increment	-	451,659	-	-	(451,659)	-	-	-	-	-	-
Tax effect of amortization of revaluation increment	-	-	-	-	135,498	-	135,498	-	-	-	135,498
Remeasurement gain on defined benefit plan	-	-	-	-	-	257,354	257,354	-	-	-	257,354
Change in fair value of financial assets at FVOCI	-	-	(1,145,937)	-	-	-	(1,145,937)	-	-	-	(1,145,937)
At December 31, 2019	₱100,000	(₱81,828,510)	(₱17,851,669)	₱-	₱48,360,136	₱1,554,937	(₱49,665,106)	₱1,318,371,694	₱797,227,853	₱2,115,599,547	₱2,065,934,441
At January 1, 2018, as previously reported	₱100,000	(₱121,725,728)	₱-	₱138,077,099	₱-	₱1,341,832	₱17,793,203	₱1,318,371,694	₱797,227,853	₱2,115,599,547	₱2,133,392,750
Effect of change in accounting policy on land and building and improvements (Note 11)	-	19,221,737	-	-	46,245,853	-	65,467,590	-	-	-	65,467,590
Effect of the adoption of PFRS 9, <i>Financial Instruments</i>	-	147,584,736	(9,507,637)	(138,077,099)	-	-	-	-	-	-	-
At January 1, 2018, as restated	100,000	45,080,745	(9,507,637)	-	46,245,853	1,341,832	83,260,793	1,318,371,694	797,227,853	2,115,599,547	2,198,860,340
Net loss	-	(110,910,262)	-	-	-	-	(110,910,262)	-	-	-	(110,910,262)
Amortization of revaluation increment	-	7,555,495	-	-	(7,555,495)	-	-	-	-	-	-
Tax effect of amortization of revaluation increment	-	-	-	-	2,266,649	-	2,266,649	-	-	-	2,266,649
Transfer of property and equipment to investment property (Notes 11 and 12)	-	-	-	-	7,719,290	-	7,719,290	-	-	-	7,719,290
Remeasurement loss on defined benefit plan	-	-	-	-	-	(44,249)	(44,249)	-	-	-	(44,249)
Change in fair value of financial assets at FVOCI	-	-	(7,198,095)	-	-	-	(7,198,095)	-	-	-	(7,198,095)
At December 31, 2018	₱100,000	(₱58,274,022)	(₱16,705,732)	₱-	₱48,676,297	₱1,297,583	(₱24,905,874)	₱1,318,371,694	₱797,227,853	₱2,115,599,547	₱2,090,693,673

See accompanying Notes to Parent Company Financial Statements.

**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION, INC.
(A Nonstock, Not-for-profit Corporation)**

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before final tax	(₱19,513,910)	(₱106,175,758)
Adjustments for:		
Unrealized changes in prices - FVTPL (Note 8)	48,219,251	98,781,787
Unrealized foreign exchange loss (gain)	10,540,186	(9,500,657)
Provision (recovery) for impairment losses on receivables (Note 7)	5,635,191	(4,703,467)
Depreciation and amortization (Note 11)	1,706,615	10,278,966
Reversal on impairment losses on investment property (Note 12)	–	(241,301)
Gain on sale of investment property (Notes 12 and 20)	(105,000)	(30,000)
Gain on sale of property and equipment (Notes 11 and 20)	(289,619)	(1,396)
Changes in fair value gains on investment property (Note 12)	(3,358,149)	(2,719,000)
Interest income (Notes 6, 7 and 20)	(8,058,815)	(8,060,614)
Investment income (Note 10)	(118,856,019)	(55,230,027)
Operating loss before working capital changes	(84,080,269)	(77,601,467)
Decrease (increase) in:		
Receivables	35,331,847	650,009
Other current assets	(498,537)	(1,034,815)
Increase (decrease) in:		
Accounts payable and accrued expenses	18,298,895	(722,038)
Grants payable	8,037,171	(11,245,431)
Funds held in trust	(80,405,067)	(18,177,664)
Net cash used in operations	(103,315,960)	(108,131,406)
Interest income received	4,408,275	8,371,116
Final taxes paid	(4,368,919)	(4,104,528)
Net cash flows used in operating activities	(103,276,604)	(103,864,818)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net movement in investments	93,359,538	43,767,906
Proceeds from sale of property and equipment	400,300	1,400
Additions to property and equipment (Note 11)	(1,700,965)	(1,598,816)
Increase in investment property (Notes 11 and 12)	–	(7,719,290)
Proceeds from sale of investment property	1,050,000	209,993
Net movement in other noncurrent assets	(565,962)	(1,952,482)
Net cash flows provided by investing activities	92,542,911	32,708,711
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH		
	(10,540,186)	9,500,657
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,273,879)	(61,655,450)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	75,556,135	137,211,585
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱54,282,256	₱75,556,135

See accompanying Notes to Parent Company Financial Statements.

**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION, INC.
(A Nonstock, Not-for-profit Corporation)**

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. (the Foundation or the Parent Company) was formed by the Caucus of Development NGO Networks (CODE-NGO) and incorporated on November 27, 2001. It is governed by a Board of Trustees (BOT) whose members do not receive any compensation.

The purpose of the Parent Company is to provide financial, managerial, technical and policy assistance to non-governmental organizations (NGOs), people's organizations, community associations, social entrepreneurs, educational and research institutions, cooperatives and other similar groups or corporations in their effort to reduce or totally eliminate poverty, by increasing the entitlements of the poor in a sustained manner, through the distribution of resources and provision of public goods and by raising the level and quality of social services, thereby empowering them to improve their socio-economic condition and to participate in community and civic affairs. The Parent Company's strategic direction is to enable Civil Society Organizations and other partner-intermediaries to develop and innovate on best practices and models using a social enterprise approach. The Parent Company engages other stakeholders (government, business and academe) in leveraging resources and technologies to replicate and scale up models that work for sustainable communities and enterprises.

On February 14, 2003, CODE-NGO executed a deed of donation in favor of the Parent Company, to transfer and convey an endowment fund in trust of ₱1.30 billion. The fund represents a portion of the net proceeds earned by CODE-NGO from the sale of Poverty Eradication and Alleviation Certificates in the capital market. As agreed between the Parent Company and CODE-NGO, only the earnings of the principal fund shall be utilized for poverty alleviation and development projects, general administrative expenses and acquisition of assets necessary for the furtherance of the Parent Company's objectives.

In 2016, CODE-NGO entrusted additional funds to the Parent Company which is invested in financial securities under a discretionary mandate. In 2019, CODE-NGO fully withdrew the funds (Note 16).

The Parent Company reports the revenue and expenses pertaining to the fund as unrestricted activities. Accordingly, the net loss amounting to ₱24.01 million and ₱110.91 million for the years then ended December 31, 2019 and 2018, respectively, were presented as part of the unrestricted fund balance.

The Parent Company is a non-stock, nonprofit private foundation, organized and operated exclusively for providing financial, managerial, technical assistance to proponents of poverty alleviation and development projects. It is exempt from income tax pursuant to Section 30 of the Tax Reform Act of 1997 or Republic Act (RA) No. 8424. However, income derived from its properties, real or personal, or from any of its activities conducted for profit regardless of the disposition made of such income, is subject to tax.

The registered principal office address of the Parent Company is 69 Esteban Abada Street, Loyola Heights, Quezon City.

Approval for Issuance of the Parent Company Financial Statements

The parent company financial statements as at and for the years ended December 31, 2019 and 2018 were approved and authorized for issuance by the BOT of the Parent Company on March 31, 2020.

2. **Basis of Preparation and Statement of Compliance**

Basis of Preparation

The financial statements of the Parent Company have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), investment properties and certain properties classified as property and equipment which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements, presented in compliance with Philippine Financial Reporting Standards (PFRSs). The consolidated financial statements may be obtained at 69 Esteban Abada Street, Loyola Heights, Quezon City.

Statement of Compliance

The financial statements of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

3. **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Parent Company is a party to lease contracts both as a lessor and lessee. However, the standard has no significant impact on the Parent Company's financial position or performance because there are no significant changes in the accounting treatment of leases when a party is the lessor. As a lessee, the Parent Company applied the short-term leases exemption to lease with lease term that ends within 12 months of the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity make about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

The Parent Company has applied IFRIC 23 using the retrospective approach. It did not restate the comparative information as permitted by the specific transitional provision.

Based on its assessment, the Parent Company has no material uncertain tax treatments. Accordingly, the adoption of the interpretation has no significant impact on the financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
 - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the statement of assets, liabilities and fund balances based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash represents cash on hand and in banks. Cash equivalents are short-term, highly liquid placements or deposits that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value.

Financial Instruments

Financial Assets

The Parent Company recognizes a financial asset in the statement of assets, liabilities and fund balances when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Receivables are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Parent Company's financial assets as of December 31, 2019 and 2018 are of the nature of financial assets at amortized cost, financial assets at FVTPL and financial assets at FVOCI.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Parent Company. The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost include Cash and cash equivalents, Receivables, Investments in government securities and corporate bonds.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Parent Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation and Disclosure* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized under 'Investment income' in the statement of comprehensive income when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company elected to classify irrevocably its listed preferred stocks and unquoted equity investments under this category which are included in the "Investments" account.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statements of assets, liabilities and fund balances at fair value with net changes in fair value recognized in profit or loss in the statement of comprehensive income.

This category includes listed common stocks and investment in funds which the Parent Company had not irrevocably elected to classify at FVOCI. Dividends on listed common stocks are recognized as dividend income in the statement of comprehensive income when the right of payment has been established.

Impairment of financial assets

The Parent Company recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss

allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Parent Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off or a provision is recognized when there is no reasonable expectation of recovering the contractual cash flows.

For other debt financial instruments e.g. cash and cash equivalents, government securities, and corporate bonds, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Parent Company uses the ratings from Standard & Poor's to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Parent Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL and other financial liabilities at amortized cost. The initial measurement of financial liabilities, except for designated at FVTPL, includes transaction costs.

As of December 31, 2019 and 2018, the financial liabilities of the Parent Company are classified as other financial liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations.

Other financial liabilities are initially recognized at the fair value of the consideration received, less directly attributable transaction costs.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy relates to the Parent Company's Accounts payable and accrued expenses and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset or in equity. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of assets, liabilities and fund balances if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Derecognition of Financial Instruments

Financial asset

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through' arrangement; or
- the Parent Company has transferred its right to receive cash flows from the asset and either; (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Parent Company has transferred its right to receive cash flows from an asset but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Fair Value Measurements

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Parent Company.

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 Parent Company 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Parent Company 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 Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Other Current Assets

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods or services exceeds VAT passed on from purchases of goods or services (Input VAT), the excess is recognized as payable in the parent company statement of assets, liabilities and fund balances to the extent of the recoverable amount.

Prepaid expenses

Prepayments are expenses paid in advance and recorded as asset before they are utilized.

Prepayments that are expected to be realized for not more than twelve months after the balance sheet date are classified as current assets; otherwise these are classified as other noncurrent assets.

Property and Equipment

Property and equipment, except land and building and improvements, are carried at cost less accumulated depreciation and any impairment in value. Land and building and improvements are stated at appraised value. The appraisal values were determined by qualified and independent professional appraisers. The revaluation increment resulting from revaluation is credited to 'Revaluation increment on land and building and improvements' under other comprehensive income in unrestricted funds, net of deferred tax liability.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of 'Property and equipment' account only when it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged against the statement of comprehensive income as incurred.

Depreciation of property and equipment commence once the property and equipment are available for use and are computed using the straight-line method over the estimated useful lives (EULs) of the assets, regardless of utilization. The categories of property and equipment and related EUL are as follows:

<u>Category</u>	<u>Number of Years</u>
Building and improvements	10-25
Office furniture, fixtures and equipment	3-5
Transportation equipment	5

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the parent company statement of comprehensive income, when the asset is derecognized.

The methods of depreciation and amortization, EULs and residual values of property and equipment are reviewed annually and adjusted prospectively, if appropriate.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to the parent company statement of comprehensive income.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax (DST) that are for the account of the Parent Company. Subsequent to initial recognition, investment properties are stated at fair value, which reflects prevailing market conditions at the statement of assets, liabilities and fund balances date. Gains or losses from changes in the fair values of investment properties are recognized in the statement of comprehensive income under 'Fair value gain on investment properties' in the period in which they arise.

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. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property carried at fair value to owner-occupied property, the asset's deemed cost for subsequent accounting is its fair value at the date of change in use. For transfers from owner-occupied property to investment property under the fair value model, the related properties are accounted for under property and equipment up to the time of change in use. At that date, any difference between carrying amount of the property and the fair value is to be treated the same way as a revaluation and be recognized in other comprehensive income and accumulated in unrestricted funds.

The revaluation increment included in unrestricted funds in respect of an item of investment property may be transferred directly to cumulative excess of revenues over expenses when the asset is derecognized. This may involve transferring the whole amount of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the increment transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of retirement or disposal.

Investment in a Subsidiary

Peace Equity Holdings, Inc. (PEHI) is a wholly-owned subsidiary of the Parent Company.

A subsidiary is an entity in which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- Power over investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Investment in PEHI is accounted for under cost method less any impairment in value. Under the cost method of accounting, the Parent Company recognizes income when its right to receive the dividends is established.

Impairment of Nonfinancial Assets

The Parent Company's nonfinancial assets include Property and equipment, Investment properties, Investment in a subsidiary and certain items under Other current assets and Other noncurrent assets. The Parent Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal (FVLCD) and its value-in-use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. In assuming VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Parent Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Parent Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine that asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount that does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Retirement Plan Asset

The Parent Company has retirement plan assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information.

Remeasurements comprising losses and return on retirement plan assets are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Parent Company's Retirement plan asset is included in the other noncurrent assets.

Fund Balances

Fund balances represent contributions made by the members of the Parent Company, including endowment fund, upon incorporation. The member's contribution is not available for distribution.

Cumulative excess of revenues over expenses includes all current and prior period results as disclosed in the Parent Company statement of comprehensive income.

Remeasurement gains (losses) on defined benefit plan comprise actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are included in the fund balances every reporting period.

Restricted fund

The fund account is used only in accordance with a donor's or grantor's specifications. Included in this account is the provision for inflation computed at 3% per year based on the beginning balance of the restricted fund balance. However, the provision for inflation in 2018 was deferred until investments show considerably improved investment income.

Unrestricted fund

The fund account pertains to all resources of the Parent Company which are not subject to outside restrictions and is used for day-to-day operations.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

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

Interest income

Interest income on loans and receivables, bank deposits and debt instruments under financial assets at FVOCI are recognized as it accrues using the EIR method.

Dividends

Dividends on listed common and preferred stocks are recognized when the right of payment has been established.

Trading gains

Trading gains are income from sale of financial assets at FVTPL which is recognized when earned.

Other income

Other income is recognized when earned.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in fund balances. Expenses are generally recognized when the services are used or the expenses arise.

Project expenses

Project expenses consist of the following accounts: project development, monitoring and evaluation, project compliance audit, technical assistance provided by the Parent Company to partners or proponents, product and market trade promotions, research and publications, and personnel and administrative cost of operations group, among others.

Grant expenses

Grant expenses pertain to the approved grants awarded to partners/proponents for institutional support, capability building and relief assistance during natural calamities.

General and administrative expenses

Expenses incurred in the direction and general administration of day-to-day operations of the Parent Company and are generally recognized when the services are used or the expenses arise.

Foreign Currency Transactions

Transactions in foreign currencies are recorded in peso using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange prevailing as of financial reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as of the dates of the initial transactions. Exchange gains or losses arising from foreign currency-denominated transactions are credited to or charged against current operations.

Income Taxes

Current tax

Current tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the financial reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced 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 to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date.

Deferred tax relating to items recognized in OCI is recognized in OCI.

The tax expense shown in the parent company statements of comprehensive income in 2019 and 2018 pertains to final taxes withheld from investment and interest income on the Parent Company's bank accounts, short-term placements, financial assets at FVTPL and investments.

Provisions and Contingencies

Provisions are recognized when the parent company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Parent Company expects a 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. 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 assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in statement of comprehensive income.

Contingent liabilities are not recognized in the statement of assets, liabilities and fund balances but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but disclosed in the notes to financial statements when an inflow of economic benefits is probable. If it is virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events after the Reporting Date

Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting event) 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.

5. Significant Accounting Judgment and Estimates

The parent company financial statements prepared in accordance with PFRSs require management to make judgment, estimates and assumptions that affect the amounts reported in the parent company financial statements and related notes. The judgment, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results could differ from such estimates.

Judgment 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 the circumstances.

The following presents a summary of these significant accounting judgments and estimates:

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Parent Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Parent Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Parent Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating expected credit losses of financial assets at amortized cost

The Parent Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of tenants. The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company will calibrate the matrix to

adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking credit impaired estimates are analyzed.

The Parent Company applies low credit risk simplification for cash and cash equivalents and other debt securities. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The balances of receivables and allowance for expected credit losses as of December 31, 2019 and 2018 are disclosed in Note 7.

Estimating realizability of deferred tax assets

The Parent Company reviews the carrying amounts of deferred tax assets at financial reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of the deferred tax assets to be utilized.

The Parent Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on forecasted taxable income. This forecast is based on the Parent Company's past results and future expectations on revenues and expenses. However, there is no assurance that the Parent Company will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilized in the future.

The Parent Company did not recognize deferred tax assets on carry forward benefit of unused NOLCO and other deductible temporary differences amounting to ₱229.69 million and ₱213.16 million as of December 31, 2019 and 2018, respectively, as the management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized in the future (Note 23).

6. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	₱78,378	₱77,162
Undeposited collections	827,230	1,957,178
Cash in banks	36,437,603	13,038,489
Cash in fund managers	10,309,901	57,501,215
Cash equivalents	6,629,144	2,982,091
	₱54,282,256	₱75,556,135

Cash on hand pertains to revolving fund and petty cash fund.

Cash in banks include donor-restricted funds amounting to ₱26.79 million and ₱11.08 million as of December 31, 2019 and 2018, respectively.

Cash equivalents are highly liquid investments that are made for varying periods up to three (3) months depending on the immediate cash requirements of the Parent Company. Cash in banks and fund managers generally earn interest at rates ranging from 0.13% to 6.00% and 0.25% to 6.90% in 2019 and 2018, respectively.

Interest income from cash in banks and fund managers amounted to ₱0.65 million and ₱0.62 million in 2019 and 2018, respectively.

7. Receivables

This account consists of:

	2019	2018
Current:		
Advances to project proponents	₱168,387,860	₱162,704,647
Accrued interest from advances to proponents	8,418,208	4,767,669
Receivable from proponents	2,144,000	5,144,000
Receivables under fund managers	6,615,805	4,964,285
Dividend receivable	2,147,179	1,247,758
Due from PEHI (Note 22)	4,217	173,231
Others	832,484	8,515,466
	188,549,753	187,517,056
Less allowance for credit losses	61,051,365	52,400,081
	127,498,388	135,116,975
Noncurrent advances to project proponents	38,164,841	70,995,990
Less allowance for credit losses	1,675,776	5,166,869
	36,489,065	65,829,121
	₱163,987,453	₱200,946,096

Advances to project proponents represent cash released to project proponents subject to repayment for social enterprise, micro-finance, agricultural development, housing and proactive projects. These advances earn annual interest rates ranging from 6% to 10% for both 2019 and 2018 to cover administrative costs of servicing the projects except for soft loans, which earn 3% interest annually. Financial advances extended to micro-enterprise, housing and other projects involving acquisition of assets are secured with real and chattel mortgages and/or joint security.

Receivable from proponents pertains to receivable from CODE-NGO and Siargao Bank, Inc.

Others pertain to receivable from service contractors and advances to officers and staff.

Interest income on advances to proponents amounted to ₱7.41 million and ₱7.44 million in 2019 and 2018, respectively.

All of the Parent Company's receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and provisions have been recorded accordingly. The impaired receivables are mostly due from partner organizations that experienced defaults of loan payments from their clients.

Movements in the allowance for expected credit losses on receivables are as follows:

	2019		
	Current	Noncurrent	Total
Balances at beginning of the year	₱52,400,081	₱5,166,869	₱57,566,950
Transfer from non-current to current	4,810,662	(4,810,662)	-
Provisions	7,317,425	1,325,569	8,642,994
Reversals	(3,476,803)	(6,000)	(3,482,803)
Balances at end of year	₱61,051,365	₱1,675,776	₱62,727,141

	2018		
	Current	Noncurrent	Total
Balances at beginning of the year	₱58,342,919	₱3,654,999	₱61,997,918
Provisions	3,736,331	1,511,870	5,248,201
Reversals	(9,679,169)	-	(9,679,169)
Balances at end of year	₱52,400,081	₱5,166,869	₱57,566,950

The amount of expected credit losses on receivables in the parent company statements of comprehensive income is determined as follows:

	2019	2018
Provisions	₱8,642,994	₱5,248,201
Less amounts closed to CBRED	-	362,499
	8,642,994	4,885,702
Reversals	(3,482,803)	(9,679,169)
Less amounts closed to CBRED	(475,000)	(90,000)
	(3,007,803)	(9,589,169)
Provision for ECLs (recovery of doubtful accounts) on receivables	₱5,635,191	(₱4,703,467)

* CBRED - Capacity Building to Remove Barriers to Renewable Energy Development in the Philippines

The reversal and expected credit losses closed to CBRED are excluded from the determination of provision for and reversal of impairment losses in the parent company statements of comprehensive income since these are presented net of funds held in trust account (Note 16).

8. Financial Assets at Fair Value Through Profit or Loss (FVTPL)

This account consists of:

	2019	2018
Listed common stocks	₱618,947,129	₱767,141,206
Investment in funds		
Mutual funds	47,680,488	57,095,209
Unit investment trust fund (UITF)	16,489,959	69,476,730
	₱683,117,576	₱893,713,145

Equity securities consist of investment in companies listed in the Philippine Stock Exchange (PSE).

In 2019 and 2018, the Parent Company recognized changes in fair value of financial assets at FVTPL in the statements of comprehensive income amounting to ₱48.22 million and ₱98.78 million loss, respectively.

9. Other Current Assets

This account consists of:

	2019	2018
Prepaid expenses	₱1,030,164	₱1,018,226
Input VAT	1,646,698	1,160,099
Others	22,502	22,502
	₱2,699,364	₱2,200,827

Input VAT pertains to input tax from supplier of goods and services. As of December 31, 2019 and 2018, the output VAT has been fully offset against input VAT which resulted to net input VAT position amounting to ₱1.65 million and ₱1.16 million, respectively. Input VAT is recoverable in future periods.

10. Investments

This account consists of:

	2019	2018
Investments in debt instruments	₱650,141,394	₱518,238,380
Financial assets at FVOCI	360,761,734	305,937,886
	₱1,010,903,128	₱824,176,266

These investments are managed by various financial institutions primarily investment grade banks.

a. Debt investments

	2019	2018
Corporate bonds	₱450,407,241	₱305,108,791
Government securities	199,734,153	213,129,589
	₱650,141,394	₱518,238,380

Corporate bonds include those issued by holding companies, property, utilities and telecommunication companies. These bonds earn annual interest rates ranging from 3.70% to 7.82% and 3.87% to 6.94% in 2019 and 2018, respectively.

Government securities include Republic of the Philippines (ROP) bonds and fixed-rate treasury notes earn annual interest rates ranging from 3.38% to 8.13% and 3.25% to 8.13% in 2019 and 2018, respectively.

Interest income earned from investment in debt instruments amounted to ₱39.98 million and ₱24.64 million in 2019 and 2018, respectively.

b. *Financial assets at FVOCI*

	2019	2018
Preferred shares	₱326,930,783	₱281,116,056
Unquoted equity shares	33,830,951	24,821,830
	₱360,761,734	₱305,937,886

These investments were irrevocably elected to be classified and measured as equity instruments designated at FVOCI.

Rollforward on the investment accounts, including financial assets at FVTPL (Note 8) follows:

	2019	2018
Balances at beginning of year	₱1,717,889,411	₱1,804,776,381
Unrealized valuation losses - net	(49,365,188)	(105,979,882)
Contributions/deposits	213,313,325	235,121,836
Realized investments gains - net	114,490,967	51,144,220
Foreign exchange losses - net	(10,581,422)	(4,540,457)
Disposals/withdrawals	(291,726,389)	(262,632,687)
	₱1,694,020,704	₱1,717,889,411

Details of the income earned from the investments, gross of final taxes and expenses, follow:

	2019	2018
Dividends	₱33,633,514	₱33,422,637
Interest	39,981,176	24,636,222
Trading gains	50,050,217	2,858,494
	₱123,664,907	₱60,917,353

Investment related expenses pertain to the payment to fund managers for an annual service fee of 0.25% for discretionary account and 0.13% for discretionary account based on the average market value of the fund, and other transaction costs. Trustee fees amounted to ₱3.21 million and ₱4.29 million in 2019 and 2018, respectively. Other investment related expenses recognized under 'Others' in the statements of comprehensive income amounted to ₱1.60 million and ₱1.40 million in 2019 and 2018, respectively.

11. Property and Equipment

The rollforward analysis of property and equipment carried at cost follows:

	2019		
	Office furniture fixtures and equipment	Transportation equipment	Total
Cost:			
Balances at beginning of year	₱6,239,281	₱3,541,671	₱9,780,952
Additions	390,087	1,310,878	1,700,965
Disposals	(19,467)	(737,206)	(756,673)
Balances at end of year	6,609,901	4,115,343	10,725,244

(Forward)

2019			
	Office furniture fixtures and equipment	Transportation equipment	Total
Accumulated depreciation and amortization:			
Balances at beginning of year	₱5,045,969	₱2,406,693	₱7,452,662
Depreciation and amortization	551,031	566,620	1,117,651
Disposals	(19,467)	(626,525)	(645,992)
Balances at end of year	5,577,533	2,346,788	7,924,321
Net book values	₱1,032,368	₱1,768,555	₱2,800,923

2018			
	Office furniture fixtures and equipment	Transportation equipment	Total
Cost:			
Balances at beginning of year	₱5,581,605	₱2,738,100	₱8,319,705
Additions	748,750	803,571	1,552,321
Disposals	(91,074)	-	(91,074)
Balances at end of year	6,239,281	3,541,671	9,780,952
Accumulated depreciation and amortization:			
Balances at beginning of year	4,135,480	1,949,149	6,084,629
Depreciation and amortization	1,001,559	457,544	1,459,103
Disposals	(91,070)	-	(91,070)
Balances at end of year	5,045,969	2,406,693	7,452,662
Net book values	₱1,193,312	₱1,134,978	₱2,328,290

On January 1, 2018, the Parent Company applied the revaluation model in accounting for land and building and improvements. The fair value was determined by an independent real estate appraiser by using the Market Approach. In this approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishing of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. Land and building and improvements were last appraised in 2018.

A deferred tax liability equal to 30% corporate income tax was provided based on the fair value adjustments of land and building. The deferred tax liability amounted to ₱17.42 million and ₱17.55 million in 2019 and 2018, respectively (Note 23).

As of December 31, 2019 and 2018, details of the land and building and improvements carried at appraised value follow:

	2019		
	Land	Building and improvements	Total
Cost:			
Balances at beginning and end of year	₱70,830,000	₱94,361,254	165,191,254
Accumulated depreciation:			
Balances at beginning of year	–	83,941,119	83,941,119
Depreciation	–	588,964	588,964
Balances at end of year	–	84,530,083	84,530,083
Net book values	₱70,830,000	₱9,831,171	₱80,661,171

	2018		
	Land	Building and improvements	Total
Cost:			
Balances at beginning of year	₱70,830,000	₱102,034,049	₱172,864,049
Additions	–	46,495	46,495
Transfers (Note 12)	–	(7,719,290)	(7,719,290)
Balances at end of year	70,830,000	94,361,254	165,191,254
Accumulated depreciation:			
Balances at beginning of year	–	82,840,546	82,840,546
Depreciation	–	8,819,863	8,819,863
Transfers	–	(7,719,290)	(7,719,290)
Balances at end of year	–	83,941,119	83,941,119
Net book values	₱70,830,000	₱10,420,135	₱81,250,135

Had the land and building and improvements been accounted using the cost model, the carrying amounts would be as follows:

	Land	Building and improvements	Total
Cost	₱22,124,434	₱17,059,705	₱39,184,139
Accumulated depreciation	–	16,060,116	16,060,116
Net book value	₱22,124,434	₱999,589	₱23,124,023

In 2019, the Parent Company sold for total proceed of ₱0.40 million, a property and equipment with net book value amounting to ₱0.11 million which resulted to gain on sale amounting to ₱0.29 million. In 2018, the Parent Company sold for total proceeds of ₱1,400, a property and equipment with net book value amounting to ₱4 which resulted to a gain on sale amounting to ₱1,396 (Note 20).

In 2018, the management has decided to lease out one of the Company's condominium office space located in Cebu City which has resulted to transfer from property and equipment to investment property. Upon transfer, the fair value and the new carrying amount of the property at the date of transfer amounting to ₱7.72 million was recognized as revaluation increment, net of tax (Note 12).

There are no property and equipment items that are pledged as security to liabilities as of December 31, 2019 and 2018.

12. Investment Properties

The investment properties include parcels of land foreclosed by the Parent Company in the event the borrower was unable to settle their loans. The properties are part of the real estate investment portfolio of the Parent Company. The fair value model in accounting is applied for investment properties.

The following are the Parent Company's investment properties fair values as of December 31, 2019 and 2018:

	2019		
	Land	Buildings	Total
Balances at beginning of year	₱29,295,416	₱7,719,290	₱37,014,706
Changes in market value recognized in profit of loss	1,851,439	1,506,710	3,358,149
Transfers	(357,855)	–	(357,855)
Disposal	(945,000)	–	(945,000)
Balances at end of year	₱29,844,000	₱9,226,000	₱39,070,000

	2018		
	Land	Buildings	Total
Balances at beginning of year	₱26,515,108	₱–	₱26,515,108
Changes in market value recognized in profit of loss	2,719,000	–	2,719,000
Transfers (Note 11)	–	7,719,290	7,719,290
Disposal	(179,993)	–	(179,993)
Reversal	241,301	–	241,301
Balances at end of year	₱29,295,416	₱7,719,290	₱37,014,706

The fair value was determined by an independent real estate appraiser by using the Market Approach. In this approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishing of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. Land and buildings were last appraised in November 2019 and January 2020.

In 2018, a condominium office space was transferred from property and equipment (Note 12) to investment properties. This property will form part of the real estate investment portfolio of the Parent Company.

In 2019 and 2018, the Parent Company sold a total of six lots of land located in Sultan Kudarat which resulted in gain of ₱105,000 and ₱30,000, respectively (Note 20).

Had the investment properties been accounted using the cost model, the Parent Company's investment properties as of December 31, 2019 and 2018 would have been ₱11.89 million and ₱12.54 million. Parent Company's net income in 2019 and 2018 would have decreased by ₱3.36 million and ₱2.56 million.

Deferred tax liability equal to 6% capital gains tax was provided based on the fair values of the investment properties. The deferred tax liability amounted to ₱2.34 million and ₱2.22 million in 2019 and 2018, respectively (Note 23).

13. Investment in a Subsidiary

PEHI is a wholly owned subsidiary of the Parent Company and was incorporated in 2013 with an investment of ₱125.00 million. PEHI was registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 2013 primarily to invest, purchase, own, hold in financially viable, primarily development-oriented social enterprises that have proven and/or offer innovative and high impact solutions to problems of poverty reduction such as enterprises on climate smart and sustainable agriculture, sustainable forestry, coastal resource management, eco-tourism, small and medium industries, alternative and renewable energy, information and communication technology and basic services and other similar endeavors, without engaging in business as an investment company, financing company or lending investor, broker and dealer of securities.

Financial information of the Parent Company's subsidiary in 2019 and 2018 are as follows:

	2019	2018
Total assets	₱109,424,796	₱113,298,836
Total liabilities	275,543	433,196
Net loss	(3,671,766)	(12,745,365)

Investment in PEHI is accounted for under the cost method of accounting.

14. Accounts Payable and Accrued Expenses

This account consists of:

	2019	2018
Accounts payable	₱29,879,965	₱12,858,982
Accrued expenses	9,011,353	6,273,786
Unearned income from advances to proponents	4,431,268	5,890,923
	₱43,322,586	₱25,023,691

Accounts payable are noninterest-bearing and are normally settled within 30 to 90 days.

Accrued expenses include utility billings, audit and other professional fees.

Unearned income from advances to proponents pertains to a portion of interest earned from advances to proponents that will be earned upon collection.

15. Grants Payable

Grants payable represents unreleased and committed grants to project proponents and will be released upon compliance with the conditions set forth in the project agreement. Grant expenses recognized in the parent company statements in comprehensive income amounted to ₱25.10 million and ₱20.02 million in 2019 and 2018, respectively.

Details of the rollforward of grants payable follow:

	2019	2018
Beginning	₱11,055,113	₱22,300,544
Accruals	26,747,073	11,832,415
Reversals	(1,643,038)	(9,969,257)
Final release	(17,066,864)	(13,108,589)
	₱19,092,284	₱11,055,113

16. Funds Held in Trust

This account consists of funds from the following trustors:

	2019	2018
Department of Energy (DOE) and United Nation Development Program (UNDP) - CBRED Project	₱11,719,588	₱35,555,188
Stitching Rabobank Foundation	3,605,917	6,219,495
European Union - Solares Project	2,337,592	-
Philips Electronics & Lightning Inc.	1,250,000	1,250,000
BPI Foundation - Sinag Project	444,013	444,013
BPI Foundation	194,668	194,668
Catholic Organization for Relief and Development Agency for International Development (CORDAID) - Cutflower Project	91,645	91,645
Coca-Cola Foundation	-	278,863
CODE - NGO	-	56,014,618
	₱19,643,423	₱100,048,490

The details of the funds follow:

DOE and UNDP - CBRED Project

In October 2006, the Parent Company was awarded a grant amounting to \$535,500 by the Global Environment Facility through UNDP and DOE for the CBRED project. Such grant shall be used to fund micro-finance intermediaries for re-lending to small-scale projects focusing on expanding renewable energy. The proceeds have been invested as part of the financial assets account under BPI. In 2019, the Parent Company returned ₱25.58 million in compliance with end-of-project requirements.

The rollforward analysis of this fund as follows:

	2019	2018
Balances at beginning of year	₱35,555,188	₱34,451,304
Return of funds	(25,583,247)	-
Net profit	1,747,647	1,103,884
	₱11,719,588	₱35,555,188

Stitching Rabobank Foundation

The Parent Company arranged a co-financing facility with Stitching Rabobank Foundation in the amount ₱20.00 million. The funds will be extended to a Social Enterprise organization in the sugarcane sector. In 2017, the Parent Company received funds amounting to ₱8.16 million. The rollforward analysis of this fund as follows:

	2019	2018
Balances at beginning of year	₱6,219,495	₱8,162,327
Return of funds	(2,613,578)	(1,942,832)
	₱3,605,917	₱6,219,495

European Union - Solares Project

In 2019, the Parent Company, Mahintana Foundation, Inc. and European Union undertook a 36-month project that seeks to improve the energy security and poverty situation of the off-grid rural communities in Mindanao. The European Union financed grant amounting to €4,000,000 shall be used to increase access of at least 5,000 off-grid households in Region 12 and ARMM to renewable energy-based electricity, livelihood and financing opportunities. The Parent Company and Mahintana Foundation, Inc. have counterpart funding of ₱40,000,000 and ₱15,000,000, respectively.

	2019	2018
Amount received	₱3,966,850	-
Expenses	(1,629,258)	-
	₱2,337,592	₱-

Philips Electronic & Lightning Inc.

The Parent Company collaborated with Philips Electronic & Lightning Inc. in the setting-up, management, and operation of five healthcare clinics. The objective of the joint project is to be able to reach out to communities and settlements without, or with limited, access to basic and effective medical care and provide them such care at affordable and reasonable cost. For this purpose, Philips donated ₱5.00 million in 2016. The rollforward analysis of this fund follows:

	2019	2018
Balances at beginning of year	₱1,250,000	₱1,600,000
Expenses	-	(350,000)
	₱1,250,000	₱1,250,000

BPI Foundation - Sinag Project

In 2016, the Parent Company and BPI Foundation entered into a partnership, the Sinag Project. The project aims to support enterprises that seek to contribute social and economic solution particularly in the agricultural sector. The project will capacitate and grow 30 enterprises in 3 years to become viable businesses and achieve financial sustainability. To support the implementation of this project, both parties will establish a sustainable management and financing facility amounting to ₱10.00 million or ₱5.00 million each from the Parent Company and BPI Foundation. The balance of funds as of December 31, 2019 and 2018 amounted to ₱0.44 million.

BPI Foundation

The Parent Company was awarded a total grant amounting to ₱2.00 million by the Bank of the Philippine Islands Foundation, Inc. Such grant shall be used to develop partnerships among indigenous communities via a social enterprise approach. Releases of the funds are in tranches subject to the submission of accomplishment reports. The balance of funds as of December 31, 2019 and 2018 amounted to ₱0.19 million.

CORDAID - Cut Flower Project

In 2015, the Parent Company received a grant from CORDAID amounting to €20,000. The project aims to support the cut flower industry at Benguet, Philippines. The balance of funds as of December 31, 2019 and 2018 amounted to ₱0.09 million.

Coca-Cola Foundation

The Parent Company and Coca-cola Foundation agreed to cooperate and undertake a joint project on scaling up program for Social Enterprises for water services (Agos-Scale Up Water) that would lead to the development and expansion of potable water services. The Coca-cola Foundation funding support is in the amount of \$218,817 which shall be used for development of source of potable water, construction and repair of water tanks and reservoirs, laying of new pipelines and repair of leaks of selected communities in the Philippines and shall not be used for any other purpose. In 2019, the project was completed. The rollforward analysis of this fund as follows:

	2019	2018
Balances at beginning of year	₱278,863	₱4,708,676
Expenses	(278,863)	(4,429,813)
	₱-	₱278,863

CODE - NGO

In 2016, the Parent Company acted as fund manager of CODE - NGO. The fund entrusted to the Parent Company is invested in financial securities under a discretionary mandate. The fund is valued at its fair value at the end of financial reporting period after consideration of contributions and withdrawals from the fund. In 2019, CODE-NGO fully withdrew the fund (Note 1). The rollforward analysis of this fund follows:

	2019	2018
Balances at beginning of year	₱56,014,618	₱68,573,521
Share in investment income unrealized changes in market	1,523,791	(2,558,903)
Withdrawals	(57,538,409)	(10,000,000)
	₱-	₱56,014,618

17. Project Expenses

This account consists of:

	2019	2018
Project development, monitoring and evaluation (PDME)	₱26,059,160	₱23,587,171
Knowledge management	8,762,861	7,950,079
Project support	2,856,111	4,256,949
Institutional support	2,307,953	2,357,778
Advocacy and communications	906,113	1,078,689
	₱40,892,198	₱39,230,666

PDME, CORDAID and CBRED related expenses are summarized below:

	2019	2018
Personnel expenses (Note 19)	₱18,738,679	₱16,870,308
Project monitoring	4,686,907	3,672,108
Project audit	1,172,175	1,309,631
Supplies, services and other operating costs	628,999	490,127
Project appraisals	582,630	630,261
Pre and post project meetings and workshops	185,037	497,544
Outside services	35,782	61,555
Project evaluation and documentation	-	26,810
Others	28,951	28,827
	₱26,059,160	₱23,587,171

Knowledge management expenses are summarized below:

	2019	2018
Personnel expenses (Note 19)	₱6,367,616	₱6,005,733
Subscriptions	810,276	751,479
Knowledge management	539,755	163,782
Strategy review	511,472	69,750
Supplies, services and other operating costs	323,271	296,014
Research and publication	106,770	271,893
SE conference and learning events	103,701	391,428
	₱8,762,861	₱7,950,079

Institutional support includes staff learning and development and organizational development costs. Project support expenses include expenses for projects capability building. Advocacy and communications include media coverage, press briefing and publicity promotions.

18. General and Administrative Expenses

This account consists of:

	2019	2018
Personnel expense (Note 19)	₱12,286,252	₱11,327,339
Outside services	2,232,422	2,187,586
Meetings	1,779,522	1,747,800
Legal fee	647,174	574,320
Office supplies	551,445	468,573
Utilities	453,947	587,327
Transportation and travel	297,495	196,738
Repairs and maintenance	281,959	482,319
Communications	152,063	157,375
Taxes and licenses	135,149	419,793
Association dues and membership fees	82,184	60,433
Recruitment and advertising	40,598	43,269
Representation	9,970	7,174
Others	296,329	236,322
	₱19,246,509	₱18,496,368

19. Personnel Expenses

This account consists of:

	2019	2018
Salaries and wages	₱24,454,392	₱23,766,173
De minimis benefits	3,913,146	3,813,101
Social security costs	2,494,983	2,337,815
Completion pay	3,469,768	2,057,350
Bonuses	2,633,856	2,043,463
Compensated absences	426,402	185,478
	₱37,392,547	₱34,203,380

Allocation of personnel expenses to project expenses and general and administrative follow:

	2019	2018
Project expenses (Note 17)	₱25,106,295	₱22,876,041
General and administrative expenses (Note 18)	12,286,252	11,327,339
	₱37,392,547	₱34,203,380

Compensation of identified key management personnel of the Parent Company are as follows:

	2019	2018
Salaries and wages	₱9,698,400	₱9,271,106
Employee benefits	1,898,694	1,691,197
	₱11,597,094	₱10,962,303

20. Other Income

This account consists of other income from the following sources:

	2019	2018
Gain on reversal of payables	₱1,021,629	₱-
Gain on sale of property and equipment (Note 11)	289,619	1,396
Gain on sale of investment property (Note 12)	105,000	30,000
Service fee from advances to proponents	47,929	35,252
Others	92,918	352,644
	₱1,557,095	₱419,292

Others pertain to rental income and interest income from loans of employees being managed by NEC Multi-Purpose Cooperative.

21. Retirement Benefit Costs

Retirement benefits are based on the employee's year of service and compensation level during their employment period. The funds are administered by a Retirement Plan Trustee. The Retirement Plan Trustee is responsible for the investing decisions of the Plan and defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants.

Under the existing regulatory framework, RA No. 7641 requires a 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 Parent Company's defined benefit pension plan is funded by the Parent Company. The Parent Company is not required to pre-fund the future defined benefits payable under the Plan before they become due. For this reason, the amount and timing of contributions to the Plan are at the Parent Company's discretion. However, in the event a benefit claim arise and the Plan is insufficient to pay the claim, the shortfall will then be due and payable from the Parent Company to the Plan.

The following tables summarize the components of net retirement benefit income recognized in the Parent Company statements of comprehensive income and the funded status and amounts recognized in the Parent Company's statements of financial position.

Net retirement benefit income recognized in profit or loss amounted to nil in 2019 and 2018.

Remeasurement on net retirement benefit asset to be recognized in OCI amounted to ₱0.03 million gain in 2019 and ₱0.04 million loss in 2018.

Net retirement benefit asset shown under 'Other noncurrent assets' as of December 31, 2019 and 2018 amounted to ₱2.33 million and ₱2.07 million, respectively:

Changes in the fair value of plan asset are as follows:

	2019	2018
Balances at beginning of year	₱2,067,677	₱2,111,926
Total amount recognized in OCI	257,354	(44,249)
Balances at end of year	₱2,325,031	₱2,067,677

The fair value of plan asset by each class are as follows:

	2019	2018
Cash and cash equivalents	₱1,268	₱1,769
Equity instruments - financial institution	2,323,763	2,065,908
	₱2,325,031	₱2,067,677

All equity instruments held have quoted prices in active market. The plan assets have diverse investments and do not have any concentration risk.

22. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, 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.

The Parent Company's related party transactions primarily represent reimbursable expenses made by PEHI. In 2018, the Parent Company entered into a 3-year term management agreement with PEHI which involves management of the loans extended by the Parent Company to identified social enterprises.

Category	2019			
	Amount	Due from (to)	Terms	Conditions
Subsidiary:				
Peace and Equity Holdings, Inc.(PEHI)				
a. Utilities, meeting ang various expenses (Note 7)	₱103,680	₱4,217	On demand, noninterest bearing	Unsecured, not impaired
b. Management fee expense	631,378	(707,143)	On demand, noninterest bearing	Unsecured, not impaired
Category	2018			
	Amount	Due from (to)	Terms	Conditions
Subsidiary:				
Peace and Equity Holdings, Inc.(PEHI)				
a. Utilities, meeting ang various expenses (Note 7)	₱173,231	₱173,231	On demand, noninterest bearing	Unsecured, not impaired
b. Management fee expense	578,763	(648,214)	On demand, noninterest bearing	Unsecured, not impaired

Financial and administrative functions of PEHI are being handled by the employees of the Parent Company.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest-free if paid when due, otherwise, interest bearing, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company has not recognized any ECLs or impairment losses on amounts receivables from related parties for the years ended December 31, 2019 and 2018. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

23. Income Taxes

The Parent Company is a non-stock, nonprofit private foundation, organized and operated exclusively for providing financial, managerial, technical assistance to proponents of poverty alleviation and development projects. It is exempt from income tax pursuant to Section 30 of the Tax Reform Act of 1997 or RA No. 8424. However, income derived from its properties, real or personal, or from any of its activities conducted for profit regardless of the disposition made of such income, is subject to tax.

On December 23, 2004, the Bureau of Internal Revenue (BIR) issued to the Parent Company a five-year certificate of registration in accordance with Revenue Regulations No. 13-98. This certification allows the Parent Company certain incentives such as: (a) full or limited deduction by the donors of their donation, grants, and contributions pursuant to Section 34(H) of the Tax Code; and, (b) exemption from donor's tax pursuant to Section 101 of RA No. 8424. The certification

issued by the BIR is subject to the representation and commitments set forth in the accreditation issued to the Parent Company by the Philippine Council for NGO Certification (PCNC) on October 27, 2004.

On January 22, 2008, BIR issued Revenue Memorandum Circular (RMC) No. 14-2008 which states that the above-mentioned Certificate of Accreditation issued by PCNC prior to November 15, 2007 will be valid only until March 31, 2008. Accordingly, holders of the said certificates are directed to renew their accreditation with the proper accrediting government entity on or before the said date. This circular was issued pursuant to Executive Order (EO) No. 671, as circularized under RMC No. 88-2007 which lists in detail the government agencies designated as accrediting entities that will certify and accredit charitable organizations as donee-institutions relative to the deductibility and exemption from donor's tax of contributions or gifts received by them pursuant to the Sections 34 and 101, respectively, of the Tax Code, as amended.

This order was repealed by EO No. 720, where PCNC has the function of accrediting donee institutions. Further, no corporations, associations, or NGO shall be processed by the PCNC unless it has secured a valid registration with the government agency that exercises regulatory functions over such corporation, association or NGO. On May 31, 2013, the PCNC issued to the Parent Company a five-year certification for donee institution status.

As of March 31, 2020, the Parent Company is waiting for the confirmation of certification from the BIR.

Furthermore, pursuant to Revenue Memorandum Order No. 20-2013 dated July 22, 2013, which prescribes the policies and guidelines in the issuance of tax exemption rulings to qualified nonstock, nonprofit corporations and associations under Section 30 of the National Internal Revenue Code of 1997, as amended, the Parent Company is currently in the process of revalidating its tax exemption certification with the BIR.

The tax expense shown in the Parent Company statements of comprehensive income in 2019 and 2018 pertains to final taxes withheld from investment and interest income on the Parent Company's bank accounts, short-term placements and debt financial assets.

There are no current provisions for regular corporate income tax in 2019 and 2018 due to the Parent Company's net taxable loss position.

The Parent Company has the following temporary differences and unused NOLCO, on which no deferred tax assets were recognized as the management believes that it is not probable that sufficient taxable income will be available in the future against which the benefit of these deferred tax assets can be utilized:

	2019	2018
NOLCO	₱156,426,077	₱165,092,986
Allowance for expected credit losses on receivables	62,727,141	57,566,950
Unrealized foreign exchange gains - net	10,540,186	(9,500,657)
	₱229,693,404	₱213,159,279

As of December 31, 2019, the amount of NOLCO still available for offset against future tax payable over a period of three (3) years from the year of inception are as follows:

Inception Year	Amount	Applied/ Expired	Balance	Expiry Year
2019	₱59,291,129	₱–	₱59,291,129	2022
2018	38,076,953	–	38,076,953	2021
2017	59,057,995	–	59,057,995	2020
2016	67,958,038	67,958,038	–	2019
	₱224,384,115	₱67,958,038	₱156,426,077	

The components of the Parent Company's deferred tax liabilities are as follows:

	2019	2018
<i>Item recognized in profit or loss</i>		
Investment properties	₱2,344,201	₱2,220,883
<i>Item recognized in other comprehensive income</i>		
Land, building and improvements	17,417,505	17,553,003
	₱19,761,706	₱19,773,886

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

	2019	2018
Provision for income tax at statutory tax rate of 30%	(₱5,854,173)	(₱31,852,727)
Additions to (reductions in) resulting from:		
Movements in unrecognized deferred tax assets	17,787,339	11,423,087
Nondeductible grant expenses	25,203,686	37,026,773
Nontaxable income	(31,500)	–
Interest income subject to final tax - others	(2,013)	(9,404)
Interest income on investment subject to final tax	(7,629,301)	(2,054,712)
Nontaxable dividend income and valuation gains	(25,105,119)	(10,428,489)
	₱4,368,919	₱4,104,528

24. Fair Value and Categories of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash in banks, receivables, accounts payable and accrued expenses* - carrying amounts approximate fair values due to short-term nature of these accounts.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value is observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below shows the Company's financial instruments carried at fair value hierarchy classification:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
2019	₱1,803,920,704	₱9,831,171	₱-	₱1,813,751,875
2018	1,825,734,147	10,420,135	-	1,836,154,282

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement in 2019 and 2018, respectively.

25. Financial Risk Management Objectives and Policies

The Company's principal financial assets comprise of cash and cash equivalents, short-term investments, loans and receivables and financial assets.

The normal course of the Company's business exposes it to a variety of financial risks such as credit risk, liquidity risk and equity price risk. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Equity Price Risk

Equity price risk is the risk of unfavorable changes in the fair values of equities as the result of changes in the levels of equity indices and the value of individual shares. The Company's equity price risk exposure at year-end relates principally to financial assets. The analysis below is performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index as of December 31, 2019 and 2018 with all other variables held constant showing the impact on equity that reflects adjustments on changes in fair value of financial assets.

Market Index	2019		2018	
	Change in variable	Effect on equity	Change in variable	Effect on equity
PSE	+14.70%	₱94,702,488	+3.14%	₱24,088,234
	-14.70%	(94,702,488)	-3.14%	(24,088,234)

Price interest risk

The Parent Company is exposed to the risks of changes in the value or future cash flows of its financial instruments due to its market risk exposures. The Parent Company's exposure to interest rate risk relates primarily to the Parent Company's financial assets at amortized cost.

Reasonably possible changes in interest rates	Change in loss before tax	
	2019	2018
+100 basis points (bps)	₱6,501,414	₱4,982,555
- 100 bps	(6,501,414)	(4,982,555)

Liquidity Risk

Liquidity risk is defined as the risk that the Parent Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Parent Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

The table below analyzes financial assets and liabilities of the Company into their relevant maturity groups based on the remaining period at the reporting dates to their expected repayment dates.

	2019				
	On demand	< 1 year	> 1 year	No term	Total
Financial assets:					
Cash	₱54,282,256	₱-	₱-	₱-	₱54,282,256
Receivables	-	127,498,388	36,489,065	-	163,987,453
Other financial assets	-	71,087,760	579,053,634	1,043,879,310	1,694,020,704
Refundable deposit	-	-	45,600	-	45,600
	₱54,282,256	₱198,586,148	₱615,588,299	₱1,043,879,310	1,912,336,013

Financial liabilities:					
Accounts payable and accrued expenses	₱-	₱43,322,586	₱-	₱-	₱43,322,586
Grants payable	-	19,092,284	-	-	19,092,284
Funds held in trust	-	19,643,423	-	-	19,643,423
	₱-	₱82,058,294	₱-	₱-	₱82,058,294

	2018				
	On demand	< 1 year	> 1 year	No term	Total
Financial assets:					
Cash	₱75,556,135	₱-	₱-	₱-	₱75,556,135
Receivables	-	135,116,975	65,829,121	-	200,946,096
Other financial assets	-	-	518,238,380	1,199,651,031	1,717,889,411
Refundable deposit	-	-	45,600	-	45,600
	₱75,556,135	₱135,116,975	₱584,113,101	₱1,199,651,031	₱1,994,437,242

Financial liabilities:					
Accounts payable and accrued expenses	₱-	₱25,023,691	₱-	₱-	₱25,023,691
Grants payable	-	11,055,113	-	-	11,055,113
Funds held in trust	-	100,048,489	-	-	100,048,489
	₱-	₱136,127,293	₱-	₱-	136,127,293

Foreign Currency Risk

The Parent Company has transactional currency exposures. The exposure arises from cash with banks denominated in currencies other than reporting currency which is peso (₱).

The Parent Company closely monitors the movement in the exchange rate and makes a regular assessment of future foreign exchange movements. The Parent Company then manages the balance of its foreign currency-denominated assets and liabilities based on this assessment.

The balance of foreign currency-denominated financial are as follows:

	2019		2018	
	Currencies	Peso equivalent	Currencies	Peso equivalent
In USD:				
Cash in bank	\$4,662	₱236,060	\$6,681	₱351,285
Financial assets	6,113,274	309,545,629	3,932,853	206,789,434
In EUR:				
Cash in bank	€3,122	175,928	€1,502	90,567
Financial assets	779	43,898	756	45,623
		₱310,001,515		₱207,276,909

The following table presents the impact on income before income tax due to change in the fair value of its monetary assets, brought about by a change in the USD and EUR exchange rates (holding all other variables constant).

	Currency	Exchange rate	Change in currency rate	Effect on loss before tax
2019	US Dollar	50.635	21% (21%)	₱15,443,601 (15,443,601)
	Euro	56.351	21% (21%)	46,163 (46,163)
2018	US Dollar	52.580	19% (19%)	₱13,972,782 (13,972,782)
	Euro	60.311	30% (30%)	65,948 (65,948)

There is no other impact on the Parent Company's fund balances other than those already affecting income (loss) before income tax.

Investment Evaluation Risk

Investment evaluation risk is defined as the lack of relevant and or reliable information supporting investment decisions and linking the risks undertaken to the capital at risk may result in poor investment decisions.

The Parent Company put in place the policy on trust investments to ensure that the Parent Company is not exposed to unnecessary risk. The policy includes portfolio mix, currency mix, monitoring and reporting, criteria in selecting fund managers and social responsible investing policy.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation.

The Parent Company is exposed to credit risk primarily because of its investing activities. The Parent Company is exposed to credit risk arising from the counterparties to its financial assets (i.e., debt instruments, short-term investments, fixed income deposits and receivables).

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Parent Company transacts only with recognized and creditworthy third parties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in equity securities represent investments in companies with good dividend track record as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed regularly by the Parent Company's Finance and Investments Committee.

With respect to credit risk arising from the other financial assets of the Parent Company, which consist of cash and cash equivalents, receivables and refundable deposit, the Parent Company's Finance and Investments Committee monitors these financial assets on an ongoing basis with the result that the Parent Company's exposure to impairment losses is not significant.

Credit risk exposures

At financial reporting date, the Parent Company's maximum exposure to credit risk is equal to the carrying amount of each class of financial assets recognized in the Parent Company's statements of financial position less the amount of advances to proponents covered by collaterals.

Credit risk concentration profile

The Parent Company has no significant concentrations of credit risk.

Aging analysis

Aging analysis per class of financial assets are as follows:

	2019				
	Neither past due nor impaired	Past due but not impaired		Impaired financial assets	Total
		<1 year	>1 year		
<i>Financial assets at amortized cost:</i>					
Cash and cash equivalents	₱54,282,256	₱-	₱-	₱-	₱54,282,256
Receivables	163,987,453	-	-	62,727,141	226,714,594
Other financial assets	1,694,020,704	-	-	-	1,694,020,704
	₱1,912,290,413	₱-	₱-	₱62,727,141	₱1,975,017,554

	2018				
	Neither past due nor impaired	Past due but not impaired		Impaired nor impaired	Total
		<1 year	>1 year		
<i>Financial assets at amortized cost:</i>					
Cash and cash equivalents	₱75,556,135	₱-	₱-	₱-	₱75,556,135
Receivables	200,946,096	-	-	57,566,950	258,513,046
Other financial assets	1,717,889,411	-	-	-	1,717,889,411
	₱1,994,391,642	₱-	₱-	₱57,566,950	₱2,051,958,592

Credit quality

The table below presents information about the credit quality per class of financial assets:

	2019		
	High Grade	Standard Grade	Total
Cash and cash equivalents	₱54,282,256	₱-	₱54,282,256
Receivables	-	163,987,453	163,987,453
Other financial assets	1,694,020,704	-	1,694,020,704
	₱1,748,302,960	₱163,987,453	₱1,912,290,413

	2018		Total
	High Grade	Standard Grade	
Cash and cash equivalents	₱75,556,135	₱–	₱75,556,135
Receivables	–	200,946,096	200,946,096
Other financial assets	1,717,889,411	–	1,717,889,411
	₱1,793,445,546	₱200,946,096	₱1,994,391,642

Cash and cash equivalents are considered high grade since the counterparties are reputable banks with high quality external credit ratings. High grade also includes financial assets related to special deposit accounts, debt and equity instruments, unit investment trust funds and mutual funds entered into by the Parent Company with various fund managers, most of which are top banks in their respective locations. Standard grade pertains to receivables which would require some reminder follow-ups to obtain settlement from the counterparty.

26. Fund Management Objectives, Policies and Procedures

The Parent Company's fund management objective is to maintain the real value of the endowment fund and to work towards its growth. The Parent Company manages the fund structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Parent Company's total provision for inflation for 2019 and 2018 amounted to nil.

The Parent Company's goal in fund management is to ensure the long-term continuity of the fund and its services through the following undertakings:

- Investing the principal of the endowment fund;
- Limiting disbursements for Parent Company operations and assistance to partners to the amount of the investment and interest income earned by the endowment fund; and
- Limiting operating costs to 15% of total income earned on an annual basis.

Fund balances for the reporting periods under review are summarized as follows:

	2019	2018
Total liabilities	₱82,058,294	₱136,127,294
Fund balance	2,115,599,547	2,115,599,547
Liability to fund balance ratio	0.039:1	0.064:1

The Parent Company sets the amount of Fund in proportion to its overall financing structure. The Parent Company manages the fund structure and makes adjustments to it in light of the changes economic conditions and the risk characteristics of the underlying assets. No changes were made in the objectives, policies or processes in 2019 and 2018.

27. Events After Reporting Date

COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Parent Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even period thereafter. Considering the evolving nature of this outbreak, the Parent Company cannot determine at this time the impact to its financial position, performance and cash flows. The Parent Company will continue to monitor the situation.

28. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by Revenue Regulations No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued for the year ended December 31, 2019.

- a. The Parent Company is VAT-registered with output VAT declaration of ₱1,086,234 for the year ended December 31, 2019 based on the amount of ₱9,051,947.

- b. Input VAT

Balance at January 1, 2019	₱1,160,099
Current year's domestic purchases/payments for:	
Services lodged under other accounts	1,489,840
Input claimed against output VAT	(1,003,241)
<u>Balance at December 31, 2019</u>	<u>₱1,646,698</u>

- c. Other taxes and licenses under general and administrative expenses are as follows:

Capital gains tax	₱63,000
Property tax	34,577
Business permit and fees	16,572
BIR annual registration fee	500
Others	20,500
<u></u>	<u>₱135,149</u>

Other taxes and licenses under project expenses amounted to ₱191,481.

d. The amount of withholding taxes paid in 2019 are as follows:

Withholding tax on compensation	₱4,095,176
Expanded withholding tax	410,522
Final withholding tax	34,088
	<hr/>
	₱4,539,786

Tax Assessments and Cases

The Company has no deficiency tax assessments, whether protested or not. The Company has not been involved in any cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue (BIR).