

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

Parent Company Financial Statements  
December 31, 2020 and 2019

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, 2020 and 2019, and the parent company statements of comprehensive loss, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *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 34-2020 and 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 34-2020 and 15-2010 in Notes 28 and 29 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic 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.

*Wenda Lynn M. Loyola*

Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-AR-1 (Group A),

January 10, 2019, valid until January 9, 2022

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8534313, January 4, 2021, Makati City

March 16, 2021



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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6 and 25)	<b>₱46,675,490</b>	₱54,282,256
Receivables (Notes 7 and 25)	<b>135,632,322</b>	127,498,388
Financial assets at fair value through profit or loss (FVTPL; Notes 8 and 25)	<b>569,433,884</b>	683,117,576
Investments - current portion (Notes 10 and 25)	<b>52,733,831</b>	71,087,760
Other current assets (Note 9)	<b>3,101,188</b>	2,699,364
Total Current Assets	<b>807,576,715</b>	938,685,344
<b>Noncurrent Assets</b>		
Receivables - net of current portion (Notes 7 and 25)	<b>43,947,187</b>	36,489,065
Investments (Notes 10 and 25)	<b>976,055,496</b>	939,815,368
Property and equipment (Note 11)	<b>128,973,831</b>	83,462,094
Investment properties (Note 12)	<b>38,174,000</b>	39,070,000
Investment in a subsidiary (Note 13)	<b>125,000,000</b>	125,000,000
Other noncurrent assets (Note 21)	<b>5,475,879</b>	5,232,569
Total Noncurrent Assets	<b>1,317,626,393</b>	1,229,069,096
	<b>₱2,125,203,108</b>	₱2,167,754,440
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 14 and 25)	<b>₱21,690,891</b>	₱43,322,586
Grants payable (Notes 15 and 25)	<b>7,058,844</b>	19,092,284
Funds held in trust (Notes 16 and 25)	<b>26,976,354</b>	19,643,423
Total Current Liabilities	<b>55,726,089</b>	82,058,293
<b>Noncurrent Liability</b>		
Deferred tax liability (Notes 11, 12 and 23)	<b>33,557,820</b>	19,761,706
Total Liabilities	<b>89,283,909</b>	101,819,999
<b>Fund Balances</b>		
<b>Restricted</b>		
Endowment fund (Note 1)	<b>1,318,371,694</b>	1,318,371,694
Provision for inflation	<b>602,246,920</b>	797,227,853
Unrestricted	<b>1,920,618,614</b>	2,115,599,547
	<b>115,300,585</b>	(49,665,106)
Total Fund Balances	<b>2,035,919,199</b>	2,065,934,441
	<b>₱2,125,203,108</b>	₱2,167,754,440

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 LOSS**

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>		
Interest income (Notes 6, 7 and 10)	<b>₱44,157,678</b>	₱48,039,991
Dividends (Note 10)	<b>28,294,573</b>	33,633,514
Fair value gains on investment properties (Note 12)	<b>427,000</b>	3,358,149
Trading gains (Note 10)	–	50,050,217
Other income (Note 20)	<b>316,482</b>	1,557,095
	<b>73,195,733</b>	136,638,966
<b>EXPENSES</b>		
Project expenses (Note 17)	<b>32,615,990</b>	40,892,198
Loss on investment at fair value through profit or loss (Note 8)	<b>25,818,329</b>	48,219,251
Foreign exchange loss - net (Notes 6 and 10)	<b>22,540,149</b>	10,540,186
Trading loss (Note 10)	<b>17,200,786</b>	–
General and administrative (Note 18)	<b>16,761,840</b>	19,246,509
Grant expenses (Note 15)	<b>9,497,887</b>	25,104,035
Provision for impairment losses on receivables (Note 7)	<b>7,647,556</b>	5,635,191
Trustee fees (Note 10)	<b>2,461,293</b>	3,205,863
Depreciation and amortization (Note 11)	<b>1,579,681</b>	1,706,615
Other expenses (Note 10)	<b>1,386,525</b>	1,603,028
	<b>137,510,036</b>	156,152,876
<b>LOSS BEFORE TAXES</b>	<b>(64,314,303)</b>	(19,513,910)
<b>PROVISION FOR TAXES (Note 23)</b>		
Final tax	<b>2,568,225</b>	4,368,919
Deferred tax	<b>25,620</b>	123,318
	<b>2,593,845</b>	4,492,237
<b>NET LOSS</b>	<b>(66,908,148)</b>	(24,006,147)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<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)	<b>46,237,650</b>	–
Tax effect	<b>(13,871,295)</b>	135,498
Remeasurement gain on defined benefit plan (Note 21)	<b>150,309</b>	257,354
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of financial assets at FVOCI (Note 8)	<b>4,376,242</b>	(1,145,937)
	<b>36,892,906</b>	(753,085)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱30,015,242)</b>	(₱24,759,232)

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 YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Unrestricted Funds						Endowment Fund (Note 1)	Provision for Inflation (Note 26)	Total	Grand Total
	Members' Contribution	Cumulative Excess of Revenues over Expenses	Fair Value Reserve on Financial Assets at FVOCI	Revaluation Increment on Land and Building and Improvements	Remeasurement Gain on Defined Benefit Plan (Note 21)	Total				
<b>At January 1, 2020</b>	<b>₱100,000</b>	<b>(₱81,828,510)</b>	<b>(₱17,851,669)</b>	<b>₱48,360,136</b>	<b>₱1,554,937</b>	<b>(₱49,665,106)</b>	<b>₱1,318,371,694</b>	<b>₱797,227,853</b>	<b>₱2,115,599,547</b>	<b>₱2,065,934,441</b>
Net loss	-	(66,908,148)	-	-	-	(66,908,148)	-	-	-	(66,908,148)
Amortization of revaluation increment	-	-	-	46,237,650	-	46,237,650	-	-	-	46,237,650
Adjustment in provision for inflation	-	194,980,933	-	-	-	194,980,933	-	(194,980,933)	(194,980,933)	-
Tax effect of amortization of revaluation increment	-	-	-	(13,871,295)	-	(13,871,295)	-	-	-	(13,871,295)
Remeasurement gain on defined benefit plan	-	-	-	-	150,309	150,309	-	-	-	150,309
Change in fair value of financial assets at FVOCI	-	-	4,376,242	-	-	4,376,242	-	-	-	4,376,242
<b>At December 31, 2020</b>	<b>₱100,000</b>	<b>₱46,244,275</b>	<b>(₱13,475,427)</b>	<b>₱80,726,491</b>	<b>₱1,705,246</b>	<b>₱115,300,585</b>	<b>₱1,318,371,694</b>	<b>₱602,246,920</b>	<b>₱1,920,618,614</b>	<b>₱2,035,919,199</b>
<b>At January 1, 2019,</b>	<b>₱100,000</b>	<b>(₱58,274,022)</b>	<b>(₱16,705,732)</b>	<b>₱48,676,297</b>	<b>₱1,297,583</b>	<b>(₱24,905,874)</b>	<b>₱1,318,371,694</b>	<b>₱797,227,853</b>	<b>₱2,115,599,547</b>	<b>₱2,090,693,673</b>
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 loss 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)
<b>At December 31, 2019</b>	<b>₱100,000</b>	<b>(₱81,828,510)</b>	<b>(₱17,851,669)</b>	<b>₱48,360,136</b>	<b>₱1,554,937</b>	<b>(₱49,665,106)</b>	<b>₱1,318,371,694</b>	<b>₱797,227,853</b>	<b>₱2,115,599,547</b>	<b>₱2,065,934,441</b>

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**

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before final tax	<b>(₱64,314,303)</b>	(₱19,513,910)
Adjustments for:		
Unrealized changes in prices - FVTPL (Note 8)	<b>25,818,329</b>	48,219,251
Unrealized foreign exchange loss	<b>22,540,149</b>	10,540,186
Provision for impairment losses on receivables (Note 7)	<b>7,647,556</b>	5,635,191
Depreciation and amortization (Note 11)	<b>1,579,681</b>	1,706,615
Gain on sale of property and equipment (Notes 11 and 20)	–	(289,619)
Gain on sale of investment property (Notes 12 and 20)	<b>(147,000)</b>	(105,000)
Changes in fair value gains on investment property (Note 12)	<b>(427,000)</b>	(3,358,149)
Interest income (Notes 6, 7 and 20)	<b>(6,854,041)</b>	(8,058,815)
Investment income (Note 10)	<b>(28,294,573)</b>	(118,856,019)
Operating loss before working capital changes	<b>(42,451,202)</b>	(84,080,269)
Decrease (increase) in:		
Receivables	<b>(26,733,848)</b>	35,331,847
Other current assets	<b>(502,625)</b>	(498,537)
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>(21,631,696)</b>	18,298,895
Grants payable	<b>(12,033,440)</b>	8,037,171
Funds held in trust	<b>7,332,931</b>	(80,405,067)
Net cash used in operations	<b>(96,019,880)</b>	(103,315,960)
Interest income received	<b>10,348,277</b>	4,408,275
Final taxes paid	<b>(2,568,225)</b>	(4,368,919)
Net cash flows used in operating activities	<b>(88,239,828)</b>	(103,276,604)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net movement in investments	<b>102,649,978</b>	93,359,538
Proceeds from sale of investment property	<b>1,470,000</b>	1,050,000
Additions to property and equipment (Note 11)	<b>(853,768)</b>	(1,700,965)
Proceeds from sale of property and equipment	–	400,300
Net movement in other noncurrent assets	<b>(92,999)</b>	(565,962)
Net cash flows provided by investing activities	<b>103,173,211</b>	92,542,911
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH</b>		
	<b>(22,540,149)</b>	(10,540,186)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,606,766)</b>	(21,273,879)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>54,282,256</b>	75,556,135
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱46,675,490</b>	₱54,282,256

*See accompanying Notes to Parent Company Financial Statements.*





**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT  
(PEACE) FOUNDATION, INC.  
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**NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**

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**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.

The Parent Company reports the revenue and expenses pertaining to the fund as unrestricted activities. Accordingly, the net loss amounting to ₱66.91 million and ₱24.01 million for the years then ended December 31, 2020 and 2019, 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, 2020 and 2019 were approved and authorized for issuance by the BOT of the Parent Company on March 16, 2021.



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## 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 are filed with and may be obtained from the Philippine Securities and Exchange Commission (SEC) or the Parent Company's registered office address.

### Statement of Compliance

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

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## 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, 2020. Adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the



primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The amendments do not have impact on the Company’s operation.

#### Standards Issued but Not Yet Effective

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



*Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*.

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

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

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#### 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 statements 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 sole payments of principal and interest (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, 2020 and 2019 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 statements 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.

*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, i.e., 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 ECL 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, 2020 and 2019, 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 statements 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 to 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 statements of assets, liabilities and fund balances date. Gains or losses from changes in the fair values of investment properties are recognized in the statements 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.



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. During the year, from 3% it is changes to 2% to meet the Foundation's programs and projects.

*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.

*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.



### *Grant expenses*

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

### 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 2020 and 2019 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.

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## 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, 2020 and 2019 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 ₱197.12 million and ₱229.69 million as of December 31, 2020 and 2019, 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:

	2020	2019
Cash on hand	₱7,812	₱78,378
Undeposited collections	1,795,695	827,230
Cash in banks	18,350,064	36,437,603
Cash in fund managers	26,521,919	10,309,901
Cash equivalents	–	6,629,144
	<b>₱46,675,490</b>	<b>₱54,282,256</b>

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

Cash in banks included donor-restricted funds amounting to ₱16.92 million and ₱26.79 million as of December 31, 2020 and 2019, 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 0.25% to 0.38% in 2019.

Interest income from cash in banks and fund managers amounted to ₱0.21 million and ₱0.65 million in 2020 and 2019, respectively.

## 7. Receivables

This account consists of:

	2020	2019
Current:		
Advances to project proponents	₱148,922,425	₱168,387,860
Receivables under fund managers	7,498,000	6,615,805
Accrued interest from advances to proponents	4,923,972	8,418,208
Dividend receivable	2,634,933	2,147,179
Due from PEHI (Note 22)	4,217	4,217
Receivable from proponents	–	2,144,000
Others	2,858,633	832,484
	<b>166,842,180</b>	<b>188,549,753</b>
Less allowance for credit losses	<b>31,209,858</b>	<b>61,051,365</b>
	<b>135,632,322</b>	<b>127,498,388</b>
Noncurrent advances to project proponents	45,365,428	38,164,841
Less allowance for credit losses	1,418,241	1,675,776
	<b>43,947,187</b>	<b>36,489,065</b>
	<b>₱179,579,509</b>	<b>₱163,987,453</b>

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 3% to 10% for both 2020 and 2019 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.



Receivables under fund managers pertain to accrued interest receivable for interest-bearing securities like bonds and ROPs.

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 ₱6.67 million and ₱7.41 million in 2020 and 2019, 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:

	<b>2020</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Balances at beginning of the year	<b>₱61,051,365</b>	<b>₱1,675,776</b>	<b>₱62,727,141</b>
Transfer from non-current to			
current	<b>314,696</b>	<b>(314,696)</b>	<b>–</b>
Provisions	<b>9,738,934</b>	<b>495,483</b>	<b>10,234,417</b>
Write off	<b>(36,705,527)</b>	<b>(428,572)</b>	<b>(37,134,099)</b>
Reversals	<b>(3,189,610)</b>	<b>(9,750)</b>	<b>(3,199,360)</b>
Balances at end of year	<b>₱31,209,858</b>	<b>₱1,418,241</b>	<b>₱32,628,099</b>
	<b>2019</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Balances at beginning of the year	<b>₱52,400,081</b>	<b>₱5,166,869</b>	<b>₱57,566,950</b>
Transfer from non-current to			
current	<b>4,810,662</b>	<b>(4,810,662)</b>	<b>–</b>
Provisions	<b>7,317,425</b>	<b>1,325,569</b>	<b>8,642,994</b>
Reversals	<b>(3,476,803)</b>	<b>(6,000)</b>	<b>(3,482,803)</b>
Balances at end of year	<b>₱61,051,365</b>	<b>₱1,675,776</b>	<b>₱62,727,141</b>

During the year, the Board of Trustees approved to write off the 17 long outstanding past due accounts with its accrued interest amounting to ₱37.13 million.

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

	<b>2020</b>	<b>2019</b>
Provisions	<b>₱10,234,417</b>	<b>₱8,642,994</b>
Provisions directly written off to CBRED	<b>500,000</b>	<b>–</b>
	<b>10,734,417</b>	<b>8,642,994</b>
Reversals	<b>(3,199,360)</b>	<b>(3,482,803)</b>
Less amounts closed to CBRED	<b>(112,500)</b>	<b>(475,000)</b>
	<b>(3,086,860)</b>	<b>(3,007,803)</b>
Provision for ECLs on receivables	<b>₱7,647,556</b>	<b>₱5,635,191</b>

\* 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).

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

This account consists of:

	2020	2019
Listed common stocks	₱459,405,427	₱618,947,129
Investment in funds		
Mutual funds	5,892,000	47,680,488
Unit investment trust fund (UITF)	104,136,457	16,489,959
	<b>₱569,433,884</b>	<b>₱683,117,576</b>

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

In 2020 and 2019, the Parent Company recognized changes in fair value of financial assets at FVTPL in the statements of comprehensive income amounting to ₱25.82 million and ₱48.22 million loss, respectively.

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## 9. Other Current Assets

This account consists of:

	2020	2019
Input VAT	₱1,986,863	₱1,646,698
Prepaid expenses	983,411	1,030,164
Others	130,914	22,502
	<b>₱3,101,188</b>	<b>₱2,699,364</b>

Input VAT pertains to input tax from supplier of goods and services. As of December 31, 2020 and 2019, the output VAT has been fully offset against input VAT which resulted to net input VAT position amounting to ₱1.99 million and ₱1.65 million, respectively. Input VAT is recoverable in future periods.

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## 10. Investments

This account consists of:

	2020	2019
Current investments in debt instruments	₱52,733,831	₱71,087,760
Noncurrent:		
Investments in debt instruments	630,653,091	579,053,634
Financial assets at FVOCI	345,402,405	360,761,734
	976,055,496	939,815,368
	<b>₱1,028,789,327</b>	<b>₱1,010,903,128</b>



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

a. *Debt investments*

	2020	2019
Corporate bonds	<b>₱536,469,166</b>	₱450,407,241
Government securities	<b>146,917,756</b>	199,734,153
	<b>₱683,386,922</b>	₱650,141,394

Corporate bonds include those issued by holding companies, property, utilities and telecommunication companies. These bonds earn annual interest rates ranging from 3.24% to 7.82% and 3.70% to 7.82% in 2020 and 2019, respectively.

Government securities include Republic of the Philippines (ROP) bonds and fixed-rate treasury notes earn annual interest rates ranging from 3.50% to 8.13% and 3.38% to 8.13% in 2020 and 2019, respectively.

Interest income earned from investment in debt instruments amounted to ₱35.47 million and ₱39.98 million in 2020 and 2019, respectively.

b. *Financial assets at FVOCI*

	2020	2019
Preferred shares	<b>₱311,995,713</b>	₱326,930,783
Unquoted equity shares	<b>33,406,692</b>	33,830,951
	<b>₱345,404,425</b>	₱360,761,734

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 follows (Note 8):

	2020	2019
Balances at beginning of year	<b>₱1,694,020,704</b>	₱1,717,889,411
Unrealized valuation losses - net	<b>(21,442,087)</b>	(49,365,188)
Contributions/deposits	<b>240,318,238</b>	213,313,325
Realized investments gains - net	<b>41,958,994</b>	114,490,967
Foreign exchange losses - net	<b>(22,535,271)</b>	(10,659,431)
Disposals/withdrawals	<b>(334,097,367)</b>	(291,648,380)
	<b>₱1,598,223,211</b>	₱1,694,020,704

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

	2020	2019
Dividends	<b>₱28,294,573</b>	₱33,633,514
Interest	<b>37,281,249</b>	39,981,176
Trading gains (loss)	<b>(17,200,786)</b>	50,050,217
	<b>₱48,375,036</b>	₱123,664,907



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 ₱2.46 million and ₱3.21 million in 2020 and 2019, respectively. Other investment related expenses recognized under ‘Others’ in the statements of comprehensive income amounted to ₱1.39 million and ₱1.60 million in 2020 and 2019, respectively.

## 11. Property and Equipment

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

	2020		
	Office Furniture Fixtures and Equipment	Transportation Equipment	Total
<b>Cost:</b>			
Balances at beginning of year	₱6,609,901	₱4,115,343	₱10,725,244
Additions	853,769	–	853,769
Balances at end of year	7,463,670	4,115,343	11,579,013
<b>Accumulated depreciation and amortization:</b>			
Balances at beginning of year	5,577,533	2,346,788	7,924,321
Depreciation and amortization	705,811	439,526	1,145,337
Balances at end of year	6,283,344	2,786,314	9,069,658
<b>Net book values</b>	<b>₱1,180,326</b>	<b>₱1,329,029</b>	<b>₱2,509,355</b>
2019			
	Office Furniture Fixtures and Equipment	Transportation Equipment	Total
<b>Cost:</b>			
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
<b>Accumulated depreciation and amortization:</b>			
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
<b>Net book values</b>	<b>₱1,032,368</b>	<b>₱1,768,555</b>	<b>₱2,800,923</b>

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 December 2020.



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 ₱31.33 million and ₱19.76 million in 2020 and 2019, respectively.

As of December 31, 2020 and 2019, details of the land and building and improvements carried at appraised value follow:

	2020		
	Land	Building and Improvements	Total
<b>Cost:</b>			
Balances at beginning and end of year	₱70,830,000	₱94,361,254	₱165,191,254
Changes in Prices Market	46,305,000	(67,350)	46,237,650
Balances at the end of the year	117,135,000	94,293,904	211,428,904
<b>Accumulated depreciation:</b>			
Balances at beginning of year	–	84,530,083	84,530,083
Depreciation	–	434,344	434,344
Balances at end of year	–	84,952,427	84,964,427
<b>Net book values</b>	<b>₱117,135,000</b>	<b>₱9,341,477</b>	<b>₱126,464,477</b>

  

	2019		
	Land	Building and Improvements	Total
<b>Cost:</b>			
Balances at beginning and end of year	₱70,830,000	₱94,361,254	₱165,191,254
<b>Accumulated depreciation:</b>			
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
<b>Net book values</b>	<b>₱70,830,000</b>	<b>₱9,831,171</b>	<b>₱80,661,171</b>

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	–	16,622,331	16,622,331
<b>Net book value</b>	<b>₱22,124,434</b>	<b>₱437,374</b>	<b>₱22,561,808</b>

No property and equipment was sold in 2020. .

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.

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



## 12. Investment Property

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, 2020 and 2019:

	<b>2020</b>		
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Balances at beginning of year	<b>₱29,844,000</b>	<b>₱9,226,000</b>	<b>₱39,070,000</b>
Changes in market value recognized in profit of loss	<b>505,000</b>	<b>(78,000)</b>	<b>427,000</b>
Disposal	<b>(1,323,000)</b>	-	<b>(1,323,000)</b>
<b>Balances at end of year</b>	<b>(₱29,026,000)</b>	<b>(₱9,148,000)</b>	<b>₱38,174,000</b>

  

	<b>2019</b>		
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
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)
<b>Balances at end of year</b>	<b>₱29,844,000</b>	<b>₱9,226,000</b>	<b>₱39,070,000</b>

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 December 2020.

In 2020 and 2019, the Parent Company sold a total of seven and five lots of land located in Sultan Kudarat which resulted in gain of ₱147,000 and ₱105,000, respectively (Note 20).

Had the investment properties been accounted using the cost model, the Parent Company's investment properties as of December 31, 2020 and 2019 would have been ₱10.57 million and ₱11.89 million. Parent Company's net income in 2020 and 2019 would have decreased by ₱0.43 million and ₱3.36 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 ₱2.23 million and ₱2.34 million in 2020 and 2019, respectively (Note 23).



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### 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 2020 and 2019 are as follows:

	2020	2019
Total assets	<b>₱106,166,266</b>	₱109,424,796
Total liabilities	<b>183,338</b>	275,543
Net loss	<b>(3,166,324)</b>	(3,671,766)

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

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### 14. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Accrued expenses on project completion	<b>₱8,961,606</b>	₱6,185,739
Unearned income from advances to proponents	<b>7,355,775</b>	4,431,268
Accounts payable	<b>3,269,172</b>	29,879,965
Other accrued expenses	<b>2,104,338</b>	2,825,614
	<b>₱21,690,891</b>	₱43,322,586

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

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

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

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### 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 of comprehensive income amounted to ₱9.50 million and ₱25.10 million in 2020 and 2019, respectively.





Details of the rollforward of grants payable follow:

	2020	2019
Beginning	₱19,092,284	₱11,055,113
Accruals	12,428,050	26,747,073
Reversals	(2,930,163)	(1,643,038)
Releases	(21,531,327)	(17,066,864)
	<b>₱7,058,844</b>	<b>₱19,092,284</b>

## 16. Funds Held in Trust

This account consists of funds from the following trustors:

	2020	2019
Department of Energy (DOE) and United Nation Development Program (UNDP) - CBRED Project	<b>₱11,943,536</b>	₱11,719,588
Stitching Rabobank Foundation	3,605,917	3,605,917
Coca-Cola Foundation	5,892,412	-
European Climate Foundation (ECF)	2,275,371	-
European Union - Solares Project	1,278,792	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	<b>91,645</b>	91,645
	<b>₱26,976,354</b>	<b>₱19,643,423</b>

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:

	2020	2019
Balances at beginning of year	₱11,719,588	₱35,555,188
Return of funds	-	(25,583,247)
Net profit	223,948	1,747,647
	<b>₱11,943,536</b>	<b>₱11,719,588</b>



*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:

	2020	2019
Balances at beginning of year	₱3,605,917	₱6,219,495
Return of funds	–	(2,613,578)
	<b>₱3,605,917</b>	<b>₱3,605,917</b>

*Coca-Cola Foundation*

In 2016, the Parent Company partnered with Coca-Cola Foundation – USA (through Coca-Cola Foundation Philippines, Inc. - CCFPI) in an initiative called the Scaling Up Program for Social Enterprises for Water Services (*SCALE UP Water*) that led to the development and expansion of potable water services that benefited more than 13,000 individuals in six (6) municipalities in the Philippines. In 2020, The Parent Company once again partnered with CCFPI for its Phase 2 which will benefit three (3) additional communities. Ninety-percent of the grant fund was received in 2020.

*European Climate Foundation*

The Parent Company was awarded a total grant amounting to \$99,838.11 by the European Climate Foundation (ECF). The grant is designated to develop a coordination hub for an ecosystem of multiple clean energy stakeholders in Mindanao that will help push for the accelerated shift toward renewable energy for the region’s development and prosperity. In the future, such hub may be adapted or replicated in other countries in the region. Sixty-percent of the grant fund was received in 2020. Details follow:

Balances at beginning of year	₱–
Amount received	2,941,689
Expenses	666,318
	<b>₱2,275,371</b>

*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.

	2020	2019
Balances at beginning of year	₱2,337,592	₱–
Amount received	2,289,748	3,966,850
Expenses	(3,348,549)	(1,629,258)
	<b>₱1,278,792</b>	<b>₱2,337,592</b>



*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:

	2020	2019
Balances at beginning of year	<b>₱1,250,000</b>	₱1,250,000
Expenses	-	-
	<b>₱1,250,000</b>	₱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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 amounted to ₱0.09 million.

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## 17. Project Expenses

This account consists of:

	2020	2019
Project development, monitoring and evaluation (PDME)	<b>₱20,826,507</b>	₱26,059,160
Knowledge management	<b>8,407,709</b>	8,762,861
Project support	<b>1,771,482</b>	2,856,111
Institutional support	<b>1,066,962</b>	2,307,953
Advocacy and communications	<b>543,330</b>	906,113
	<b>₱32,615,990</b>	₱40,892,198



PDME, CORDAID and CBRED related expenses are summarized below:

	2020	2019
Personnel expenses (Note 18)	<b>₱17,737,841</b>	₱18,738,679
Project monitoring	<b>2,084,379</b>	4,686,907
Project audit	<b>430,381</b>	1,172,175
Supplies, services and other operating costs	<b>279,198</b>	628,999
Project appraisals	<b>266,495</b>	582,630
Project evaluation and documentation	<b>11,938</b>	-
Pre and post project meetings and workshops	<b>270</b>	185,037
Outside services	-	35,782
Others	<b>16,005</b>	28,951
	<b>₱20,826,507</b>	₱26,059,160

Knowledge management expenses are summarized below:

	2020	2019
Personnel expenses (Note 18)	<b>₱6,310,285</b>	₱6,367,616
Knowledge management	<b>660,131</b>	539,755
Subscriptions	<b>606,335</b>	810,276
Strategy review	<b>468,134</b>	511,472
Supplies, services and other operating costs	<b>333,888</b>	323,271
SE conference and learning events	<b>28,936</b>	103,701
Research and publication	-	106,770
	<b>₱8,407,709</b>	₱8,762,861

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:

	2020	2019
Personnel expense (Note 18)	<b>₱11,382,714</b>	₱12,286,252
Outside services	<b>2,362,229</b>	2,232,422
Meetings	<b>677,560</b>	1,779,522
Legal fee	<b>644,481</b>	647,174
Office supplies	<b>470,870</b>	551,445
Repairs and maintenance	<b>275,958</b>	281,959
Communications	<b>259,967</b>	152,063
Utilities	<b>229,793</b>	453,947
Transportation and travel	<b>125,492</b>	297,495
Association dues and membership fees	<b>102,175</b>	82,184
Taxes and licenses	<b>67,801</b>	135,149
Representation	<b>14,041</b>	9,970
Recruitment and advertising	-	40,598
Others	<b>148,759</b>	296,329
	<b>₱16,761,840</b>	₱19,246,509



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## 19. Personnel Expenses

This account consists of:

	2020	2019
Salaries and wages	<b>₱23,566,698</b>	₱24,454,392
De minimis benefits	<b>3,749,340</b>	3,913,146
Completion pay	<b>2,775,867</b>	3,469,768
Social security costs	<b>2,435,512</b>	2,494,983
Bonuses	<b>2,270,847</b>	2,633,856
Compensated absences	<b>632,576</b>	426,402
	<b>₱35,430,840</b>	₱37,392,547

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

	2020	2019
Project expenses (Note 16)	<b>₱24,048,126</b>	₱25,106,295
General and administrative expenses (Note 17)	<b>11,382,714</b>	12,286,252
	<b>₱35,430,840</b>	₱37,392,547

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

	2020	2019
Salaries and wages	<b>₱9,770,400</b>	₱9,698,400
Employee benefits	<b>2,086,225</b>	1,898,694
	<b>₱11,856,625</b>	₱11,597,094

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## 20. Other Income

This account consists of other income from the following sources:

	2020	2019
Gain on sale of investment property (Note 12)	<b>₱147,000</b>	₱105,000
Service fee from advances to proponents	<b>57,188</b>	47,929
Gain on reversal of payables	–	1,021,629
Gain on sale of property and equipment (Note 11)	–	289,619
Others	<b>112,294</b>	92,918
	<b>₱316,482</b>	₱1,557,095

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

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## 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 2020 and 2019.

Remeasurement on net retirement benefit asset to be recognized in OCI amounted to ₱0.02 million gains in 2020 and ₱0.03 million loss in 2019.

Net retirement benefit asset shown under 'Other noncurrent assets' as of December 31, 2020 and 2019 amounted to ₱2.48 million and ₱2.33 million, respectively:

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

	2020	2019
Balances at beginning of year	₱2,325,031	₱2,067,677
Total amount recognized in OCI	150,309	257,354
Balances at end of year	₱2,475,340	₱2,325,031

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

	2020	2019
Cash and cash equivalents	₱769	₱1,268
Equity instruments - financial institution	2,474,571	2,323,763
	₱2,475,340	₱2,325,031

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

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## 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	2020		Terms	Conditions
	Amount	Due from (to)		
<b>Subsidiary:</b>				
Peace and Equity Holdings, Inc.(PEHI)				
a. Utilities, meeting ang various expenses (Note7)	<b>₱64,800</b>	<b>₱4,217</b>	On demand, noninterest bearing	Unsecured, not impaired
b. Management fee expense	<b>820,791</b>	<b>(919,286)</b>	On demand, noninterest bearing	Unsecured, not impaired
<hr/>				
Category	2019		Terms	Conditions
	Amount	Due from (to)		
<b>Subsidiary:</b>				
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

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, 2020 and 2019. 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.

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## 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 16, 2021, 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 2020 and 2019 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 2020 and 2019 due to the Parent Company's net taxable loss position.

The Parent Company has no minimum corporate income tax (MCIT) as all income pertain to investments and interest income which are subject to final tax.

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:

	<b>2020</b>	2019
NOLCO	<b>₱141,953,116</b>	₱156,426,077
Allowance for expected credit losses on receivables	<b>32,628,099</b>	62,727,141
Unrealized foreign exchange loss - net	<b>22,540,149</b>	10,540,186
	<b>₱197,121,364</b>	₱229,693,404

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.





As of December 31, 2020, the Parent Company incurred NOLCO before taxable year 2020 which can be claimed as deduction against future tax payable for the next three (3) consecutive taxable years, 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
	<b>₱156,426,077</b>	<b>₱59,057,995</b>	<b>₱97,368,082</b>	

As of December 31, 2020, the Parent Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction against future tax payable for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Inception Year	Amount	Applied/ Expired	Balance	Expiry Year
2020	₱44,585,034	₱-	₱44,585,034	2025

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

	2020	2019
<i>Item recognized in profit or loss</i>		
Investment properties (Note 12)	<b>₱2,228,610</b>	₱2,344,201
<i>Item recognized in other comprehensive income</i>		
Land, building and improvements (Note 11)	<b>31,329,210</b>	17,417,505
	<b>₱33,557,820</b>	₱19,761,706

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

	2020	2019
Provision for income tax at statutory tax rate of 30%	<b>(₱19,294,291)</b>	(₱5,854,173)
Additions to (reductions in) resulting from:		
Movements in unrecognized deferred income tax assets	<b>30,177,320</b>	17,787,339
Nondeductible grant expenses	<b>3,866,758</b>	25,203,686
Interest income subject to final tax - others	<b>(58,309)</b>	(2,013)
Nontaxable income	<b>(172,200)</b>	(31,500)
Interest income on investment subject to final tax	<b>(8,622,917)</b>	(7,629,301)
Nontaxable dividend income and valuation gains	<b>(3,328,136)</b>	(25,105,119)
	<b>₱2,568,225</b>	₱4,368,919

## 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:

	<b>Fair value measurement using</b>			<b>Total</b>
	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	
<b>2020</b>	<b>₱1,600,923,817</b>	<b>₱29,030,450</b>	<b>₱-</b>	<b>₱1,629,954,266</b>
2019	1,803,920,704	9,831,171	-	1,813,751,875

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 2020 and 2019, 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, 2020 and 2019 with all other variables held constant showing the impact on equity that reflects adjustments on changes in fair value of financial assets.

	<b>2020</b>		<b>2019</b>	
	<b>Change in variable</b>	<b>Effect on equity</b>	<b>Change in variable</b>	<b>Effect on equity</b>
Market Index				
PSE	<b>+28.02%</b>	<b>₱29,345,734</b>	+14.70%	₱94,702,488
	<b>-28.02%</b>	<b>(29,345,734)</b>	-14.70%	(94,702,488)



### 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 Income Before Income Tax	
	2020	2019
+100 basis points (bps)	<b>₱10,508,399</b>	₱6,501,414
- 100 bps	<b>(10,508,399)</b>	(6,501,414)

### 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.

	2020				
	On demand	< 1 year	> 1 year	No term	Total
<b><i>Financial assets:</i></b>					
Cash	<b>₱46,675,490</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱46,675,490</b>
Receivables	-	135,632,322	43,947,187	-	179,579,509
Other financial assets	-	52,733,831	630,653,091	914,836,289	1,598,223,211
Refundable deposit	-	-	45,600	-	45,600
	<b>₱46,675,490</b>	<b>₱188,366,153</b>	<b>₱674,645,878</b>	<b>₱914,836,289</b>	<b>₱1,824,523,810</b>
<b><i>Financial liabilities:</i></b>					
Accounts payable and accrued expenses	<b>₱-</b>	<b>₱21,690,891</b>	<b>₱-</b>	<b>₱-</b>	<b>₱21,690,891</b>
Grants payable	-	7,058,844	-	-	7,058,844
Funds held in trust	-	26,976,354	-	-	26,976,354
	<b>₱-</b>	<b>₱55,726,089</b>	<b>₱-</b>	<b>₱-</b>	<b>₱55,726,089</b>

	2019				
	On demand	< 1 year	> 1 year	No term	Total
<b><i>Financial assets:</i></b>					
Cash and cash equivalents	<b>₱54,282,256</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱54,282,256</b>
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
	<b>₱54,282,256</b>	<b>₱198,586,148</b>	<b>₱615,588,299</b>	<b>₱1,043,879,310</b>	<b>1,912,336,013</b>
<b><i>Financial liabilities:</i></b>					
Accounts payable and accrued expenses	<b>₱-</b>	<b>₱43,322,586</b>	<b>₱-</b>	<b>₱-</b>	<b>₱43,322,586</b>
Grants payable	-	19,092,284	-	-	19,092,284
Funds held in trust	-	19,643,423	-	-	19,643,423
	<b>₱-</b>	<b>₱82,058,294</b>	<b>₱-</b>	<b>₱-</b>	<b>₱82,058,294</b>

### 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:

	2020		2019	
	Currencies	Peso Equivalent	Currencies	Peso Equivalent
In USD:				
Cash in bank	\$4,667	₱224,102	\$4,662	₱236,060
Financial assets	10,371,340	498,062,861	6,113,274	309,545,629
In EUR:				
Cash in bank	€3,122	183,230	€3,122	175,928
Financial assets	-	-	779	43,898
		<b>₱498,470,193</b>		<b>₱310,001,515</b>

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 income before tax
2020	US Dollar	48.023	8% (8%)	₱3,166,294 (3,166,294)
	Euro	58.690	16% (16%)	₱143,489 (143,489)
2019	US Dollar	50.635	21% (21%)	₱15,443,601 (15,443,601)
	Euro	56.351	21% (21%)	₱46,163 (46,163)

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, escrow deposit 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:

	2020				
	Neither Past Due nor Impaired	Past due but not impaired		Impaired Financial Assets	Total
		<1 year	>1 year		
Financial assets at amortized cost:					
Cash	₱46,675,490	₱-	₱-	₱-	₱46,675,490
Receivables	179,579,509	-	-	32,628,099	212,207,608
Other financial assets	1,598,223,211	-	-	-	1,598,223,211
	<b>₱1,824,478,210</b>	<b>₱-</b>	<b>₱-</b>	<b>₱32,628,099</b>	<b>₱1,857,106,309</b>

  

	2019				
	Neither Past Due nor Impaired	Past due but not impaired		Impaired Financial Assets	Total
		<1 year	>1 year		
Financial assets at amortized cost:					
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
	<b>₱1,912,290,413</b>	<b>₱-</b>	<b>₱-</b>	<b>₱62,727,141</b>	<b>₱1,975,017,554</b>

*Credit quality*

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

	2020		Total
	High Grade	Standard Grade	
Cash	₱46,675,490	₱-	₱46,675,490
Receivables	-	179,579,509	179,579,509
Other financial assets	1,598,223,211	-	1,598,223,211
	<b>₱1,644,898,701</b>	<b>₱179,579,509</b>	<b>₱1,824,478,210</b>



	2019		Total
	High Grade	Standard Grade	
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
	<b>₱1,652,505,467</b>	<b>₱163,987,453</b>	<b>₱1,912,290,413</b>

Cash 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 2020 and 2019 amounted to nil. In 2020, the BOT approved the adjustment on the provision for inflation rate from 3% to 2% resulting to adjustment from provision for inflation to unrestricted funds amounting to ₱194.98 million.

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:

	2020	2019
Total liabilities	<b>₱55,726,089</b>	₱82,058,293
Fund balance	<b>1,920,618,614</b>	2,115,599,547
Liability to fund balance ratio	<b>0.029:1</b>	0.039:1

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 2020 and 2019.



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## 27. Impact of the Coronavirus Disease 2019 (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 and then to May 15, 2020. In May 12, 2020, the national government then imposed modified enhanced community quarantine (MECQ) in selected provinces and regions including National Capital Region (NCR) from May 16, 2020 to May 31, 2020. General community quarantine (GCQ) was then implemented in NCR from June 1, 2020 to August 3, 2020. Selected provinces and regions including NCR were subjected again to MECQ from August 4 to August 18, 2020. From August 19 to date, selected provinces and regions including NCR were subjected to GCQ.

These measures have caused disruptions to businesses and economic activities, and its impact continues to evolve. The scale and duration of these developments remain uncertain as at the report date. The Parent Company observed declines in revenue from investments. To minimize and mitigate the risks, the Parent Company reduced its exposure in common stock investments from 40% to 27% and shifted it to investments in USD local corporate bonds. It is not possible to estimate the overall impact of the outbreak's near-term and longer effects, however, the Parent Company has already incurred and will continue to incur costs as the Company continues to mitigate the adverse impact of the outbreak on its operations. The outbreak could have a material impact on the Parent Company's financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Parent Company will continue to monitor the situation.

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## 28. Supplementary Information Required Under Revenue Regulations No. 34-2020

On December 18, 2020, the BIR issued RR No. 34-2020, amending certain provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, prescribing the guidelines and procedures for the submission of BIR Form No. 1709 (RPT Form), Transfer Pricing Documentation and other Supporting Documents. Under Section 2 of RR No. 34-2020, the following are required to file and submit the RPT Form, together with the Annual Income Tax Return:

- a) Large Taxpayers;
- b) Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
- c) Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
- d) A related party, as defined under Section 3 of Revenue Regulations (RR) No. 19-2020, which has transactions with (a), (b) or (c). For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

Based on management's assessment, the Parent Company did not fall in the criteria under Section 2 of RR No. 34-2020, thus, it is not covered by the requirements and procedures for related party transactions provided by this RR.



