Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.

(A Nonstock, Not-for-profit Corporation)

Parent Company Financial Statements
December 31, 2023 and 2022

and

Independent Auditor's Report

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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, 2023 and 2022, and the parent company statements of comprehensive income, parent company statements of changes in fund balances and parent company statements of cash flows for the years then ended and notes to the parent company financial statements, including material accounting policy information.

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, 2023 and 2022, 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 theparent 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.

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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 27 and 28 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.

Ma. Emilita L. Villanueva

Ma. Emilita L. Villanueva
Partner
CPA Certificate No. 95198
Tax Identification No. 176-158-478
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-141-2021, November 10, 2021, valid until November 9, 2024
PTR No. 10082036, January 6, 2024, Makati City

March 15, 2024

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

PARENT COMPANY STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 25)	**₱64,987,537**	₱90,560,188
Receivables (Notes 7 and 25)	**75,739,407**	85,847,176
Financial assets at fair value through profit or loss (FVTPL; Notes 8 and 25)	**490,619,975**	556,356,581
Investments in debt instrument - current portion (Notes 10 and 25)	**520,239,130**	259,995,124
Other current assets (Note 9)	**3,010,987**	2,355,614
Total Current Assets	**1,154,597,036**	995,114,683
Noncurrent Assets		
Receivables - net of current portion (Notes 7 and 25)	**10,134,858**	20,745,860
Investments in debt instruments (Notes 10 and 25)	**563,350,681**	730,500,474
Financial assets at FVOCI (Notes 10 and 25)	**170,923,332**	147,149,281
Property and equipment (Note 11)	**126,355,543**	117,403,580
Investment properties (Note 12)	**58,496,000**	58,496,000
Investment in a subsidiary (Note 13)	**125,000,300**	125,000,300
Other noncurrent assets (Notes 9 and 21)	**23,022,881**	7,077,492
Total Noncurrent Assets	**1,077,283,595**	1,206,372,987
	₱2,231,880,631	₱2,201,487,670

LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued expenses (Notes 14 and 25)	**₱11,348,778**	₱10,573,950
Grants payable (Notes 15 and 25)	**32,419,578**	25,973,438
Funds held in trust (Notes 16 and 25)	**24,715,870**	25,284,818
Total Current Liabilities	**68,484,226**	61,832,206
Noncurrent Liability		
Deferred tax liability (Notes 11, 12 and 23)	**29,022,683**	27,705,253
Total Liabilities	**97,506,909**	89,537,459
Fund Balances		
Restricted		
Endowment fund (Note 1)	**1,318,371,694**	1,318,371,694
Provision for inflation (Note 26)	**760,567,660**	719,804,144
	2,078,939,354	2,038,175,838
Unrestricted	**55,434,368**	73,774,373
Total Fund Balances	**2,134,373,722**	2,111,950,211
	₱2,231,880,631	₱2,201,487,670

See accompanying Notes to Parent Company Financial Statements.

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

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
REVENUES		
Interest income (Notes 6, 7 and 10)	**₱63,980,910**	₱53,728,935
Dividends (Note 10)	**34,788,081**	28,188,459
Gain on investment at fair value through profit or loss (Note 8)	**5,182,868**	–
Trading gain (Note 10)	**2,271,878**	–
Foreign exchange gain - net (Notes 6 and 10)	–	60,367,239
Fair value gains on investment properties (Note 12)	–	1,595,000
Other income (Note 20)	**540,824**	287,802
	106,764,561	144,167,435
EXPENSES		
Grant expenses (Note 15)	**26,148,047**	32,504,458
Project expenses (Note 17)	**30,653,704**	25,772,088
General and administrative (Note 18)	**11,687,708**	12,393,271
Provision for impairment losses on receivables (Note 7)	**992,970**	621,586
Depreciation and amortization (Note 11)	**3,185,935**	1,437,693
	72,668,364	72,729,096
INCOME FROM OPERATIONS	**34,096,197**	71,438,339
OTHER CHARGES		
Foreign exchange loss - net	**4,900,669**	–
Trustee fees (Note 10)	**2,521,265**	2,533,527
Loss on investment at fair value through profit or loss (Note 8)	–	49,767,766
Trading loss (Note 10)	–	7,652,973
Others (Note 10)	**6,539,384**	1,856,305
	13,961,318	61,810,571
INCOME BEFORE TAXES	**20,134,879**	9,627,768
PROVISION FOR TAXES (Note 23)		
Final tax	**2,318,260**	2,147,483
Deferred tax	–	95,700
	2,318,260	2,243,183
NET INCOME	**17,816,619**	7,384,585
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent periods:		
Net movement in revaluation increment on land and building and improvements (Note 11)	**5,167,513**	1,661,915
Tax effect	**(1,291,878)**	6,270,205
Remeasurement loss on defined benefit plan (Note 21)	**76,645**	(500,663)
Items to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at FVOCI (Note 8)	**654,612**	(340,697)
	4,606,892	7,090,760
TOTAL COMPREHENSIVE INCOME	**₱22,423,511**	₱14,475,345

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, 2023 AND 2022

	Unrestricted Funds									
	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	Endowment Fund (Note 1)	Provision for Inflation (Note 26)	Total	Grand Total
At January 1, 2023	**₱100,000**	**(₱64,319)**	**₱(16,482,019)**	**₱89,050,258**	**₱1,170,453**	**₱73,774,373**	**₱1,318,371,694**	**₱719,804,144**	**₱2,038,175,838**	**₱2,111,950,211**
Net income	–	**17,816,619**	–	–	–	**17,816,619**	–	–	–	**17,816,619**
Revaluation increment on Land and Building and Improvements	–	–	–	**5,167,513**	–	**5,167,513**	–	–	–	**5,167,513**
Tax effect of revaluation increment	–	–	–	**(1,291,878)**	–	**(1,291,878)**	–	–	–	**(1,291,878)**
Remeasurement gain on defined benefit plan	–	–	–	–	**76,645**	**76,645**	–	–	–	**76,645**
Change in fair value of financial assets at FVOCI	–	–	**654,612**	–	–	**654,612**	–	–	–	**654,612**
Adjustment in provision for inflation	–	**(40,763,516)**	–	–	–	**(40,763,516)**	–	**40,763,516**	**40,763,516**	–
At December 31, 2023	**₱100,000**	**(₱23,011,216)**	**(₱15,827,407)**	**₱92,925,893**	**₱1,247,098**	**₱55,434,368**	**₱1,318,371,694**	**₱760,567,660**	**₱2,078,939,354**	**₱2,134,373,722**
At January 1, 2022,	₱100,000	₱32,515,328	(₱16,141,322)	₱81,118,138	₱1,671,116	₱99,263,260	₱1,318,371,694	₱679,839,912	₱1,998,211,606	₱2,097,474,866
Net income	–	7,384,585	–	–	–	7,384,585	–	–	–	7,384,585
Revaluation increment on Land and Building and Improvements	–	–	–	1,661,915	–	1,661,915	–	–	–	1,661,915
Tax effect of revaluation increment	–	–	–	6,270,205	–	6,270,205	–	–	–	6,270,205
Remeasurement loss on defined benefit plan	–	–	–	–	(500,663)	(500,663)	–	–	–	(500,663)
Change in fair value of financial assets at FVOCI	–	–	(340,697)	–	–	(340,697)	–	–	–	(340,697)
Adjustment in provision for inflation	–	(39,964,232)	–	–	–	(39,964,232)	–	39,964,232	39,964,232	–
At December 31, 2022	₱100,000	(₱64,319)	(₱16,482,019)	₱89,050,258	₱1,170,453	₱73,774,373	₱1,318,371,694	₱719,804,144	₱2,038,175,838	₱2,111,950,211

See accompanying Notes to Parent Company Financial Statements.

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

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before final tax	**₱20,134,879**	₱9,627,768
Adjustments for:		
Unrealized foreign exchange (gain)	**4,900,669**	(60,367,239)
Depreciation and amortization (Note 11)	**3,185,935**	1,437,693
Trading loss (gain)	**(2,271,878)**	7,652,973
Unrealized changes in prices - FVTPL (Note 8)	**(5,182,868)**	49,767,766
Interest income (Notes 6, 7 and 20)	**(63,980,910)**	(53,728,935)
Dividend income	**(34,788,081)**	(28,188,459)
Gain on sale of property and equipment (Notes 11 and 20)	**–**	(31,127)
Gain on sale of investment property (Notes 12 and 20)	**–**	(42,000)
Changes in fair value gains on investment property (Note 12)	**–**	(1,595,000)
Operating loss before working capital changes	**(78,002,254)**	(75,466,560)
Decrease (increase) in:		
Receivables	**20,718,771**	22,075,435
Other current assets	**(655,373)**	634,993
Increase (decrease) in:		
Accounts payable and accrued expenses	**774,828**	(9,087,839)
Grants payable	**6,446,140**	1,756,707
Funds held in trust	**(568,948)**	723,034
Net cash used in operations	**(51,286,836)**	(59,364,230)
Interest income received	**287,020**	1,315,536
Final taxes paid	**(2,318,260)**	(2,147,483)
Net cash flows used in operating activities	**(53,318,076)**	(60,196,177)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of / additions to investments	**(43,022,300)**	(112,582,486)
Proceeds from sale of:		
Property and equipment	**–**	35,912
Investment property	**–**	210,000
Additions to property and equipment (Note 11)	**(1,895,358)**	(697,213)
Net movement in other noncurrent assets	**(20,918,219)**	(1,697,779)
Interest received	**63,693,890**	52,413,399
Dividends received	**34,788,081**	28,188,459
Additional investment in subsidiary	**–**	(300)
Net cash flows provided by (used in) investing activities	**32,646,094**	(34,130,008)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**(4,900,669)**	60,367,239
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(25,572,651)**	(33,958,946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**90,560,188**	124,519,134
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱64,987,537**	₱90,560,188

See accompanying Notes to Parent Company Financial Statements.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

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

On February 14, 2003, CODE-NGO executed a deed of donation in favor of the Parent Company, to transfer and convey an endowment fund in trust of ₱1.32 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 income amounting to ₱17.82 million and ₱7.38 million for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 were approved and authorized for issuance by the BOT of the Parent Company on March 15, 2024.

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 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).

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 new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2*, Disclosure of Accounting Policies*
- Amendments to PAS 8*, Definition of Accounting Estimates*
- Amendments to PAS 12*, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Deferred effectivity

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

4. **Summary of Material Accounting Policies**

Current versus Noncurrent Classification
The Parent Company presents assets and liabilities in the parent company statements of assets, liabilities and fund balances based on current or noncurrent classification.

An asset is current when it is:

a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
b. Held primarily for the purpose of trading;
c. Expected to be realized within 12 months after the reporting period; or
d. 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:

a. It is expected to be settled in normal operating cycle;
b. It is held primarily for the purpose of trading;
c. It is due to be settled within 12 months after the reporting period; or
d. 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, respectively.

Financial Instruments

Financial Assets
The Parent Company recognizes a financial asset in the parent company 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 marketplace (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, the Parent Company's financial assets as of December 31, 2023 and 2022 are classified in the categories:

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

Financial assets at amortized cost (debt instruments)
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 parent company statements 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 parent company 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. 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.

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

This category includes listed common stocks and money market investments. Dividends on listed common stocks are recognized as dividend income in the parent company statements 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 those designated at FVTPL, includes transaction costs.

As of December 31, 2023 and 2022, 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 (except statutory liabilities) and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

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; 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 parent company statements 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.

For assets and liabilities that are recognized in the parent company 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.

<u>Other Current Assets</u>
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 statements 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.

<u>Property and Equipment</u>
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 parent company statements 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:

Category	Number of Years
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 statements 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 statements 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 parent company statements of assets, liabilities and fund balances date. Gains or losses from changes in the fair values of investment properties are recognized in the parent company 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.

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.

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.

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.

Retirement Benefits Costs and Obligation

The net retirement benefits obligation or asset is the aggregate of the present value of the obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the retirement benefits plan is actuarially determined using the projected unit credit method.

Retirement benefits costs comprise the following:

(a) Service costs (which include current service costs, past service costs and gains or losses on non-routine settlements). Past service costs are recognized when plan amendment or curtailment occurs.
(b) Net interest on the net defined benefit liability or asset, which is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.
(c) Remeasurements of net defined benefit liability or asset

Service costs and net interest on the net defined benefit liability or asset are recognized as expense in the statement of comprehensive income.

Remeasurements comprising 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) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the statement of comprehensive income in subsequent periods.

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 statements of comprehensive income.

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 2% per year based on the beginning balance of the restricted fund balance.

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
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 2023 and 2022pertains 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.

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

Events after the Reporting Date
Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

5. Significant Accounting Judgment and Estimates

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

Judgment and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Parent Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. 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 partners or proponents. 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, 2023 and 2022 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 ₱83.08 million and ₱108.26 million as of December 31, 2023 and 2022, 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:

	2023	2022
Cash on hand	**₱45,000**	₱47,812
Cash in banks	**34,398,675**	20,054,095
Undeposited collections	**99,280**	71,727
Cash in fund managers	**30,444,582**	70,386,554
	₱64,987,537	₱90,560,188

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. Cash in banks included donor funds amounting to ₱34.50 million and ₱20.12 million as of December 31, 2023 and 2022, respectively.

Interest income from cash in banks and fund managers amounted to ₱0.01 million in 2023 and 2022, respectively.

7. **Receivables**

This account consists of:

	2023	2022
Current:		
Advances to project proponents	**₱102,205,430**	₱108,206,396
Receivables under fund managers	**10,253,259**	10,540,280
Accrued interest from advances to proponents	**2,373,701**	3,120,898
Dividend receivable	**1,178,032**	1,682,426
Due from PEHI (Note 22)	**–**	9,117
Others	**5,871,170**	6,310,196
	121,881,592	129,869,313
Less allowance for credit losses	**46,142,185**	44,022,137
	75,739,407	85,847,176
Noncurrent advances to project proponents	**12,122,291**	23,860,371
Less allowance for credit losses	**1,987,433**	3,114,511
	10,134,858	20,745,860
	₱85,874,265	₱106,593,036

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 2023 and 2022 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 corporate and government bonds.

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

Interest income on advances to proponents amounted to ₱4.57 million and ₱5.09 million in 2023 and 2022, 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:

		2023	
	Current	**Noncurrent**	**Total**
Balances at beginning of the year	**₱44,022,137**	**₱3,114,511**	**₱47,136,648**
Transfer from non-current to current	**1,127,078**	**(1,127,078)**	**–**
Provisions	**1,957,772**	**–**	**1,957,772**
Reversals	**(964,802)**	**–**	**(964,802)**
Balances at end of year	**₱46,142,185**	**₱1,987,433**	**₱48,129,618**

	2022		
	Current	Noncurrent	Total
Balances at beginning of the year	₱41,887,225	₱4,627,837	₱46,515,063
Transfer from non-current to current	1,607,076	(1,607,076)	–
Provisions	1,999,999	93,750	2,093,749
Reversals	(1,472,163)	–	(1,472,163)
Balances at end of year	₱44,022,137	₱3,114,511	₱47,136,648

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

	2023	2022
Provisions	**₱1,957,772**	₱2,093,749
Provisions directly written off to CBRED	**–**	–
	1,957,772	2,093,749
Reversal	**(964,802)**	(1,472,163)
Less amounts closed to CBRED		–
	(964,802)	(1,472,163)
Provision for ECLs on receivables	**₱992,970**	₱621,586

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

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

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

This account consists of:

	2023	2022
Listed common stocks	**₱467,888,811**	₱542,911,625
Investment in funds		
Unit investment trust fund (UITF)	**16,932,164**	7,611,456
Mutual funds	**5,799,000**	5,833,500
	₱490,619,975	₱556,356,581

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

In 2023 and 2022, the Parent Company recognized changes in fair value of financial assets at FVTPL in the parent company statements of comprehensive income amounting to ₱5.18 million (gain) and ₱49.77 million (loss), respectively.

9. Other Current and Noncurrent Assets

This account consists of:

	2023	2022
Input VAT	**₱2,803,481**	₱2,130,587
Prepaid expenses	**185,001**	202,521
Others	**22,505**	22,506
	₱3,010,987	₱2,355,614

Input VAT pertains to input tax from supplier of goods and services. As of December 31, 2023, and 2022, the output VAT has been fully offset against input VAT which resulted to net input VAT position amounting to ₱2.80 million and ₱2.13 million, respectively. Input VAT is recoverable in future periods.

On November 24, 2022, the BOT approved the Marissa Camacho Legacy Fund in honor of the late Ms. Ma. Socorro 'Marissa' Camacho, one of the incorporators of the Foundation for her dedicated service and to keep the memory of her achievements and contributions to social development in the country and support her advocacies. The Parent Company entered into a Fund Management Agreement with the Kabuhayan sa Ganap na Kasarinlan Credit & Savings Cooperative (KASAGANA-KA COOP / K-COOP) on February 8, 2023 for the Women Entrepreneurship Program. The ₱20.00 million perpetual fund agreement stipulated that an amount equivalent to 2% of the fund be set aside as reserve for inflation. The ₱20.00 million was released in tranches during the year and closed at ₱20.23 million as of December 31, 2023. The fund is a loan financing mechanism for, but not limited to, women-owned enterprises, working capital of micro-enterprises, procurement of equipment and disaster recovery. The Parent Company recorded the fund as part of its noncurrent assets.

10. Investments

This account consists of:

	2023	2022
Current:		
Investments in debt instruments	**₱383,264,633**	₱167,791,763
Financial assets at FVOCI	**136,974,497**	92,203,361
	520,239,130	259,995,124
Noncurrent:		
Investments in debt instruments	**563,350,681**	730,500,474
Financial assets at FVOCI	**170,923,332**	147,149,281
	734,274,013	877,649,755
	₱1,254,513,143	₱1,137,644,879

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

a. Debt investments

	2023	2022
Corporate bonds	**₱847,666,112**	₱811,555,420
Government securities	**98,949,202**	86,736,817
	₱946,615,314	₱898,292,237

Corporate bonds include those issued by holding companies, property and utilities companies. These bonds earn annual interest rates ranging 4.75% to 7.82% in 2023 and 2022, respectively.

Government securities include ROPs bonds and fixed-rate treasury notes earn annual interest rates ranging from 3.62% to 8.13% and 3.25% to 8.13% in 2023 and 2022.

Interest income earned from investment in debt instruments amounted to ₱57.08 million and ₱48.63 million in 2023 and 2022, respectively.

b. Financial assets at FVOCI

	2023	2022
Preferred shares	**₱277,719,930**	₱209,829,355
Unquoted equity shares	**30,177,899**	29,523,287
	₱307,897,829	₱239,352,642

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):

	2023	2022
Balances at beginning of year	**₱1,694,001,460**	₱1,639,447,221
Unrealized valuation gains (losses) - net	**6,023,035**	(49,519,970)
Contributions/deposits	**68,829,145**	49,553,620
Realized investments gains - net	**85,078,422**	62,413,299
Foreign exchange gains (losses) - net	**(4,929,181)**	60,355,250
Disposals/withdrawals	**(103,869,763)**	(68,247,960)
	₱1,745,133,118	₱1,694,001,460

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

	2023	2022
Dividends	**₱34,788,081**	₱28,188,459
Interest	**57,079,110**	48,630,094
Trading gain (loss)	**2,271,878**	(7,652,973)
	₱94,139,069	₱69,165,580

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 directional account based on the average market value of the fund, and other transaction costs. Trustee fees amounted to ₱2.52 million and ₱2.53 million in 2023 and 2022, respectively. Other investment related expenses recognized under ‘Others’ in the parent company statements of comprehensive income amounted to ₱6.54 million and ₱1.86 million in 2023 and 2022, respectively.

11. **Property and Equipment**

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

	2023		
	Office Furniture Fixtures, Computer Software and Equipment	**Transportation Equipment**	**Total**
Cost:			
Balances at beginning of year	**₱8,231,947**	**₱4,115,343**	**₱12,347,290**
Additions	**6,970,384**	**–**	**6,970,384**
Balances at end of year	**15,202,331**	**4,115,343**	**19,317,674**
Accumulated depreciation and amortization:			
Balances at beginning of year	**7,598,195**	**3,274,003**	**10,872,198**
Depreciation and amortization	**2,427,315**	**329,139**	**2,756,454**
Balances at end of year	**10,025,510**	**3,603,142**	**13,628,652**
Net book values	**₱5,176,821**	**₱512,201**	**₱5,689,022**

	2022		
	Office Furniture Fixtures and Equipment	Transportation Equipment	Total
Cost:			
Balances at beginning of year	₱7,779,613	₱4,115,343	₱11,894,956
Additions	697,213	–	697,213
Disposals	(244,879)	–	(244,879)
Balances at end of year	8,231,947	4,115,343	12,347,290
Accumulated depreciation and amortization:			
Balances at beginning of year	7,262,972	2,851,113	10,114,085
Depreciation and amortization	575,318	422,890	998,208
Disposals	(240,094)	–	(240,094)
Balances at end of year	7,598,196	3,274,003	10,872,199
Net book values	₱633,751	₱841,340	₱1,475,091

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 2023.

A deferred tax liability equal to the corporate income tax was provided based on the fair value adjustments of land and building. The deferred tax liability amounted to ₱26.54 million and ₱25.23 million in 2023 and 2022, respectively (Note 23).

As of December 31, 2023, and 2022, details of the land and building and improvements carried at appraised value follow:

	2023		
	Land	**Building and Improvements**	**Total**
Cost:			
Balances at beginning and end of year	**₱108,900,000**	**₱90,521,084**	**₱199,421,084**
Changes in Prices Market	**2,700,000**	**2,467,513**	**5,167,513**
Balances at the end of the year	**111,600,000**	**92,988,597**	**204,588,597**
Accumulated depreciation:			
Balances at beginning of year	–	**83,492,596**	**83,492,596**
Depreciation	–	**429,480**	**429,480**
Balances at end of year	–	**83,922,076**	**83,922,076**
Net book values	**₱111,600,000**	**₱9,066,521**	**₱120,666,521**

	2022		
	Land	Building and Improvements	Total
Cost:			
Balances at beginning and end of year	₱117,396,000	₱94,592,399	₱211,988,399
Changes in Prices Market	1,422,000	239,915	1,661,915
Transfer to Investment Property (Note 12)	(9,918,000)	(1,962,000)	(11,880,000)
Balances at the end of the year	108,900,000	92,870,314	201,770,314
Accumulated depreciation:			
Balances at beginning of year	–	85,402,340	85,402,340
Depreciation	–	439,485	439,485
Balances at end of year	–	85,841,825	85,841,825
Net book values	₱108,900,000	₱7,028,489	₱115,928,489

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:			
Balances at January 1, 2022	₱22,124,434	₱17,059,705	₱39,184,139
Transfer to Investment Property	(3,211,970)	(889,665)	(4,101,635)
Balances at December 31, 2023 and 2022	18,912,464	16,170,040	35,082,504
Accumulated depreciation:			
Balances at January 1, 2022	–	17,059,705	17,059,705
Transfer to Investment Property	–	(889,665)	(889,665)
Balances at December 31, 2023 and 2022	–	16,170,040	16,170,040
Net book value at December 31, 2023 and 2022	₱18,912,464	₱–	₱18,912,464

There are no property and equipment items that are pledged as security to liabilities as of December 31, 2023.

12. Investment Properties

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

The following are the Parent Company's investment properties fair values as of December 31, 2023 and 2022:

	2023		
	Land	**Buildings**	**Total**
Balances at beginning of year	**₱47,148,000**	**₱11,348,000**	**₱58,496,000**
Transfer from Property and Equipment	–	–	–
Changes in market value recognized in profit of loss	–	–	–
Disposal	–	–	–
Balances at end of year	**₱47,148,000**	**₱11,348,000**	**₱58,496,000**

	2022		
	Land	Buildings	Total
Balances at beginning of year	₱35,883,000	₱9,306,000	₱45,189,000
Transfer from Property and Equipment	9,918,000	1,962,000	11,880,000
Changes in market value recognized in profit of loss	1,515,000	80,000	1,595,000
Disposal	(168,000)	–	(168,000)
Balances at end of year	₱47,148,000	₱11,348,000	₱58,496,000

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 2022.

In 2022, an office space was transferred from property and equipment (Note 11) to investment properties. This property will form part of the real estate investment portfolio of the Parent Company.

In 2022, the Parent Company sold a total of two lots of land located in Sultan Kudarat which resulted in gain of ₱42,000 (Note 20).

Had the investment properties been accounted using the cost model, the Parent Company's investment properties as of December 31, 2023 and 2022 would have been ₱10.19 million. Parent Company's net income in 2022 would have decreased ₱1.60 million (nil in 2023).

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 ₱2.48 million in 2023 and 2022, respectively (Note 23).

13. Investment in a Subsidiary

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

Financial information of the Parent Company's subsidiary in 2023 and 2022 are as follows:

	2023	2022
Total assets	**₱119,414,687**	₱115,519,682
Total liabilities	**167,589**	282,708
Net income	**4,010,126**	2,276,429

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

14. Accounts Payable and Accrued Expenses

This account consists of:

	2023	2022
Accrued expenses	**₱3,163,224**	₱2,216,636
Accounts payable	**4,265,041**	4,124,909
Unearned income from advances to proponents	**3,553,096**	3,770,874
Other accrued expenses	**367,417**	461,531
	₱11,348,778	₱10,573,950

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

Unearned income from advances to proponents pertains to interests and penalties charged to proponents that will be earned upon collection.

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

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 ₱26.15 million and ₱32.50 million in 2023 and 2022, respectively.

Details of the rollforward of grants payable follow:

	2023	2022
Beginning	**₱25,973,438**	₱24,216,731
Accruals	**27,261,382**	32,523,838
Reversals	**(1,113,335)**	(19,380)
Releases	**(19,701,907)**	(30,747,751)
	₱32,419,578	₱25,973,438

16. Funds Held in Trust

This account consists of funds from the following trustors:

	2023	2022
Department of Energy (DOE) and United Nation Development Program (UNDP) - CBRED Project	**₱12,712,957**	₱12,553,506
Coca-Cola Foundation	**3,844,462**	3,844,462
Stitching Rabobank Foundation	**3,605,917**	3,605,917
European Union - Solares Project	**2,357,241**	3,392,252
Philips Electronics & Lightning Inc.	**1,250,000**	1,250,000
BPI Foundation	**638,681**	638,681
European Union Foundation	**306,612**	–
	₱24,715,870	₱25,284,818

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.

The rollforward analysis of this fund as follows:

	2023	2022
Balances at beginning of year	**₱12,553,506**	₱12,177,711
Net profit	**159,451**	375,795
	₱12,712,957	₱12,553,506

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. The rollforward analysis of this fund as follows:

	2023	2022
Balances at beginning of year	**₱3,844,462**	₱5,892,412
Expenses	**−**	(2,047,950)
	₱3,844,462	₱3,844,462

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. As of end of 2023 and 2022, the value of the fund stood at ₱3.61 million.

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.

	2023	2022
Balances at beginning of year	**₱3,392,252**	₱997,063
Amount received	**12,419,336**	4,597,084
Expenses	**(13,454,347)**	(2,201,894)
	₱2,357,241	₱3,392,252

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 balance of funds as of December 31, 2023 and 2022 amounted to ₱1.25 million.

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, 2023 and 2022 amounted to ₱0.64 million.

European Climate Foundation
The Parent Company was awarded a total grant amounting to $99,838 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. Details follow:

	2023	2022
Balances at beginning of year	**₱–**	₱–
Amount received	**4,641,045**	1,554,297
Expenses	**(4,334,433)**	(1,554,297)
	₱306,612	₱–

17. Project Expenses

This account consists of:

	2023	2022
Project development, monitoring and evaluation (PDME)	**₱18,937,017**	₱15,140,862
Knowledge management	**7,212,124**	7,606,444
Project support	**2,258,173**	520,784
Institutional support	**1,279,290**	1,241,687
Advocacy and communications	**967,100**	1,262,311
	₱30,653,704	₱25,772,088

PDME, CORDAID and CBRED related expenses are summarized below:

	2023	2022
Personnel expenses (Note 19)	**₱14,384,761**	₱10,616,703
Project monitoring	**4,318,735**	4,226,218
Supplies, services and other operating costs	**134,722**	111,594
Project evaluation and documentation	**74,341**	112,930
Project audit	**12,410**	62,302
Others	**12,048**	11,115
	₱18,937,017	₱15,140,862

Knowledge management expenses are summarized below:

	2023	2022
Personnel expenses (Note 19)	**₱5,956,219**	₱5,549,260
Knowledge management	**594,972**	1,470,230
Subscriptions	**460,597**	416,278
Research and publication	**144,814**	104,740
Supplies, services and other operating costs	**33,527**	64,273
SE conference and learning events	**21,995**	1,663
	₱7,212,124	₱7,606,444

Institutional support includes staff learning and development and organizational development costs. Advocacy and communications include media coverage, press briefing and publicity promotions.

Project support expenses include expenses for projects capability building.

18. General and Administrative Expenses

This account consists of:

	2023	2022
Personnel expense (Note 19)	**₱6,153,397**	₱6,872,232
Meetings	**1,333,344**	1,102,700
Outside services	**1,168,539**	1,485,270
Legal fee	**692,603**	679,609
Utilities	**405,085**	323,983
Taxes and licenses	**340,672**	138,327
Professional Fee	**276,786**	305,065
Repairs and maintenance	**186,131**	243,420
Retirement Expense	**180,700**	148,664
Office supplies	**152,943**	348,523
Communications	**107,972**	156,054
Transportation and travel	**98,714**	253,840
Association dues and membership fees	**90,676**	90,676
Recruitment and advertising	**17,550**	47,493
Others	**482,596**	197,415
	₱11,687,708	₱12,393,271

19. Personnel Expenses

This account consists of:

	2023	2022
Salaries and wages	**₱19,067,265**	₱17,500,615
De minimis benefits	**3,998,342**	2,485,670
Social security costs	**2,071,690**	2,522,358
Completion pay	**806,700**	235,700
Compensated absences	**304,780**	193,851
Bonuses	**245,600**	100,000
	₱26,494,377	₱23,038,194

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

	2023	2022
Project expenses (Note 17)	**₱20,340,980**	₱16,165,963
General and administrative expenses (Note 18)	**6,153,397**	6,872,232
	₱26,494,377	₱23,038,195

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

	2023	2022
Salaries and wages	**₱7,507,800**	₱6,509,520
Employee benefits	**856,822**	728,080
	₱8,364,622	₱7,237,600

20. **Other Income**

This account consists of other income from the following sources:

	2023	2022
Service fee from advances to proponents	**₱35,473**	₱30,627
Gain on sale of investment property (Note 12)	–	42,000
Gain on sale of property and equipment (Note 11)	–	31,127
Others	**505,351**	184,048
	₱540,824	₱287,802

Others pertain to rental income and interest income from loans of employees.

21. **Retirement Benefit Costs**

The Parent Company has a qualified, unfunded and actuarially computed retirement plan covering all its regular and permanent employees. The benefits are based on the years of credited services and a percentage of final monthly salary. The values below were obtained from an actuarial valuation report dated December 19, 2022.

The following tables summarize the components of the net benefit expense recognized in the statements of comprehensive income and amounts recognized in the statements of financial position for the retirement plan.

Based on the actuarial valuation as of December 31, 2022 computed using the Accrued Benefit Actuarial Cost Method (Projected Unit Credit), the Company's retirement benefit liability and retirement expenses are summarized as follows:

	2023	2022
Retirement plan asset	**₱1,546,489**	₱1,624,996
Retirement expense	**180,700**	148,664

Components of retirement expense in the statements of comprehensive income for the year ended December 31, 2023 follow:

	2023	2022
Current service cost	**₱354,317**	₱272,922
Interest income on plan assets	**(173,617)**	(124,258)
	₱180,700	₱148,664

The amounts of retirement liability recognized in the statements of financial position follows:

	2023	2022
Present value of defined benefit obligation	**₱591,996**	₱273,291
Fair value of plan assets	**(2,628,333)**	(2,388,135)
Effect of the Asset Ceiling	**489,848**	489,848
Net retirement asset	**₱1,546,489**	₱1,624,996

The defined benefit cost recognized in other comprehensive income follows:

	2023	2022
Actuarial loss -defined benefit obligation	**₱–**	₱369
Remeasurement loss - plan assets	**102,193**	177,333
Remeasurement loss - changes in the effect of the asset ceiling	**–**	489,848
Defined benefit cost	**₱102,193**	₱667,550

The principal actuarial assumptions used in determining net retirement benefits for the Company's plan are shown below:

	2023	2022
Discount rate	**7.27%**	7.27%
Salary increase rate	**3.00%**	3.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of reporting period, assuming all other assumptions were held constant.

	2023		2022	
	Increase (Decrease) in Basis Points	**Effect on Defined Benefit Retirement Obligation**	Increase (Decrease) in Basis Points	Effect on Defined Benefit Retirement Obligation
Discount rate	**+100**	**(₱30,286)**	+100	(₱28,233)
	-100	**35,717**	-100	33,296
Salary increase rate	**+100**	**36,940**	+100	34,437
	-100	**(31,716)**	-100	(29,567)

The Parent Company's retirement benefits fund is maintained by the Banco De Oro (BDO) Unibank. BDO Unibank is responsible for investment of the plan assets.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
1 year or less	**₱4,733**	₱1,800
More than 1 year to 5 years	**57,409**	60,342
More than 5 years but not exceeding 1 years	**1,588,101**	1,588,101

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 2023, the Parent Company entered into a management agreement with PEHI which involves management of the loans extended by the Parent Company to identified social enterprises.

	2023			
Category	**Amount**	**Due from (to)**	**Terms**	**Conditions**
Subsidiary:				
Peace and Equity Holdings, Inc.(PEHI)				
a. Utilities, meeting and various expenses (Note7)	**₱1,905,293**	**₱–**	On demand, noninterest bearing	Unsecured, not impaired
b. Management fee expense	**271,843**	**(304,464)**	On demand, noninterest bearing	Unsecured, not impaired

	2022			
Category	Amount	Due from (to)	Terms	Conditions
Subsidiary:				
Peace and Equity Holdings, Inc.(PEHI)				
a. Utilities, meeting and various expenses (Note 7)	₱1,905,187	₱9,117	On demand, noninterest bearing	Unsecured, not impaired
b. Management fee expense	399,872	(447,857)	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, 2023 and 2022. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

23. Income Taxes

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

The tax expense shown in the parent company statements of comprehensive income in 2023 and 2022 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 and minimum corporate income tax (MCIT)in 2023 and 2022 due to the Parent Company's net taxable loss position.

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

	2023	2022
NOLCO	**₱34,950,818**	₱61,123,206
Allowance for expected credit losses on receivables	**48,129,618**	47,136,648
	₱83,080,436	₱108,259,854

As of December 31, 2023, the details of the NOLCO are as follow:

Inception Year	Amount	Applied/ Expired	Balance	Expiry Year
2023	₱18,412,646	₱–	₱18,412,646	2026
2022	14,439,532	–	14,439,532	2025
2021	2,098,640	–	2,098,640	2026
2020	44,585,034	(44,585,034)	–	2025
	₱79,535,852	(₱44,585,034)	₱34,950,818	

The Parent Company has incurred NOLCO in taxable years 2021 and 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.

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

	2023	2022
Item recognized in profit or loss		
Investment properties (Note 12)	**₱2,478,399**	₱2,478,399
Item recognized in other comprehensive income		
Land, building and improvements (Note 11)	**26,544,284**	25,226,854
	₱29,022,683	₱27,705,253

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

	2023	2022
Provision for income tax at statutory tax rate	**₱5,033,720**	₱2,406,942
Additions to (reductions in) resulting from:		
Nondeductible grant expenses	**15,775,072**	28,283,739
Movements in unrecognized deferred income tax assets	**4,603,160**	3,705,583
Interest income on investment subject to final tax	**(12,532,985)**	(538,027)
Nontaxable dividend income and valuation gains	**(10,560,707)**	(31,615,054)
	₱2,318,260	₱2,243,183

24. Fair Value and Categories of Financial Instruments

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

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value is observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
2023	**₱1,756,076,162**	**₱30,177,899**	**₱–**	**₱1,786,254,061**
2022	₱1,745,849,591	₱29,523,287	₱–	₱1,775,372,878

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 2023 and 2022, 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.

<u>Equity Price Risk</u>
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, 2023 and 2022 with all other variables held constant showing the impact on equity that reflects adjustments on changes in fair value of financial assets.

Market Index	**2023** Change in variable	**2023** Effect on equity	2022 Change in variable	2022 Effect on equity
PSE	**5.00%**	**₱15,394,891**	5.00%	₱11,967,632
	(5.00%)	**(15,394,891)**	(5.00%)	(11,967,632)

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.

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 profile based on the remaining period at the reporting dates to their expected repayment dates.

	2023				
	On demand	**< 1 year**	**> 1 year**	**No term**	**Total**
Financial assets:					
Cash and cash equivalents	**₱64,987,537**	**₱–**	**₱–**	**₱–**	**₱64,987,537**
Receivables	**–**	**75,739,407**	**10,134,858**	**–**	**85,874,265**
Other financial assets	**–**	**520,239,130**	**563,350,681**	**661,543,307**	**1,745,133,118**
Refundable deposit	**–**	**–**	**345,601**	**–**	**345,601**
	₱64,987,537	**₱595,978,537**	**₱573,831,140**	**₱661,543,307**	**₱1,896,340,521**
**Excluding cash on hand amounting to ₱45,000*					
Financial liabilities:					
Accounts payable and accrued expenses*	**₱10,981,361**	**₱–**	**₱–**	**₱–**	**₱10,981,361**
Grants payable	**32,419,578**	**–**	**–**	**–**	**32,419,578**
Funds held in trust	**24,715,870**	**–**	**–**	**–**	**24,715,870**
	₱68,116,809	**₱–**	**₱–**	**₱–**	**₱68,116,809**

**Excluding statutory payables amounting to ₱367,417.*

	2022				
	On demand	< 1 year	> 1 year	No term	Total
Financial assets:					
Cash and cash equivalents	₱90,512,376	₱–	₱–	₱–	₱90,512,376
Receivables	–	85,847,176	20,745,860	–	106,593,036
Other financial assets	–	259,995,124	730,500,474	703,505,862	1,694,001,460
Refundable deposit	–	–	345,601	–	345,601
	₱90,512,376	₱345,842,300	₱751,591,935	₱703,505,862	₱1,891,452,473
**Excluding cash on hand amounting to ₱47,812*					
Financial liabilities:					
Accounts payable and accrued expenses	₱10,112,419	₱–	₱–	₱–	₱10,112,419
Grants payable	25,973,438	–	–	–	25,973,438
Funds held in trust	25,284,818	–	–	–	25,284,818
	₱61,370,675	₱–	₱–	₱	₱61,370,675

**Excluding statutory payables amounting to ₱461,531*

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 assets are as follows:

	2023		2022	
	Currencies	**Peso Equivalent**	Currencies	Peso Equivalent
In USD:				
Cash in bank	**\$2,332**	**₱129,106**	\$1,172	₱65,318
Financial assets	**16,101,528**	**891,541,605**	14,472,605	806,920,095
In EUR:				
Cash in bank	**€3,122**	**188,635**	€3,122	185,951
		₱891,859,346		₱807,171,364

Sensitivity Analysis
A 10% strengthening of the Philippine peso against the above currency as at and for the years ended December 31, 2023 and 2022 would have decreased equity and profit or loss by ₱89,185,934 and ₱80,717,136, respectively.

A 10% weakening of the Philippine peso against the above currency as at and for the years ended December 31, 2023 and 2022 would have had the equal but opposite effect, on the basis that all other variables remain constant.

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 positionless 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:

	2023				
	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	**₱64,987,537**	**₱–**	**₱–**	**₱–**	**₱64,987,537**
Receivables	**85,874,265**	**–**	**–**	**48,129,618**	**134,003,883**
Other financial assets	**1,745,133,118**	**–**	**–**	**–**	**1,745,133,118**
	₱1,895,994,920	**₱–**	**₱–**	**₱48,129,618**	**₱1,944,124,538**

	2022				
	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	₱90,560,188	₱–	₱–	₱–	₱90,560,188
Receivables	106,593,036	–	–	47,136,648	153,729,684
Other financial assets	1,694,001,460	–	–	–	1,694,001,460
	₱1,891,154,684	₱–	₱–	₱47,136,648	₱1,938,291,332

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

	2023		
	High Grade	**Standard Grade**	**Total**
Cash and cash equivalents	**₱64,987,537**	**₱–**	**₱64,987,537**
Receivables	**–**	**85,874,265**	**85,874,265**
Other financial assets	**1,745,133,118**	**–**	**1,745,133,118**
	₱1,810,120,655	**₱85,874,265**	**₱1,895,994,920**

	2022		
	High Grade	Standard Grade	Total
Cash and cash equivalents	₱90,560,188	₱–	₱90,560,188
Receivables	–	106,593,036	106,593,036
Other financial assets	1,694,001,460	–	1,694,001,460
	₱1,784,561,648	₱106,593,036	₱1,891,154,684

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 2023 and 2022 amounted to ₱40.76 million and ₱39.96 million, respectively.

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:

	2023	2022
Total liabilities	**₱97,506,909**	₱89,537,459
Fund balance	**2,078,939,354**	2,038,175,838
Liability to fund balance ratio	**0.047:1**	0.044:1

The Parent Company sets the amount of the 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 2023 and 2022.

27. 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.

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

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

December 31,2023.

a. The Parent Company is VAT-registered with an output VAT declaration of ₱529,629 for the year ended December 31, 2023, based on the amount of ₱4,413,579.

b. Input VAT

Balance at January 1, 2023	₱2,068,861
Current year's domestic purchases/payments for:	
Services lodged under other accounts	862,138
Purchased of capital goods not exceeding 1M	224,824
Capital goods not subject to amortization	141,711
Input claimed against output VAT	(494,054)
Balance at December 31, 2023	₱2,803,480

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

Property tax	₱44,805
Business permit and fees	34,670
BIR annual registration fee	500
Others	260,697
	₱340,672

Other taxes and licenses under project expenses amounted to nil.

d. The amount of withholding taxes paid in 2023 are as follows:

Withholding tax on compensation	₱2,767,004
Expanded withholding tax	653,063
	₱3,420,067

Tax Assessments and Cases

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