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

Parent Company Financial Statements
December 31, 2015 and 2014

and

Independent Auditors' Report

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

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

Report on the Parent Company Financial Statements

We have audited the accompanying Parent Company financial statements of Peace Equity Access for Community Empowerment (PEACE) Foundation Inc., which comprise the Parent Company statements of financial position as at December 31, 2015 and 2014, and the Parent Company statements of comprehensive income, statements of changes in fund balances and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these Parent Company financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these Parent Company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Parent Company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Parent Company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Parent Company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Parent Company financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Parent Company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Parent Company financial statements present fairly, in all material respects, the financial position of Peace Equity Access for Community Empowerment (PEACE) Foundation Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 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 15-2010 in Note 24 to the Parent Company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Peace Equity Access for Community Empowerment (PEACE) Foundation Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

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PTR No. 5321650, January 4, 2016, Makati City

March 18, 2016

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash (Note 4)	**₱27,620,262**	₱41,512,382
Receivables - net (Note 5)	**87,459,487**	196,446,792
Available-for-sale (AFS) financial assets (Note 6)	**1,879,237,244**	1,916,070,637
Other current assets (Note 7)	**2,976,349**	17,528,992
Total Current Assets	**1,997,293,342**	2,171,558,803
Noncurrent Assets		
Receivables - net of current portion and allowance (Note 5)	**56,265,689**	55,146,848
Property and equipment - net (Note 8)	**30,217,258**	29,601,267
Investment properties (Note 9)	**4,911,814**	4,911,814
Investment in Peace and Equity Holdings Inc. (PEHI; Note 10)	**31,250,000**	31,250,000
Other noncurrent assets (Note 18)	**847,954**	748,037
Total Noncurrent Assets	**123,492,715**	121,657,966
TOTAL ASSETS	**₱2,120,786,057**	₱2,293,216,769
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**₱10,446,232**	₱21,230,647
Grants payable (Note 12)	**32,333,657**	19,074,261
Funds held in trust (Note 13)	**32,217,092**	83,419,633
Total Liabilities	**74,996,981**	123,724,541
Fund Balances		
Restricted	**1,994,155,478**	1,936,073,280
Unrestricted	**51,633,598**	233,418,948
Total Fund Balances	**2,045,789,076**	2,169,492,228
TOTAL LIABILITIES AND FUND BALANCES	**₱2,120,786,057**	₱2,293,216,769

See accompanying Notes to Parent Company Financial Statements.

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
REVENUES		
Investment income (Note 6)	**₱213,561,050**	₱121,154,865
Interest income - net (Notes 4, 5, 7 and 17)	**9,004,988**	4,901,063
Others (Note 17)	**863,498**	917,004
	223,429,536	126,972,932
EXPENSES		
Project expenses (Note 14)	**45,469,468**	46,634,088
Grant expenses (Note 12)	**44,896,270**	61,460,148
Provision for impairment losses on receivables - net (Note 5)	**18,552,874**	10,979,459
Provision for impairment losses on AFS (Note 6)	**18,992,215**	–
General and administrative (Note 15)	**18,999,175**	18,006,736
Depreciation and amortization (Note 8)	**3,151,261**	2,960,751
Foreign exchange loss - net	**460,446**	90,823
	150,521,709	140,132,005
INCOME (LOSS) BEFORE INCOME TAX	**72,907,827**	(13,159,073)
PROVISION FOR INCOME TAX (Note 20)	**(5,101,983)**	(4,827,470)
NET INCOME (LOSS)	**67,805,844**	(17,986,543)
OTHER COMPREHENSIVE INCOME (LOSS)		
Item to be reclassified to profit or loss in subsequent periods:		
Net unrealized valuation gain (loss) on AFS financial assets (Notes 6 and 7)	**(191,599,413)**	140,153,773
Item not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on defined benefit plan (Note 18)	**90,417**	(201,736)
	(191,508,996)	139,952,037
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱123,703,152)**	₱121,965,494

See accompanying Notes to Parent Company Financial Statements.

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC.

PARENT COMPANY STATEMENTS OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Unrestricted Funds					Restricted Funds			
	Members' Contribution	Cumulative Excess of Revenues over Expenses	Revaluation Reserves on AFS (Notes 6 and 7)	Remeasurement Gains (Losses) on Defined Benefit Plan (Note 18)	Total	Endowment Fund (Note 1)	Provision for Inflation (Note 23)	Total	Grand Total
Balances at January 1, 2015	**₱100,000**	**₱14,064,892**	**₱219,254,056**	**₱–**	**₱233,418,948**	**₱1,318,371,694**	**₱617,701,586**	**₱1,936,073,280**	**₱2,169,492,228**
Net income	**–**	**67,805,844**	**–**	**–**	**67,805,844**	**–**	**–**	**–**	**67,805,844**
Other comprehensive income (loss)	**–**	**–**	**(191,599,413)**	**90,417**	**(191,508,996)**	**–**	**–**	**–**	**(191,508,996)**
Total comprehensive income (loss)	**–**	**67,805,844**	**(191,599,413)**	**90,417**	**(123,703,152)**	**–**	**–**	**–**	**(123,703,152)**
Provision for inflation (Note 23)	**–**	**(58,082,198)**	**–**	**–**	**(58,082,198)**	**–**	**58,082,198**	**58,082,198**	**–**
Balances at December 31, 2015	**₱100,000**	**₱23,788,538**	**₱27,654,643**	**₱90,417**	**₱51,633,598**	**₱1,318,371,694**	**₱675,783,784**	**₱1,994,155,478**	**₱2,045,789,076**
Balances at January 1, 2014	₱100,000	₱88,441,919	₱79,100,283	₱201,736	₱167,843,938	₱1,318,371,694	₱561,311,102	₱1,879,682,796	₱2,047,526,734
Net income	–	(17,986,543)	–	–	(17,986,543)	–	–	–	(17,986,543)
Other comprehensive income (loss)	–	–	140,153,773	(201,736)	139,952,037	–	–	–	139,952,037
Total comprehensive income (loss)	–	(17,986,543)	140,153,773	(201,736)	121,965,494	–	–	–	121,965,494
Provision for inflation (Note 23)	–	(56,390,484)	–	–	(56,390,484)	–	56,390,484	56,390,484	–
Balances at December 31, 2014	₱100,000	₱14,064,892	₱219,254,056	₱–	₱233,418,948	₱1,318,371,694	₱617,701,586	₱1,936,073,280	₱2,169,492,228

See accompanying Notes to Parent Company Financial Statements.

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱72,907,827**	(₱13,159,073)
Adjustments for:		
Provision for impairment losses on AFS (Note 6)	**18,992,215**	–
Provision for impairment losses on receivables (Note 5)	**18,552,874**	10,979,459
Depreciation and amortization (Note 8)	**3,151,261**	2,960,751
Unrealized foreign exchange loss	**460,446**	90,823
Gain on sale of property and equipment	**(477,334)**	–
Interest income (Notes 4, 5 and 7)	**(9,004,988)**	(4,901,063)
Investment income (Note 6)	**(213,561,050)**	(121,154,865)
Operating loss before working capital changes	**(108,978,749)**	(125,183,968)
Decrease (increase) in:		
Receivables	**88,253,846**	(125,947,782)
Other current assets	**14,552,643**	7,916,113
Movement in net retirement asset	**(9,500)**	(342,235)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(10,811,201)**	4,400,232
Grants payable	**13,259,396**	10,252,832
Funds held in trust	**(51,191,195)**	(69,875,091)
Net cash used in operations	**(54,924,760)**	(298,779,899)
Interest income received	**10,066,732**	7,095,026
Income taxes paid	**(5,101,983)**	(4,827,470)
Net cash flows used in operating activities	**(49,960,011)**	(296,512,343)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in AFS financial assets	**(173,758,235)**	176,885,559
Investment income received	**213,561,050**	121,154,865
Proceeds from sale of property and equipment	**504,120**	–
Additions to property and equipment	**(3,778,598)**	(1,044,107)
Net cash flows provided by investing activities	**36,528,337**	296,996,317
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**(460,446)**	(90,823)
NET INCREASE (DECREASE) IN CASH	**(13,892,120)**	393,151
CASH AT BEGINNING OF YEAR	**41,512,382**	41,119,231
CASH AT END OF YEAR (Note 4)	**₱27,620,262**	₱41,512,382

See accompanying Notes to Parent Company Financial Statements.

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

1. Corporate Information

Peace Equity Access for Community Empowerment (PEACE) Foundation Inc. (the Foundation; 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 ₱1.3 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 revenues and expenses pertaining to the fund as unrestricted activities. Accordingly, the net income amounting to ₱67.8 million and net loss amounting to ₱18.0 million for the years ended December 31, 2015 and 2014, respectively, were presented as part of the unrestricted fund balance.

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

The Parent Company financial statements as at and for the years ended December 31, 2015 and 2014 were approved and authorized for issue by the BOT on March 18, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

The Parent Company financial statements have been prepared under the historical cost basis, except for AFS financial assets which are carried at fair value. The Parent Company financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional currency.

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

Statement of Compliance
The Parent Company financial statements have been prepared in accordance with PFRS.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial years, except that the Company has adopted the following PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations which are effective for the Company beginning January 1, 2015.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs (2010 - 2012 cycle)
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  - PAS 24, *Related Party Disclosures - Key Management Personnel*

- Annual Improvements to PFRSs (2011 - 2013 cycle)
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property*

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
- PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
- Annual Improvements to PFRSs (2012 - 2014 cycle)
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The adoption will also have an effect on the Parent Company's application of hedge accounting. The Parent Company is currently assessing the impact of adopting this standard.

  The Parent Company is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date.

The following new standard issued by the IASB has not yet been adopted locally by the SEC and FRSC

- International Financial Reporting Standard (IFRS) 15*, Revenue from Contracts with Customers*

Effective January 1, 2019

- IFRS 16, *Leases*

Cash
Cash represents cash on hand and with banks.

Financial Instruments
Financial instruments are recognized in the Parent Company statements of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. The Parent Company determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial reporting date.

All regular way purchases and sales of financial instruments are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of instruments within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS financial assets. Also under PAS 39, financial liabilities are classified as financial liabilities at FVPL or other financial liabilities.

Financial Assets
The Parent Company's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2015 and 2014, the Parent Company has no outstanding financial assets at FVPL and HTM investments.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or designated as at FVPL.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, receivables are measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is recognized as "Interest income" in the Parent Company statement of comprehensive income. The losses arising from impairment of receivables are recognized in profit or loss. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts.

Loans and receivables are classified as current assets when these are expected to be realized within twelve months from the financial reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

This accounting policy relates to the Parent Company's "Cash", "Receivables", escrow deposit included under "Other current assets" and refundable deposit included under "Other noncurrent assets".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is recognized in profit or loss.

AFS Financial Assets
AFS financial assets are those nonderivative financial assets which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets, or loans and receivables. AFS financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include various funds held in

trust by various fund managers which were invested to different financial assets such as special deposit accounts, debt and equity securities, unit investment trust funds and mutual funds.

After initial measurement, AFS financial assets are measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, and are reported as part of the "Revaluation reserves on AFS" account in the Parent Company statement of changes in fund balances. When the investment is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is recognized in profit or loss and is presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, except impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of "Investment income" in the Parent Company statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in "Revaluation reserves on AFS" is recognized as gain or loss in the Parent Company statement of comprehensive income. Interest earned on holding AFS financial assets are reported as interest income using the EIR. Dividends earned on holding AFS equity are recognized in profit or loss when the right to the payment has been established.

AFS financial assets are classified as current if they are expected to be realized within twelve months after the financial reporting date. Otherwise, these are classified as noncurrent assets.

This category consists of debt and equity instruments presented as "AFS financial assets" in the Parent Company's statements of financial position.

Financial Liabilities
The Parent Company's financial liabilities are of the nature of other financial liabilities. As of December 31, 2015 and 2014, the Parent Company has no outstanding financial liabilities at FVPL.

Issued financial instruments or their components, which are not designated as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity shares. The components of issued financial instruments that contain both liability and equity components are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently 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. The EIR amortization is recognized in profit or loss.

This accounting policy applies primarily to the Parent Company's "Accounts payable and accrued expenses", "Grants payable", "Funds held in trust" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

Grants payable represents unreleased and committed grants of the Parent Company to project proponents.

Funds received by the Parent Company from donors for specific projects are initially recognized as liabilities forming part of the "Funds held in trust" account in the Parent Company's statements of financial position at the time the funds are received. Revenue and expenses related to these projects are closed against this liability account.

Other financial liabilities are presented as current when these are expected to be settled within twelve months from the financial reporting date or the Parent Company does not have an unconditional right to defer settlement for at least twelve months from the financial reporting date. Otherwise, these are classified as noncurrent liabilities.

Fair Value Measurement
The Parent Company measures financial instruments such as AFS financial assets at fair value at each financial reporting date.

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 non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the 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 financial reporting date.

This accounting policy applies primarily to the Parent Company's "AFS Financial Assets".

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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the Parent Company statements of financial position if, and only if:

1. there is a currently enforceable legal right to offset the recognized amounts; and
2. there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets
The Parent Company assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flow, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). Time value is generally not considered when the effect of the discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. The financial assets, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Parent Company. The amount of the impairment loss is recognized in profit or loss.

The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. Those objective evidences are relevant to the estimation of future cash flows of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets
For AFS financial assets, the Parent Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of AFS financial assets is impaired. In the case of quoted equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more or 'prolonged' as greater than six (6) months for quoted equity securities. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in equity.

Derecognition of Financial Instruments
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Parent Company has transferred its rights 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 substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and 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. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Parent Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the 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 or cancelled or has 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 profit or loss.

Other Current Assets

Escrow Deposit

Escrow deposit relates to fund set aside by the Parent Company as guarantor for various community organizations who joined the "Community Mortgage Program (CMP)" project.

Escrow deposits are classified as current assets under "Other current assets" when these are expected to be realized within twelve months after the financial reporting date or within the normal operating cycle, whichever is longer. Otherwise, escrow deposits are classified as noncurrent assets under the "Other noncurrent assets" account.

Input Value-added Taxes (VAT)

Input VAT represents VAT imposed on the Parent Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is stated at its estimated net realizable value.

Prepaid Expenses

Prepaid expenses are carried at cost and are amortized on a straight-line method over the period of expected usage, which is equal to or less than twelve months or within the normal operating cycle.

Property and Equipment

Property and equipment, excluding land, are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the item has been put into operation, such as repairs and maintenance, are charged to operations. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, significantly add service potential and extend the economic useful life of the existing asset, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization commence once the property and equipment are available for use and are computed using the straight-line method, net of an estimated residual value, over the estimated useful lives of the assets, as follows:

Category	Number of Years
Building and improvements	10
Office furniture, fixtures and equipment	3-5
Transportation equipment	5

The useful lives, residual values and depreciation and amortization method are reviewed periodically and adjusted if appropriate, at each financial year, to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized when assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts, any gain or loss arising on derecognition of the asset (calculated as the difference between net disposals proceeds and the carrying amount of the asset) is recognized in profit or loss in the year the asset is derecognized.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use.

Investment Properties

Investment properties, accounted for under cost model, are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at acquisition cost. The cost of the asset is comprised of its purchase price and directly attributable costs of making the asset ready for its intended use.

The carrying value of the investment properties is reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized in profit or loss.

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 Peace Equity Holdings Inc. (PEHI)

PEHI is a wholly-owned subsidiary of the Parent Company.

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

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

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

Impairment of Nonfinancial Assets

Input VAT, Prepaid Expenses, Property and Equipment and Investment Properties

The Parent Company assesses at each financial reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Investment in PEHI
The Parent Company performs impairment review on its investment in PEHI whenever impairment indicator exists. This requires an estimation of the value in use of the investment. Estimating the value in use requires the Parent Company to make an estimate of the future cash flows of the investment and to use a suitable discount rate to calculate the present value of those future cash flows.

<u>Retirement Benefit Costs</u>
The Parent Company has a funded, noncontributory, defined benefit retirement plan.

The net plan asset is the aggregate of the fair value of the plan asset reduced by the defined benefit obligation adjusted for the effect of the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined by an independent qualified actuary using the projected unit credit method.

Defined benefit income comprise the following:
- Service cost
- Interest income on the net plan asset
- Remeasurements of net plan asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the Parent Company statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest income on the net plan asset is the change during the period in the net plan asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net plan asset. Net interest income on the net plan asset is recognized in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

As of December 31, 2015 and 2014, plan assets amounted to ₱802,354 and ₱702,437, respectively. The retirement liability has been fully settled in 2014 when the employees entitled to the plan have resigned.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Where the Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is recognized in profit or loss, net of any reimbursement.

Fund Balances

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

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

Revaluation reserves on AFS comprise unrealized valuation gains and losses due to the revaluation of AFS financial assets.

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

Restricted Fund

The fund account is used only in accordance with a donor's or grantor's specifications. Included in this account is the provision for inflation computed at 3% per year based on the beginning balance of the restricted fund balance.

Unrestricted Fund

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Investment Income

Investment income from AFS financial assets is recognized when earned.

Interest Income
Interest income on loans and receivables and bank deposits are recognized as it accrues using the EIR method.

Revenue from Restricted Support
Revenue from restricted support is recognized upon fulfilment of the donor-imposed conditions attached to the support and/or to the extent that expenses are incurred. For presentation purposes, the related expenses are offset against the revenue. At project completion date, any excess funds are returned to the donors unless otherwise agreed by both parties that the excess be retained by the Parent Company and therefore credited to unrestricted support.

Grants, Donations and Contributions
Grants are recognized when the scope of work and the purpose of the grants stipulated in the agreements are performed and the donor's imposed conditions are substantially complied. Donations and contributions are recognized when actually received.

Other Income
Other income is recognized when earned.

Expenses
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.

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

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/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.

Foreign Currency Transactions
Transactions in foreign currencies are recorded in ₱ 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 Income Tax
Current income 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 Income Tax
Deferred income 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income 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 income 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 income 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 income 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 income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income.

Contingencies
Contingent liabilities are not recognized in the Parent Company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the Parent Company financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Financial Reporting Date
Post year-end events up to the date of the auditors' report that provide additional information about the Parent Company's position at financial reporting date (adjusting event) are reflected in the financial statements. Any post year-end events that are non-adjusting events are disclosed on the financial statements when material.

3. Significant Accounting Judgment, Estimates and Assumptions

The Parent Company financial statements prepared in accordance with PFRS 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. Actual results could differ from such estimates. Judgment, estimates and assumptions 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.

Judgment

Determining Functional Currency

The functional currency of the Parent Company has been determined to be the ₱. The ₱ is the currency of the primary economic environment in which the Parent Company operates.

Estimates and Assumptions

Determining Fair Values of Financial Instruments

The Parent Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted prices, interest rates, foreign exchange rates, volatility), the amount of changes in fair value would differ if the Parent Company utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect income or loss and fund balances.

The fair values of the Parent Company's financial instruments are presented in Note 22 to the Parent Company financial statements.

Estimating Impairment Losses on Receivables

The Parent Company maintains allowance on receivables at a level considered adequate to provide for potentially uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that may affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Parent Company's relationship with the proponents, the proponents' payment behavior and known market factors. The Parent Company reviews the age and status of its receivables and escrow and refundable deposit, and identifies accounts that are provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimate made.

Provision for and reversal of impairment losses recognized in the Parent Company statements of comprehensive income amounted to ₱32,339,420 and ₱13,786,546, respectively, in 2015 and ₱22,923,352 and ₱11,943,893, respectively, in 2014. The aggregate allowance for impairment losses on advances to proponents and accrued interest receivable from proponents amounted to ₱83,147,490 and ₱65,748,108 as of December 31, 2015 and 2014, respectively. The carrying value of the Parent Company's receivables amounted to ₱143,725,176 and ₱251,593,640 as of December 31, 2015 and 2014, respectively (Note 5).

Estimating Impairment of AFS Financial Assets

The Parent Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more of the cost of AFS financial assets and 'prolonged' if the decline in fair value has been continuing for more than six months. In addition, the Parent Company evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows. Impairment loss on AFS financial assets amounted to ₱18,992,215 and nil in 2015 and 2014, respectively. The carrying values of AFS financial assets amounted to ₱1,879,237,244 and ₱1,916,070,637 as of December 31, 2015 and 2014, respectively.

Estimating Impairment of Nonfinancial Assets
The Parent Company assesses impairment of input VAT, prepaid expenses, property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates that can materially affect the Parent Company financial statements. The Parent Company has no provision for impairment loss in 2015 and 2014. The aggregate carrying values of these nonfinancial assets amounted to ₱36,535,467 and ₱36,635,085 (Notes 7, 8 and 9).

Estimating Impairment of Investment in PEHI
The Parent Company performs an impairment review on its investment in PEHI whenever an impairment indicator exists. This requires an estimation of the value in use of the investment. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows of the investment and to make use of a suitable discount rate to calculate the present value of those future cash flows.

Management has determined that there are no events or circumstances that may indicate that the carrying amount of the investment is not recoverable, thus, no impairment review was performed in 2015 and 2014. The carrying value of investment in PEHI amounted to ₱31,250,000 as of December 31, 2015 and 2014, respectively (Note 10).

Estimating Useful Lives of Property and Equipment
The Parent Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the useful lives of the assets in 2015 and 2014. The carrying values of property and equipment amounted to ₱30,217,258 and ₱29,601,267 as of December 31, 2015 and 2014, respectively (Note 8).

Determining Retirement Benefits Obligation
The costs of defined benefit plans as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

Net retirement benefit income amounted to ₱9,500 and ₱342,235 in 2015 and 2014, respectively. The net retirement benefit asset amounted to ₱802,354 and ₱702,437 as of December 31, 2015 and 2014, respectively (Note 18).

Estimating Realizability of Deferred Income Tax Assets
The Parent Company reviews the carrying amounts of deferred income 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 income tax assets to be utilized.

The Parent Company's assessment on the recognition of deferred income 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 income tax assets to be utilized in the future.

The Parent Company did not recognize deferred income tax assets on carryforward benefit of unused NOLCO and other deductible temporary differences amounting to ₱255,767,507 and ₱174,604,063 as of December 31, 2015 and 2014, 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 income tax assets to be utilized in the future (Note 20).

4. **Cash**

This account consists of:

	2015	2014
Cash on hand	**₱71,683**	₱45,000
Cash in banks	**27,548,579**	41,467,382
	₱27,620,262	₱41,512,382

Cash includes donor-restricted funds amounting to ₱3,268,078 and ₱12,138,702 as of December 31, 2015 and 2014, respectively. The funds pertain to bank accounts in RCBC for Rehab and MP3.

Cash with banks generally earn interest at rates based on daily bank deposit rates.

Interest income from cash in banks amounted to ₱117,622 and ₱53,269 in 2015 and 2014, respectively (Note 17).

5. Receivables

This account consists of:

	2015	2014
Current:		
Advances to project proponents	**₱155,942,982**	₱243,336,578
Receivable from donor-funded projects	**102,013**	8,223,245
Accrued interest	**3,442,618**	4,504,362
Receivable from PEHI (Note 19)	**120,653**	178,968
Others	**775,628**	5,908,747
	160,383,894	262,151,900
Less allowance for impairment losses	**72,924,407**	65,705,108
	87,459,487	196,446,792
Noncurrent advances to project proponents	**66,488,772**	55,189,848
Less allowance for impairment losses	**10,223,083**	43,000
	56,265,689	55,146,848
	₱143,725,176	₱251,593,640

Advances to project proponents represent cash released to project proponents subject to repayment for social enterprise, micro-finance, agricultural development, housing and proactive projects. These advances earn annual interest rates ranging from 6.00% to 12.00% to cover administrative costs of servicing the projects except for soft loans, which earn 3.00% 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.

Interest income on advances to proponents amounted to ₱9,296,587 and ₱4,564,603 in 2015 and 2014, respectively (Note 17).

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 impairment losses on receivables are as follows:

December 31, 2015

	Current	Noncurrent	Total
Balances at beginning of year	**₱65,705,108**	**₱43,000**	**₱65,748,108**
Provisions	**22,685,744**	**10,180,083**	**32,865,827**
Write-off	**–**	**–**	**–**
Reversals	**(15,466,445)**	**–**	**(15,466,445)**
Balances at end of year	**₱72,924,407**	**₱10,223,083**	**₱83,147,490**

December 31, 2014

	Current	Noncurrent	Total
Balances at beginning of year	₱34,626,318	₱22,427,635	₱57,053,953
Transfer	22,384,635	(22,384,635)	–
Provisions	30,508,998	–	30,508,998
Write-off	(7,917,471)	–	(7,917,471)
Reversals	(13,897,372)	–	(13,897,372)
Balances at end of year	₱65,705,108	₱43,000	₱65,748,108

The amount of impairment losses in the Parent Company statements of comprehensive income is determined as follows:

	2015	2014
Impairment losses	**₱32,865,827**	₱30,508,998
Less amounts closed to:		
REHAB*	–	3,412,692
CBRED**	**526,407**	2,121,287
MP3***	–	2,051,667
	32,339,420	22,923,352
Reversals	**(15,466,445)**	(13,897,372)
Less amounts closed to:		
REHAB*	–	984,802
CBRED**	**1,679,899**	43,883
MP3***	–	924,794
	(13,786,546)	(11,943,893)
	₱18,552,874	₱10,979,459

**REHAB - Ondoy-Pepeng Rehabilitation Project*
*** CBRED - Capacity Building to Remove Barriers to Renewable Energy Development in the Philippines*
****MP3 - Mindanao Partnership Project for Peace*

The reversal and impairment loss for REHAB, CBRED and MP3 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 13).

6. Available-for-sale (AFS) Financial Assets

The Parent Company's AFS financial assets consist of:

	2015	2014
AFS financial assets	**₱1,807,261,395**	₱1,842,353,673
Short-term investments	**2,884,707**	4,528,707
Investment in equity	**69,091,142**	69,188,257
	₱1,879,237,244	₱1,916,070,637

The assets included in each of the categories above are detailed below:

a) AFS financial assets

This account is detailed as follows:

	2015	2014
Equity securities	**₱1,142,175,376**	₱1,324,607,990
Republic of the Philippines (ROP) bonds and treasury notes	**300,304,929**	154,172,111
Special savings account	**135,857,901**	59,837,945
Unit investment trust fund (UITF)	**132,278,012**	105,514,718
Corporate bonds	**96,645,177**	198,220,909
	₱1,807,261,395	₱1,842,353,673

b) Short-term investments

This account consists of:

	2015	2014
Special deposit (CARD Bank Inc.)	**₱2,528,707**	₱2,528,707
Time deposit (Siargao Bank Inc.)	**2,000,000**	2,000,000
Allowance for impairment (Siargao Bank Inc.)	**(1,644,000)**	–
	₱2,884,707	₱4,528,707

c) Investment in equity

This account consists of:

	2015	2014
NCMFP*	**₱44,699,994**	₱46,397,494
Metrosouth**	**1,000,000**	6,000,000
MASS-SPECC***	**5,000,000**	5,000,000
HSSI****	**5,000,000**	5,000,000
Cooperative Health Federation*****	**5,000,000**	–
CISP******	**4,891,481**	3,411,763
CARD NGO*******	**3,000,000**	3,000,000
ISDA Foundation********	**144,000**	144,000
BALMUCO*********	**135,000**	135,000
Dancalan**********	**120,000**	–
KWSS***********	**100,667**	100,000
	₱69,091,142	₱69,188,257

**National Cooperative Mutual Fund of the Philippines, Inc.*
***Metro South Cooperative Bank*
**** MASS-SPECC Cooperative Development Center*
***** Hybrid Social Solutions, Inc.*
****** Cooperative Health Management Federation*
******* Cooperative Insurance System of the Philippines*
******** Center for Agriculture and Rural Development, Inc.*
********* Islas Ecology Development Advocacy (ISDA) Foundation*
********** Barangay Alapang Multi-purpose Cooperative*
*********** Dancalan Ilog Waterworks*
************ Kauswagan Water and Sanitation Service*

The Parent Company pays its fund managers an annual service fee of 0.25% based on the average market value of the fund.

The reconciliation of the carrying amounts of AFS financial assets as of December 31, 2015 and 2014 are as follows:

	2015	2014
Balances at beginning of year	**₱1,916,070,636**	₱1,952,802,423
Realized investments gains - net	**208,475,773**	119,562,185
Contributions/deposits	**691,243,932**	504,152
Disposals/withdrawals	**(726,597,605)**	(295,525,730)
Unrealized valuation gains (losses) - net	**(191,637,188)**	138,620,591
Foreign exchange gains	**673,911**	107,016
Impairment loss	**(18,992,215)**	–
	₱1,879,237,244	₱1,916,070,637

The balance of investment income recognized in profit or loss follows:

	2015	2014
Total realized investment gains*	**₱212,265,932**	₱123,127,349
Income from investment in equity	**1,271,264**	1,195,013
Realized investment loss (gain) - CBRED**	**23,854**	(3,167,497)
	₱213,561,050	₱121,154,865

**Gross of final tax expense.*
*** Closed to funds held in trust account (CBRED)*

The net unrealized valuation gain (loss) recognized in other comprehensive income is as follows:

	2015	2014
Unrealized valuation gain (loss) - net	**(₱191,637,188)**	₱138,620,591
Less/Add unrealized valuation gain (loss) closed to funds held in trust account (CBRED)	**(347,093)**	1,918,050
	(₱191,984,281)	₱140,538,641

Special savings accounts have annual interest rates ranging from 0.38% to 2.0% and 0.38% to 2.2% in 2015 and 2014, respectively. Equity securities mainly consist of investment in companies listed in the Philippine Stock Exchange (PSE).

Corporate bonds include those issued by holding companies, property, utilities and telecommunication companies. These bonds earn annual interest rates ranging from 2.99 % to 6.94% and 4.03% to 6.94% in 2015 and 2014, respectively.

ROPs and treasury notes (Fixed Rate Treasury Notes) earn annual interest rates ranging from 2.13% to 8.00% and 2.95% to 8.13% in 2015 and 2014, respectively. UITFs include placements in AUB, BDO Unibank and BPI's own funds.

Net realized investment gains, gross of tax, are detailed as follows:

	2015	2014
Trading gain	**₱161,870,343**	₱56,489,237
Interest	**25,307,117**	23,800,890
Dividends	**37,257,027**	48,785,462
Expenses	**(10,897,291)**	(4,753,227)
Closed to funds held in trust account (CBRED)	**23,854**	(3,167,497)
	₱213,561,050	₱121,154,865

As of December 31, 2015 and 2014, the allowance for impairment loss recognized for short-term investments amounted to nil and ₱1.64 million, respectively.

As of December 31, 2015 and 2014, the reserve for fluctuations in value of AFS financial assets amounted to ₱27.65 million and ₱219.64 million, respectively.

The rollforward analysis of the revaluation reserve on AFS financial assets follow:

	2015	2014
Balance at beginning of year	**₱219,254,056**	₱79,100,283
Fair value gains (losses) credited to (charged against equity) equity	**(191,599,413)**	140,153,773
Balance at end of year	**₱27,654,643**	₱219,254,056

7. Other Current Assets

This account consists of:

	2015	2014
Escrow deposit (Notes 13 and 20)	**₱1,569,954**	₱15,406,988
Input VAT	**753,575**	1,541,902
Prepaid expenses and others	**652,820**	580,102
	₱2,976,349	₱17,528,992

Escrow deposit relates to fund set aside by the Parent Company as guarantor for various community organizations who joined the Community Mortgage Program (CMP) project. The deposit is made at 25% of total loan application amount for one year upon fulfillment of conditions.

Income (loss) from escrow deposit amounted to (₱409,221) and ₱283,191 in 2015 and 2014, respectively (Note 17). Net unrealized valuation gain (loss) recognized in other comprehensive income amounted to ₱384,868 and (₱384,868) in 2015 and 2014, respectively.

Input VAT represents taxes imposed to the Parent Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT are recoverable at its full amount.

8. Property and Equipment

The rollforward analyses of this account follows:

2015

	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost:					
Balances at beginning of year	**₱22,124,434**	**₱19,381,534**	**₱9,364,325**	**₱2,243,220**	**₱53,113,513**
Additions	**–**	**1,032,465**	**1,010,712**	**1,735,421**	**3,778,598**
Disposals	**–**		**(70,863)**	**(1,240,541)**	**(1,311,404)**
Balances at end of year	**22,124,434**	**20,413,999**	**10,304,174**	**2,738,100**	**55,580,707**
Accumulated depreciation and amortization:					
Balances at beginning of year	**–**	**14,101,749**	**7,839,586**	**1,570,911**	**23,512,246**
Depreciation and amortization	**–**	**1,540,517**	**1,098,551**	**523,539**	**3,162,607**
Disposals	**–**	**–**	**(70,863)**	**(1,240,541)**	**(1,311,404)**
Balances at end of year	**–**	**15,642,266**	**8,867,274**	**853,909**	**25,363,449**
Net book values	**₱22,124,434**	**₱4,771,733**	**₱1,436,900**	**₱1,884,191**	**₱30,217,258**

2014

	Land	Building and Improvements	Office, Furniture Fixtures and Equipment	Transportation Equipment	Total
Cost:					
Balances at beginning of year	₱22,124,434	₱19,225,345	₱8,476,407	₱2,243,220	₱52,069,406
Additions	–	156,189	887,918	–	1,044,107
Balances at end of year	22,124,434	19,381,534	9,364,325	2,243,220	53,113,513
Accumulated depreciation and amortization:					
Balances at beginning of year	–	12,568,318	6,833,224	1,122,267	20,523,809
Depreciation and amortization	–	1,533,431	1,006,362	448,644	2,988,437
Balances at end of year	–	14,101,749	7,839,586	1,570,911	23,512,246
Net book values	₱22,124,434	₱5,279,785	₱1,524,739	₱672,309	₱29,601,267

Depreciation and amortization expense above includes depreciation and amortization charges of property and equipment acquired through funds held in trust amounting to ₱11,346 and ₱27,686 in 2015 and 2014, respectively. Such amounts were excluded from the determination of depreciation and amortization expense in the statements of comprehensive income since these are presented net of funds held in trust account in the statement of financial position.

There are no property and equipment items that are pledged as security to liabilities as of December 31, 2015 and 2014.

9. Investment Properties

The investment properties include parcels of land foreclosed by the Parent Company from borrowers that were not able to settle their obligations to the Parent Company.

The cost of investment properties amounted to ₱4,911,814 as of December 31, 2015 and 2014. The fair value of the Parent Company's investment properties approximates its carrying value based on the latest appraisal report issued by an independent valuer.

In determining the appropriate class of investment properties, the Parent Company has considered the nature, characteristics and risks of its properties as well as the level of the fair value hierarchy within which the fair value measurements are categorized. This resulted in determining the fair value of investment properties under level 2 of the fair value hierarchy.

The Parent Company has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop its investment properties.

10. Investment in PEHI

PEHI is a wholly-owned subsidiary of the Parent Company. 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.

The carrying amount of the investment in PEHI amounted to ₱31,250,000 as of December 31, 2015 and 2014.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2015	2014
Accounts payable	**₱4,650,055**	₱12,897,250
Accrued expenses	**5,796,177**	8,333,397
	₱10,446,232	₱21,230,647

Accounts payable are noninterest-bearing and are generally on 30 to 90-days term.

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

12. 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. Grants payable amounted to ₱32,333,657 and ₱19,074,261 as of December 31, 2015 and 2014, respectively. Grant expenses amounted to ₱44,896,270 and ₱61,460,148 in 2015 and 2014, respectively.

13. **Funds Held in Trust**

This account includes the following:

	2015	2014
Catholic Organization for Relief and Development Agency for International Development (CORDAID) - Ondoy-Pepeng Rehabilitation Project		
Balances at beginning of year	**₱50,036,512**	₱51,705,822
Net loss	**–**	(1,669,310)
Return of funds	**(50,036,512)**	–
	–	50,036,512
Department of Energy (DOE) and United Nation Development Program (UNDP) - CBRED Project		
Balances at beginning of year	**29,005,295**	25,464,745
Amount received	**–**	4,337,000
Net profit (loss)	**2,455,647**	(796,450)
	31,460,942	29,005,295
CORDAID - Shariah Project		
Balances at beginning of year	**3,803,730**	–
Amount received	**–**	3,803,730
Expenses	**(2,651,144)**	–
	1,152,586	3,803,730
BPI Foundation		
Balances at beginning of year	**982,688**	428,692
Amount received	**200,000**	1,000,000
Expenses	**(988,020)**	(446,004)
	194,668	982,688
CORDAID - Climate Change Project		
Balances at beginning of year	**279,153**	279,153
The Coca-Cola Foundation (Coca-Cola)		
Balances at beginning and end of year	**44,490**	44,490
CORDAID - MP3		
Balances at beginning of year	**–**	75,532,139
Return of funds	**–**	(73,992,955)
Net loss	**–**	(1,539,184)
	–	–
CORDAID - Emergency Response for Typhoon Pablo		
Balances at beginning of year	**–**	(1,172,203)
Amount received	**–**	1,172,203
Expenses	**–**	–
	–	–
CORDAID - Emergency Response for Typhoon Sendong		
Balances at beginning of year	**(485,236)**	233,964
Amount received	**1,234,070**	1,773,089
Expenses	**(2,993,218)**	(2,492,289)
	(2,244,384)	(485,236)
CORDAID - Knowledge Management Project		
Balances at beginning of year	**(246,999)**	805,608
Amount received	**760,911**	1,707,900
Expenses	**–**	(2,760,507)
	513,912	(246,999)

(Forward)

	2015	2014
CORDAID - Cutflower Project		
Amount received	**₱1,061,620**	₱–
Expenses	**(245,895)**	–
	815,725	–
	₱32,217,092	₱83,419,633

The details of the funds are fully discussed as follows:

CORDAID - Ondoy-Pepeng Rehabilitation Project
In 2010, the Parent Company partnered with CORDAID for a 5-year €1.5 million loan fund and was awarded a grant amounting to €8,007. The project Ondoy-Pepeng Rehabilitation fund seeks to provide a meaningful contribution to the rebuilding of livelihoods of families affected by the Ondoy and Pepeng typhoons. It is also expected that the project will document best practices in providing financing and development assistance to partners and households who are victims of calamities.

The project was completed on December 31, 2014. Full settlement to CORDAID was made on June 11, 2015.

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 AFS financial assets account under BPI (Note 6).

CORDAID - Shariah Project
On November 10, 2014, the Parent Company was awarded a grant amounting to €75,571. The project aims to build competitive social enterprises in Mindanao. The project involves promotion of Shariah based financing through learning exchanges, staff immersion, forum among investors and partner organizations.

Another component of the project is the certification of four identified products that are produced in Mindanao. Expenses involve field validation and product documentation.

BPI Foundation
The Parent Company was awarded a total grant amounting to ₱2.0 million by the Bank of the Philippine Islands Foundation, Inc. Such grant shall be used to develop partnerships among indigenous communities via a social enterprise approach. Releases of the funds are in tranches subject to the submission of accomplishment reports.

CORDAID - Climate Change Project
In 2011, the Parent Company received a grant amounting to €30,500 for capacity building and technical assistance program to introduce “climate smart” capacities and technologies to communities facing varying degrees of climate induced risks and vulnerabilities and whose existing agri-enterprises are at various stages of growth.

Coca-Cola
In December 2008, the Parent Company was awarded a grant amounting to $65,278 by The Coca-Cola Foundation, Atlanta Georgia, USA. Such fund shall be used to provide potable water to the residents of San Jose Municipality in the province of Romblon through the installation of rain

water harvester and biosand filters which will help develop the watershed in the said municipality. The project was completed on December 12, 2010.

CORDAID - MP3
In June 2007, the Parent Company availed of an 8-year ₱80.0 million loan fund from CORDAID, Netherlands and was awarded a grant amounting to €70,696. Such fund shall be used for an 8-year micro-finance fund program tagged as MP3 that will focus on providing credit assistance and institutional support to eligible borrowers. The available funds have been invested as part of the short-term investments (Note 6). The Parent Company withdraws from this investment to fund the approved projects. At the end of eight years, the Parent Company will return to CORDAID the nominal peso value of the entire principal that it has received less any loan write-offs. The income at the end of the program will be shared 80%-20% by CORDAID and the Parent Company, respectively.

As mutually decided by CORDAID and the Parent Company, the project was closed on June 30, 2014. Full settlement to CORDAID was made on November 21, 2014 in the amount of ₱73.99 million or equivalent to €1.29 million. This amount represents the principal loan amount net of losses incurred for years 2014 and 2013.

CORDAID - Emergency Response for Typhoon Pablo
In 2013, the Parent Company received a grant from CORDAID amounting to €46,188 for relief and rehabilitation support for communities in Compostela Province, Mindanao who are affected by typhoon Pablo. Relief and rehabilitation support include provision of food, school supplies, solar lights, and housing materials.

CORDAID - Emergency Response for Typhoon Sendong
In 2012, the Parent Company received a grant from CORDAID amounting to €83,845 for relief and rehabilitation support for communities in Cagayan de Oro (CDO), Mindanao who are affected by typhoon Sendong. The program is to set up a performance guarantee for housing of more than 2,000 families in partnership with three (3) organizations based in CDO namely - Technology Outreach and Community Help Foundation, Foundation for Growth, Organizational Upliftment of People and The Social Action Center of the Archdiocese of Cagayan De Oro. Through Socialized housing Finance Corporation's (SHFC) CMP, the Parent Company will provide the guarantee - serving as security for the immediate release of financing - that the housing associations will comply with all required documents. In July 2012, the BOT approved the Memorandum of Understanding with SHFC for the performance guarantee for the immediate release of the CMP loan. Further, on October 3, 2012, the BOT approved to open the escrow account in favor of SHFC with AUB, as escrow agent, equivalent to 25% of total approved loan stipulated in guarantee agreement (Note 7).

CORDAID - Knowledge Management Project
In August 2013, the Parent Company received a grant from CORDAID amounting to €14,231 for knowledge management project in support of the Climate Change Fund program. Major activities include industry studies to be able to identify different technologies being used in the production of goods and services and how these affect the business, the beneficiaries and environment; technology assessments to determine the CO2 impact of technologies being used by selected social enterprises and provide interventions for reducing their carbon footprints; and partners mentoring program on climate change mitigation and adaptation.

CORDAID - Cut Flower Industry
In 2015, the Parent Company received a grant from CORDAID amounting to €20,000. The project aims to support the cut flower industry at Benguet, Philippines.

14. Project Expenses

This account consists of:

	2015	2014
Project development, monitoring and evaluation (PDME)	**₱27,079,333**	₱25,920,923
Knowledge management	**9,079,415**	12,081,633
Project support	**4,949,002**	2,849,626
Institutional support	**3,260,005**	3,547,147
Advocacy and communications	**895,056**	806,295
CBRED related expenses	**144,584**	106,075
CORDAID related expenses	**62,073**	1,322,389
	₱45,469,468	₱46,634,088

PDME, CORDAID and CBRED related expenses are summarized below:

	2015	2014
Salaries and benefits (Note 16)	**₱14,971,324**	₱14,874,147
Project monitoring	**6,154,004**	6,870,043
Project audit	**3,032,786**	1,738,816
Project evaluation and documentation	**999,758**	44,604
Supplies, services and other operating costs	**822,003**	732,961
Outside services	**543,993**	287,929
Project appraisals	**442,130**	1,861,721
Pre and post project meetings and workshops	**294,474**	930,124
Others	**25,518**	9,042
	₱27,285,990	₱27,349,387

Knowledge management includes baseline survey and social enterprise conference. Institutional support includes staff learning and development and organizational development costs. Project support expenses include expenses for projects capability building. Advocacy and communications include media coverage, press briefing and publicity promotions.

15. **General and Administrative Expenses**

This account consists of:

	2015	2014
Salaries and benefits (Note 16)	**₱10,669,806**	₱10,156,801
Meetings	**2,540,586**	2,697,601
Outside services	**1,452,221**	1,166,681
Utilities	**671,780**	541,093
Legal fee	**609,425**	583,637
Office supplies	**520,595**	336,160
Communications	**498,444**	413,658
Repairs and maintenance	**487,482**	371,755
Recruitment and advertising	**402,753**	182,013
Transportation and travel	**298,598**	277,581
Share of project losses (Note 13)	**281,939**	996,402
Taxes and licenses	**280,032**	116,012
Association dues and membership fees	**101,777**	70,517
Representation	**10,703**	11,415
Others	**173,034**	85,410
	₱18,999,175	₱18,006,736

16. **Personnel Expenses**

This account consists of:

	2015	2014
Salaries and wages	**₱17,228,129**	₱16,508,651
De minimis benefits	**2,542,911**	1,755,521
Bonuses	**2,261,759**	2,200,513
Social security costs	**1,616,360**	1,417,087
Completion pay	**1,314,345**	2,728,750
Compensated absences	**677,626**	420,426
	₱25,641,130	₱25,030,948

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

	2015	2014
Project expenses (Note 14)	**₱14,971,324**	₱14,874,147
General and administrative expenses (Note 15)	**10,669,806**	10,156,801
	₱25,641,130	₱25,030,948

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

	2015	2014
Salaries and wages	**₱7,148,300**	₱7,484,000
Employee benefits	**2,045,686**	1,439,354
	₱9,193,986	₱8,923,354

17. **Interest Income and Other Income**

This account consists of interest income (expense) from the following sources:

	2015	2014
Cash in bank (Note 4)	**₱117,622**	₱53,269
Advances to project proponents (Note 5)	**9,296,587**	4,564,603
Escrow deposits (Note 7)	**(409,221)**	283,191
	₱9,004,988	₱4,901,063

Other income consists of the following:

	2015	2014
Gain on sale of property and equipment	**₱477,334**	₱–
Income from guarantee (Note 21)	**283,294**	374,282
Retirement benefit income (Note 18)	**9,500**	342,235
Management fee	**–**	107,142
Others	**93,370**	93,345
	₱863,498	₱917,004

Other income under "Others" above pertains to interest income from loans of employees being managed by NEC Multi-Purpose Cooperative. It also include sale of old newspapers, scrap materials and an unidentified deposit.

18. **Retirement Benefit Costs**

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

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the Plan.

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

Net retirement benefit income to be recognized in profit or loss is as follows:

	2015	2014
Settlement	**₱–**	₱342,235
Net interest income	**9,500**	–
	₱9,500	₱342,235

Remeasurement effects to be recognized in other comprehensive income are as follows:

	2015	2014
Actuarial loss (gain) on defined benefit obligation	**₱–**	(₱201,736)
Reversal of previous year remeasurement in OCI	**90,417**	–
	₱90,417	(₱201,736)

Net retirement benefit asset is as follows:

	2015	2014
Fair value of plan asset	**₱2,032,122**	₱1,932,205
Effect of asset ceiling	**(1,229,768)**	(1,229,768)
	₱802,354	₱702,437

Changes in the present value of the defined benefit obligation are as follows:

	2015	2014
Balances at beginning of year	**₱–**	₱140,499
Net retirement benefit costs to be recognized in profit or loss:		
Reversal	–	(342,235)
	–	(201,736)
Remeasurement effect to be recognized in other comprehensive income:		
Actuarial loss due to experience adjustments	–	201,736
	–	201,736
Balances at end of year	**₱–**	₱–

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

	2015	2014
Balances at beginning of year	**₱1,932,205**	₱1,932,205
Interest income included in net interest cost	**9,500**	–
Reversal of previous year remeasurement in OCI	**90,417**	–
Balances at end of year	**₱2,032,122**	₱1,932,205

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

	2015	2014
Cash and cash equivalents	**₱1,552**	₱2,450
Equity instruments - financial institution	**2,030,570**	1,929,755
Fair value of plan asset	**₱2,032,122**	₱1,932,205

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

The Parent Company's defined benefit pension plan is funded by the Parent Company. The Parent Company is not required to pre-fund the future defined benefits payable under the Plan before they become due. For this reason, the amount and timing of contributions to the Plan are at the Parent

Company's discretion. However, in the event a benefit claim arises and the Plan is insufficient to pay the claim, the shortfall will then be due and payable from the Parent Company to the Plan.

19. 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 represent reimbursable expenses made by PEHI.

	2015		2014			
	Transactions During the Year	**Outstanding Balance**	Transactions During the Year	Outstanding Balance	Terms	Conditions
Receivable from PEHI	**₱120,653**	**₱120,653**	₱178,968	₱178,968	Due and demandable; noninterest-bearing; to be received in cash	Unsecured; unimpaired

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

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables or payables. The Parent Company has not recognized any impairment losses on amounts receivables from related parties for the years ended December 31, 2015 and 2014. 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.

20. 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 (RA 8424). However, income derived from its properties, real or personal, or from any of its activities conducted for profit regardless of the disposition made of such income, is subject to tax.

On December 23, 2004, the Bureau of Internal Revenue (BIR) issued to the Parent Company a five-year certificate of registration in accordance with Revenue Regulations (RR) 13-98. This certification allows the Parent Company certain incentives such as: (a) full or limited deduction by the donors of their donation, grants, and contributions pursuant to Section 34(H) of the Tax Code; and, (b) exemption from donor's tax pursuant to Section 101 of RA 8424. The certification issued by the BIR is subject to the representation and commitments set forth in the accreditation issued to the Parent Company by the Philippine Council for NGO Certification (PCNC) on October 27, 2004.

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

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

As of March 18, 2016, the Parent Company is waiting for the confirmation of certification from the BIR.

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

The tax expense shown in the Parent Company statements of comprehensive income in 2015 and 2014 pertains to final taxes withheld from investment and interest income on the Parent Company's bank accounts, short-term placements and AFS debt financial assets.

There are no current provisions for regular corporate income tax in 2015 and 2014 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 income 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:

	2015	2014
NOLCO	**₱172,159,571**	₱108,765,132
Allowance for impairment losses on receivables	**83,147,490**	65,748,108
Unrealized foreign exchange loss - net	**460,446**	90,823
	₱255,767,507	₱174,604,063

As of December 31, 2015, the amount of NOLCO still available for offset against future tax payable over a period of three (3) years from the year of inception are as follows:

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2015	₱89,229,259	₱–	₱–	₱89,229,259	2018
2014	54,465,794	–	–	54,465,794	2017
2013	28,464,518	–	–	28,464,518	2016
2012	25,834,820	–	25,834,820	–	2015
	₱197,994,391	₱–	₱25,834,820	₱172,159,571	

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

	2015	2014
Provision for income tax at statutory tax rate of 30%	**₱21,872,348**	(₱3,947,722)
Additions to (reductions in) resulting from:		
Movements in unrecognized deferred income tax assets	**26,768,778**	19,660,823
Nondeductible grant expenses	**15,490,879**	20,836,216
Nontaxable income	**(2,850)**	(101,919)
Interest income on investment subject to final tax	**(2,530,712)**	(2,380,089)
Interest income subject to final tax - others	**(20,281)**	(33,646)
Nontaxable dividend income and valuation gains	**(56,476,179)**	(29,206,193)
	₱5,101,983	₱4,827,470

21. Commitments and Contingencies

Guarantee Agreement

Community Mortgage Program

In September and October 2012, the Parent Company entered into guarantee agreements where the Parent Company is the guarantor for the account of Consolacion Homeowners Association, Inc. (HOAI), Medella Milgrosa HOAI Phase 1 and Phase 2 , Villeview Lumbia HOAI, Bermundo HOAI, Mergeville HOAI, Greenfield HOAI, Virgen Del Rosarion HOAI, Grandville HOAI, Monsanto Village HOAI and Blessed Ville HOAI, the borrowers with SHFC under the "CMP Express Lane for Victims of Demolition and Disasters Projects" for one year. The program is to assist the above mentioned legally organized associations underprivileged and homeless citizens to purchase and develop a tract of land or resettlement site (Note 7).

The borrowers need only to submit specific documentations required under CMP project to the Parent Company and maintain a collection efficiency rating of 80% within one year from release of loan.

Pinoy ME Foundation, Inc.

On October 21, 2008, the Parent Company entered into a guarantee agreement where the Parent Company is the guarantor for the account of Pinoy ME Foundation, Inc., the borrower, with Development Bank of the Philippines (DBP) as the lender up to ₱100,000,000. The Parent Company guarantees, without the benefit of excussion, the payment of up to 80% of the outstanding loans availed by Pinoy ME Foundation, Inc.

On March 4, 2013, the Parent Company entered into a surety agreement where the Parent Company is the surety for the account of Pinoy ME Foundation, Inc., the borrower, with Land Bank of the Philippines (LBP) as the lender up to ₱40,000,000. The Parent Company guarantees, without the benefit of excussion, the payment of the principal amount availed by Pinoy ME Foundation, Inc., amounting to ₱40,000,000.

The outstanding payable of Pinoy ME Foundation, Inc. to DBP and LBP amounted to ₱17,343,116 and ₱46,203,426 as of December 31, 2015 and 2014, respectively.

Pinoy ME Foundation, Inc. pays the Parent Company a guarantee fee of one and a half percent (1.5%) per annum, based on the outstanding balance of the loan guaranteed computed quarterly and on a pro-rata basis. The Parent Company earned income from guarantee fee, net of output

VAT, amounting to ₱283,295 and ₱374,282 in 2015 and 2014, respectively, presented as part of "Other income" in the Parent Company statements of comprehensive income (Note 17).

The guarantee ended March 31, 2015. No guarantee of new loans shall be undertaken thereafter. The outstanding portfolio as of December 31, 2015 will still be covered under the guarantee agreement until their loans mature.

Others

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Parent Company's operations which are not reflected in the Parent Company financial statements. Management is of the opinion that the losses, if any, from these commitments and contingencies will not have a material effect on the Parent Company financial statements.

22. Financial Risk Management Objectives and Policies

In October 2012, the Parent Company implemented an enterprise-wide risk management that manages the risks across the organization in a structured and an integrated way.

The main purpose of the Parent Company's financial instruments is to fund the Parent Company's operations. The main risks arising from the use of financial instruments are liquidity risk, foreign currency risk, interest rate risk, equity price risk, investment evaluation risk and credit risk. The Parent Company's BOT reviews and agrees with policies for managing each of these risks. These are summarized below:

Liquidity risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due. It aims to maintain flexibility in funding its operations by realizing income from its investments, collecting efficiently from its project proponents and maintaining sufficient and available cash. The Parent Company manages its liquidity profile to meet the following objectives: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The table below shows the maturity profile of the Parent Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and the Parent Company's financial liabilities based on contractual undiscounted payments:

2015

	On demand	< 1 year	> 1 year	Total
Financial assets:				
Cash	₱27,620,262	₱–	₱–	₱27,620,262
Receivables	–	87,459,487	56,265,689	143,725,176
Escrow deposit	1,569,954	–	–	1,569,954
Refundable deposit	–	–	45,600	45,600
	₱29,190,216	₱87,459,487	₱56,311,289	₱172,960,992
Financial liabilities:				
Accounts payable and accrued expenses	₱–	₱10,446,232	₱–	₱10,446,232
Grants payable	–	32,333,657	–	32,333,657
Funds held in trust	–	32,217,092	–	32,217,092
	₱–	₱74,996,981	₱–	₱74,996,981

2014

	On demand	< 1 year	> 1 year	Total
Financial assets:				
Cash	₱41,512,382	₱–	₱–	₱41,512,382
Receivables	–	196,446,792	55,146,848	251,593,640
Escrow deposit	15,406,988	–	–	15,406,988
Refundable deposit	–	–	45,600	45,600
	₱56,919,370	₱196,446,792	₱55,192,448	₱308,558,610
Financial liabilities:				
Accounts payable and accrued expenses	₱–	₱21,230,647	₱–	₱21,230,647
Grants payable	–	19,074,261	–	19,074,261
Funds held in trust	–	83,419,633	–	83,419,633
	₱–	₱123,724,541	₱–	₱123,724,541

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 the ₱.

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

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

	2015		2014	
	Currencies	**Peso Equivalent**	Currencies	Peso Equivalent
In USD:				
Cash in bank	**$1821**	**₱85,696**	$1,641	₱73,386
AFS financial assets	**297,608**	**14,005,432**	290,753	13,002,474
In EUR:				
Cash in bank	**€41,582**	**2,151,498**	€100,667	5,470,144
In IDR:				–
Cash on hand	**Rp7,848,000**	**26,683**	Rp–	–
		₱16,269,309		₱18,546,004

The exchange rates used are as follows:

	1 USD: Peso	1 EUR: Peso	1 IDR: Peso
December 31, 2015	**₱47.060**	**₱51.7411**	**₱0.0034**
December 31, 2014	44.720	54.3390	0.0036

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

2015

	Increase (decrease) in income before income tax	
	₱ strengthens by 5%	**₱ weakens by 5%**
Effect in income before income tax:		
Change in PHP/USD exchange rate	**(₱704,557)**	**₱704,557**
Change in PHP/EUR exchange rate	**(107,575)**	**107,575**
Change in PHP/IDR exchange rate	**(1,334)**	**1,334**

2014

	Increase (decrease) in income before income tax	
	₱ strengthens by 5%	₱ weakens by 5%
Effect in income before income tax:		
Change in PHP/USD exchange rate	(₱653,793)	₱653,793
Change in PHP/EUR exchange rate	(273,507)	273,507
Change in PHP/IDR exchange rate	–	–

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

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Parent Company derives majority of its revenue from short-term deposits and AFS financial assets. Accordingly, the Parent Company is subject to financial risk arising from changes in interest rates. The Parent Company manages interest rate risk by investing mainly on fixed coupon interest bonds and other investments. By doing so, the Parent Company is assured of future interest revenues from such investments.

Since the Parent Company invests on fixed coupon interest bonds and other investments, the Parent Company is not exposed to cash flow interest rate risk.

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Parent Company's financial assets in AFS equity instruments. For investments in Philippine equities, all funds are invested in equities listed in the Philippine Stock Exchange (PSE).

Quoted AFS securities assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Parent Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The following table demonstrates the sensitivity to a reasonably possible change in the equity price based on past price performance and macroeconomic forecast for 2015 and 2014, with all other variables held constant, of the Parent Company's fund balances:

	2015		2014	
Market Index	**Change in variable**	**Effect on equity**	Change in variable	Effect on equity
PSE	**+8.92%**	**₱78,471,368**	+4.73%	₱72,288,295
	–8.92%	**(78,471,368)**	–4.73%	(72,288,295)

The percentage of increase and decrease in market price is based on the movement in the Philippine Stock Exchange Index (PSEI) from beginning to end of the year. The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index will be most likely be limited to an upward or downward fluctuation of 9.91% and 5.17% in 2015 and 2014, respectively.

The impact of sensitivity of equity prices on the Company's equity already excludes the impact on transactions affecting the statements of income.

Investment Evaluation Risk

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

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

Credit Risk

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

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

Credit Risk Management

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

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

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

Credit Risk Concentration Profile
The Parent Company has no significant concentrations of credit risk.

Aging Analysis
Aging analysis per class of financial assets are as follows:

2015

		Past due but not impaired			
	Neither Past Due nor Impaired	**<1 year**	**>1 year**	**Impaired Financial Assets**	**Total**
Loans and receivables:					
Cash	**₱27,620,262**	**₱–**	**₱–**	**₱–**	**₱27,620,262**
Receivables	**143,725,176**	**–**	**–**	**83,147,490**	**226,872,666**
Escrow deposit	**1,569,954**	**–**	**–**	**–**	**1,569,954**
Refundable deposit	**45,600**	**–**	**–**	**–**	**45,600**
AFS financial assets	**1,879,237,244**	**–**	**–**	**–**	**1,879,237,244**
	₱2,052,198,236	**₱–**	**₱–**	**₱83,147,490**	**₱2,135,345,726**

2014

		Past due but not impaired			
	Neither Past Due nor Impaired	<1 year	>1 year	Impaired Financial Assets	Total
Loans and receivables:					
Cash	₱41,512,382	₱–	₱–	₱–	₱41,512,382
Receivables	251,593,640	–	–	65,748,108	317,341,748
Escrow deposit	15,406,988	–	–	–	15,406,988
Refundable deposit	45,600	–	–	–	45,600
AFS financial assets	1,916,070,637	–	–	–	1,916,070,637
	₱2,224,629,247	₱–	₱–	₱65,748,108	₱2,290,377,355

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

2015

	High Grade	**Standard Grade**	**Total**
Cash and cash equivalents	**₱27,620,262**	**₱–**	**₱27,620,262**
Receivables	**–**	**143,725,176**	**143,725,176**
AFS financial assets	**1,879,237,244**	**–**	**1,879,237,244**
Escrow deposit	**1,569,954**	**–**	**1,569,954**
Refundable deposit	**–**	**45,600**	**45,600**
	₱1,908,427,460	**₱143,770,776**	**₱2,052,198,236**

2014

	High Grade	Standard Grade	Total
Cash	₱41,512,382	₱–	₱41,512,382
Receivables	–	251,593,640	251,593,640
AFS financial assets	1,916,070,637	–	1,916,070,637
Escrow deposit	15,406,988	–	15,406,988
Refundable deposit	–	45,600	45,600
	₱1,972,990,007	₱251,639,240	₱2,224,629,247

Cash and escrow deposit included under "Other current assets" are considered high grade since the counterparties are reputable banks with high quality external credit ratings. High grade also include AFS 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 and refundable deposit which would require some reminder follow-ups to obtain settlement from the counterparty.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash

The carrying amount of cash approximates the fair value of the financial instruments due to the short-term nature of these instruments.

Receivables, Accounts Payable and Accrued Expenses, Grants Payable and Funds Held In Trust

Similarly, the historical cost carrying amounts of receivables, accounts payable and accrued expenses, grants payable and funds held in trust approximate their fair values due to the short-term maturities of these financial instruments.

Escrow Deposit and Refundable Deposit

These deposits are presented at cost since management has no reliable basis to estimate the timing of cash flows from these deposits and the lack of discount rate necessary to calculate the fair value of these deposits.

AFS Financial Assets

The carrying values of quoted AFS financial assets are equal to its fair values because the instruments were revalued based on the quoted market prices at the close of business at financial reporting date.

Fair Value Hierarchy

The following table shows the fair value hierarchy of the Parent Company's AFS financial assets as at December 31, 2015 and 2014:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
2015	**₱1,807,261,395**	**₱71,975,849**	**₱–**	**₱1,879,237,244**
2014	1,842,353,673	73,716,964	–	1,916,070,637

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 during the years ended December 31, 2015 and 2014.

23. 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. In order to preserve the value of the fund, the Parent Company allocates a certain percentage of its net earnings to cover for the cost of inflation.

The Parent Company's total provision for inflation for 2015 and 2014 amounted to ₱58.1 million and ₱56.4 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:

	2015	2014
Total liabilities	**₱74,996,981**	₱123,724,541
Fund balance	**2,045,789,076**	2,169,492,228
Liability to fund balance ratio	**3.67%**	5.70%

The Parent Company sets the amount of Fund in proportion to its overall financing structure. The Parent Company manages the fund structure and makes adjustments to it in light of the changes economic conditions and the risk characteristics of the underlying assets. No changes were made in the objectives, policies or processes in 2015 and 2014.

24. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued for the year ended December 31, 2015.

a. The Parent Company is VAT-registered with output VAT declaration of ₱1,716,060 for the year ended December 31, 2015 based on the amount of ₱14,300,500.

b. Input VAT

Balance at January 1, 2015	₱1,541,902
Current year's domestic purchases/payments for:	
Services lodged under other accounts	648,021
Goods other than for resale or manufacture	20,912
Capital goods not subject to amortization	258,800
Input claimed against output VAT	(1,716,060)
Balance at December 31, 2015	₱753,575

c. The documentary stamp tax paid/accrued for the year amounted to ₱195,709.

d. Other taxes and licenses under operating expenses are as follows:

Local:	
Property tax	₱55,322
Business permit and fees	25,217
National:	
Bureau of Internal Revenue annual registration fee	500
Others	6,236
	₱87,275

e. The amount of withholding taxes paid in 2015 are as follows:

Withholding tax on compensation	₱4,348,019
Expanded withholding tax	1,445,249
	₱5,793,268