

**NEGRENSE VOLUNTEERS FOR CHANGE FOUNDATION, INC.**  
*(A Non-stock, Not-for-Profit Organization)*

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015 AND 2014**

	Note	2015	2014 As restated (Note 20)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	P7,610,349	P7,754,266
Project receivables	5	1,379,650	4,986,500
Inventories	6	1,651,859	665,145
Prepayments		-	40,000
Total current assets		10,641,858	13,445,911
<b>Noncurrent assets</b>			
Property and equipment, net	7	4,394,900	2,074,855
Intangible assets, net	8	42,283	-
Other noncurrent assets	9	206,773	-
Total noncurrent assets		4,643,956	2,074,855
<b>Total assets</b>		P15,285,814	P15,520,766
<b>LIABILITY AND FUND BALANCE</b>			
<b>Current liabilities</b>			
Accruals and government liabilities	10	P84,976	P159,466
Unearned grants	11	-	1,839,060
Total noncurrent assets		84,976	1,998,526
<b>Fund balance</b>		15,200,838	13,522,240
<b>Total liability and fund balance</b>		P15,285,814	P15,520,766

(The notes on pages 5 to 19 are integral parts of these financial statements.)

**NEGRENSE VOLUNTEERS FOR CHANGE FOUNDATION, INC.**

*(A Non-stock, Not-for-Profit Organization)*

**STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Note	2015	2014 As restated (Note 20)
<b>Income</b>	12	<b>P29,180,143</b>	<b>P107,945,704</b>
<b>Expenses</b>			
Project expenses	15	<b>25,294,393</b>	100,668,255
Administrative expenses	16	<b>2,207,152</b>	1,309,444
		<b>27,501,545</b>	101,977,699
<b>Excess of income over expenses</b>		<b>1,678,598</b>	<b>P5,968,005</b>

(The notes on pages 5 to 19 are integral parts of these financial statements.)

**NEGRENSE VOLUNTEERS FOR CHANGE FOUNDATION, INC.**

*(A Non-stock, Not-for-Profit Organization)*

**STATEMENTS OF CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>Members' contributions</b>	<b>Cumulative excess of receipts over expenses</b>	<b>Total fund balance</b>
Balance, December 31, 2013	P1,200,000	P6,354,235	P7,554,235
Excess of income over expenses	-	7,807,065	7,807,065
Balance, December 31, 2014, as previously reported	1,200,000	14,161,300	15,361,300
Prior period adjustments (Note 21)	-	(1,839,060)	(1,839,060)
Balance, December 31, 2014, as restated	1,200,000	12,322,240	13,522,240
Excess of income over expenses	-	1,678,598	1,678,598
<b>Balance, December 31, 2015</b>	<b>P1,200,000</b>	<b>P14,000,838</b>	<b>P15,200,838</b>

(The notes on pages 5 to 19 are integral parts of these financial statements.)

**NEGRENSE VOLUNTEERS FOR CHANGE FOUNDATION, INC.**  
*(A Non-stock, Not-for-Profit Foundation)*

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Note	2015	2014 As restated (Note 20)
<b>Cash flows from operating activities</b>			
Excess of income over expenses		<b>P1,678,598</b>	P5,968,005
Adjustments:			
Depreciation	19	<b>1,658,133</b>	78,147
Amortization	8	<b>717</b>	
Finance income	4	<b>(21,076)</b>	(19,826)
Operating income before working capital changes		<b>3,316,372</b>	6,026,326
Decrease (increase) in:			
Project receivables		<b>3,606,850</b>	(4,234,303)
Inventories		<b>(986,714)</b>	(665,145)
Prepayments		<b>40,000</b>	(40,000)
Noncurrent assets		<b>(206,773)</b>	-
(Increase) decrease in:			
Other payables		<b>(74,490)</b>	159,466
Unearned grants		<b>(1,839,060)</b>	743,411
Cash generated from operating activities		<b>3,856,185</b>	1,989,755
<b>Cash flows used in investing activities</b>			
Acquisition of property and equipment	7	<b>(3,978,178)</b>	(1,228,684)
Acquisition of intangible asset	8	<b>(43,000)</b>	-
Finance income received	4	<b>21,076</b>	19,826
Cash used in investing activities		<b>(4,000,102)</b>	(1,208,858)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(143,917)</b>	780,897
<b>Cash and cash equivalents, January 1</b>		<b>7,754,266</b>	6,973,369
<b>Cash and cash equivalents, December 31</b>		<b>P7,610,349</b>	P7,754,266

(The notes on pages 5 to 19 are integral parts of these financial statements.)

**NEGRENSE VOLUNTEERS FOR CHANGE FOUNDATION, INC.**  
*(A Non-stock, Not-for-Profit Organization)*

**NOTES TO FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

---

**NOTE 1 - GENERAL INFORMATION**

Negrense Volunteers for Change Foundation, Inc. (hereinafter referred to as the “Foundation”) was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on August 20, 2010 as a non-stock, not-for-profit organization under SEC Registration No. CN201029061.

The primary purpose of the Foundation is to bring the level of social awareness of the Negrenses and effect peaceful reforms thru social transformation, poverty alleviation, and social accountability in cooperation and collaboration with the government, NGO’s, local communities and other volunteer groups.

The Foundation also functions to create a social enterprise to manufacture and distribute food products wherein raw materials are sourced out from farmer beneficiaries, wherein qualified members from the livelihood communities and organizations partnering with the Foundation are prioritized in the workforce necessary to operate the enterprise. The profit obtained from the operations of these enterprises shall be used solely for the furtherance of the purpose for which the Foundation was organized (As amended on April 3, 2012).

The Foundation is being maintained by members' contributions and funding assistance in the form of grants, aids and donations from local and international donors. General supervision and control of the business and the affairs of the Foundation is vested in the Board of Trustees (BOT) who shall be elected by the members from their own number. As a nonprofit entity, no part of the income which the Foundation may obtain incident to its operations shall be distributed to its members, trustees or officers, but shall be used solely to carry out its purposes. At least 70% of the total fund received by the Foundation shall be used for its projects and purposes and not more than 30% shall be used for administrative expenses.

The principal office of the Foundation is located at M-13H, Negros First Cybercentre Building, Lacson Street, Bacolod City, Negros Occidental.

The Foundation qualifies as a tax-exempt Foundation under Section 30 of the Tax Code, as amended, and such enjoys tax exemption on its net income except for the tax on passive income under Section 27 (D) thereof. As at December 31, 2015, the Foundation is in the process of obtaining the Certificate of tax exemption from the Bureau of Internal Revenue (BIR).

The Foundation maintains various projects that include, among others, the following major programs as of December 31, 2015 and 2014:

**The Peter and Joseph Project**

This is a livelihood program whereby the Foundation provides motorized fishing boats to fishermen’s helpers who have none of their own, and to fishermen whose boats have been destroyed by natural disasters, particularly Typhoon Haiyan. Sites are carefully screened and beneficiaries monitored to ensure sustainability and responsible fishing. The initiative is named after St. Peter the Apostle, who was a fisherman before he was called to be a “fisher of men”.

This project is sustained with funding assistance from private entities such as the ABS CBN Lingkod Kapamilya Found. Inc., British American Tobacco Ltd., Feed the Hungry, Inc., Toyota Shaw, Inc., Union Church of Manila, Metrobank Foundation, Springboard Inc., Ayala Foundation and others.

## **Start Right, Live Bright Nutrition Program - Mingo Meals**

This is a six (6) - month feeding program for children aged six to thirty (6-30) months in deprived communities and Peter Project fishing communities. The Foundation manufactures Mingo, a nutritious, instant powder mix that turns into a rich porridge when mixed with water. It is the staple item in the Foundation's Start Right, Live Bright Nutrition Program. This program provides Mingo daily to children, giving them the nutrients needed for optimal growth and development.

Mingo is also used as emergency food for evacuees and victims of disasters, calamities, and conflict all over the Philippines. The Foundation also works with other groups to provide Mingo in bulk for their own relief and emergency efforts.

## **Education Development Projects**

The Foundation addresses several known shortages and gaps in public schools. It partners with different donors and institutions to build much-needed classrooms and science labs, also monitoring their maintenance after turnover. This includes:

### *Classrooms for Change*

To address the classroom shortage in the Visayas region, the Foundation has partnered with various foundations and groups to provide much-needed classrooms to public schools in Negros Occidental and Negros Oriental, with a focus on preschool and elementary requirements. The Foundation's general scope of work includes site identification, coordination with government officials, overseeing construction, and monitoring the use and maintenance of classrooms after turnover.

The Foundation's partners include Aklat, Gabay at Aruga tungo sa Pag-angat at Pag-asa (AGAPP) Foundation, Senator Sergio Osmena III and Angelicum Foundation and Fundacion Familia Barcelona.

### *Books Build Change*

To help address the lack of books in public school libraries, the Foundation volunteers solicit used books from private school libraries, families and individuals. These are sorted by the volunteers and distributed to public schools in need.

### *IBM Young Scientists of Negros*

With a grant from IBM Philippines and partnering with Bulig Ko, Kabuhi Mo, the project aims to develop children's interest in science and discovery, and foster a keen desire to pursue science education among the children of Negros.

The program consists of science book donations, building of science libraries and laboratories, and training of science teachers. The program is guided by nationally-recognized Scientists.

## **Merchants of Hope**

This is a livelihood program whereby the Foundation partners with artists and trained artisans to create high-quality, marketable products to supplement their income as well as raise funds for The Foundation's projects. The Foundation oversees the design, production, and marketing of mosaic art, crocheted crafts, fiber and fabric art, and bead work, among other handcrafted products.

Merchants of Hope products are sold at the showrooms of the Foundation and the Association of Negros Producers in Bacolod City, at major bazaars in Metro Manila, and other specialty retail outlets.

## **The Stella Maris Project**

This is a disaster preparedness, mitigation and rehabilitation program for the fishing communities of The Peter Project. Stella Maris is Latin for Star of the Sea. This project aims to help Philippine coastal communities (particularly in Typhoon Yolanda-stricken areas) deal with weather-related natural disasters through Environmental Education/Disaster Training, Improved Livelihood Opportunities, and Community-led Disaster Preparedness Initiatives and Solutions

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### *Statement of compliance*

The Foundation's financial statements have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

#### *Basis of measurement*

The Foundation's financial statements have been prepared under the historical cost convention.

#### *Functional and presentation currency*

The Foundation's financial statements are presented in Philippine Peso (P), which is also the Foundation's functional and presentation currency, and all values are rounded off to the nearest peso, unless otherwise indicated.

### 2.2 Financial instruments

Financial instruments, if any, are measured as follows:

#### *Initial recognition and measurement*

A financial instrument is recognized when the Foundation becomes a party to the contract. Initially, a financial instrument is measured at the transaction price including transaction costs except financial assets and liabilities that are measured at fair value where transaction costs are recognized in profit and loss.

#### *Subsequent measurement*

At financial statement date, the Foundation measures its financial instruments as follows:

Debt instruments are measured at amortized costs using the effective interest method.

Short-term debt instruments are measured at undiscounted amount.

Equity instruments that are publicly traded are measured at fair value with changes in fair value recognized in statement of operations.

Equity instruments that are not traded are measured at cost less accumulated impairment.

#### *Derecognition*

The Foundation derecognizes a financial asset when the contractual right to the cash flows from the financial asset has expired or when the Foundation has transferred to another party substantially all of the risks and rewards of ownership of the financial asset.

A financial liability is derecognized when it is extinguished. Any difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in statement of operations.

### 2.3 Cash and cash equivalents

Cash and cash equivalents are carried at face value.

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. For the purpose of reporting cash flows, all cash on hand and in banks are not restricted and available for use in current operations.

### 2.4 Project receivables

Project receivables are initially measured at transaction price and subsequently measured at amortized cost less provision for impairment, if any. Impairment is considered when there is objective evidence that the Foundation will not be able to collect the all amounts due according to the original terms of the receivables.

The allowance for impairment loss is the estimated amount of probable losses arising from non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables.

## 2.5 Inventories

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is determined using the moving average method. At each financial reporting date, inventories are assessed for impairment. If the inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in profit or loss.

## 2.6 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as they are consumed in the operation or expire with passage of time. Prepayments are classified in the statement of financial position as current asset when the cost of goods or services related with the prepayments is expected to be incurred within twelve (12) months after the balance sheet date.

## 2.7 Property and equipment, net

Items of property and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequently, property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

The Foundation adds to the carrying amount of an item of property and equipment the cost of replacing part of such an item when the cost incurred is expected to provide incremental future benefits to the Foundation. The carrying amount of those parts that are replaced is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred

Depreciation is charged so as to allocate the cost of depreciable assets over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

<u>Property classification</u>	<u>Estimated useful life</u>
Factory equipment	5 - 10 years
Office equipment, furniture and fixtures	5 years
Leasehold improvement	20 years
Showroom equipment, furniture and fixtures	5 years

Leasehold improvements are amortized over the improvements' useful life of twenty (20) years or lease term, whichever is shorter.

If there is an indication that there has been a significant change in depreciation rate or useful life of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made with respect to those assets.

An item of property and equipment is derecognized when it is disposed of. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

## 2.8 Intangible asset, net

Intangible asset is capitalized and is carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Amortization of the intangible asset is computed on a straight-line basis over the expected usage of the asset by the Foundation which is 15 years. The carrying value of the intangible asset is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.



## **2.9 Other noncurrent assets**

Other noncurrent assets represent security deposit made in relation to the lease entered into by the Foundation and creditable withholding taxes. These are initially and subsequently carried at cost.

## **2.10 Impairment of non-financial assets**

At each financial reporting date, property and equipment and intangible asset are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Similarly, at each financial reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **2.11 Accruals and government liabilities**

Accruals and government liabilities are recognized initially at the transaction price and subsequently measured at amortized cost less subsequent payments.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts if any to employees.

## **2.12 Provisions and contingencies**

A provision is recognized when the Foundation has a present obligation (legal or constructive) as a result of past event and 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 on the amount of the obligation.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

## **2.13 Members' contribution**

Members' contributions represent the capital contributed by the members which form part of the Foundation's fund balance.

## **2.14 Fund balance**

Fund balance represents member's contributions and the cumulative excess of receipts over expenses of current and prior period operations as disclosed in the statement of operations and statements of changes in member's equity including prior period adjustments, effect of changes in accounting policies and other capital adjustments. When surplus account has a debit balance, it is called "deficit", and presented as a deduction from equity.

## **2.15 Revenue recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Foundation and income can be reliably measured.

The additional specific recognition criteria for each type of revenue are as follows:

### *Foreign and local grants*

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of operations over the expected useful life of the relevant asset by equal annual installments.

### *Donations received*

Cash donations are recognized as revenues when these are actually received by the Foundation while asset donations are credited to a deferred revenue account and are released to the statement of operations over the expected useful life of the relevant asset by equal annual installments.

### *Membership dues*

Revenue is recognized upon actual receipt thereof.

### *Finance income*

Revenue is recognized as the interest accrues (taking into account the effective yield on the asset).

### *Commission income*

Revenue is recognized upon sale of consigned goods.

## **2.16 Cost and expense recognition**

Cost and expenses are recognized in statement of operations when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Cost and expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Costs and expenses are presented using the function of expense method in profit or loss. General and administrative expenses are costs attributable to administering and overseeing the overall business and other operating activities of the Foundation.

## **2.17 Employee benefit obligations**

### *Short-term benefits*

The Foundation recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Foundation to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

### *Long-term benefits*

The Foundation does not have a defined benefit retirement plan. The Foundation will comply with the retirement procedures set forth in R.A. 7641 in terms of post employment benefits.

## **2.18 Operating leases**

### *Foundation as lessee*

Leases which do not transfer to the Foundation substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of operations on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

## 2.19 Foreign currency - denominated transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate ruling as at the date of the financial reporting date. All differences are taken to profit or loss except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## 2.20 Events after the financial reporting date

Post year-end events up to the date of the auditors' report that provide additional information about the Foundation's position at financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

As at and for the year ended, the Foundation has no event after the financial reporting date that requires disclosures in the financial statements.

## NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The Foundation makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Useful lives of property and equipment*

Property and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of operations in specific periods. More details including carrying values are included in Note 7.

### *Net realizable value of inventories*

The Foundation reviews the net realizable value of, and demand for, its inventory on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realizable value. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends.

### *Allowance for impairment losses on receivables*

The Foundation performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment.

### *Asset impairment*

The Foundation assesses the impairment of its assets whether events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Foundation's financial condition and results of operations. While management believes that the assumptions made are appropriate and reasonable, significant changes in assumptions may materially affect assessment of recoverable values and may lead to future additional impairment charges. No impairment losses were recognized the Foundation's assets as of December 31, 2015 and 2014.

### *Revenue recognition*

The Foundation's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

### *Provisions and contingencies*

Provisions are recognized when (a) the Foundation has a present obligation (legal or constructive) as a result of past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and 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 a finance cost. When the Foundation expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount can be estimated. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

### *Going concern assumption*

The management of the Foundation has made an assessment of the Foundation's ability to continue as a going concern and is satisfied that the Foundation has the resources to continue in business for the foreseeable future. Furthermore, the Foundation is not aware of any material uncertainties that may cast significant doubts upon the Foundation's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

### *Determination of functional currency*

Based on the economic substance of the underlying circumstances relevant to the Foundation, the functional currency is determined to be the Philippine Peso. The determination of the functional currency was based on the primary economic environment in which the Foundation generates and expends cash. It is the currency that mainly influences the sale of goods and services and the cost these goods and services.

## **NOTE 4 - CASH AND CASH EQUIVALENTS**

This account consists of:

	<u>2015</u>	<u>2014</u>
Cash on hand	<b>P107,000</b>	P102,000
Cash in banks	<b>4,216,650</b>	3,355,268
Short-term placements	<b>3,286,699</b>	4,296,998
	<u><b>P7,610,349</b></u>	<u>P7,754,266</u>

Cash on hand consists of petty cash and revolving funds used to pay day-to-day petty and other necessary expenses of the Foundation. Both funds are maintained under an imprest system and are replenished whenever required.

Cash in banks consist of current and savings account in various local banks. Cash in banks deposited in savings account earn interest at the respective rates set by the depository banks. Cash in banks include US Dollar-denominated bank deposit amounting to US \$553.03 and US \$9,508 in 2015 and 2014, respectively. The balance as of December 31, 2015 and 2014 was translated into Philippine Peso at the prevailing exchange rate which resulted in an unrealized foreign exchange gain of nil and P6,464 for the years ended December 31, 2015 and 2014, respectively (Note 14).

Short-term placement pertain to the Foundation's money market unit investment trust fund (UITF) in a local bank maturing within three (3) months and earn interest equivalent to prevailing banking rates.

Finance income earned from deposit in banks and short-term placements amounted to P21,076 and P19,826 for the years ended December 31, 2015 and 2014, respectively (Note 14).

## NOTE 5 - PROJECT RECEIVABLES

Project receivables pertain to grant commitments not yet received as at December 31, 2015 and 2014, respectively, on the following projects that were already completed.

	2015	2014
Peter project	P99,000	P4,489,500
Nutrition program - Mingo meals	1,280,650	497,000
	<u>P1,379,650</u>	<u>P4,986,500</u>

The grants on the above projects are non-interest bearing and are expected to be received in subsequent year.

## NOTE 6 - INVENTORIES

This account consists of inventories on the Foundation's livelihood projects.

Inventories are carried at cost. There are no inventories carried at net realizable value.

The cost of inventories recognized as expense amounted to P1,703,594 and P2,448,362 for the years ended December 31, 2015 and 2014, respectively.

The Foundation believes that there are no indications of impairment on its inventories as at December 31, 2015 and 2014.

## NOTE 7 - PROPERTY AND EQUIPMENT, NET

The details of the account are as follows:

	Factory equipment	Office equipment, furniture and fixtures	Leasehold improvements	Showroom equipment, furniture and fixtures	Total
<b>Cost</b>					
At January 1, 2015	P1,359,811	P643,117	P-	P166,874	P2,169,802
Additions	3,755,998	82,015	120,165	20,000	3,978,178
At December 31, 2015	5,115,809	725,132	120,165	186,874	6,147,980
<b>Accumulated depreciation</b>					
At January 1, 2015	55,013	20,147	-	19,787	94,947
Depreciation	1,103,466	508,278	10,014	36,375	1,658,133
At December 31, 2015	1,158,479	528,425	10,014	56,162	1,753,080
<b>Net book value</b>					
At December 31, 2015	<u>P3,957,330</u>	<u>P196,707</u>	<u>P110,151</u>	<u>P130,712</u>	<u>P4,394,900</u>
At December 31, 2014	<u>P1,304,798</u>	<u>P622,970</u>	<u>P-</u>	<u>P147,087</u>	<u>P2,074,855</u>

Fully depreciated assets with total cost of 842,723 and P772,063 are still being used by the Foundation in its operations as at December 31, 2015 and 2014, respectively.

Management believes that there are no indications of impairment on the Foundation's remaining property and equipment as of December 31, 2015 and 2014.

## NOTE 8 - INTANGIBLE ASSET, NET

Intangible asset consists of the accounting software integrated by the Foundation in its operations. The details of the account are as follows:

<b>Cost</b>	
Balance, January 1	P-
Acquisition	<u>43,000</u>
Balance, December 31	<u>43,000</u>
<b>Accumulated amortization</b>	
Balance, January 1	P-
Amortization	<u>717</u>
Balance, December 31	<u>717</u>
<b>Net book value, December 31, 2015</b>	<u><u>P42,283</u></u>
Net book value, December 31, 2014	<u><u>P-</u></u>

Foundation believes that there are no indications of impairment on its intangible asset as at December 31, 2015 and 2014.

## NOTE 9 - OTHER NONCURRENT ASSETS

This account consists of:

	<u>2015</u>	<u>2014</u>
Security	<b>P75,000</b>	P
Creditable withholding tax	<b>131,773</b>	-
	<u><b>P206,773</b></u>	<u>P-</u>

Security deposits represent the amount paid by the Foundation to the lessor for the rented space which serve as guaranty for the faithful compliance of the Foundation with all the covenants and conditions of the lease contracts. Security deposits cannot be applied to the unpaid rentals but shall be kept intact throughout the lease terms. It shall be returned to the Foundation within a reasonable time only upon the expiration of the contract after the Foundation had completely and satisfactorily vacated the area.

## NOTE 10 - ACCRUALS AND GOVERNMENT LIABILITIES

This account consists of:

	<u>2015</u>	<u>2014</u>
Accrued expenses	<b>P61,105</b>	P140,774
Government liabilities	<b>23,871</b>	18,692
	<u><b>P84,976</b></u>	<u>P159,466</u>

Accrued expenses consist of unpaid expenses for goods and services supplied to the Foundation. These are non-interest bearing and generally payable within thirty (30) days.

Government liabilities consist of SSS, PHIC and HDMF premiums as well as withholding taxes to be remitted to the respective government agencies subsequent period.

#### NOTE 11 - UNEARNED GRANTS

This account refers to the amount of grants not yet recognized as income since the conditions attached to the Memorandum of Agreement (MOA) were not yet satisfied by the Foundation.

#### NOTE 12 - INCOME

This account consists of:

	<u>2015</u>	<u>2014</u>
Grants and donations	P28,658,729	P109,034,207
Income from livelihood project, net (Note 13)	457,700	702,226
Other income (Note 14)	63,714	48,331
	<u>P29,180,143</u>	<u>P109,784,764</u>

Grants and donations represent receipts from various donors and benefactors intended for the development of the purpose and activities of the Foundation.

#### NOTE 13 - INCOME FROM LIVELIHOOD PROJECT, NET

This account consists of:

	<u>2015</u>	<u>2014</u>
Proceeds from livelihood project	P5,803,540	P3,892,403
Livelihood project expenses	(5,345,840)	(3,190,177)
	<u>P457,700</u>	<u>P702,226</u>

#### NOTE 14 - OTHER INCOME

	<u>2015</u>	<u>2014</u>
Commission income	P35,438	P10,941
Finance income (Note 4)	21,076	19,826
Membership dues	7,200	11,100
Gain on foreign exchange (Note 4)	-	6,464
	<u>P63,714</u>	<u>P48,331</u>

#### NOTE 15 - PROJECT EXPENSES

	<u>2015</u>	<u>2014</u>
Peter and Joseph project	P11,928,866	P89,762,116
Nutrition program - cost of manufacturing Mingo meals	7,572,003	5,995,527
Livelihood projects	3,592,684	1,939,284
Educational program	1,325,140	370,640
Project management and monitoring	875,700	2,600,688
	<u>P25,294,393</u>	<u>P100,668,255</u>

## NOTE 16 - ADMINISTRATIVE EXPENSES

This account consists of:

	<u>2015</u>	<u>2014</u>
Salaries, wages and related expenses (Note 17)	P910,899	P568,892
Depreciation (Note 19)	554,667	39,934
Communication and postage	142,967	121,440
Travel and transportation	95,864	82,770
Documentation	74,704	9,474
Taxes, licenses and permits (Note 20)	68,715	-
Professional fees	53,198	74,520
Office supplies	51,432	54,383
Light and water	50,517	23,253
Website maintenance	40,500	123,707
Repairs and maintenance	38,494	16,616
Rent expense (Note 18)	32,812	69,643
Insurance	3,686	46,339
Amortization	717	-
Miscellaneous expenses	87,980	78,473
	<u>P2,207,152</u>	<u>P1,309,444</u>

Communication and postage refers to the expenses incurred for the consumption of incoming and outgoing call and similar service facilities including wireless internet connections essential for the Foundation's operations.

Miscellaneous expenses include bank charges and other expenses of insignificant amounts.

## NOTE 17 - SALARIES, WAGES AND RELATED EXPENSES

This account consists of:

	<u>2015</u>	<u>2014</u>
Salaries and wages	P531,734	P404,693
Employee benefits	328,416	136,321
SSS, PHIC and Pag-ibig contributions	50,749	27,878
	<u>P910,899</u>	<u>P568,892</u>

## NOTE 18 - LEASE AGREEMENTS

The Company rents space for its office under operating lease agreements which are renewable under such terms and conditions as may be agreed upon by the parties including escalation rates, if any. As at December 31, 2015, there is no outstanding lease commitment since the lease commences January 1 and ends on December 31, renewable annually.

Total rental expense charged to operations amounted to P32,812 and P69,643 for the years ended December 31, 2015 and 2014, respectively (Note 16).



## NOTE 19 - DEPRECIATION

This account consists of:

	<u>2015</u>	<u>2014</u>
<i>Project expense - Nutrition program - Mingo meals</i>		
Factory equipment	<u>P1,103,466</u>	<u>P38,213</u>
<i>Administrative expenses</i>		
Office equipment, furniture and fixtures	508,278	20,147
Leasehold improvements	10,014	-
Showroom equipment, furniture and fixtures	<u>36,375</u>	<u>19,787</u>
	<u>554,667</u>	<u>39,934</u>
	<u><u>P1,658,133</u></u>	<u><u>P78,147</u></u>

## NOTE 20 - TAXES, LICENSES AND PERMITS

This account consists of:

	<u>2015</u>	<u>2014</u>
Permits and licenses	P68,215	P-
BIR annual registration	<u>500</u>	<u>-</u>
	<u><u>P68,715</u></u>	<u><u>P-</u></u>

## NOTE 21 - PRIOR YEAR ADJUSTMENTS

As a result of improper recognition of grants and donations, the Foundation restated its 2013 financial statements to correct such. These are summarized as follows:

	Ref	December 31, 2014 As previously reported	Adjustments	December 31, 2015 As restated
Unearned grants and donation	a	P-	P1,839,060	P1,839,060
Grants and donations	a	109,784,764	(1,839,060)	107,945,704
Fund balance	a	14,161,300	(1,839,060)	12,322,340

- a. The Foundation has improperly recognized income from grants in 2014. The amount erroneously recognized in 2014 includes income that was earned in 2015. Consequently, the grants and donation and fund balance were adjusted for the amount of income improperly recognized. Similarly, since the amount was already part of the receivable, unearned grants and donation was recognized in 2014 for the amount not yet earned as income.

## NOTE 22 - APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Trustees (BOT) and authorized for issue on April 14, 2016.

## NOTE 23 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

### A. REVENUE REGULATION (RR) 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR 15-2010 hereunder is the information on taxes, duties and licenses fees paid or accrued as of December 31, 2015.

#### 1. The amount of VAT output tax declared during the year and the account title and amounts upon which the same is based

The Foundation is a non-stock, not-for-profit organization and is registered as a percentage taxpayer. As of December 31, 2015, the Foundation has no receipts subjected to percentage tax.

#### 2. Withholding taxes

The amount of withholding taxes paid/accrued for the year amounted to:

a. Withholding taxes on compensation and benefits	P58,062
b. Expanded withholding taxes	17,664

#### 3. Taxes and licenses

a. <u>Local</u> Business permits and licenses	P68,215
b. <u>National</u> BIR annual registration	500

#### 4. Periods covered and amounts of deficiency tax assessments, whether protested or not

As of December 31, 2015, the Foundation does not have any assessment notice received from the BIR.

### B. REVENUE REGULATION (RR) NO. 2-2014

RR No. 2-2014 prescribes the new income tax forms to be used for income tax filing and starting with calendar year 2013. Pursuant to Section 244, in relation to Sections 6(H), 51(A)(1) and 51(A)(2) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are issued to prescribe the use of revised income tax forms with bar codes, and to reflect the changes in information required from said forms. This will also enable the said forms to be read by an optical character reader for ease in scanning.

In the case of corporations using Bureau of Internal Revenue (BIR) Form 1702, the tax payer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return (ITR), the schedules and information on taxable income and deductions to be taken.

The information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

#### a. Sales/Revenues/Receipts/Fees

Sales/Revenues/Receipts/Fees	<u>P29,180,143</u>
------------------------------	--------------------

b. Cost of Services	
Direct charges	<u>P25,294,393</u>
c. Other income	
Membership dues	P7,200
Commission income	<u>35,438</u>
	<u><b>P42,638</b></u>
d. Ordinary allowable itemized deductions	
Amortization - intangible asset	P717
Communication, light and water	193,484
Depreciation	554,667
Insurance	3,686
Miscellaneous	87,980
Office supplies	51,432
Professional fees	53,198
Rental	32,812
Repairs and maintenance - materials/supplies	38,494
Salaries and allowances	860,150
SSS, GSIS, Philhealth, HDMF and other contributions	50,749
Transportation and travel	95,864
Taxes and licenses	68,715
Documentation	74,704
Website maintenance	40,500
	<u><b>P2,207,152</b></u>
b. Details of taxes and licenses	
a. <u>Local</u>	
Business permits and licenses	P68,215
b. <u>National</u>	
BIR annual registration	500