International Institute of Rural Reconstruction

(A Nonprofit, Nonstock Organization)
Philippine Office

Financial Statements
December 31, 2013 and 2012

and

Independent Auditors' Report

SGV
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A member firm of Ernst & Young Global Limited

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
International Institute of Rural Reconstruction
Philippine Office

Report on the Financial Statements

We have audited the accompanying financial statements of the Philippine Office of International Institute of Rural Reconstruction (a nonprofit, nonstock organization incorporated in Delaware, United States of America), which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of activities, statements of comprehensive income, statements of changes in net assets 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Philippine Office of International Institute of Rural Reconstruction as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on 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 14 to the 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 the Philippine Office of International Institute of Rural Reconstruction. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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April 11, 2014

INTERNATIONAL INSTITUTE OF RURAL RECONSTRUCTION
(A Nonprofit, Nonstock Organization)
Philippine Office

STATEMENTS OF FINANCIAL POSITION

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
ASSETS			
Current Assets			
Cash (Note 13)	**₱6,608,092**	₱8,642,213	₱5,288,535
Receivables (Notes 7 and 13)	**10,843,996**	18,562,513	2,639,326
Other current assets	**16,681**	30,422	–
Total Current Assets	**17,468,769**	27,235,148	7,927,861
Noncurrent Assets			
Property and equipment - net (Note 8)	**6,152,760**	5,269,846	3,618,382
Pension assets (Note 12)	–	100,039	114,250
Total Noncurrent Assets	**6,152,760**	5,369,885	3,732,632
	₱23,621,529	₱32,605,033	₱11,660,493
LIABILITIES AND NET ASSETS			
Current Liability			
Accounts payable and other current liabilities (Notes 9, 10 and 13)	**₱8,005,425**	₱11,282,352	₱3,411,361
Noncurrent Liability			
Accrued pension costs (Note 12)	**279,110**	–	–
Net Assets (Note 13)			
Unrestricted	**13,086,243**	7,724,975	4,270,776
Temporarily restricted	**2,250,751**	13,597,706	3,978,356
Total Net Assets	**15,336,994**	21,322,681	8,249,132
	₱23,621,529	₱32,605,033	₱11,660,493

See accompanying Notes to Financial Statements.

INTERNATIONAL INSTITUTE OF RURAL RECONSTRUCTION
(A Nonprofit, Nonstock Organization)
Philippine Office

STATEMENTS OF ACTIVITIES

	Years Ended December 31							
	2013				2012 (As restated - Note 3)			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT								
Contributions/Grants:								
Foundations	**₱–**	**₱3,782,483**	**₱–**	**₱3,782,483**	₱–	₱20,395,509	₱–	₱20,395,509
Government	**13,890**	**–**	**–**	**13,890**	–	363,107	–	363,107
Individuals	**–**	**1,023,486**	**–**	**1,023,486**	175,987	986,566	–	1,162,553
Corporations	**–**	**–**	**–**	**–**	–	110,912	–	110,912
Use of campus facilities	**17,503,194**	**–**	**–**	**17,503,194**	15,874,952	–	–	15,874,952
Training courses	**3,642,261**	**–**	**–**	**3,642,261**	11,333,467	–	–	11,333,467
Technical assistance	**8,627,150**	**–**	**–**	**8,627,150**	7,756,616	–	–	7,756,616
Workshops	**2,617,427**	**–**	**–**	**2,617,427**				
Study programs	**2,066,971**	**–**	**–**	**2,066,971**	4,495,419	–	–	4,495,419
Publication sales	**32,515**	**–**	**–**	**32,515**	25,165	–	–	25,165
Others (Note 8)	**3,438,554**	**–**	**–**	**3,438,554**	1,836,267	–	–	1,836,267
Net assets released from restrictions -								
Satisfaction of program restrictions	**16,152,924**	**(16,152,924)**	**–**	**–**	12,236,744	(12,236,744)	–	–
	54,094,886	**(11,346,955)**	**–**	**42,747,931**	53,734,617	9,619,350	–	63,353,967
EXPENSES (Notes 8, 10, 11 and 12)								
Program services:								
Learning community	**20,423,802**	**–**	**–**	**20,423,802**	18,448,512	–	–	18,448,512
Applied learning	**12,902,194**	**–**	**–**	**12,902,194**	16,814,954	–	–	16,814,954
	33,325,996	**–**	**–**	**33,325,996**	35,263,466	–	–	35,263,466
Support services:								
Management and general	**12,105,587**	**–**	**–**	**12,105,587**	12,591,967	–	–	12,591,967
Fund raising	**3,007,975**	**–**	**–**	**3,007,975**	2,529,514	–	–	2,529,514
	15,113,562	**–**	**–**	**15,113,562**	15,121,481	–	–	15,121,481
	48,439,558	**–**	**–**	**48,439,558**	50,384,947	–	–	50,384,947
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	**₱5,655,328**	**(₱11,346,955)**	**₱–**	**(₱5,691,627)**	₱3,349,670	₱9,619,350	₱–	₱12,969,020

See accompanying Notes to Financial Statements.

INTERNATIONAL INSTITUTE OF RURAL RECONSTRUCTION
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STATEMENTS OF COMPREHENSIVE INCOME

	2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	**₱5,655,328**	**(₱11,346,955)**	**₱–**	**(5,691,627)**
OTHER COMPREHENSIVE INCOME Items to be reclassified to profit or loss in subsequent periods – Re-measurement gain (loss) on defined benefit obligation (Notes and 12)	**(294,060)**	**–**	**–**	**(294,060)**
TOTAL COMPREHENSIVE INCOME LOSS	**₱5,361,268**	**(₱11,346,955)**	**₱–**	**(₱5,985,687)**

	2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	₱3,349,670	₱9,619,350	₱–	₱12,969,020
OTHER COMPREHENSIVE INCOME Items to be reclassified to profit or loss in subsequent periods – Re-measurement gain (loss) on defined benefit obligation (Notes and 12)	104,529	–	–	104,529
TOTAL COMPREHENSIVE INCOME LOSS	₱3,454,199	₱9,619,350	₱–	₱13,073,549

INTERNATIONAL INSTITUTE OF RURAL RECONSTRUCTION
(A Nonprofit, Nonstock Organization)
Philippine Office

STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended December 31							
	2013				2012 (As restated - Note 3)			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at beginning of year, as previously reported	**₱7,399,573**	**₱13,597,706**	**₱–**	**₱20,997,279**	₱4,061,275	₱3,978,356	₱–	₱8,039,631
Effect of retrospective application of PAS 19 (Revised), Employee Benefits (Note 3)	**325,402**	**–**	**–**	**325,402**	209,501	–	–	209,501
Balance at beginning of year, as restated	**7,724,975**	**13,597,706**	**–**	**21,322,681**	4,270,776	3,978,356	–	8,249,132
Excess (deficiency) of revenue, gains and other support over expenses, as previously reported	**5,655,328**	**(11,346,955)**	**–**	**(5,691,627)**	3,349,670	9,619,350	–	12,969,020
Other comprehensive income	**(294,060)**	**–**	**–**	**(294,060)**	104,529	–	–	104,529
Total Comprehensive income (loss)	**5,361,268**	**(11,346,955)**	**–**	**(5,985,687)**	3,454,199	9,619,350	–	13,073,549
Balance at end of year	**₱13,086,243**	**₱2,250,751**	**₱–**	**₱15,336,994**	₱7,724,975	₱13,597,706	₱–	₱21,322,681

See accompanying Notes to Financial Statements.

INTERNATIONAL INSTITUTE OF RURAL RECONSTRUCTION

(A Nonprofit, Nonstock Organization)
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STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012 (As restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue, gains and other support over expenses	**(₱5,691,627)**	₱12,969,020
Adjustments for:		
Depreciation and amortization (Notes 8 and 11)	**1,202,156**	1,186,097
Unrealized foreign exchange loss (gain)	**(428,111)**	915,691
Interest income	**(16,508)**	(18,746)
Decrease (increase) in:		
Receivables	**8,107,776**	(16,598,576)
Other current assets	**13,741**	(30,422)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(3,283,257)**	7,949,532
Accrued pension costs	**85,089**	118,741
Net cash provided by operating activities	**(10,741)**	6,491,337
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 8)	**(2,085,070)**	(2,837,561)
Interest received	**16,508**	18,746
Net cash used in investing activities	**(2,068,562)**	(2,818,815)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**45,182**	(318,844)
NET INCREASE (DECREASE) IN CASH	**(2,034,121)**	3,353,678
CASH AT BEGINNING OF YEAR	**8,642,213**	5,288,535
CASH AT END OF YEAR	**₱6,608,092**	₱8,642,213

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. General Information

Organization Information
The International Institute of Rural Reconstruction (IIRR or the Institute) is a nonprofit, nonstock organization formed in 1960 under the laws of the State of Delaware, United States of America (U.S.A.). IIRR is a global learning, training and capacity development organization with experience and commitment to rural development. The Institute's program service has two main functional categories (described in Note 11), i.e. learning community program and applied learning program. Resource generation is focused on unrestricted contributions, restricted grants, earned revenue through trainings, workshops, study programs, customized courses, technical assistance, use of campus facilities by development organizations and endowment fund.

On September 8, 1964, the Philippine Securities and Exchange Commission (SEC) approved the application of IIRR to establish an office in the Philippines (Philippine Office). The Philippine Office has been authorized to do training of personnel and to conduct operational research relating to rural reconstruction and development in the Philippines. The Philippine Office's registered address is Y.C. James Yen Center, Silang, Cavite.

The Institute, being an international nonprofit, nonstock organization, is exempt from the payment of gift, franchise, specific, percentage, real property and all other taxes, duties and fees under Republic Act (RA) No. 3538, as amended by RA No. 4169 and Presidential Decree (PD) No. 246, and further amended by PD No. 728, which particularly includes IIRR as a recipient of the exemptions and privileges provided in Section 1 of RA 3538. The Institute is assumed exempt from the withdrawal effect of Executive Order (EO) No. 93, dated December 17, 1986, being an international institution.

EO No. 93 withdrew the tax and duty exemption privileges, including the preferential tax treatment of government and private entities except:

a. Those covered by the non-impairment clause of the Constitution;
b. Those conferred by effective international agreements to which the government of the Republic of the Philippines is a signatory.

Also, as a nonprofit, nonstock organization, the Institute is exempt from the payment of income tax under provisions of Section 30(h) of the Tax Reform Act of 1997.

Authorization for Issuance of Financial Statements
On April 11, 2014, by the authority of the Board of Trustees (BOT) of the Institute, the Institute's President approved and authorized for issuance the accompanying financial statements of the Philippine Office.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The financial statements of the Philippine Office have been prepared on a historical cost basis and are presented in Philippine peso, which is the Philippine Office's functional and presentation currency under Philippine Financial Reporting Standards (PFRS).

The Philippine Office did not adopt PFRS for Small and Medium-sized Entities as the Philippine Office's financial statements are being consolidated with other Institute's offices. The Institute's combined financial statements are prepared and presented in conformity with accounting principles generally accepted in the United States of America.

Statement of Compliance
The financial statements of the Philippine Office have been prepared in accordance with PFRS, which includes Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Financial Reporting Standards Council.

The financial statements provide comparative information in respect of the previous period. In addition, the Institute presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional statement of financial position as at January 1, 2012 is presented in the financial statements due to retrospective application of certain accounting policies (refer to Note 12).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRSs, which were adopted starting January 1, 2013. Except as otherwise indicated, the adoption of these new and amended standards did not have a significant impact on its financial statements.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other* Comprehensive *Income (Amendments).* The amendment affected the presentation in the Institute's statement of activities and had no impact on the Institute's financial position.

- PAS 19 (Amended) , *Employee Benefits* - Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

  Prior to adoption of Amended PAS 19, the Institute recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined benefit obligation and 10% of the fair value of plan assets and recognized unvested past service costs as an expense on the straight-line basis over the average period until the benefits become vested. Upon adoption of the Amended PAS 19, the Institute changed its accounting policy to recognize all actuarial gains and losses and all past service costs in the statement of activities in the period they occur.

The Institute reviewed its existing employee benefits and obtained the services of an external actuary to compute the impact of the adoption of the amended standard on the financial statements. The retroactive effects on the Institute's statement of financial position and statement of activities are detailed below:

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in:			
Statements of Financial Position			
Pension assets	**(₱53,747)**	₱325,402	₱209,501
Unrestricted net assets	**(53,747)**	325,402	209,501

	For the years ended December 31	
	2013	2012
Increase (decrease) in:		
Statement of Activities		
Pension costs	**₱175,906**	(117,259)
Interest cost	**(90,817)**	105,887
	85,089	(11,372)
Other Comprehensive Income		
Remeasurement gain (loss) on defined benefit obligation	**(294,060)**	104,529
Changes in Net Assets	**(₱379,149)**	₱115,901

The adoption of Amended PAS 19 did not have an impact on the statement of cash flow.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
- Amendments to PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
- PFRS 10, *Consolidated Financial Statements*
- PFRS 11, *Joint Arrangements*
- PFRS 12, *Disclosure of Interest in Other Entities*
- PFRS 13, *Fair Value Measurement*
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. These amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. The adoption of these amendments did not have any impact on the Institute's financial position or performance.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

4. Summary of Significant Accounting Policies

Financial Instruments

- Initial Recognition and Measurement of Financial Instruments

  All financial assets are initially recognized at fair value plus, in case of investments not at fair value through profit and loss (FVPL), directly attributable transaction costs. All financial liabilities are initially recognized at fair value and in case of loans and borrowings, plus directly attributable transaction costs.

  Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (the date the Philippine Office agreed to purchase or sell the asset).

  Financial instruments within the scope of PAS 39 are classified as financial assets and liabilities at FVPL, loans and receivables or borrowings, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and derivatives designated as hedging instruments in an effective hedge, as appropriate. The Philippine Office determines the classification of its financial instruments at initial recognition.

- Subsequent Measurement of Financial Instruments

  The Philippine Office has no financial assets and liabilities at FVPL, HTM investments, AFS financial assets and derivatives designated as hedging instruments in an effective hedge as of December 31, 2013 and 2012. The subsequent measurement of financial instruments depends on their classification as follows:

  Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated by taking into account any premium or discount on acquisition and costs and fees that are integral part of the EIR. The EIR amortization is included as part of interest income in the statement of activities. Loans and receivables are included in current assets if maturity is within twelve months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

  This category includes the Philippine Office's cash and receivables (see Note 7).

  Loans and Borrowings. This category pertains to financial liabilities that are not held for trading or designated as FVPL upon inception of the liability. These include liabilities arising from operations or borrowings. Loans and borrowings are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes the Philippine Office's accounts payable and other current liabilities (see Note 9).

- Determination of Fair Value of Financial Instruments and Fair Value Hierarchy

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 by the 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 Institute 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 separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

The Philippine Office's financial instruments consist only of loans and receivable and loans and borrowings which are carried at amortized cost. No financial instruments are carried at fair value.

- Impairment of Financial Assets

The Philippine Office assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. Evidence of impairment may include indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

For loans and receivables carried at amortized cost, the Philippine Office first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant by monitoring and identifying specific accounts where collections are doubtful based on length of time the account is outstanding and credit status of debtor. 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 there is objective evidence that an impairment loss on loans and receivables 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 discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of activities.

Receivables, together with the associated allowance, are written off when there is no prospect of future recovery. If a write off is later recovered, any amounts formerly charged are credited in the statement of activities.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of loans and receivables does not exceed its amortized cost at the reversal date. Any subsequent reversal of impairment loss is recognized in the statement of activities.

- Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

a. the Philippine Office's rights to receive cash flows from the asset have expired;

b. the Philippine Office has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (i) the Philippine Office has transferred substantially all the risks and rewards of the asset, or (ii) the Philippine Office has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Philippine Office has transferred its right 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 Philippine Office's continuing involvement in the asset. In that case, the Philippine Office recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Philippine Office has retained.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, 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 the statement of activities.

- Offsetting of Financial Instruments

  Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amount in the statement of financial position.

<u>Property and Equipment</u>
Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. The initial cost of property and equipment consists of its purchase price and any directly attributable costs in bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the item of property and equipment as a replacement if the recognition criteria are satisfied. Such major repairs and maintenance is capitalized and amortized over the next major repairs and maintenance activity. All other repair and maintenance is recognized in the statement of activities as incurred.

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item of property and equipment is depreciated and amortized separately.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property and equipment or the term of the lease, in case of leasehold improvements, whichever period is shorter:

Leasehold improvements	10 to 25 years or the term of the lease, whichever period is shorter
Buildings	10 to 25 years
Furniture and office equipment	3 to 5 years
Transportation equipment	5 to 8 years
Other equipment	5 to 10 years

The useful lives and depreciation and amortization method are reviewed periodically 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 upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment) is included in the statement of activities in the year the property and equipment is derecognized.

Fully depreciated assets are retained in the accounts while still in use although no further depreciation is credited or charged to current operations.

Impairment of Nonfinancial Assets
The Philippine Office assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Philippine Office makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit'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 determining fair value less cost to sell, an appropriate valuation is used. These calculations are corroborated by valuation multiples or other available fair value indicators. 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. Any impairment loss is recognized in the statement of activities in those expense categories consistent with the function of the impaired asset.

An assessment is made at each 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 recoverable amount is estimated. A 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of activities unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Classification of Net Assets
The net assets of the Philippine Office and changes therein are classified and reported on the basis of the existence or absence of donor-imposed restrictions, as follows:

- Unrestricted Net Assets

  Net assets that are not subject to any donor-imposed stipulations. Unrestricted assets maybe designated for specific purposes by action of the BOT.

- Temporarily Restricted Net Assets

  Net assets that are subject to donor-imposed stipulations that may be met either by actions of the Philippine Office or by passage of time. When a restriction expires, that is, a stipulated time restriction ends or purpose restriction is accomplished, the assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- Permanently Restricted Net Assets

  Net assets that are subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Philippine Office. Generally, the donors of these assets permit the Philippine Office to use all or part of the investment return on these assets.

Revenue and Expense Recognition

Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenue in the year they are received or promised, whichever is earlier. An unconditional promise to give is recognized when a promise is made or received, provided there is sufficient evidence in the form of verifiable document.

Donor-restricted contributions whose restrictions are met in the same reporting year are classified as unrestricted support. Contributions and grants received, intended for projects to be undertaken in future years, are accounted for as temporarily restricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Revenue from other services, such as training, study programs and technical assistance, are recognized when services have been rendered and collection is reasonably assured.

Revenue from use of campus facilities by development organizations are recognized based on actual occupancy and when collection is reasonably assured.

Revenue from sale of books and other published materials are recognized when the significant risks and rewards of ownership of the published materials have passed to the buyer and the amount of revenue can be reliably measured.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations or BOT designations that simultaneously increase one classification of net assets and decrease another are reported as transfers between the applicable classifications of net assets.

Allocation of Expenses

The cost incurred in the various programs and other activities has been summarized on a functional basis (see Note 11). Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to program and support services using the prevailing Philippine Office's cost allocation ratios.

Pension Costs

Defined Benefit Plan. The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in statement of activities in the period in which they arise.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the Philippine Office does not assume 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 activities on a straight-line basis over the lease term.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the Philippine peso rate ruling at the date of the transaction. Monetary assets and liabilities denominated in U.S. dollar are translated into Philippine peso amounts at the exchange rate ruling at the reporting date and all differences are taken to the statement of activities. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Revenue and expenses have been translated at the monthly average exchange rate.

Provisions

Provisions are recognized when the Philippine Office 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 provisions due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to financial statements unless the probability 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.

Events after the Reporting Period
Post year-end events that provide additional information about the Philippine Office's financial position at the 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 financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Philippine Office's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments
In the process of applying the Philippine Office's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Philippine Office, the functional currency of the Philippine Office has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Philippine Office operates. It is the currency that mainly influences revenue and expenses.

Evaluating Lease Commitments. The Philippine Office, as a lessee, has entered into a long-term lease of land. Management has determined that it has not acquired all the significant risks and rewards of ownership of the leased property since the lessor will not transfer ownership of the leased property to the Philippine Office upon termination of the lease agreement. Accordingly, the lease is accounted for as an operating lease.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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. The Philippine Office based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Philippine Office. Such changes are reflected in the assumptions when they occur.

Estimating Allowance for Impairment of Receivables. The Philippine Office maintains an allowance for impairment of receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the age and status of receivable and known market factors. The Philippine Office reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to statement of activities in the form of provision for impairment of receivables.

The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made. Receivables amounted to ₱10,843,996 and ₱18,562,513 as at December 31, 2013 and 2012, respectively (see Note 7).

Determining Fair Value of Financial Assets and Liabilities. Where the fair value of financial instruments recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from the observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgment includes considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors affect the reported fair value of financial instruments. The assumptions used to estimate the fair value of financial assets and liabilities are described in Note 13.

As at December 31, 2013 and 2012, the fair value of financial assets amounted to ₱17,452,088 and ₱27,204,726, respectively; while the fair value of financial liabilities as at those dates amounted to ₱7,806,749 and ₱9,343,066, respectively (see Note 13).

Estimating Useful Lives of Property and Equipment. The useful lives of the property and equipment is estimated based on the period over which the property and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the carrying values of the property and equipment.

There was no change in the estimated useful lives of property and equipment in 2013 and 2012. Property and equipment, net of accumulated depreciation and amortization, amounted to ₱6,152,760 and ₱5,269,846 as at December 31, 2013 and 2012, respectively (see Note 8).

Determining Impairment of Property and Equipment. An impairment review is performed when certain impairment indicators are present. Determining the value in use of property and equipment, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Philippine Office to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the Philippine Office's financial position and financial performance.

Based on the assessment of the Philippine Office, there are no indicators that the property and equipment are impaired. Property and equipment, net of accumulated depreciation and amortization, amounted to ₱6,152,760 and ₱5,269,846 as at December 31, 2013 and 2012, respectively (see Note 8).

Determining Pension Costs. The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations, which involves making various assumptions which may differ from actual developments in the future. Those assumptions are described in Note 12 and include, among others, discount rate, future salary rate increase mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Accrued pension liability (pension assets) amounted to ₱279,110 and (₱100,039) as at December 31, 2013 and 2012, respectively (see Note 12).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 12.

Estimating Claims Under Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel handling the Philippine Office's defense in these matters and is based upon a thorough analysis of potential results. As at April 11, 2014, the Philippine Office is not involved in legal cases. As such, there were no outstanding liabilities arising from legal claims as of December 31, 2013 and 2012.

6. Future Changes in Accounting Policies

The Institute did not early adopt the following standards and interpretations which have been approved but are not yet effective as of reporting date. Except as otherwise stated, these changes are not expected to have material effect on the Institute's financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)* — These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Institute's financial position or performance.

- Investment Entities *(Amendments to PFRS 10, PFRS 12 and PAS 27)* — These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- Philippine Interpretation IFRIC 21, *Levies* — IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)* — These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)* — The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Institute's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)* — The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The *Annual Improvements to PFRSs* (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, these changes are not expected to have material effect on the Institute's financial statements.

- PFRS 2, *Share-based Payment – Definition of Vesting Condition* — The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination* — The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* — The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables* — The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation* — The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures – Key Management Personnel* — The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Institute's financial position or performance.

- PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization* — The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRSs (2011-2013 cycle)
The *Annual Improvements to PFRSs* (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, these changes are not expected to have material effect on the Institute's financial statements.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'* — The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements* — The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement – Portfolio Exception* — The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PAS 40, *Investment Property* — The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 9, *Financial Instruments* — PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Institute will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* — This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

7. Receivables

This account consists of:

	2013	2012
Trade receivables	**₱6,761,072**	₱7,565,164
Contributions receivable	**3,953,513**	10,816,292
Advances to officers and employees	**129,411**	181,057
	₱10,843,996	₱18,562,513

The contributions receivable are due within one year. These receivables are covered by signed grant agreements. Trade receivables which consist of grants arising from technical assistance, study programs and training courses and advances to officers and employees and are noninterest-bearing and have an average term of one year.

8. **Property and Equipment**

This account consists of:

	2013					
	Leasehold Improvements	**Buildings**	**Furniture and Office Equipment**	**Transportation Equipment**	**Other Equipment**	**Total**
Cost						
Balance at beginning of year	**₱2,276,547**	**₱31,735,935**	**₱20,942,986**	**₱9,865,441**	**₱8,462,934**	**₱73,283,843**
Additions	**–**	**29,906**	**320,061**	**1,265,000**	**470,103**	**2,085,070**
Balance at end of year	**2,276,547**	**31,765,841**	**21,263,047**	**11,130,441**	**8,933,037**	**75,368,913**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**2,211,163**	**29,814,450**	**19,597,360**	**9,738,201**	**6,652,823**	**68,013,997**
Depreciation and amortization (see Note 11)	**10,806**	**213,636**	**275,854**	**153,451**	**548,409**	**1,202,156**
Balance at end of year	**2,221,969**	**30,028,086**	**19,873,214**	**9,891,652**	**7,201,232**	**69,216,153**
Net Book Value	**₱54,578**	**₱1,737,755**	**₱1,389,833**	**₱1,238,789**	**₱1,731,805**	**₱6,152,760**

	2012					
	Leasehold Improvements	Buildings	Furniture and Office Equipment	Transportation Equipment	Other Equipment	Total
Cost						
Balance at beginning of year	₱2,276,547	₱30,536,740	₱20,490,515	₱9,728,341	₱7,414,139	₱70,446,282
Additions	–	1,199,195	452,471	137,100	1,048,795	2,837,561
Balance at end of year	2,276,547	31,735,935	20,942,986	9,865,441	8,462,934	73,283,843
Accumulated Depreciation and Amortization						
Balance at beginning of year	2,157,208	29,475,595	19,238,671	9,728,341	6,228,085	66,827,900
Depreciation and amortization (see Note 11)	53,955	338,855	358,689	9,860	424,738	1,186,097
Balance at end of year	2,211,163	29,814,450	19,597,360	9,738,201	6,652,823	68,013,997
Net Book Value	₱65,384	₱1,921,485	₱1,345,626	₱127,240	₱1,810,111	₱5,269,846

The Philippine Office donated its land in Cavite to the Philippine Rural Reconstruction Movement, Inc. (PRRM) in 1975. Excluded from this donation were buildings and other improvements on such land. In the same year, PRRM and the Philippine Office entered into a lease agreement on the land in Cavite for a period of 25 years, renewable for another 25 years upon mutual agreement of the parties concerned. The annual rental under the lease contract was ₱15,175 until May 25, 2000. On May 23, 2000, the Philippine Office and PRRM executed a contract to confirm their agreement to share the Cavite campus for rural reconstruction work. The contract permits the Philippine Office to use its portion of the campus without rent through May 25, 2025 and may be extended for another 25 years upon mutual agreement of the parties concerned. The fair value of the free rent amounting to ₱720,000 in 2013 and 2012 is recognized as part of other revenue and program services in the statements of activities.

The Philippine Office has fully depreciated property and equipment still used in the operations with cost amounting to ₱93,001,108 and ₱64,993,766 as at December 31, 2013 and 2012, respectively. The Philippine Office has no idle assets as at December 31, 2013 and 2012.

9. Accounts Payable and Other Current Liabilities

This account consists of:

	2013	2012
Interoffice payables (see Note 10)	**₱6,227,669**	₱5,262,788
Vouchers payable	**1,579,080**	4,080,278
Accrued expenses	**198,676**	1,939,286
	₱8,005,425	₱11,282,352

Interoffice payables are non-interest bearing and have an average term of one year. Vouchers payable are noninterest-bearing and are generally on 30 to 60 days' term. Accrued expenses represent statutory payables such as withholding taxes, SSS premiums and other liabilities to the government.

10. Related Party Disclosures

The Philippine Office has transactions with related parties (other regional offices). These include advances, other receivables and payables pertaining to the sharing of expenses among regional offices. Interoffice receivables and payables are included as part of "Receivables" and "Accounts payable and other current liabilities" accounts, respectively, in the statements of financial position (see Notes 7 and 9).

Category	Year	Amount/Volume of Transactions	Outstanding Balance Receivable (Payable)	Terms	Conditions
Other regional office Headquarters (HQ)					
(1) Expense allocation	**2013**	**₱3,566,484**	**(₱6,227,669)**	Noninterest-bearing, collectible on demand	Unsecured
	2012	2,800,132	(5,262,788)	Noninterest-bearing, collectible on demand	Unsecured,

Compensation of key management personnel of the Philippine Office are as follows:

	2013	2012
Salaries and wages	**₱3,940,581**	₱3,940,581
Pension costs (see Notes 11 and 12)	**394,058**	394,058
	₱4,334,639	₱4,334,639

11. **Expenses**

This account consists of:

	2013						
	Program Services			**Supporting Services**			
	Learning Community	**Applied Learning**	**Total**	**Management and General**	**Fund Raising**	**Total**	**Total Expenses**
Staff cost (see Notes 10 and 12)	**₱6,180,396**	**₱3,904,301**	**₱10,084,697**	**₱3,744,133**	**₱930,335**	**₱4,674,468**	**₱14,759,165**
Field program expenses	**4,680,679**	**2,956,894**	**7,637,573**	**2,835,592**	**704,583**	**3,540,175**	**11,177,748**
Food and accommodation	**2,874,163**	**1,815,676**	**4,689,839**	**1,741,190**	**432,648**	**2,173,838**	**6,863,677**
Rental and maintenance of premises	**2,067,138**	**1,305,860**	**3,372,998**	**1,252,289**	**311,166**	**1,563,455**	**4,936,453**
Collaborating agency expenses	**707,559**	**446,982**	**1,154,541**	**428,645**	**106,509**	**535,154**	**1,689,695**
Rental and maintenance of furniture, equipment and vehicle	**577,130**	**364,586**	**941,716**	**349,630**	**86,875**	**436,505**	**1,378,221**
Contractual services	**501,619**	**316,884**	**818,503**	**303,885**	**75,509**	**379,394**	**1,197,897**
Printing and publication	**519,583**	**328,233**	**847,816**	**314,768**	**78,213**	**392,981**	**1,240,797**
Depreciation and amortization (see Note 8)	**503,403**	**318,011**	**821,414**	**304,965**	**75,777**	**380,742**	**1,202,156**
Communication	**378,737**	**239,257**	**617,994**	**229,442**	**57,011**	**286,453**	**904,447**
Travel	**111,114**	**70,193**	**181,307**	**67,314**	**16,726**	**84,040**	**265,347**
Supplies and materials	**41,926**	**26,486**	**68,412**	**25,399**	**6,311**	**31,710**	**100,122**
Staff education	**18,836**	**11,899**	**30,735**	**11,411**	**2,835**	**14,246**	**44,981**
Others	**1,261,519**	**796,932**	**2,058,451**	**496,924**	**123,477**	**620,401**	**2,678,852**
	₱20,423,802	**₱12,902,194**	**₱33,325,996**	**₱12,105,587**	**₱3,007,975**	**₱15,113,562**	**₱48,439,558**

	2012 (As restated - Note 3)						
	Program Services			Supporting Services			
	Learning Community	Applied Learning	Total	Management and General	Fund Raising	Total	Total Expenses
Field program expenses	₱6,503,731	₱5,927,846	₱12,431,577	₱3,888,689	₱910,327	₱4,799,016	₱17,230,593
Staff cost (see Notes 10 and 12)	4,436,291	4,043,471	8,479,762	2,652,532	620,948	3,273,480	11,753,242
Food and accommodation	2,066,368	1,883,398	3,949,766	1,235,516	289,230	1,524,746	5,474,512
Rental and maintenance of premises	1,262,799	1,150,982	2,413,781	755,048	176,754	931,802	3,345,583
Collaborating agency expenses	1,120,057	1,020,880	2,140,937	669,701	156,774	826,475	2,967,412
Contractual services	466,972	425,623	892,595	279,210	65,362	344,572	1,237,167
Depreciation and amortization (see Note 8)	447,695	408,053	855,748	267,685	62,664	330,349	1,186,097
Rental and maintenance of furniture, equipment and vehicle	180,471	164,491	344,962	107,907	25,261	133,168	478,130
Communication	163,381	148,914	312,295	97,688	22,868	120,556	432,851
Printing and publication	101,045	92,098	193,143	60,416	14,143	74,559	267,702
Travel	85,490	77,920	163,410	51,116	11,966	63,082	226,492
Supplies and materials	57,677	52,570	110,247	34,486	8,073	42,559	152,806
Staff education	42,451	38,692	81,143	25,382	5,942	31,324	112,467
Others	1,514,084	1,380,016	2,894,100	2,466,591	159,202	2,625,793	5,519,893
	₱18,448,512	₱16,814,954	₱35,263,466	₱12,591,967	₱2,529,514	₱15,121,481	₱50,384,947

The foregoing expenses incurred by the Philippine Office are classified by functional category of program and support services. The functional categories included under program services are described as follows:

a. Learning Community Program

This program aims to: (1) enable people and their communities to effect meaningful change in their lives through research and learning process; and, (2) generate knowledge about participatory human development through practical experience. Capacity building of people and their institutions is achieved at the community level through this program.

b. Applied Learning Program

This program aims to contribute to the global body of knowledge on organizational and program effectiveness and good governance through practical trainings, workshops, conferences, technical assistance, study programs and publications. The focus is to transform field experience into a unique, informed, evolving and on-site learning through interaction between community members and development practitioners engaged at national, regional and global levels.

12. **Pension Costs**

The Philippine Office has a funded, noncontributory defined benefit pension plan, administered by a trustee, covering substantially all of its qualified employees.

The following tables summarize the components of pension costs recognized in the statements of activities and accrued pension costs recognized in the statements of financial position:

	2013	2012 (As restated - see Note 3)
Pension costs:		
Current service cost	**₱1,201,878**	₱768,323
Net interest cost on benefit obligation	**(90,817)**	105,887
	1,111,061	874,210
Actuarial gain (loss) recognized in statement of activities	**(294,060)**	104,529
	₱817,001	₱978,739

	2013	2012 (As restated - see Note 3)
Accrued pension costs (pension assets):		
Present value of defined benefit obligation	**₱9,131,252**	₱7,356,095
Fair value of plan assets	**(8,852,142)**	(7,456,134)
	₱279,110	(₱100,039)

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

	2013	2012
Balance at beginning of year	**₱7,356,095**	₱6,254,062
Current service cost	**1,201,878**	768,323
Interest cost on benefit obligation	**319,072**	551,113
Benefits paid	**(39,854)**	(112,874)
Actuarial loss (gain)	**294,060**	(104,529)
Balance at end of year	**₱9,131,251**	₱7,356,095

Changes in the fair value of plan assets are as follow:

	2013	2012
Balance at beginning of year	**₱7,456,135**	₱6,368,314
Contributions made	**1,025,972**	755,469
Interest income included in net interest cost	**409,889**	445,226
Benefits paid	**(39,854)**	(112,874)
Balance at end of year	**₱8,852,142**	₱7,456,135

Movements of accrued pension costs (pension assets) are as follows:

	2013	2012
Balance at beginning of year	**(₱100,039)**	(₱114,250)
Pension costs	**1,111,061**	874,210
Contributions made	**(1,025,972)**	(755,469)
Actuarial loss (gain)	**294,060**	(104,529)
Balance at end of year	**₱279,110**	(₱100,039)

The amounts for the current annual period and previous periods of Philippine Office's unfunded obligation and experience adjustments are as follow:

	2013	2012	2011	2010
Unfunded obligation (surplus)	**₱279,110**	(₱100,039)	(₱114,252)	₱1,265,400
Experience gain (loss) on defined benefit obligation	**–**	–	–	–

The principal assumptions used in determining accrued pension costs are shown below:

	2013	2012
Discount rates	**4.87%**	3.24%
Salary increase rate	**5.00%**	5.00%

The Philippine Office expects to contribute ₱1,202,742 to its defined retirement plan in 2014.

The discount rate is derived by discounting all expected benefit payments using various rates that correspond to the timing of benefits payments, after which, a single discount rate is computed considering the aggregate amount of all discounted values.

The plan is funded by contributions of the Philippine Office to a trust fund managed by a Philippine bank. The plan assets of the Philippine Office include Philippine peso and U.S. dollar-denominated investments. The market value of the plan assets is determined by the fund trustee.

Notwithstanding any other provisions of the trust agreement, the fund trustee shall use its best effort to maintain allocation of the investment of the provident fund as established by the Philippine Office's retirement committee and approved by the Philippine Office's BOT. Funds delivered to the trustee in Philippine peso shall be invested in Philippine peso-denominated investments. Funds delivered to the trustee in U.S. dollars shall be invested in U.S. dollar-denominated investments.

Allocation of the trust fund is as follows:

Type of Investment (Philippine peso-denominated)	**2013**	2012
Short-term money market	**75%**	45%
Government securities	**25%**	42%
Commercial loan	–	13%
	100%	100%

Type of Investment (U.S. dollar-denominated)	**2013**	2012
Mutual fund	**100%**	100%
Short-term money market	–	–
	100%	100%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (Decrease)	Effect on Retirement Obligation
Discount rate	+1%	(₱992,500)
	-1%	751,200
Salary rate increases	+1%	900,400
	-1%	(783,000)

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

Plan Year	Expected Benefit Payments
Less than one year	₱–
More than one year to five years	2,095,302
More than five years to 10 years	2,911,072
More than 10 years to 15 years	11,592,691
More than 15 years to 20 years	15,866,532
More than 20 years	22,259,406

The latest actuarial valuation report is at December 31, 2013.

13. Financial Instruments

Financial Risk Management Objectives and Policies

The Philippine Office's principal financial instruments comprise cash and receivables. The main purpose of these financial instruments is to raise funds for the Philippine Office's activities. The Philippine Office has various other financial instruments such as accounts payable and other current liabilities which arise directly from its activities.

It is, and has been throughout the year under review, the Philippine Office's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Philippine Office's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOT reviews and agrees policies for managing each of these risks and they are summarized below:

Credit Risk. Credit risk arises when one party to a financial instrument will fail to discharge an obligation and cause the Philippine Office to incur a financial loss.

The Philippine Office's contributions receivable represent uncollected grants from recognized, third party corporations, foundations and individuals and are supported with contribution agreements.

With respect to credit risk arising from the Philippine Office's financial assets which comprise of cash and receivables, the Philippine Office's exposure to credit risk arise from the default of the counter party, with a maximum exposure, without taking into account any collateral and other credit enhancements, shown below:

	2013	2012
Cash (excluding cash on hand)	**₱6,558,092**	₱8,592,213
Receivables	**10,843,996**	18,562,513
	₱17,402,088	₱27,154,726

The table below shows the aging analysis of financial assets:

	2013					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				**Total**
		> 90 Days	**91–365 Days**	**> 365 days**	**Subtotal**	
Cash (excluding cash on hand)	**₱6,558,092**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,558,092**
Contributions receivable	**–**	**–**	**3,953,513**	**–**	**3,953,513**	**3,953,513**
Trade receivables	**1,197,555**	**1,283,726**	**4,279,767**	**–**	**5,563,493**	**6,761,048**
Advances to officers and employees	**129,411**	**–**	**–**	**–**	**–**	**129,411**
	₱7,885,058	**₱1,283,726**	**₱8,233,280**	**₱–**	**₱9,517,006**	**₱17,402,064**

	2012					
	Neither Past Due nor Impaired	Past Due but not Impaired				Total
		> 90 Days	91–365 Days	> 365 days	Subtotal	
Cash (excluding cash on hand)	₱8,592,213	₱–	₱–	₱–	₱–	₱8,592,213
Contributions receivable	1,005,616	–	9,810,676	–	9,810,676	10,816,292
Trade receivables	6,314,707	731,938	518,519	–	1,250,457	7,565,164
Advances to officers and employees	181,057	–	–	–	–	181,057
	₱16,093,593	₱731,938	₱10,329,195	₱–	₱11,061,133	₱27,154,726

The Philippine Office's contributions receivable that are classified as neither past due and impaired represent unconditional promise to give/pledge from donors and are normally collected within their due dates. The Philippine Office also assessed that its interoffice receivables and advances to officers and employees are collectible since interoffice receivables are normally offset against related payable during the year and advances to officers and employees are collected through monthly payroll deduction.

Liquidity Risk. Liquidity risk is defined as the risk that the Philippine Office will encounter difficulty in meeting obligation associated with financial liabilities that are settled by delivering cash or other financial instrument. Exposure to liquidity risk increases because of the possibility that the Philippine Office could be required to pay its liabilities earlier than expected.

The Philippine Office's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and receivables. The Philippine Office maintains sufficient cash to finance its operations.

The Philippine Office closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. Furthermore, the Philippine Office places money in excess of immediate requirement in banks.

The Philippine Office's financial liabilities comprising of interoffice payable amounting to ₱6,227,669 and ₱5,262,788 as at December 31, 2013 and 2012, respectively, and vouchers payable amounting to ₱1,579,080 and ₱4,080,278 as at those dates, respectively, have maturities of less than 3 months.

The maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice when the amount is paid, the liability is allocated to the earliest period in which the Philippine Office is required to pay.

The Philippine Office's financial assets (which consist of cash and receivables) which are available to settle the maturing financial liabilities amounted to ₱17,452,088 and ₱27,204,726 as at December 31, 2013 and 2012, respectively.

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As portion of the Philippine Office's revenue are in U.S. dollar, the Philippine Office's financial position and financial performance can be affected significantly by movements in the U.S. dollar/Philippine peso exchange rates.

The following table presents the significant monetary assets and liabilities of the Philippine Office:

	2013		2012	
	Original Currency (in US$)	**Functional Currency**	Original Currency (in US$)	Functional Currency
Monetary assets	**$269,209**	**₱11,951,534**	$346,543	₱14,225,609
Monetary liabilities	**(3,221)**	**(142,996)**	(27,376)	(1,123,785)
Net monetary assets	**$265,988**	**₱11,808,538**	$319,167	₱13,101,824

The exchange rate used to restate the foreign currency financial assets and liabilities to Philippine peso are ₱44.40:$1 and ₱41.05:$1 as of December 31, 2013 and 2012, respectively.

The following table demonstrates the sensitivity to a reasonable possible change in the U.S. dollar exchange rate versus the Philippine peso, with all variables held constant, of the Philippine Office's excess of revenue, gains and other support over expenses due to changes in the fair value of monetary assets and liabilities:

	US$ to ₱ Exchange Rates	Increase (Decrease) in Excess of Revenue, Gains and Other Support over Expenses
2013:		
Appreciation of ₱1	**₱43.40:$1**	**(₱265,989)**
Depreciation of ₱1	**₱45.40:$1**	**265,989**
2012:		
Appreciation of ₱1	₱40.05:$1	(₱319,167)
Depreciation of ₱1	₱42.05:$1	319,167

Capital Management
The Philippine Office manages its net assets based on the following classification of the contributions and grants received:

- Unrestricted Net Assets

  Net assets that are not subject to any donor-imposed stipulations. Unrestricted assets maybe designated for specific purposes by action of the BOT. Unrestricted net assets amounted to ₱13,086,243 and ₱7,724,975 as at December 31, 2013 and 2012, respectively.

- Temporarily Restricted Net Assets

  Net assets that are subject to donor-imposed stipulations that may be met either by actions of the Philippine Office or by passage of time. When a restriction expires, that is, a stipulated time restriction ends or purpose restriction is accomplished, the assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets amounted to ₱2,250,751 and ₱13,597,706 as at December 31, 2013 and 2012, respectively.

- Permanently Restricted Net Assets

  Net assets that are subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Philippine Office. Generally, the donors of these assets permit the Philippine Office to use all or part of the investment return on these assets. There are no permanently restricted net assets as at December 31, 2013 and 2012.

Fair Value Information
Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

Due to the short-term nature of transactions, the carrying amounts of financial assets and liabilities approximate their fair values. During the years ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

14. **Supplementary Tax Information Under Revenue Regulations 15-2010**

The Philippine Office reported and/or paid the following types of taxes in 2013:

Output and Input VAT. The Institute has not entered into transactions which are subject to output VAT. The Institute has not recognized any input VAT from its transactions during the year.

Withholding Taxes. Disclosure of the amount of withholding tax, categorized into: a) tax on compensation and benefits and b) expanded withholding taxes follows:

	Tax on Compensation and Benefits	Expanded Withholding Taxes
Balance at beginning of year	₱118,603	₱34,167
Additions	2,403,966	453,607
Remittances	(2,333,182)	(458,281)
	₱189,387	₱29,493

Tax Assessments and Tax Cases. The Philippine Office has no existing tax case with or assessments from the BIR as at December 31, 2013.