



International Institute of Rural Reconstruction
(A Nonprofit, Nonstock Organization)

Financial Statements
December 31, 2009 and 2008

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV&Co
 **ERNST & YOUNG**

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
International Institute of Rural Reconstruction

We have audited the accompanying statements of financial position of International Institute of Rural Reconstruction (a nonprofit, nonstock organization), incorporated in Delaware, United States of America, as of December 31, 2009 and 2008, and the related statements of activities, statements of changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Institute's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Institute of Rural Reconstruction as of December 31, 2009 and 2008, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

SYCIP GORRES VELAYO & CO.


Juanito A. Fullecido
Partner

May 14, 2010



INTERNATIONAL INSTITUTE OF RURAL RECONSTRUCTION
 (A Nonprofit, Nonstock Organization)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2009	2008
ASSETS		
Cash and Cash Equivalents (Note 3)	\$1,300,669	\$419,547
Investments (Note 3)	684,149	522,351
Contributions Receivable (Note 4)	1,251,237	2,402,992
Other Receivables (Note 5)	201,928	323,263
Property and Equipment - net (Note 6)	118,299	174,588
Prepayments and Other Assets	25,784	24,200
	\$3,582,066	\$3,866,941
LIABILITIES AND NET ASSETS		
Accounts Payable and Other Current Liabilities (Note 7)	\$323,975	\$390,956
Funds Held in Trust (Note 9)	-	4,264
Total Liabilities	323,975	395,220
Net Assets		
Unrestricted	73,787	64,371
Temporarily restricted (Note 10)	2,466,322	2,689,368
Permanently restricted (Note 10)	717,982	717,982
Total Net Assets	3,258,091	3,471,721
	\$3,582,066	\$3,866,941

See accompanying Notes to Financial Statements.



INTERNATIONAL INSTITUTE OF RURAL RECONSTRUCTION
(A Nonprofit, Nonstock Organization)
STATEMENTS OF ACTIVITIES

	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTINUING OPERATIONS								
REVENUES, GAINS AND OTHER SUPPORT								
Contributions/Grants:								
Foundations - net of \$62,780 discount in 2008 and inclusive of \$31,300 and \$41,329 accretion income in 2009 and 2008, respectively (Note 4)	\$12,954	\$1,354,520	\$-	\$1,367,474	\$36,195	\$2,157,352	\$-	\$2,193,547
Governments - inclusive of \$20,167 and \$30,331 accretion income in 2009 and 2008, respectively (Note 4)	-	168,861	-	168,861	-	298,373	-	298,373
Individuals	93,456	96,310	-	189,766	138,854	44,006	-	182,860
Corporations	7,277	1,000	-	8,277	5,214	239	-	5,453
Workshops	377,069	-	-	377,069	42,308	-	-	42,308
Training courses	358,554	-	-	358,554	270,188	-	-	270,188
Technical assistance	198,155	-	-	198,155	472,862	-	-	472,862
Gain on changes in market value of investments (Note 3)	102,195	-	-	102,195	-	-	-	-
Use of campus facilities by development organizations	92,051	-	-	92,051	95,092	-	-	95,092
Study programs	55,582	-	-	55,582	86,636	-	-	86,636
Publication sales	13,067	-	-	13,067	21,039	-	-	21,039
Others (Notes 3, 6 and 9)	55,153	-	-	55,153	163,095	-	-	163,095
Net assets released from restrictions:								
Satisfaction of program restrictions	1,668,737	(1,668,737)	-	-	2,136,993	(2,136,993)	-	-
Expiration of time restrictions	175,000	(175,000)	-	-	175,000	(175,000)	-	-
	3,209,220	(223,046)	-	2,986,174	3,643,476	187,977	-	3,831,453
EXPENSES (Note 12)								
Program services (Notes 6, 8 and 11):								
Learning community	1,830,227	-	-	1,830,227	2,234,841	-	-	2,234,841
Education and training	518,537	-	-	518,537	872,948	-	-	872,948
Publication and communication	321,067	-	-	321,067	201,221	-	-	201,221
Support services (Notes 6, 8 and 11):								
Management and general	2,669,831	-	-	2,669,831	3,309,010	-	-	3,309,010
Fund raising	294,358	-	-	294,358	479,484	-	-	479,484
	107,954	-	-	107,954	100,387	-	-	100,387
	402,312	-	-	402,312	579,871	-	-	579,871
	3,072,143	-	-	3,072,143	3,888,831	-	-	3,888,831
EXCESS (DEFICIENCY) OF REVENUES, GAINS AND OTHER SUPPORT OVER EXPENSES OF CONTINUING OPERATIONS								
Translation loss	137,077	(223,046)	-	(85,969)	(245,405)	187,977	-	(57,428)
	(127,661)	-	-	(127,661)	(433,367)	-	-	(433,367)
CHANGE IN NET ASSETS	\$9,416	(\$223,046)	\$-	(\$213,630)	(\$678,772)	\$187,977	\$-	(\$490,795)

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CHANGES IN NET ASSETS

	2009			2008			Total	Temporarily Restricted	Permanently Restricted	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted				
Balance at beginning of year	\$64,371	\$2,689,368	\$717,982	\$743,143	\$2,501,391	\$717,982	\$3,471,721	\$717,982	\$3,962,516	
Change in net assets	9,416	(223,046)	-	(678,772)	187,977	-	(213,630)	-	(490,795)	
Balance at end of year	\$73,787	\$2,466,322	\$717,982	\$64,371	\$2,689,368	\$717,982	\$3,258,091	\$717,982	\$3,471,721	

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues, gains and other support over expenses of continuing operations	(\$85,969)	(\$57,428)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Effect of foreign exchange rate changes on translation	(123,851)	(410,234)
Loss (gain) on changes in market value of investments (Note 3)	(102,195)	257,521
Depreciation and amortization (Notes 6 and 12)	68,430	93,103
Interest and dividend income (Note 3)	(11,242)	(7,705)
Decrease (increase) in:		
Contributions receivable	1,151,755	(98,319)
Other receivables	121,335	82,791
Prepayments and other assets	(1,584)	12,918
Increase (decrease) in:		
Accounts payable and other current liabilities	(66,981)	60,705
Funds held in trust	(4,264)	-
Net cash provided by (used in) operating activities	945,434	(66,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 6)	(15,951)	(20,533)
Withdrawal of (additions in) investments (Note 3)	(48,361)	23,935
Net cash used in investing activities	(64,312)	3,402
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	881,122	(63,246)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 3)	419,547	482,793
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	\$1,300,669	\$419,547

See accompanying Notes to Financial Statements.



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

NOTES TO FINANCIAL STATEMENTS

1. Organization Information

The International Institute of Rural Reconstruction (IIRR or the Institute) is a not-for-profit organization formed in 1960 under the laws of the State of Delaware, United States of America (U.S.A.). IIRR Headquarters is located in the Philippines. IIRR has regional centers in Asia (Philippines) and Africa (Kenya) and offices in Addis Ababa, Ethiopia; Kampala, Uganda; and New York, U.S.A.

IIRR is a tax-exempt organization under Section 501(c)(3) of the United States Internal Revenue Code. IIRR is a recognized public charity. Contributions to IIRR qualify for the maximum allowable charitable deduction in the U.S.A. In the opinion of the management, IIRR has operated under this tax-exempt code and has no unrelated business income.

IIRR is a global learning, training and capacity development organization which, with its predecessor organizations, has more than 80 years of experience and commitment to rural development. The Institute's program services has three main functional categories (described in Note 12), i.e. learning community program, education and training program, and publication and communication 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, publication sales and investment return on endowment funds.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The accompanying financial statements of IIRR have been prepared in compliance with accounting principles generally accepted in the U.S.A., applicable to a not-for-profit organization as described in American Institute of Certified Public Accountants Audit and Accounting Guide, "Not-for-Profit Organization."

Classification of Net Assets

The net assets of IIRR 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 may be designated for specific purposes by action of the Board of Trustees (BOT).

- **Temporarily Restricted Net Assets**

Net assets that are subject to donor-imposed stipulations that may be met either by actions of IIRR or by passage of time. When a restriction expires, that is, a stipulated time restriction ends or a 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 IIRR. Generally, the donors of these assets permit IIRR to use all or part of the investment return on these assets.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses when incurred and measurable, regardless of when the related cash flows take place. Nonexchange transactions, in which IIRR receives value without directly giving equal value in exchange, include grants and private donations. On an accrual basis, revenues from these transactions are recognized in the year in which all criteria are satisfied, if measurable and probable of collection.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S.A. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues, expenses, or other changes in net assets during the year. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Investments

Investments are reported at fair value based on quoted market prices. Gains and losses on investments are based on the appreciation or depreciation of the market values at the earlier of the end of the year (unrealized) or the time of sale (realized) and are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Contributions and Other Receivables

Contributions and other receivables are recognized initially at fair value. After initial measurement, contributions and other receivables are carried at amortized cost using the effective interest rate method, less any allowance for impairment. The allowance is established by charges to the statement of activities in the form of provision for doubtful accounts.

Property and Equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including other directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to the statement of activities in the year such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.



Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	10 to 25 years or the term of the lease, whichever period is shorter
Buildings	10 years
Furniture and office equipment	5 to 8 years
Transportation equipment	5 to 7.5 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.

When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited or charged to statement of activities.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. If any such indication exists and when the carrying values exceed the estimated recoverable amount, the assets are written down to their fair value. Any impairment loss is recognized in the statement of activities.

Fully depreciated property and equipment is retained in the account until it is no longer in use and no further depreciation is credited or charged to current activities.

Revenue and Expense Recognition

Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues 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 documentation.

Donor-restricted contributions whose restrictions are met or have expired 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 investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

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

Revenues from use of campus facilities are recognized based on actual occupancy and when collection is reasonably assured.

Revenues 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 revenues can be reliably measured.



Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations or of the BOT designations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes 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 12). Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services using the prevailing IIRR cost allocation methodology.

Pension Cost

IIRR's pension cost is based on the defined benefit pension plan for employees in the Philippines and defined contribution pension plan for employees in the U.S.A. and Africa Regional Center. Defined benefit pension plan includes the service cost determined under the projected unit credit method. This method reflects benefits earned by the employees to the date of the valuation taking into consideration the employees' projected salaries. Under the defined contribution pension plan, the Institute's obligation for each reporting period is determined by the amounts to be contributed for that reporting period. No actuarial assumptions are required to measure the obligation or the expense and there is no possibility of any actuarial gains or losses to the Institute.

Translation of Philippine and Other Regional Centers' Financial Statements

Financial statements of IIRR's Philippine and other Regional Centers are translated in accordance with Statement of Financial Accounting Standard No. 52, "Foreign Currency Translation." Under this method, assets and liabilities, expressed in Philippine pesos, Kenyan shillings, Ugandan shillings and Ethiopian birr, have been translated into U.S. dollar amounts at the closing exchange rates at the financial position date, while revenues and expenses have been translated at the average exchange rate of each center for the year. Other changes in fund balances are translated at the rate in effect in the year the transactions were originally recorded. The accumulated loss on translation adjustment of \$1,454,481 and \$1,326,820 as of December 31, 2009 and 2008, respectively, is reflected as a component of unrestricted net assets.

Functional and Reporting Currency

The functional and reporting currency of IIRR is the U.S. dollar. All values are rounded to the nearest dollar unit, unless otherwise indicated.

Fair Value of Financial Instruments

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

The fair values of cash and cash equivalents, other receivables, and accounts payable and other current liabilities approximate their carrying values due to the relatively short-term maturity of these financial instruments.

The fair value of contributions receivable is based on the discounted value of future cash flows using the prevailing risk free Euro and U.S. dollar interest rates plus spread.



3. Cash and Cash Equivalents and Investments

The cash and cash equivalents account consists of:

	2009	2008
Cash in banks	\$1,249,251	\$367,780
Short-term investments	51,009	50,550
Cash on hand	409	1,217
	<u>\$1,300,669</u>	<u>\$419,547</u>

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of one day and three months depending on the immediate cash requirements of the Institute and earn interest at the respective short-term investment rates.

The movements in the investments held in the U.S.A. are as follows:

	2009			Total
	Short-term	Long-term		
	Equity Stocks	Money Market Placements	U.S. Treasury Notes	
Cost at January 1, 2009	\$482,978	\$5,943	\$99,998	\$588,919
Gain (loss) on changes in market value at January 1, 2009	(68,596)	-	2,028	(66,568)
Market value at January 1, 2009	414,382	5,943	102,026	522,351
Deposits/acquisitions	-	50,848	-	50,848
Interest and dividends	7,399	-	3,843	11,242
Withdrawals	-	-	(2,487)	(2,487)
Gain due to change in market value during the year	102,558	-	(363)	102,195
Market value at December 31, 2009	<u>\$524,339</u>	<u>\$56,791</u>	<u>\$103,019</u>	<u>\$684,149</u>
Cost at December 31, 2009	\$490,377	\$56,791	\$101,354	\$648,522
Gain on changes in market value at December 31, 2009	33,962	-	1,665	35,627
	<u>\$524,339</u>	<u>\$56,791</u>	<u>\$103,019</u>	<u>\$684,149</u>

	2008			Total
	Short-term	Long-term		
	Equity Stocks	Money Market Placements	U.S. Treasury Notes	
Cost at January 1, 2008	\$473,191	\$33,896	\$98,062	\$605,149
Gain on changes in market value at January 1, 2008	186,612	-	4,341	190,953
Market value at January 1, 2008	659,803	33,896	102,403	796,102
Deposits/acquisitions	9,787	1,514	1,936	13,237
Interest and dividends	-	7,705	-	7,705
Withdrawals	-	(37,172)	-	(37,172)
Loss due to change in market value during the year (see Note 12)	(255,208)	-	(2,313)	(257,521)
Market value at December 31, 2008	<u>\$414,382</u>	<u>\$5,943</u>	<u>\$102,026</u>	<u>\$522,351</u>
Cost at December 31, 2008	\$482,978	\$5,943	\$99,998	\$588,919
Gain (loss) on changes in market value at December 31, 2008	(68,596)	-	2,028	(66,568)
	<u>\$414,382</u>	<u>\$5,943</u>	<u>\$102,026</u>	<u>\$522,351</u>



Concentrations of Risks

Custodial Credit Risk. Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

Interest Rate Risk. Disclosure of the maturities of investments is required when the fair market value is adversely affected by changes in interest rates. Investments are intended to be held for an undefined period.

Foreign Currency Risk. IIRR has no significant foreign investments for 2009 and 2008 exposed to changes in exchange rates that will adversely affect the fair market value of an investment or a deposit. Deposits are maintained mainly in U.S. dollars.

The main investment management objective is to maintain security and liquidity. Subject to this objective, IIRR seeks the highest possible return on its investments. Investments are governed by the BOT. IIRR is restricted to invest in instruments of a limited class of issuers, primarily government or government-guaranteed obligations, corporate obligations and certain equity index securities.

4. Contributions Receivable

These receivables are covered by signed grant agreements.

Realization of the pledges is expected in the following periods:

	2009	2008
In one year or less	\$1,262,733	\$1,731,812
Between one and five years	-	734,143
	1,262,733	2,465,955
Less discount	11,496	62,963
	\$1,251,237	\$2,402,992

Movements in discount on contributions receivable are as follows:

	2009	2008
Balance at beginning of year	\$62,963	\$91,843
Accretion income	(51,467)	(91,660)
Additions during the year	-	62,780
Balance at end of year	\$11,496	\$62,963



5. Other Receivables

This account consists of:

	2009	2008
Advances to officers and employees	\$4,440	\$104,787
Other receivables	198,689	219,677
	203,129	324,464
Less allowance for impairment losses	1,201	1,201
	\$201,928	\$323,263

Other receivables include receivables arising from training courses, workshops, study programs, technical assistance, publication sales, deposits to suppliers and creditors, and other staff receivables.

Movements in the allowance for impairment of other receivables are as follows:

	2009	2008
Balance at beginning of year	\$1,201	\$3,731
Amounts written-off against allowance	-	(2,530)
Balance at end of year	\$1,201	\$1,201

6. Property and Equipment

This account consists of:

	Leasehold Improvements	Buildings	Furniture and Office Equipment	Transportation Equipment	Other equipment	Total
Cost						
Balance at January 1, 2008	\$55,151	\$717,285	\$793,096	\$425,860	\$156,849	\$2,148,241
Additions	-	-	9,918	8,195	2,420	20,533
Cumulative translation adjustments	(7,176)	(94,189)	(109,554)	(60,000)	(20,634)	(291,553)
Balance at December 31, 2008	47,975	623,096	693,460	374,055	138,635	1,877,221
Additions	-	-	15,029	-	922	15,951
Cumulative translation adjustments	1,356	17,803	4,800	(4,609)	3,941	23,291
Balance at December 31, 2009	\$49,331	\$640,899	\$713,289	\$369,446	\$143,498	\$1,916,463
Accumulated Depreciation and Amortization						
Balance at January 1, 2007	\$46,222	\$623,395	\$689,239	\$390,783	\$128,111	\$1,877,950
Depreciation and amortization	1,398	32,284	27,989	23,730	7,702	93,103
Cumulative translation adjustments	(6,147)	(86,473)	(100,331)	(56,653)	(18,816)	(268,420)
Balance at December 31, 2007	41,473	569,206	616,897	357,860	116,997	1,702,633
Depreciation and amortization	1,010	23,323	28,929	9,604	5,564	68,430
Cumulative translation adjustments	1,329	12,061	13,994	(4,351)	4,068	27,101
Balance at December 31, 2008	\$43,812	\$604,790	\$659,820	\$363,113	\$126,629	\$1,798,164
Net Book Value						
At December 31, 2009	\$5,519	\$36,109	\$53,469	\$6,333	\$16,869	\$118,299
At December 31, 2008	6,502	53,690	76,563	\$16,195	21,638	174,588



IIRR donated its land in Cavite, Philippines 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 IIRR 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 \$286 until May 25, 2000. On May 23, 2000, IIRR and PRRM executed a contract to confirm their agreement to share the Cavite campus for rural reconstruction work. The contract permits IIRR 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 of \$14,153 in 2009 and \$15,152 in 2008 is recognized as part of other revenues and program services in the statements of activities.

As of December 31, 2009 and 2008, fully depreciated assets amounting to \$1,157,071 and \$1,140,188, respectively, were still in use.

7. Accounts Payable and Other Current Liabilities

This account consists of:

	2009	2008
Vouchers payable	\$237,327	\$324,170
Accrued expenses	86,648	66,786
	<u>\$323,975</u>	<u>\$390,956</u>

Vouchers payable are noninterest-bearing and are generally on 30 to 60 days' term. Accrued expenses represent statutory payables such as withholding taxes, social security premiums and other liabilities to the government.

8. Pension Plans

IIRR has a defined benefit pension plan for its employees in the Philippines and a defined contribution pension plan covering its employees in the U.S.A. and Africa Regional Center. Pension cost for these plans amounted to \$67,044 and \$70,929 in 2009 and 2008, respectively.

- Pension Plan for the Philippines

The defined benefit pension plan (Plan) is a funded noncontributory retirement plan covering all regular employees in the Philippines except for certain staff members covered by other plans. A local bank, appointed as trustee, administers the Plan. IIRR's policy is to fund accrued pension costs.

Effective July 1, 2000, the Institute amended the plan to change the benefit formula to a cash balance formula from the existing benefit calculation based upon years of service and final pay. The benefits accrued as of June 30, 2000 under the old formula were credited to each employee's personal retirement account (PRA). A fixed percentage of the employee's monthly salary (at the time earned) beginning July 1, 2000 is also being credited to the employee's PRA.



Normal retirement date is upon attainment by a member of age 60 while early retirement is at age 50, with at least 10 years of service. Upon retirement, an employee receives in one lump sum the amount credited to his/her PRA or the legally mandated minimum retirement benefit, whichever is higher. In case of voluntary resignation, the employee is entitled to receive the amount standing to his/her credit upon the member attaining the age of 50 or after having completed at least 10 years of continuous service. A member who resigns from the employment of the Institute before completing 10 years of continuous service shall be entitled to receive one-half of the amount standing to his/her credit upon resignation and the balance of such amount standing to his/her credit upon attaining the age of 50. Alternatively, he/she may request for his/her fund balance to be transferred to another qualified plan. The fund is required to be under trusteeship to comply with the Philippine requirement for tax qualification. No part of the amount of the fund may be used for or diverted to any purpose other than for the benefit of the members and their beneficiaries.

The following table sets forth IIRR Plan's status:

	2009	2008
Accumulated benefit obligation	\$154,974	\$134,220
Projected benefit obligation (PBO)	\$154,974	\$134,220
Plan assets at fair value	154,974	134,220
Required additional pension liability	\$-	\$-
Unrecognized amortization:		
Prior service cost	\$-	\$-
Net gain	-	-
	\$-	\$-

The net pension cost for the Plan includes the following elements:

	2009	2008
Benefit cost:		
Service cost	\$15,269	\$35,745
Interest cost on PBO	11,190	14,754
Expected return on assets	(11,190)	(14,754)
Curtailment loss	-	(19,081)
Net amortization cost	239	1,086
Pension cost	\$15,508	\$17,750
Benefits paid	\$10,053	\$12,745
Contributions made	\$15,269	\$35,745

The projected benefit obligation assumes a discount rate of 8% in 2009 and 2008, and a 5% rate of compensation increases in 2008 and per year thereafter. The expected long-term rate of return on Plan assets is 9% in 2009 and 6% in 2008.



The changes in PBO are as follows:

	2009	2008
PBO at beginning of year	\$134,220	\$412,416
Service cost	15,269	35,745
Interest cost on PBO	11,190	14,754
Benefits paid	(10,053)	(12,745)
Effect of curtailment	-	(277,138)
Translation adjustment (Philippine peso to U.S. dollar)	4,348	(38,812)
PBO at end of year	\$154,974	\$134,220

The changes in fair value of plan assets are as follows:

	2009	2008
Fair value of plan assets at beginning of year	\$134,220	\$412,416
Expected return on plan assets	11,190	14,754
Contributions made	15,269	35,745
Benefits paid	(10,053)	(12,745)
Effect of curtailment	-	(277,138)
Translation adjustment (Philippine peso to U.S. dollar)	4,348	(38,812)
Fair value of plan assets at end of year	\$154,974	\$134,220

The Plan is funded by contributions of the Institute to a trust fund managed by a Philippine bank. The plan assets of the Institute 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 efforts to maintain allocation of the investment of the provident fund as established by the Institute's retirement committee and approved by the Institute's BOT. Funds delivered to the trustee in Philippine pesos 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:

	2009	2008
Type of Investment (Philippine peso-denominated):		
Government securities	38%	60%
Short-term money market	46%	19%
Commercial loan	16%	21%
	100%	100%
Type of Investment (U.S. dollar-denominated):		
Mutual fund	82%	91%
Short-term money market	18%	9%
	100%	100%



- Pension Plan for Other Countries

Net pension cost for the defined contribution pension plan amounted to \$58,448 in 2009 and \$53,179 in 2008.

9. Funds Held in Trust

This is a liability account consisting of the loan fund portions of project grants from Deutsche Welthungerhilfe/German Agro Action to IIRR to be transferred to beneficiary organizations once they have established their capabilities to manage such funds. These funds have been used to provide loans to cooperatives and other village-based people's organizations for specific purposes and with specific maturities.

The remaining fund is attributed to Santo Domingo People's Cooperative (SADOPECO) a multi-purpose secondary cooperative/federation of various primary cooperatives in Santo Domingo, Albay, Philippines established in 1989 through the efforts and assistance of the Institute under its Local Resource Management - Bicol Project.

On June 25, 2009, the BOT of the Institute authorized the management of IIRR to write off the account as a field review revealed that while SADOPECO is still a registered cooperative in the Philippines, it is no longer an active organization and that the Institute recognizes that the term and purpose of the funds has lapsed. The "Funds held in trust" amounting to \$4,264 as of December 31, 2009, which was written off is recognized as part of other revenue in the 2009 statement of activities.

10. Net Assets

a. Temporarily restricted net assets are available for the following program service expenditures:

	2009	2008
Program services	\$2,462,508	\$2,686,698
The Mr. & Mrs. Yen Mei Tang Memorial Fund	151	-
The Reader's Digest Endowment for Publications	3,663	2,670
	<u>\$2,466,322</u>	<u>\$2,689,368</u>

b. Permanently restricted net assets as of December 31, 2009 and 2008 consist of the following endowment funds:

	2009	2008
The Alice Yen Fund	\$500,000	\$500,000
The Reader's Digest Endowment for Publications	100,000	100,000
The Employees' Welfare Fund	62,982	62,982
The Mr. & Mrs. Yen Mei Tang Memorial Fund	55,000	55,000
	<u>\$717,982</u>	<u>\$717,982</u>



Earnings and appreciation of permanently restricted net assets were included as part of temporarily restricted net assets.

Earnings and appreciation on The Alice Yen Fund may be used for purposes that honor the memory of Alice Yen and her contributions to rural reconstruction and those that relate to education, training, research programs of IIRR and professional development of its staff.

Earnings on The Reader's Digest Endowment for Publications may be used for publication expenses.

Earnings and appreciation on The Employees' Welfare Fund may be used for any purpose that tends to give a sense of security to IIRR's staff members.

Earnings and appreciation on The Mr. & Mrs. Yen Mei Tang Memorial Fund may be used for purposes that honor the memory of Mr. and Mrs. Yen Mei Tang and meet any of the following conditions:

- a. Send promising IIRR staff members, holding bachelor's degrees, to study for master's degrees at the University of the Philippines.
- b. Enable promising young staff members to attend short-term courses or to receive training in subjects related to IIRR's mission and language, computer science or to other subjects relating to their work for IIRR.
- c. Provide grants to finance on-site study of successful rural reconstruction efforts.
- d. Finance expenditures on facilities and equipment that improve staff effectiveness.
- e. Finance publications of IIRR staff members related to rural reconstruction.

In 2003, the Institute transferred the Rural Reconstruction Endowment Fund amounting to \$50,128 to an endowment trust, which is a separate entity. The endowment trust is organized exclusively for the benefit of the Institute and shall operate as a supporting organization of the Institute in accordance with Section 509 (a)(3) of the U.S. Internal Revenue Code. The Institute has no control over the trust. The earnings of the fund will be for the benefit of the Institute only upon the determination of the distributable amount by the trustees of the endowment trust. Any earnings not distributed shall be accumulated to the principal. The value of the endowment trust as of December 31, 2009 and 2008 amounted to \$57,978 and \$54,605, respectively.

11. Commitments and Contingencies

IIRR leases various office spaces for its operations. The terms of these leases range from one to three years. Total rent expense amounted to \$68,497 in 2009 and \$65,629 in 2008.



12. Expenses

This account consists of expenses from continuing operation of IIRR:

	2009					Management and General	Fund Raising	Total	Total Expenses
	Program Services				Total				
	Learning Community	Education and Training	Publication and Communication						
Staff cost (see Note 8)	\$543,956	\$224,004	\$101,285	\$869,545	\$154,271	\$82,818	\$236,389	\$1,195,734	
Food and accommodation	127,489	93,109	86,891	407,689	626	291	1017	408,506	
Collaborating agency expenses	407,648	129	-	407,777	-	-	-	407,777	
Travel	151,267	27,087	40,918	219,272	23,423	1,879	24,302	243,574	
Contractual services	129,487	31,198	45,079	205,764	4,688	277	4,965	210,641	
Rental and maintenance of premises (see Notes 6 and 11)	62,797	31,835	7,956	102,588	42,375	5,874	48,249	150,837	
Rental and maintenance of furniture, equipment and vehicle	82,052	4,410	8,064	94,527	8,454	66	8,520	101,047	
Field program expenses	49,028	43,649	1,775	94,452	-	-	-	94,452	
Communication	27,395	11,958	8,849	48,202	18,499	6,492	25,191	73,393	
Depreciation and amortization (see Note 6)	18,330	18,330	9,165	45,825	21,952	652	22,885	68,438	
Staff education	52,186	507	-	52,693	13,569	-	13,569	66,262	
Supplies and materials	20,796	3,064	5,323	29,123	3,880	747	4,627	32,750	
Printing and publication	33,442	-	-	33,442	2,808	1,810	4,620	38,870	
Consultants	320	8,320	160	8,600	300	-	300	9,000	
Others	34,833	21,997	7,562	63,332	-	7,739	7,739	71,271	
	\$1,830,227	\$218,537	\$321,867	\$2,669,831	\$254,368	\$107,954	\$462,312	\$3,072,143	

	2008					Management and General	Fund Raising	Total	Total Expenses
	Program Services				Total				
	Learning Community	Education and Training	Publication and Communication						
Staff cost (see Note 8)	\$700,182	\$393,298	\$105,011	\$1,258,491	\$213,504	\$69,005	\$282,509	\$1,541,000	
Collaborating agency expenses	605,038	-	-	605,038	-	-	-	605,038	
Loss on changes in market value of investments (see Note 3)	51,504	51,504	25,752	128,760	128,761	-	128,761	257,521	
Travel	125,112	85,909	7,792	218,813	19,478	4,607	24,085	242,898	
Contractual services	141,464	82,818	16,647	240,929	25,795	109	26,304	267,233	
Food and accommodation	142,156	58,984	10,102	210,242	8,837	834	9,671	219,913	
Rental and maintenance of premises (see Notes 6 and 11)	73,839	37,830	10,967	122,636	27,514	7,232	34,746	157,382	
Depreciation and amortization (see Note 6)	45,143	29,700	11,479	86,322	6,005	683	6,688	92,610	
Rental and maintenance of furniture, equipment and vehicle	58,855	22,530	2,004	83,387	7,515	392	7,907	91,294	
Communication	41,314	20,556	4,398	66,268	9,978	3,896	13,874	80,142	
Consultants	40,960	22,429	727	64,120	5,090	1,028	6,118	70,238	
Field program expenses	23,852	33,528	1,102	58,482	247	-	247	58,729	
Supplies and materials	52,254	12,906	1,150	66,310	6,057	1,842	7,899	74,209	
Printing and publication	22,331	8,139	654	31,124	3,426	1,738	5,164	36,288	
Staff education	8,881	3,345	837	13,063	2,079	936	3,015	15,676	
Others	81,918	38,491	8,999	130,408	15,998	7,665	23,663	154,071	
	\$2,234,841	\$872,948	\$201,221	\$3,309,010	\$479,484	\$100,387	\$579,871	\$3,888,881	

The foregoing expenses and costs incurred by IIRR are classified by functional category of program and supporting 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. Education and Training Program

This program aims to share knowledge to strengthen the capacities of learning communities, development practitioners and the international development community to promote participatory human development through training courses, workshops, study programs, conferences and other educational means.



c. Publication and Communication Program

This program aims to share knowledge to strengthen the capacities of learning communities, development practitioners and the international development community to promote participatory human development through the production, distribution and use of publication and communication materials produced and shared using participatory approaches.

