

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

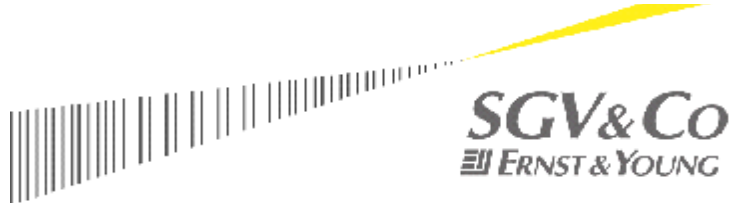
Financial Statements
December 31, 2010 and 2009

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV&Co
ERNST & YOUNG



SyCip Gorres Velayo & Co.
 6760 Ayala Avenue
 1226 Makati City
 Philippines
 Phone: (632) 891 0307
 Fax: (632) 819 0872
 www.sgv.com.ph

BOA/PRC Reg. No. 0001
 SEC Accreditation No. 0012-FR-2

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, 2010 and 2009, 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, 2010 and 2009, 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

March 30, 2011



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

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2010	2009
ASSETS		
Cash and Cash Equivalents (Note 3)	\$1,692,793	\$1,300,669
Investments (Note 3)	759,985	684,149
Contributions Receivable (Note 4)	2,369,075	1,251,237
Other Receivables (Note 5)	128,839	201,928
Property and Equipment - net (Note 6)	139,300	118,299
Prepayments and Other Assets	34,165	25,784
	\$5,124,157	\$3,582,066
LIABILITIES AND NET ASSETS		
Accounts Payable and Other Current Liabilities (Note 7)	\$249,812	\$323,975
Pension liability (Note 8)	29,855	-
Total Liabilities	279,667	323,975
Net Assets		
Unrestricted	300,682	73,787
Temporarily restricted (Note 10)	3,825,826	2,466,322
Permanently restricted (Note 10)	717,982	717,982
Total Net Assets	4,844,490	3,258,091
	\$5,124,157	\$3,582,066

See accompanying Notes to Financial Statements.



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

STATEMENTS OF ACTIVITIES

	Years Ended December 31							
	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTINUING OPERATIONS								
REVENUES, GAINS AND OTHER SUPPORT								
Contributions/Grants:								
Foundations - net of \$44,191 discount in 2010 and inclusive of \$15,475 and \$31,300 accretion income in 2010 and 2009, respectively (Note 4)	\$120,581	\$1,459,573	\$-	\$1,580,154	\$12,954	\$1,354,520	\$-	\$1,367,474
Governments - inclusive of \$2,015 and \$20,167 accretion income in 2010 and 2009, respectively (Note 4)	-	1,793,515	-	1,793,515	-	168,861	-	168,861
Individuals	225,870	38,877	-	264,747	93,456	96,310	-	189,766
Corporations	3,264	-	-	3,264	7,277	1,000	-	8,277
Workshops	340,240	-	-	340,240	377,069	-	-	377,069
Training courses	362,273	-	-	362,273	358,554	-	-	358,554
Technical assistance	318,182	-	-	318,182	198,155	-	-	198,155
Gain on changes in market value of investments (Note 3)	67,979	-	-	67,979	102,195	-	-	102,195
Use of campus facilities by development organizations	67,327	-	-	67,327	92,051	-	-	92,051
Study programs	117,671	-	-	117,671	55,552	-	-	55,552
Publication sales	20,993	-	-	20,993	13,067	-	-	13,067
Others (Notes 3, 6 and 9)	53,181	-	-	53,181	55,153	-	-	55,153
Net assets released from restrictions:								
Satisfaction of program restrictions	1,807,461	(1,807,461)	-	-	1,668,737	(1,668,737)	-	-
Expiration of time restrictions	125,000	(125,000)	-	-	175,000	(175,000)	-	-
	3,630,022	1,359,504	-	4,989,526	3,209,220	(223,046)	-	2,986,174
EXPENSES (Note 12)								
Program services (Notes 6, 8 and 11):								
Learning community	1,690,806	-	-	1,690,806	1,830,227	-	-	1,830,227
Education and training	609,504	-	-	609,504	518,537	-	-	518,537
Publication and communication	285,924	-	-	285,924	321,067	-	-	321,067
	2,586,234	-	-	2,586,234	2,669,831	-	-	2,669,831
Support services (Notes 6, 8 and 11):								
Management and general	303,140	-	-	303,140	294,358	-	-	294,358
Fund raising	88,310	-	-	88,310	107,954	-	-	107,954
	391,450	-	-	391,450	402,312	-	-	402,312
	2,977,684	-	-	2,977,684	3,072,143	-	-	3,072,143
EXCESS (DEFICIENCY) OF REVENUES, GAINS AND OTHER								
SUPPORT OVER EXPENSES OF CONTINUING OPERATIONS								
Translation loss	(425,443)	-	-	(425,443)	(127,661)	-	-	(127,661)
CHANGE IN NET ASSETS	\$226,895	\$1,359,504	\$-	\$1,586,399	\$9,416	(\$223,046)	\$-	(\$213,630)

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended December 31							
	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at beginning of year	\$73,787	\$2,466,322	\$717,982	\$3,258,091	\$64,371	\$2,689,368	\$717,982	\$3,471,721
Change in net assets	226,895	1,359,504	–	1,586,399	9,416	(223,046)	–	(213,630)
Balance at end of year	\$300,682	\$3,825,826	\$717,982	\$4,844,490	\$73,787	\$2,466,322	\$717,982	\$3,258,091

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues, gains and other support over expenses of continuing operations	\$2,011,842	(\$85,969)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Effect of foreign exchange rate changes on translation	(433,086)	(123,851)
Gain on changes in market value of investments (Note 3)	(67,979)	(102,195)
Depreciation and amortization (Notes 6 and 12)	70,794	68,430
Interest and dividend income (Note 3)	(11,280)	(11,242)
Decrease (increase) in:		
Contributions receivable	(1,117,838)	1,151,755
Other receivables	73,089	121,335
Prepayments and other assets	8,381	(1,584)
Increase (decrease) in:		
Accounts payable and other current liabilities	(74,163)	(66,981)
Pension liability	29,855	–
Funds held in trust	–	(4,264)
Net cash provided by operating activities	489,615	945,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 6)	(100,914)	(15,951)
Net withdrawal of (additions in) investments (Note 3)	3,423	(48,361)
Net cash used in investing activities	(97,491)	(64,312)
NET INCREASE IN CASH AND CASH EQUIVALENTS	392,124	881,122
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,300,669	419,547
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	\$1,692,793	\$1,300,669

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; Juba, South Sudan; 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 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.

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 \$1,879,924 and \$1,454,481 as of December 31, 2010 and 2009, 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

Cash and cash equivalents

The cash and cash equivalents account consists of:

	2010	2009
Cash in banks	\$1,644,599	\$1,249,251
Short-term investments	47,894	51,009
Cash on hand	300	409
	\$1,692,793	\$1,300,669

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

Investments

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

	2010			
	Short-term		Long-term	
	Equity Stocks	Money Market Placements	U.S. Treasury Notes	Total
Cost at January 1, 2010	\$490,377	\$56,791	\$101,354	\$648,522
Gain on changes in market value at January 1, 2010	33,962	-	1,665	35,627
Market value at January 1, 2010	524,339	56,791	103,019	684,149
Interest and dividends	7,641	81	3,558	11,280
Withdrawals	(278)	(150)	(2,995)	(3,423)
Gain (loss) due to change in market value during the year	70,684	-	(2,705)	67,979
Market value at December 31, 2010	\$602,386	\$56,722	\$100,877	\$759,985
Cost at December 31, 2010	\$497,740	\$56,722	101,917	\$656,379
Gain (loss) on changes in market value at December 31, 2010	104,646	-	(1,040)	103,606
	\$602,386	\$56,722	\$100,877	\$759,985

	2009			
	Short-term		Long-term	
	Equity Stocks	Money Market Placements	U.S. Treasury Notes	Total
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	-	50,848	-	50,848
Interest and dividends	7,399	-	3,843	11,242
Withdrawals	-	-	(2,487)	(2,487)
Gain (loss) due to change in market value during the year	102,558	-	(363)	102,195
Market value at December 31, 2009	\$524,339	\$56,791	\$103,019	\$684,149
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
	\$524,339	\$56,791	\$103,019	\$684,149



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 currency investments for 2010 and 2009 exposed to changes in exchange rates that will adversely affect the fair market value of an investment.

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.

The following table presents the Institute's cash deposits exposed to foreign currency risk:

	2010		2009	
	Original Currency	Functional Currency	Original Currency	Functional Currency
Cash deposits:				
In Euro	352,014	\$465,504	382,033	\$549,402
In Ethiopian birr	4,411,956	262,507	4,486,898	347,962
In Kenyan shillings	1,174,003	14,538	2,021,280	26,659
In Philippine peso	1,561,107	35,633	672,704	14,561
In Ugandan shillings	41,889,232	18,157	1,947,824	1,024
		\$796,339		\$939,608

The table below shows the closing exchange rates used in translating the foreign-currency denominated cash deposits to \$1:

	2010	2009
Euro	0.76	0.69
Kenyan Shillings	80.75	75.82
Ethiopian Birr	16.80	12.89
Ugandan Shillings	2,307.00	1,901.01
Philippine peso	43.81	46.20



The following table demonstrates the sensitivity to a reasonable possible change in U.S. dollar exchange rate, with all variables held constant, of the Institute's excess of revenues, gains and other support over expenses of continuing operations due to changes in the fair value of foreign-currency denominated cash deposits as of December 31, 2010 and 2009:

	Increase (Decrease) in Excess of Revenues, Gains and Other Support Over Expenses of Continuing Operations	
	2010	2009
Appreciation of US\$ by 10% of all of the above-mentioned currencies	(\$30,595)	(\$85,407)
Depreciation of US\$ by 10% of all of the above-mentioned currencies	139,570	104,415

4. Contributions Receivable

These receivables are covered by signed grant agreements.

Realization of the pledges is expected in the following periods:

	2010	2009
In one year or less	\$822,548	\$1,262,733
Between one and five years	1,582,264	-
	2,404,812	1,262,733
Less discount	35,737	11,496
	<u>\$2,369,075</u>	<u>\$1,251,237</u>

Movements in discount on contributions receivable are as follows:

	2010	2009
Balance at beginning of year	\$11,496	\$62,963
Additions during the year	44,191	-
Accretion income	(17,490)	(51,467)
Translation gain	(2,460)	-
Balance at end of year	<u>\$35,737</u>	<u>\$11,496</u>

5. Other Receivables

This account consists of:

	2010	2009
Advances to officers and employees	\$4,472	\$4,440
Other receivables	124,367	198,689
	128,839	203,129
Less allowance for impairment losses	-	1,201
	<u>\$128,839</u>	<u>\$201,928</u>



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:

	2010	2009
Balance at beginning of year	\$1,201	\$1,201
Provision for impairment of receivables (see Note 12)	855	-
Write off during the year	(2,056)	-
Balance at end of year	\$-	\$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, 2009	\$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
Additions	-	-	20,554	80,026	334	100,914
Cumulative translation adjustments	2,663	34,948	(5,077)	(11,237)	7,760	29,057
Balance at December 31, 2010	\$51,994	\$675,847	\$728,766	\$438,235	\$151,592	\$2,046,434
Accumulated Depreciation and Amortization						
Balance at January 1, 2009	\$41,473	\$569,406	\$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, 2009	43,812	604,790	659,820	363,113	126,629	1,798,164
Depreciation and amortization	1,355	18,460	27,002	19,730	4,247	70,794
Cumulative translation adjustments	731	9,955	14,561	10,639	2,290	38,176
Balance at December 31, 2010	\$45,898	\$633,205	\$701,383	\$393,482	\$133,166	\$1,907,134
Net Book Value						
At December 31, 2010	\$6,096	\$42,642	\$27,383	\$44,753	\$18,426	\$139,300
At December 31, 2009	5,519	36,109	53,469	\$6,333	16,869	118,299

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 \$14,925 in 2010 and \$14,153 in 2009 is recognized as part of other revenues and program services in the statements of activities.

As of December 31, 2010 and 2009, fully depreciated assets amounting to \$1,447,088 and \$1,157,071, respectively, were still in use.



7. Accounts Payable and Other Current Liabilities

This account consists of:

	2010	2009
Vouchers payable	\$166,874	\$237,327
Accrued expenses	82,938	86,648
	\$249,812	\$323,975

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 \$66,855 and \$67,044 in 2010 and 2009, 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:

	2010	2009
Accumulated benefit obligation	\$158,681	\$154,974
Projected benefit obligation (PBO)	\$158,681	\$154,974
Plan assets at fair value	128,826	154,974
Required additional pension liability	\$29,855	\$-
Unrecognized amortization:		
Prior service cost	\$-	\$-
Net gain	-	-
	\$-	\$-

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

	2010	2009
Benefit cost:		
Service cost	\$13,523	\$15,269
Interest cost on PBO	(1,329)	11,190
Expected return on assets	1,329	(11,190)
Net amortization cost	252	239
Pension cost	\$13,775	\$15,508
Benefits paid	\$45,789	\$10,053
Contributions made	\$13,523	\$15,269

The projected benefit obligation assumes a discount rate of 9.62% and 8.00% in 2010 and 2009, and a 10.00% rate of compensation increases in 2010 and 2009. The expected long-term rate of return on Plan assets is 4.00% in 2010 and 9.00% in 2009.

The changes in PBO are as follows:

	2010	2009
PBO at beginning of year	\$154,974	\$134,220
Service cost	13,523	15,269
Interest cost on PBO	(1,329)	11,190
Benefits paid	(45,789)	(10,053)
Actuarial loss	28,989	-
Translation adjustment (Philippine peso to U.S. dollar)	8,313	4,348
PBO at end of year	\$158,681	\$154,974



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

	2010	2009
Fair value of Plan assets at beginning of year	\$154,974	\$134,220
Expected return on plan assets	(1,329)	11,190
Contributions made	13,523	15,269
Benefits paid	(45,789)	(10,053)
Translation adjustment (Philippine peso to U.S. dollar)	7,447	4,348
Fair value of Plan assets at end of year	\$128,826	\$154,974

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:

	2010	2009
Type of Investment (Philippine peso-denominated):		
Commercial loan	61%	16%
Government securities	27%	38%
Short-term money market	12%	46%
	100%	100%
Type of Investment (U.S. dollar-denominated):		
Mutual fund	100%	82%
Short-term money market	-	18%
	100%	100%

- Pension Plan for Other Countries

Net pension cost for the defined contribution pension plan amounted to \$53,080 in 2010 and \$58,448 in 2009.

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:

	2010	2009
Program services	\$3,816,677	\$2,462,508
The Mr. & Mrs. Yen Mei Tang Memorial Fund	7,628	151
The Reader's Digest Endowment for Publications	1,521	3,663
	\$3,825,826	\$2,466,322

- b. Permanently restricted net assets as of December 31, 2010 and 2009 consist of the following endowment funds:

	2010	2009
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
	\$717,982	\$717,982

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, 2010 and 2009 amounted to \$60,238 and \$57,978, 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 \$76,525 in 2010 and \$68,497 in 2009.

12. Expenses

This account consists of expenses from continuing operation of IIRR:

	2010				2010			
	Program Services			Total	Supporting Services			Total Expenses
	Learning Community	Education and Training	Publication and Communication		Management and General	Fund Raising	Total	
Staff cost (see Note 8)	\$527,145	\$277,640	\$84,659	\$889,444	\$164,721	\$68,069	\$232,790	\$1,122,234
Food and accommodation	231,850	79,609	73,735	385,194	5,758	1,451	7,209	392,403
Collaborating agency expenses	388,549	-	-	388,549	191	-	191	388,740
Contractual services	135,572	36,976	25,724	198,272	3,862	2,161	6,023	204,295
Travel	92,035	53,876	6,060	151,971	21,955	1,386	23,341	175,312
Rental and maintenance of premises (see Notes 6 and 11)	67,717	43,285	14,126	125,128	36,989	5,654	42,643	167,771
Field program expenses	40,298	42,154	20,391	102,843	72	-	72	102,915
Rental and maintenance of furniture, equipment and vehicle	71,039	17,774	3,431	92,244	6,295	264	6,559	98,803
Depreciation and amortization (see Note 6)	12,747	12,747	6,487	31,981	38,098	715	38,813	70,794
Printing and publication	19,219	8,428	27,460	55,107	12,995	699	13,694	68,801
Communication	28,774	11,663	7,594	48,031	11,806	5,005	16,811	64,842
Supplies and materials	31,271	6,787	2,809	40,867	308	1,136	1,444	42,311
Consultants	10,742	6,000	3,000	19,742	-	-	-	19,742
Staff education	1,195	13	6	1,214	90	-	90	1,304
Others (see Note 5)	32,653	12,552	10,442	55,647	-	1,770	1,770	57,417
	\$1,690,806	\$609,504	\$285,924	\$2,586,234	\$303,140	\$88,310	\$391,450	\$2,977,684



2009

	Program Services			Total	Supporting Services			Total Expenses
	Learning Community	Education and Training	Publication and Communication		Management and General	Fund Raising	Total	
Staff cost (see Note 8)	\$543,956	\$224,004	\$101,385	\$869,345	\$154,371	\$82,018	\$236,389	\$1,105,734
Food and accommodation	227,489	93,109	86,891	407,489	626	391	1017	408,506
Collaborating agency expenses	407,648	129	–	407,777	–	–	–	407,777
Travel	151,267	27,087	40,918	219,272	22,423	1,879	24,302	243,574
Contractual services	129,487	31,198	45,079	205,764	4,600	277	4,877	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	82,053	4,410	6,064	92,527	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	18,699	6,492	25,191	73,393
Depreciation and amortization (see Note 6)	18,330	18,330	9,165	45,825	21,953	652	22,605	68,430
Staff education	52,186	507	–	52,693	13,969	–	13,969	66,662
Supplies and materials	20,796	2,004	5,323	28,123	3,880	747	4,627	32,750
Printing and publication	23,442	–	–	23,442	2,808	1,819	4,627	28,069
Consultants	320	8,320	160	8,800	200	–	200	9,000
Others	34,033	21,997	7,502	63,532	–	7,739	7,739	71,271
	\$1,830,227	\$518,537	\$321,067	\$2,669,831	\$294,358	\$107,954	\$402,312	\$3,072,143

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.

