Ayala Foundation

Ayala Foundation, Inc.
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Legaspi Village, Makati City
1229 Philippines

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Foundation Inc. (the Foundation) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees (BOT) is responsible for overseeing the Foundation's financial reporting process.

The BOT reviews and approves the financial statements including the schedules attached therein.

Sycip Gorres Velayo & Co., the independent auditor appointed by the management and approved by the BOT, has audited the financial statements of the Foundation in accordance with Philippine Standards of Auditing, and in its report has expressed its opinion on the fairness of presentation upon completion of such audit.

JAIME AUGUSTO ZOBEL DE AYALA
Co-Chairman

FERNANDO ZOBEL DE AYALA
Co-Chairman

RUEL T. MARANAN
President

ROMUALDO L. KATIGBAK
Chief Finance Officer

Signed this 20th day of March, 2019

Ayala Foundation, Inc.
(A Non-stock, Non-profit Corporation)

Financial Statements
December 31, 2018 and 2017

and

Independent Auditor's Report

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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Philippines

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Ayala Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ayala Foundation, Inc. (a non-stock, non-profit corporation) (the Foundation), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of activities, statements of changes in fund balances and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 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 Foundation. 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.

Carlo Paolo V. Manalang

Carlo Paolo V. Manalang
Partner
CPA Certificate No. 111947
SEC Accreditation No. 1625-A (Group A),
March 28, 2017, valid until March 27, 2020
Tax Identification No. 210-730-804
BIR Accreditation No. 08-001998-127-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 7332576, January 3, 2019, Makati City

March 20, 2019

AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 13 and 16)	**₱135,355,500**	₱124,659,286
Receivables (Notes 5, 13 and 16)	**19,033,946**	15,672,174
Merchandise inventories - net (Note 6)	**11,872,755**	12,864,398
Financial assets at fair value through profit or loss (Notes 10 and 16)	**1,258,909,592**	–
Other current assets (Note 7)	**11,195,487**	9,734,402
Total Current Assets	**1,436,367,280**	162,930,260
Noncurrent Assets		
Receivables - net of current portion (Note 5)	**582,113**	–
Financial assets at fair value through other comprehensive income (Notes 10 and 16)	**917,918,631**	–
Financial assets at amortized cost (Notes 10 and 16)	**32,948,032**	–
Available-for-sale financial assets (Notes 10 and 16)	**–**	2,375,545,967
Property and equipment (Note 8)	**193,194,616**	179,388,847
Software cost (Note 9)	**–**	75,001
Pension asset - net (Note 12)	**12,482,996**	12,972,766
Deferred tax asset (Note 15)	**543,120**	406,466
Total Noncurrent Assets	**1,157,669,508**	2,568,389,047
	₱2,594,036,788	₱2,731,319,307
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts and other payables (Notes 11, 13 and 16)	**₱42,063,898**	₱41,542,210
Net Assets (Note 14)		
Unrestricted	**52,258,309**	102,995,744
Temporarily restricted	**305,659,729**	283,714,384
Permanently restricted	**2,187,714,273**	2,187,714,273
Net fair value loss on financial assets at FVOCI (Note 10)	**(8,105,711)**	–
Net unrealized gain on available-for-sale financial assets (Note 10)	**–**	99,679,439
Remeasurement gain on defined benefit obligation (Note 12)	**14,446,290**	15,673,257
Total Net Assets	**2,551,972,890**	2,689,777,097
	₱2,594,036,788	₱2,731,319,307

See accompanying Notes to Financial Statements.

AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

	December 31, 2018					
	Unrestricted (Note 14)	Temporarily Restricted (Note 14)	Permanently Restricted (Note 14)	Fair Value Reserve of Financial Assets at FVOCI (Note 10)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 12)	Total
Revenue, gains and other supports:						
Public support (Note 13)	₱–	₱198,417,800	₱–	₱–	₱–	₱198,417,800
Investment and interest (Notes 4, 5 and 10)	115,000,000	(189,434,784)	–	–	–	(74,434,784)
Net assets released from restrictions	(11,748,135)	11,748,135	–	–	–	–
Others	–	4,308,781	–	–	–	4,308,781
	103,251,865	25,039,932	–	–	–	128,291,797
Expenses and losses:						
Project (Notes 13 and 14)	224,435,270	–	–	–	–	224,435,270
General and administrative (Notes 14)	43,686,094	–	–	–	–	43,686,094
Net loss from other activities (Notes 13 and 17)	–	3,094,587	–	–	–	3,094,587
	268,121,364	3,094,587	–	–	–	271,215,951
Excess (deficit) of revenue, gains and other supports over expenses and losses	(164,869,499)	21,945,345	–	–	–	(142,924,154)
OTHER COMPREHENSIVE INCOME						
Other comprehensive income that may be reclassified to profit or loss in subsequent years:						
Fair value reserve of financial assets at FVOCI (Note 10)	–	–	–	6,346,914	–	6,346,914
Other comprehensive income not to be reclassified to profit or loss in subsequent years:						
Remeasurement loss on defined benefit obligation (Note 12)	–	–	–	–	(1,226,967)	(1,226,967)
Total other comprehensive income	–	–	–	6,346,914	(1,226,967)	5,119,947
CHANGES IN NET ASSETS	(164,869,499)	21,945,345	–	6,346,914	(1,226,967)	(137,804,207)
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	217,127,808	283,714,384	2,187,714,273	(14,452,625)	15,673,257	2,689,777,097
NET ASSETS AT END OF YEAR	₱52,258,309	₱305,659,729	₱2,187,714,273	(₱8,105,711)	₱14,446,290	₱2,551,972,890

	December 31, 2017					
	Unrestricted (Note 14)	Temporarily Restricted (Note 14)	Permanently Restricted (Note 14)	Unrealized Gain (Loss) on Financial Assets (Note 10)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 12)	Total
Revenue, gains and other supports:						
Public support (Note 13)	₱–	₱184,229,970	₱–	₱–	₱–	₱184,229,970
Investment and interest (Notes 4, 5 and 10)	119,500,000	(30,210,897)	–	–	–	89,289,103
Net assets released from restrictions	151,167,776	(151,167,776)	–	–	–	–
Others	–	401,504	–	–	–	401,504
	270,667,776	3,252,801	–	–	–	273,920,577
Expenses and losses:						
Project (Notes 13 and 14)	250,028,761	–	–	–	–	250,028,761
General and administrative (Note 14)	50,766,612	–	–	–	–	50,766,612
Net loss from other activities (Notes 14 and 17)	–	2,757,502	–	–	–	2,757,502
	300,795,373	2,757,502	–	–	–	303,552,875
Excess (deficit) of revenue, gains and other supports over expenses and losses	(30,127,597)	495,299	–	–	–	(29,632,298)
OTHER COMPREHENSIVE INCOME						
Other comprehensive income that may be reclassified to profit or loss in subsequent years:						
Net unrealized loss on financial assets (Note 10)	–	–	–	128,176,567	–	128,176,567
Other comprehensive income not to be reclassified to profit or loss in subsequent years:						
Remeasurement gain on defined benefit obligation (Note 12)	–	–	–	–	9,705,017	9,705,017
Total other comprehensive income (loss)	–	–	–	128,176,567	9,705,017	137,881,584
CHANGES IN NET ASSETS	(30,127,597)	495,299	–	128,176,567	9,705,017	108,249,286
NET ASSETS AT BEGINNING OF YEAR	133,123,341	283,219,085	2,187,714,273	(28,497,128)	5,968,240	2,581,527,811
NET ASSETS AT END OF YEAR	₱102,995,744	₱283,714,384	₱2,187,714,273	₱99,679,439	₱15,673,257	₱2,689,777,097

See accompanying Notes to Financial Statements.

AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF CHANGES IN FUND BALANCES

	Year Ended December 31, 2018					
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Fair Value Reserve of Financial Assets at FVOCI**	**Remeasurement Gain (Loss) on Defined Benefit Obligation**	**Total**
FUND BALANCES						
Net assets at beginning of year, as previously reported	**₱102,995,744**	**₱283,714,384**	**₱2,187,714,273**	**₱99,679,439**	**₱15,673,257**	**₱2,689,777,097**
Effect of adopting PFRS 9 (Notes 2 and 10)	**114,132,064**	**–**	**–**	**(114,132,064)**	**–**	**–**
Net assets at beginning of year, as restated	**217,127,808**	**283,714,384**	**2,187,714,273**	**(14,452,625)**	**15,673,257**	**2,689,777,097**
Excess (deficit) of revenue, gains and other supports over expenses and losses	**(164,869,499)**	**21,945,345**	**–**	**–**	**–**	**(142,924,154)**
Net fair value loss on financial assets at FVOCI	**–**	**–**	**–**	**6,346,914**	**–**	**6,346,914**
Remeasurement loss on defined benefit obligation	**–**	**–**	**–**	**–**	**(1,226,967)**	**(1,226,967)**
Net assets at end of year	**₱52,258,309**	**₱305,659,729**	**₱2,187,714,273**	**(₱8,105,711)**	**₱14,446,290**	**₱2,551,972,890**

	Year Ended December 31, 2017					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrealized Gain (Loss) on Financial Assets	Remeasurement Gain (Loss) on Defined Benefit Obligation	Total
FUND BALANCES						
Net assets at beginning of year	₱133,123,341	₱283,219,085	₱2,187,714,273	(₱28,497,128)	₱5,968,240	₱2,581,527,811
Excess (deficit) of revenue, gains and other supports over expenses and losses	(30,127,597)	495,299	–	–	–	(29,632,298)
Net unrealized loss on financial assets	–	–	–	128,176,567	–	128,176,567
Remeasurement gain on defined benefit obligation	–	–	–	–	9,705,017	9,705,017
Net assets at end of year	₱102,995,744	₱283,714,384	₱2,187,714,273	₱99,679,439	₱15,673,257	₱2,689,777,097

See accompanying Notes to Financial Statements.

AYALA FOUNDATION, INC.

(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit of revenue, gains and other supports over expenses and losses	**(₱142,924,154)**	(₱29,632,298)
Adjustments for:		
Investment and interest income (Notes 4, 5 and 10)	**74,434,784**	(89,289,103)
Depreciation and amortization (Notes 8 and 9)	**13,715,122**	14,879,256
Pension expense (Note 12)	**5,397,319**	7,141,440
Reversal of provision for doubtful accounts (Note 5)	**(523,169)**	(3,112,537)
Provision for inventory loss (Note 6)	**(188,947)**	(19,032)
Gain on disposal of property and equipment	**(171,563)**	(143,158)
Changes in net assets before changes in working capital	**(50,260,608)**	(100,175,432)
Decrease (increase) in:		
Receivables	**(4,639,957)**	1,860,576
Merchandise inventories	**1,180,590**	496,406
Other current assets	**(1,597,739)**	804,092
Contribution to pension fund (Note 12)	**(6,134,516)**	(5,778,593)
Increase (decrease) in accounts and other payables	**521,688**	(31,507,540)
Net cash used in operating activities	**(60,930,542)**	(134,300,491)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposals (additions) to:		
Property and equipment (Note 8)	**(27,947,202)**	(4,802,427)
Financial assets	**57,984,562**	55,956,364
Proceeds from disposal of property and equipment	**672,875**	338,742
Investment and interest income received	**40,916,521**	89,943,566
Net cash provided by investing activities	**71,626,756**	141,436,245
NET INCREASE IN CASH AND CASH EQUIVALENTS	**10,696,214**	7,135,754
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**124,659,286**	117,523,532
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱135,355,500**	₱124,659,286

See accompanying Notes to Financial Statements.

1. **Organization and Tax Exemption**

Ayala Foundation, Inc. (the Foundation) was registered with the Securities and Exchange Commission (SEC) on December 28, 1961 as a non-stock, non-profit corporation primarily for the following purposes:

a. To provide financial support, within the Philippines and abroad, for the studies of selected students and for the attendance at scientific conferences by qualified and competent scholars;

b. To undertake community development and livelihood projects designed to improve the quality of life of disadvantaged Filipinos;

c. To undertake ventures that will transfer appropriate technology to urban and rural groups that will give them additional income and allow them to put up profitable enterprises that will benefit themselves and the community;

d. To provide scholarships to poor but deserving urban and rural youth in vocational, technical, livelihood and entrepreneurial courses;

e. To preserve and enhance Philippine Art and Culture by, among other things, establishing and maintaining museums, supporting ethnic artisans and craftsmen, and undertaking related activities that will encourage Filipinos, especially our youth, to appreciate their heritage;

f. To organize, staff and finance research projects which may be established in furtherance of the purposes and objectives of the Foundation; and

g. To promote, support, and finance the publication of reports prepared under the auspices of the Foundation.

On February 15, 2010, the Foundation amended its Articles of Incorporation: (a) extending the term for which the Foundation is to exist for another fifty (50) years from December 28, 2011 and (b) to declassify the Foundation as a science and research foundation.

As a non-stock, non-profit corporation, the Foundation falls under Section 30 (E) of the Republic Act No. 8424 entitled, “An Act Amending the National Internal Revenue Code, as Amended, and for Other Purposes”. The receipts from activities conducted in pursuit of the objectives for which the Foundation was established are exempt from income tax. However, any income arising from its real or personal properties, or from activities conducted for profit, regardless of the disposition made of such income, is subject to income tax.

The Foundation is duly accredited by the Philippine Council for Non-Government Organization Certification (PCNC) and renewed its registration as a donee institution on August 10, 2015 in accordance with the provisions of Revenue Regulations No. 13-98. Donations received shall entitle the donors to full or limited deduction pursuant to Section 34 (H) (paragraphs 1 or 2) and exemption from donor’s tax pursuant to Section 101 (A) (3) of the National Internal Revenue Code of 1997. The Certificate of Registration shall be valid until June 15, 2020 unless sooner revoked by the Bureau of Internal Revenue (BIR) or upon withdrawal of the Certificate of Accreditation by PCNC.

The Foundation's registered office address is 8th Floor, 111 Paseo de Roxas Building, Paseo de Roxas corner Legaspi Street, Legaspi Village, 1229 Makati City.

The accompanying financial statements were approved and authorized for issue by the Board of Trustees on March 20, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Foundation have been prepared using the historical cost basis, except for financial assets that have been measured at fair value. The accompanying financial statements are presented in Philippine Peso (₱) which is the Foundation's presentation and functional currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

The Foundation amends the descriptions used for particular line items in the financial statements and for the financial statements themselves consistent with the requirement of Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Foundation applied Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. This Statement establishes standards for general-purpose external financial statements provided by a not-for-profit organization. It specifies that those statements include a statement of financial position, a statement of activities, statement of changes in fund balances and a statement of cash flows.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Foundation has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Foundation's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  These amendments do not have any impact on the Foundation's financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Foundation applied PFRS 9 using the modified retrospective approach, with an initial application date of January 1, 2018. The Foundation has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in unrestricted fund balances and other components of net assets.

The effect of adopting PFRS 9 as at January 1, 2018 was, as follows:

	As previously reported - December 31, 2017	**Reference**	**Adjustment**	**As restated January 1, 2018**
ASSETS				
Current Assets				
Financial assets at fair value through profit or loss (Notes 10 and 16)	₱–	(a)	₱1,093,568,889	₱1,093,568,889
Noncurrent Assets				
Financial assets at fair value through OCI (Notes 10 and 16)	–	(a)	1,078,305,594	1,078,305,594
Financial assets at amortized cost	–	(a)	203,671,484	203,671,484
Available-for-sale financial assets (Notes 10 and 16)	2,375,545,967	(a)	(2,375,545,967)	–
Total Assets	₱2,375,545,967		₱–	₱2,375,545,967
LIABILITIES AND EQUITY				
Equity				
Unrestricted net assets	₱102,995,744	(a)	₱114,132,064	₱217,127,808
Net unrealized gain (loss) on financial assets	99,679,439	(a)	(114,132,064)	(14,452,625)
Total Liabilities and Equity	₱202,675,183		₱–	₱202,675,183

The nature of these adjustments are described below:

(a) Classification and measurement
Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Foundation's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Foundation's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Foundation. The Foundation continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Foundation's financial assets:

- *Trade receivables* previously classified as *Loans and receivables* are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as *Debt instruments at amortized cost* beginning January 1, 2018.

- Quoted and unquoted corporate debt instruments previously classified as *Available-for-sale (AFS) financial assets* are now classified and measured as *Debt instruments at amortized cost*. The Foundation expects to hold the assets to collect contractual cash flows. The Foundation's corporate debt instruments passed the SPPI test.

- Quoted government debt instruments previously classified as *AFS financial assets* are now classified and measured as *Debt instruments at fair value through OCI*. The Foundation expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Foundation's quoted government debt instruments passed the SPPI test.

- Listed equity investments, equity investments in non-listed companies, and pooled funds previously classified as *AFS financial assets* are now classified and measured as *financial assets at fair value through profit or loss*.

As a result of the change in classification of the Foundation's listed equity investments, equity investments in non-listed companies and pooled funds, the fair value reserve of ₱114.13 million related to those investments that were previously presented under net unrealized gain (loss) on financial assets, were reclassified to unrestricted net assets as at January 1, 2018, resulting to a decrease in other components of net assets and an increase in unrestricted net assets of the same amount.

The Foundation has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Foundation's financial liabilities.

In summary, upon adoption of PFRS 9, the Foundation had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 Measurement Category		
PAS 39 Categories	**Balances**	**Fair Value through Profit or Loss**	**Amortized Cost**	**Fair Value through OCI**
Loans and receivables				
Cash and cash equivalents	₱124,659,286	₱–	₱124,659,286	₱–
Receivables	15,672,174	–	15,672,174	–
Available for Sale				
Debt instruments	1,281,977,078	–	1,078,305,594	203,671,484
Pooled funds	717,004,949	717,004,949	–	–
Listed equity instruments	375,988,400	375,988,400	–	–
Non-listed equity instruments	575,540	575,540	–	–

(b) Impairment
The adoption of PFRS 9 has fundamentally changed the Foundation's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Foundation to record an allowance for impairment losses for all debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Foundation expects to receive. The shortfall is

then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For financial assets such as receivables, the Foundation does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For cash and cash equivalents, the Foundation applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Foundation's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Foundation uses the ratings from Standard and Poor's (S&P), Moody's, Fitch and Philratings to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For debt instruments at fair value through OCI, the Foundation applies the low credit risk simplification. At every reporting date, the Foundation evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Foundation reassesses the internal credit rating of the debt instrument. In addition, the Foundation considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Foundation's debt instruments at fair value through OCI comprise solely of quoted bonds that are considered to be low credit risk investments. It is the Foundation's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

There is no transition adjustment in relation to the impairment allowance as of January 1, 2018.

- Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Foundation since there are no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Foundation adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Foundation elected to apply the standard to all contracts as at January 1, 2018. Upon adoption of PFRS 15, donations received with restrictions as to when it can be utilized is initially recognized as a liability of the Foundation and revenue will only be recognized once the performance obligations are satisfied or met.

  There is no transition adjustment in relation to the adoption of PFRS 15 as of January 1, 2018 since the Foundation had no donations received with restrictions as to when it can be utilized as of that date.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

  The amendments do not have material impact on the Foundation's financial statements.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

The amendments do not have material impact on the Foundation's financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Foundation's current practice is in line with the clarifications issued, the Foundation does not expect any effect on its financial statements upon adoption of this interpretation.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest (SPPI) on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  The Foundation is currently assessing the impact of adopting this interpretation.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Foundation is currently assessing the impact of adopting this standard.

- Amendments to PAS 19*, Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Foundation.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long term interests). This classification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures.*

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Foundation does not expect any effect on its financial statements upon adoption of this amendment.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Foundation because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

The Foundation does not expect any effect on its financial statements upon adoption of this amendment.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. The Foundation does not expect any effect on its financial statements upon adoption of this amendment.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  The Foundation is currently assessing the impact of adopting this amendment.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  The Foundation is currently assessing the impact of adopting this amendment.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  The Foundation is currently assessing the impact of adopting this amendment.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The new standard is not applicable to the Foundation since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments have no impact on the Foundation since it has no subsidiary or parent and is not involved in a joint venture.

Current and Noncurrent Classification

The Foundation presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Foundation classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Foundation.

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.

The Foundation 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 financial statements are categorized within the fair value hierarchy, as described in Note 16.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Foundation determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

A committee usually composed of members of the Board of Trustees and officers of the Foundation determines the policies and procedures for the valuation of financial assets as well as the allocation of the Foundation's asset portfolio.

For the purpose of fair value disclosures, the Foundation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 16.

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 (3) months or less from dates of acquisitions and that are subject to an insignificant risk of changes in value.

Financial Instruments – initial recognition and subsequent measurement effective January 1, 2018

Financial Instruments
Date of recognition
The Foundation recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

a. Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Foundation's business model for managing them. The Foundation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Foundation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Foundation commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
The Foundation measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Foundation's financial assets at amortized cost includes cash and cash equivalents, accounts receivables and investments in corporate bonds.

Financial assets at fair value through OCI (debt instruments)
The Foundation measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of activities and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Foundation's financial assets at fair value through OCI includes fixed income government securities.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Foundation can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of activities when the right of payment has been established, except when the Foundation benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Foundation elected not to categorize any equity instruments under fair value through OCI.

Financial assets at fair value through profit or loss (FVPL)
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of activities.

The Foundation's financial assets at FVPL includes equity securities and pooled funds.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Foundation's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or,
- The Foundation has transferred its rights 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 (a) the Foundation has transferred substantially all the risks and rewards of the asset, or (b) the Foundation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Foundation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Foundation continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Foundation also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Foundation has retained.

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

Impairment of financial assets
The Foundation recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Foundation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Foundation applies a simplified approach in calculating ECLs. Therefore, the Foundation does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Foundation has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Foundation applies the low credit risk simplification. At every reporting date, the Foundation evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In addition, the Foundation considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Foundation's debt instruments at fair value through OCI comprise solely of quoted bonds that are considered to be low credit risk investments. It is the Foundation's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Foundation considers a financial asset in default when payment reminder letter is sent after it has become past due and contractual payments are not made within the period contained in the letter. However, in certain cases, the Foundation may also consider a financial asset to be in default when internal or external information indicates that the Foundation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Foundation. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Foundation's financial liabilities include accounts and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Foundation that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of activities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Foundation has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to accounts and other payables.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of activities.

c. *Offsetting of financial instruments*
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

<u>Financial Instruments – initial recognition and subsequent measurement prior to January 1, 2018</u>

<u>Financial Instruments</u>
Date of recognition
The Foundation recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs. The Foundation classifies its financial assets in the following categories: financial assets at FVPL, available-for-sale (AFS) financial assets, and loans and receivables. The Foundation classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. The Foundation determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The financial assets of the Foundation are of the nature of loans and receivables and AFS financial assets, while its financial liabilities are of the nature of other financial liabilities (other than liabilities covered by other accounting standards such as pension liability).

"Day 1" difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Foundation recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of activities under the "Investment and interest" account. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of Activities when the inputs become observable or when the instrument is derecognized. For each transaction, the Foundation determines the appropriate method of recognizing the "Day 1" difference amount.

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

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in "Investment and interest" account in the statement of activities. The losses arising from impairment of such loans and receivables are recognized in the statement of activities.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting date, otherwise these are classified as noncurrent assets.

This accounting policy relates to the statement of financial position captions "Cash and cash equivalents" and "Receivables."

AFS financial assets
AFS financial assets are those nonderivative financial assets which are designated as such or do not qualify to be classified in any of the other three categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as “Net unrealized gain (loss) on AFS financial assets” account in the statement of activities.

When the security is disposed of, the cumulative gain or loss previously recognized in the statement of activities are then included under the “Revenue, gains and other supports” account. Where the Foundation holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as investment income using the EIR. Dividends earned on holding AFS financial assets are recognized in the statement of activities when the right to receive payment is established. The losses arising from impairment of such investments are recognized under “Net unrealized gain (loss) on AFS financial asset” account in the statement of activities.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

Other financial liabilities
Other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Foundation’s “Accounts and other payables” (except statutory payables as these are not financial liabilities covered by any PFRS) and other obligations that meet the above definition.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
a. the rights to receive cash flows from the asset has expired;
b. the Foundation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
c. the Foundation has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Foundation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the

Foundation’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Foundation could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or 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.

Impairment of Financial Assets
The Foundation assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Foundation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Foundation determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of activities. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, 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. Any subsequent reversal of an impairment loss is recognized in statement of activities, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Foundation to reduce any differences between loss estimates and actual loss experience.

AFS financial assets
For AFS financial assets, the Foundation assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of activities – is removed from the "Net unrealized gain (loss) on AFS financial assets" account and recognized as an expense. Impairment losses on equity investments are not reversed through revenue. Increases in fair value after impairment are recognized directly under "Net unrealized gain (loss) on AFS financial assets" account in the statement of activities.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Investment and interest" account in the statement of activities. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statements of activities, the impairment loss is reversed through the statement of activities.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Merchandise Inventories
Merchandise inventories consist of books and other merchandise items held for sale. Merchandise inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the first-in, first-out method. NRV is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Property and Equipment
Property and equipment except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset 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 expense in the period in which the 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 an additional cost of property and equipment.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and is computed using the straight-line method over the following estimated useful lives (EUL) of the property and equipment:

	Years
Leasehold and land improvements	5-20
Office furniture and equipment	3-5
Transportation equipment	5

Leasehold improvements are amortized over the EUL of the improvements or the terms of the lease, whichever is shorter.

The EUL and depreciation and amortization methods are reviewed annually based on expected asset utilization to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Construction in progress is stated at cost. This includes cost of construction of property and equipment and other direct costs. Construction in progress is not depreciated until such time the relevant assets are complete and are put into operational use.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until they are no longer used and no further depreciation and amortization is charged against current operations.

Intangible Assets

The Foundation's intangible assets pertain to capitalized software cost.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Foundation.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite. Intangible assets' lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method for an intangible asset is reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the statement of activities allocated to "Project" and "General and administrative" under expenses and losses.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of activities when the asset is derecognized.

Software cost
Costs related to software purchase by the Foundation for use in operations are amortized on a straight line basis over the EUL of 2-5 years.

Impairment of Non-Financial Assets
The Foundation 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 Foundation 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 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. Impairment losses of continuing operations are 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 and amortization, 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 reversal the depreciation and amortization 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 EUL.

Provisions
Provisions are recognized when the Foundation has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) 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. Where the Foundation expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions, if any, are reviewed at each reporting date and adjusted to reflect the current best estimate.

Restricted Net Assets
The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations consisting of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets.

Revenue Recognition effective January 1, 2018

Public support

Public support revenue represents contributions received by the Foundation. Contributions received with restrictions as to when it can be utilized is initially recognized as a liability of the Foundation and will be recognized as revenue once the restrictions on the contributions has been met.

Investment and interest income

Investment income represents interest income earned on cash and cash equivalents, dividend income and realized and unrealized gains or losses on financial assets at FVPL. Interest income is recognized on a time proportion basis computed on the outstanding principal using the applicable rate. Dividend income is recognized when the right to receive payment is established. Gain or loss on sale of investments is recognized in profit or loss if the Foundation disposes some of its debt instrument classified as financial assets at FVOCI. Gain or loss on sale of investments is computed as the difference between the proceeds of the disposal and its carrying amount.

Revenue Recognition prior to January 1, 2018

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Foundation and the amount of the revenue can be reliably measured.

Public support

Public support revenue represents contributions received by the Foundation. Contributions received are recognized as revenue in the period received at their fair value.

Investment and interest income

Investment income represents interest income earned on cash and cash equivalents, and AFS financial assets, dividend income and realized gains or losses on sale of investments. Interest income is recognized on a time proportion basis computed on the outstanding principal using the applicable rate. Dividend income is recognized when the right to receive payment is established. Gain or loss on sale of investments is recognized in profit or loss if the Foundation disposes some of its available-for-sale investments. Gain or loss on sale of investments is computed as the difference between the proceeds of the disposal and its carrying amount.

Expenses

Expenses are recognized in the statement of activities when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the statement of activities:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Project expenses and general and administrative expenses are recognized as they are incurred.

Museum Collections

Artworks, ethnographic, archeological and rare book collections donated to the museum are not included in the accompanying financial statements because these collections are held for public exhibition, education, or research in furtherance of public service rather than financial gain or aesthetics, the cost or value cannot be reliably measured, and useful lives cannot be determined. Gifts of cash or property used for the purchase of the museum collections are classified as public support revenue when acquisitions are made in accordance with the terms of the gifts. The cost of objects purchased or donated is reported as a project expense.

Defined Benefit Plan

Pension cost and net defined benefit liability or asset is calculated annually by independent actuaries using the projected unit credit method.

Pension 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 the statement of activities. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent actuaries.

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 the zero-coupon bond yields to the net defined liability or assets. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of activities.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in the statement of activities in the period in which they arise. Remeasurements are not reclassified to statement of activities in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Foundation, nor can they be paid directly to the Foundation. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of the economic benefits available in form of refunds from the plan or reductions in the future contributions to the plan.

The net defined benefit liability or asset recognized in the Foundation's statement of financial position in respect of the defined benefit pension plan is the aggregate of the present value of the defined benefit liability at the reporting date less the fair value of the plan assets. The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating to the terms of the related pension liability.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date, an employee's decision to accept an offer of benefits in exchange for the termination of employment or termination beyond the employee's control.

A liability or expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits or short-term employee benefits.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of reporting date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all as part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all as part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same authority.

Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transactions. Outstanding foreign currency-denominated monetary assets and liabilities at year-end are translated to Philippine peso at prevailing Philippine Dealing System (PDS) rate at reporting dates. Exchange gains or losses arising from foreign currency transactions are credited to or charged against changes in net assets.

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

Events After the Financial Reporting Period
Post year-end events that provide additional information about the Foundation's 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 financial statements when material.

3. **Significant Accounting Judgments and Estimates**

The preparation of the accompanying financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Judgments
In the process of applying the Foundation's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Definition of default and credit-impaired financial assets
The Foundation defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for trade receivables, the customer receives a payment reminder letter and does not make the payments within the period contained in the letter.

Qualitative criteria
The debtor meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. The debtor is experiencing financial difficulty or is insolvent
b. The debtor is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. It is becoming probable that the debtor will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Foundation and are consistent with the definition of default used for internal credit risk management purposes.

Incorporation of forward-looking information
The Foundation incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Foundation considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Foundation's evaluation and assessment and after taking into consideration external actual and forecast information, the Foundation formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Foundation for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Foundation carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Foundation has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Management's Use of Estimates

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 are discussed below:

Provision for expected credit losses of trade receivables

The Foundation uses a provision table to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various receivables with similar default risks. The provision table is initially based on the Foundation's historical observed default rates. The Foundation will calibrate the table to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and GDP growth rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Foundation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Foundation's trade receivables is disclosed in Note 5.

Estimating pension obligation and other retirement benefits

The cost of defined benefit pension plans and other retirement benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. Those assumptions are described in Note 12 and include, among others, discount rates, future salary increases, mortality rates and turn-over rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting dates. Net pension asset amounts to ₱12.48 million and ₱12.97 million as of December 31, 2018 and 2017, respectively (see Note 12).

The discount rate used is the single-weighted uniform discount rate using bootstrapped-derived zero rates from PDST-R2 index, which when applied to the same cash flows, results in the same present value as of reporting date. Present values of cash flows as of reporting date was determined using the rates from derived zero yield curve.

The mortality rate is based on unisex annuity table and is modified accordingly with estimates of mortality improvements (if any). The turn-over rates used are based on actual data on employee turn-over for the prior year. Future salary increases are derived from the Foundation's estimated long-term yearly salary increase rate. Further details about the assumptions used are provided in Note 12.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded or disclosed in the statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. See Note 16 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	**₱379,000**	₱390,500
Cash in banks	**59,671,250**	64,139,068
Cash equivalents	**75,305,250**	60,129,718
	₱135,355,500	₱124,659,286

Cash in banks earn interests at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Foundation and earn interest at the respective short-term investment rates of 0.50% to 4.75% and 0.50% to 1.875% in 2018 and 2017, respectively.

Interest income earned on cash in banks and cash equivalents amounted to ₱2.75 million and ₱1.53 million in 2018 and 2017, respectively.

5. Receivables

This account consists of the following:

	2018	2017
Trade:		
Services	**₱8,406,047**	₱3,465,156
Products	**173,246**	389,060
Accrued interest	**7,145,725**	8,364,966
Advances to officers and employees	**2,098,003**	1,810,527
Advances to cooperative	**1,282,316**	1,782,109
Nontrade	**1,022,010**	973,140
Others	**170,502**	92,175
	20,297,849	16,877,133
Less allowance for impairment losses	**681,790**	1,204,959
	19,616,059	15,672,174
Less noncurrent portion of advances to cooperative	**582,113**	–
	₱19,033,946	₱15,672,174

Trade receivables are collectibles from various entities arising from purchase of products and of program services provided by the Foundation. This account includes receivable from related parties amounting to ₱4.62 million and ₱0.41 million in 2018 and 2017, respectively (see Note 13). These are collectible within one year.

Accrued interest pertains to interest receivable from investments in debt securities. These are collectible within one year.

Advances to officers and employees pertain to salary loans and advances made to regular employees of the Foundation for business related expenses and are subject for liquidation. This amount is collectible within one year. As of December 31, 2018 and 2017, interest income earned on advances to employees amounted to ₱0.08 million and ₱0.06 million, respectively.

Advances to cooperative pertain to cash advance to a cooperative which are collectible within one to four years.

Nontrade receivables pertain to collectibles for activities outside the main revenue-generating projects of the Foundation which are noninterest bearing and are due and demandable.

Other receivables are non-interest bearing and are due and demandable.

Receivables amounting to ₱0.68 million and ₱1.20 million as of December 31, 2018 and 2017, respectively, were assessed to be impaired and provided for with an impairment allowance in accordance with the Foundation's policy on receivables. Movements in the allowance for impairment losses follow:

	2018	2017
Balance at beginning of year	**₱1,204,959**	₱4,317,496
Reversal during the year	**(523,169)**	(3,112,537)
Balance at end of year	**₱681,790**	₱1,204,959

Reversals of provision are included in "Others" under Revenues, Gains and Other Supports in the Foundation's statements of activities.

As of December 31, 2018 and 2017, allowance for doubtful accounts relating to receivable from related parties amounted to ₱230,888 and ₱59,192, respectively (see Note 13).

6. **Merchandise Inventories**

This account consists of the following:

	2018	2017
Non-book merchandise	**₱7,619,868**	₱8,724,555
Books	**4,867,334**	4,943,237
	12,487,202	13,667,792
Less allowance for inventory obsolescence	**614,447**	803,394
	₱11,872,755	₱12,864,398

The rollforward of inventories follows:

	2018	2017
Balance at beginning of the year	**₱13,667,792**	₱14,164,198
Additions during the year	**997,812**	1,990,784
Cost of sales	**(2,178,402)**	(2,487,190)
Balance at end of the year	**₱12,487,202**	₱13,667,792

The rollforward of allowance for inventory obsolescence follows:

	2018	2017
Balance at beginning of the year	**₱803,394**	₱822,426
Provisions during the year	**510,518**	–
Reversals during the year	**(699,465)**	(19,032)
Balance at end of the year	**₱614,447**	₱803,394

Cost of sales, provision for inventory obsolescence and reversal of writedown were included under "Net loss from other activities" in the statements of activities.

7. **Other Current Assets**

This account consists of:

	2018	2017
Creditable withholding tax	**₱4,314,899**	₱3,739,772
Input VAT	**3,046,118**	4,242,537
Prepaid expenses	**2,766,834**	813,113
Deposits	**1,067,636**	938,980
	₱11,195,487	₱9,734,402

Creditable withholding tax consists of tax withheld by customers and is creditable against any future income tax due from the Foundation.

Input VAT is applied against output VAT. The input VAT is recoverable in future periods. Prepaid expenses include prepayments for space rental and various program expenses.

Deposits pertain to security deposits and advance payments made by the Foundation to suppliers and other entities.

8. Property and Equipment

The rollforward analysis of this account follows:

2018

	Land	Leasehold and Land Improvements	Office Furniture and Equipment	Transportation Equipment	Construction-in-Progress	Total
Cost						
At January 1	**₱102,869,175**	**₱103,575,040**	**₱83,141,623**	**₱2,240,000**	**₱1,268,181**	**₱293,094,019**
Additions	**–**	**6,977,753**	**17,842,201**	**–**	**3,127,248**	**27,947,202**
Disposals	**–**	**–**	**(308,912)**	**(2,240,000)**	**–**	**(2,548,912)**
At December 31	**102,869,175**	**110,552,793**	**100,674,912**	**–**	**4,395,429**	**318,492,309**
Accumulated Depreciation and Amortization						
At January 1	**–**	**36,515,519**	**75,601,036**	**1,588,617**	**–**	**113,705,172**
Depreciation and amortization (Notes 14 and 17)	**–**	**9,492,147**	**3,979,824**	**168,150**	**–**	**13,640,121**
Disposals	**–**	**–**	**(290,833)**	**(1,756,767)**	**–**	**(2,047,600)**
At December 31	**–**	**46,007,666**	**79,290,027**	**–**	**–**	**125,297,693**
Net Book Value	**₱102,869,175**	**₱64,545,127**	**₱21,384,885**	**₱–**	**₱4,395,429**	**₱193,194,616**

2017

	Land	Leasehold and Land Improvements	Office Furniture and Equipment	Transportation Equipment	Construction-in-Progress	Total
Cost						
At January 1	₱102,869,175	₱102,256,348	₱81,330,914	₱2,990,000	₱1,402,361	₱290,848,798
Additions	–	593,224	3,504,990	–	704,213	4,802,427
Disposals	–	(112,925)	(1,694,281)	(750,000)	–	(2,557,206)
Transfers	–	838,393	–	–	(838,393)	–
At December 31	102,869,175	103,575,040	83,141,623	2,240,000	1,268,181	293,094,019
Accumulated Depreciation and Amortization						
At January 1	–	27,450,447	72,699,806	1,653,117	–	101,803,370
Depreciation and amortization (Notes 14 and 17)	–	9,177,997	4,587,427	498,000	–	14,263,424
Disposals	–	(112,925)	(1,686,197)	(562,500)	–	(2,361,622)
At December 31	–	36,515,519	75,601,036	1,588,617	–	113,705,172
Net Book Value	₱102,869,175	₱67,059,521	₱7,540,587	₱651,383	₱1,268,181	₱179,388,847

Construction-in-progress includes the ongoing facilities improvement in the Ayala Museum.

Land amounting to ₱92.65 million, which was donated in 2003, is subject to a leasehold right existing thereon with a third party.

Depreciation and amortization charged against unrestricted net assets (included under “Project”, “General and administrative” and “Net loss from other activities” in statement of activities) amounted to ₱13.72 million and ₱14.88 million in 2018 and 2017, respectively.

Fully depreciated property and equipment still being used by the Foundation amounted to ₱73.37 million and ₱68.07 million as of December 31, 2018 and 2017, respectively.

9. Software Cost

The rollforward analysis of this account follows:

	2018	2017
Cost		
At January 1 and December 31	**₱7,808,379**	₱7,808,379
Accumulated Amortization		
At January 1	**7,733,378**	7,117,546
Amortization	**75,001**	615,832
At December 31	**7,808,379**	7,733,378
Net Book Value	**₱–**	₱75,001

Amortization charged against unrestricted net assets (included under “Project”, “General and administrative” and “Net loss from other activities” in statement of activities) amounted to ₱0.08 million and ₱0.62 million in 2018 and 2017, respectively.

Cost of fully amortized software still being used by the Foundation amounted to ₱7.81 million and ₱7.58 million as of December 31, 2018 and 2017, respectively.

10. Financial Assets

As of December 31, 2018, financial assets consists of:

Financial assets at fair value through profit or loss	
Listed equity securities	₱581,247,173
Equity investments in non-listed companies	575,540
Pooled funds	677,086,879
Investments in debt securities at amortized cost	917,918,631
Financial assets at fair value through other comprehensive income	32,948,032
	2,209,776,255
Less noncurrent portion of financial assets	950,866,663
	₱1,258,909,592

As of December 31, 2017, available-for-sale financial assets consists of investments in:

Common trust fund	₱717,004,949
Equity securities	
Quoted	375,988,400
Unquoted	575,540
Debt securities	
Quoted	1,200,484,620
Unquoted	81,492,458
	₱2,375,545,967

The rollforward of fair value reserve of financial assets at FVOCI follows:

	2018
Balance at beginning of year, as reported	₱99,679,439
Effect of adopting PFRS 9 (Note 2)	(114,132,064)
Balance at beginning of year, as restated	(14,452,625)
Changes in fair value recognized directly in net assets	(13,764,417)
Changes in fair value taken to profit or loss	20,111,331
Balance at end of year	(₱8,105,711)

The rollforward of net unrealized gain (loss) on AFS financial assets follows:

	2017
Balance at beginning of year	(₱28,497,128)
Changes in fair value recognized directly in net assets	153,234,069
Changes in fair value taken to profit or loss	(25,057,502)
Balance at end of year	₱99,679,439

The breakdown of investment income follows:

	2018	2017
Debt instruments	**₱33,258,031**	₱34,054,425
Dividends	**18,726,163**	19,705,678
Government securities	**2,474,909**	6,266,257
Loans	**2,286,663**	2,494,324
Others	**308,258**	183,056
Realized gain (loss)	**(20,111,331)**	25,057,502
	₱36,942,693	₱87,761,242

11. Accounts and Other Payables

This account consists of:

	2018	2017
Accrued expenses	**₱16,533,715**	₱23,325,385
Trade payables	**14,013,100**	9,967,002
Payable to consignors	**6,531,485**	5,855,343
Deferred revenue	**1,600,000**	–
Others	**3,385,598**	2,394,480
	₱42,063,898	₱41,542,210

Accrued expenses pertain to the unbilled charges associated with the renovations and maintenance of the Ayala Museum building, real property taxes, professional management fees, and other expenses. This account includes payable to related parties amounting to ₱6.56 million and ₱8.87 million in 2018 and 2017, respectively (see Note 13).

Trade payables include payables to suppliers that are noninterest-bearing and are normally settled on 30- to 60-day terms. This account includes payable to related parties amounting to ₱0.69 million and nil in 2018 and 2017, respectively (see Note 13).

Payable to consignors pertain to the amount due to consignors for sale of goods consigned to the Foundation.

Other payables are non-interest bearing and are normally settled within one year. This includes payable to related parties amounting to ₱0.27 million and nil in 2018 and 2017, respectively.

12. Defined Benefit Plan

The Foundation has funded, noncontributory defined benefit retirement plan covering substantially all of its regular permanent employees. The benefits are generally based on defined contribution formula with minimum lump-sum guarantee of 1.5 months' basic salary per year of service.

The Foundation's annual contributions to the plan consist principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are administered by a trustee bank of the Foundation and subject to the investment objectives and guidelines established by the Foundation's Employee Welfare and Retirement Fund Investment Committee (the Committee) and rules and regulations issued by Bangko Sentral ng Pilipinas (BSP) covering assets under trust and fiduciary agreements. The Committee is responsible for the investment strategy of the plan.

Republic Act 7641, *The New Retirement Law,* requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of pension expense included in "Personnel costs" under "General and administrative expenses" in the statements of activities follows (see Note 14):

	2018	2017
Current service cost	**₱6,149,740**	₱7,331,294
Net interest income	**(752,421)**	(189,854)
Total pension expense	**₱5,397,319**	₱7,141,440

The remeasurement effects recognized in other comprehensive income in the statements of activities follows:

	2018	2017
Actuarial loss due to experience adjustment	**₱5,820,710**	₱1,529,214
Actuarial gain due to change in financial assumption	**(9,619,583)**	(10,966,491)
Actuarial (gain) loss on plan assets excluding amount included in net interest	**5,025,840**	(267,740)
	₱1,226,967	(₱9,705,017)

The amounts recognized under pension asset - net in the statements of financial position follows:

	2018	2017
Plan assets	**₱62,466,076**	₱65,536,050
Benefit obligations	**(49,983,080)**	(52,563,284)
Asset to be recognized	**₱12,482,996**	₱12,972,766

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

	2018	2017
Balance at January 1	**₱52,563,284**	₱53,105,509
Current service cost	**6,149,740**	7,331,294
Interest expense	**3,048,670**	2,177,326
Remeasurement gain on obligation	**(3,798,873)**	(9,437,277)
Benefits paid	**(7,979,741)**	(613,568)
Balance at December 31	**₱49,983,080**	₱52,563,284

Changes in the fair value of plan assets follows:

	2018	2017
Balance at January 1	**₱65,536,050**	₱57,736,105
Contributions	**6,134,516**	5,778,593
Interest income on plan assets	**3,801,091**	2,367,180
Remeasurement gain (loss) on plan assets	**(5,025,840)**	267,740
Benefits paid	**(7,979,741)**	(613,568)
Balance at December 31	**₱62,466,076**	₱65,536,050

The fair value of plan assets by each class and by industry type as at the end of the reporting period follows:

	2018	2017
Assets		
Cash	**₱15,662**	₱274
Receivables	**228,838**	496,299
Debt instruments:		
Holding firms	**12,500,000**	12,500,000
Pooled funds	**11,079,501**	3,161,314
Property	**9,000,000**	8,000,000
Services	**4,895,225**	5,979,954
Financials	**4,000,000**	4,000,000
Government securities	**–**	15,854,709
Equity instruments:		
Pooled funds	**18,460,267**	12,956,055
Holding firms	**2,333,000**	2,636,000
	62,512,493	65,584,605
Liabilities		
Trust fee payable	**46,417**	48,555
Total value of plan assets	**₱62,466,076**	₱65,536,050

All equity and debt investments held have quoted prices in active markets. The remaining plan assets do not have quoted market prices in active markets.

The plan assets do not have any concentration on risk. The assumptions used to determine pension benefits for the Foundation for the years ended December 31, 2018 and 2017 follows:

	2018	2017
Discount rate	**7.60%**	5.80%
Salary increase rate	**6.00%**	6.00%
Turn-over rate	**nil to 100.00%**	nil to 100.00%
Mortality rate	**0.05 to 0.74%**	0.05 to 0.74%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

Below shows the sensitivity analysis determined based on reasonably possible changes of each significant assumptions stated above, assuming all other assumptions were held constant:

	2018			
	Discount Rate		**Salary Increase Rate**	
	+0.50%	**(0.50%)**	**+0.50%**	**(0.50%)**
Accrued liability	**₱47,740,255**	**₱52,396,754**	**₱52,259,602**	**₱47,848,520**
Current fund assets	**(62,466,076)**	**(62,466,076)**	**(62,466,076)**	**(62,466,076)**
Overfunded	**(₱14,725,821)**	**(₱10,069,322)**	**(₱10,206,474)**	**(₱14,617,556)**

	2017			
	Discount Rate		Discount Rate	
	+0.50%	+0.50%	+0.50%	+0.50%
Accrued liability	₱49,882,963	₱55,470,562	₱55,279,841	₱50,032,245
Current fund assets	(65,536,050)	(65,536,050)	(65,536,050)	(65,536,050)
Overfunded	(₱15,653,087)	(₱10,065,488)	(₱10,256,209)	(₱15,503,805)

The Foundation does not perform any Asset-Liability Matching Study. The overall investment policy and strategy of the retirement plan is based on the suitability assessment, as provided by its trust bank, in compliance with the BSP requirements. It does, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan. The plan assets consist of 55.60% fixed income instruments, 27.04% equity instruments, 17.00% cash and 0.37% others in 2018, and 70.65% fixed income instruments, 23.77% equity instruments, 4.82% cash and 0.76% others in 2017. The Foundation expects to make additional contributions of ₱8.47 million to its retirement fund in 2019.

The following table shows the maturity profile of the Foundation's defined benefit obligation based on undiscounted benefit payments:

	2018	2017
More than 1 year to 5 years	**₱15,981,771**	₱17,642,259
More than 5 years to 10 years	**75,530,069**	65,653,272
More than 10 years to 15 years	**40,537,830**	38,114,915
More than 15 years and up	**282,801,815**	234,685,609
	₱414,851,485	₱356,096,055

13. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Transactions with related parties are made at normal market prices and settlement occurs in cash. Shown below are the transactions with related parties during the year:

2018

Related Party	**Amount**	**Outstanding Balance**	**Terms and conditions**
Key management personnel:			
Public support and project revenues	**₱694,415**	**₱–**	**Non-interest bearing; unsecured**
Entities controlled by key management personnel:			
Public support, project revenues and receivables	**129,265,410**	**4,617,767**	**Non-interest bearing; unsecured**
Project expenses and payables	**12,311,124**	**6,563,903**	**Non-interest bearing; unsecured**
	₱142,270,949	**₱11,181,670**	

2017

Related Party	Amount	Outstanding Balance	Terms and conditions
Key management personnel:			
Public support	₱2,203,284	₱–	Non-interest bearing; unsecured
Entities controlled by key management personnel:			
Public support, project revenues, and trade receivables	88,847,940	411,646	Non-interest bearing; unsecured
Project expenses and payables	18,280,759	8,865,717	Non-interest bearing; unsecured
	₱109,331,983	₱9,277,363	

Terms and conditions of transactions with related parties
Public support, project revenue and receivables transactions pertain mostly to donations received and payment of fees for services rendered by the Foundation from its related parties. Project expenses and payables mainly pertain to costs of facilities and other dues paid by related parties in behalf of the Foundation.

Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2018 and 2017, allowance for doubtful accounts relating to receivable from related parties amounted to ₱230,888 and ₱59,192, respectively. There were no expenses for doubtful accounts from related party transactions recognized for the years ended December 31, 2018 and 2017.

Compensation of key management personnel by benefit type (included in the "Salaries, wages and employee benefits" and "Personnel costs") follows:

	2018	2017
Short-term employee benefits	**₱20,606,443**	₱18,448,477
Post-employment benefits	**1,256,703**	1,199,679
	₱21,863,146	₱19,648,156

14. **Net Assets**

Unrestricted net assets are those net assets that are neither temporarily restricted nor permanently restricted. It includes all net assets with uses not restricted by donors, by the Board of Trustees or by law.

Temporarily restricted net assets refer to those net assets whose use by the Foundation is limited by donors to later periods of time or after specified dates or specified purposes.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Permanently restricted net assets are those assets that the donor stipulates must be maintained by the Foundation in perpetuity. Permanently restricted net assets increase when Foundation receives contributions for which donor-imposed restrictions limiting the Foundation's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Foundation's meeting certain requirements. Permanently restricted net assets generally come from: (1) contributions, with donor-imposed permanent restrictions; (2) increase or decrease in existing assets that are subject to permanent restrictions by donor or by law (such as unrealized gains, and interest income); and (3) reclassification from another net asset class as a result of donor stipulation or by law.

Details of the Foundation's net assets as of December 31 follows:

	2018	2017
Unrestricted	**₱52,258,309**	₱102,995,744
Temporarily restricted:		
Property and equipment	**193,194,616**	179,463,847
Livelihood and other community development programs	**91,613,634**	74,231,347
Education and youth leadership programs	**20,851,479**	30,019,190
	305,659,729	283,714,384
Permanently restricted:		
Investment in perpetuity, the income of which is expendable to support education and other programs	**2,187,714,273**	2,187,714,273
Net fair value loss on financial assets at FVOCI	**(8,105,711)**	–
Net unrealized gain on financial assets	–	99,679,439
Remeasurement gain on defined benefit obligation	**14,446,290**	15,673,257
	₱2,551,972,890	₱2,689,777,097

Details of the Foundation's expenses follow:

Project Expenses

	2018	2017
Project implementation (Note 13):		
Disaster relief and other special projects	**₱37,402,049**	₱61,193,378
Arts and culture	**28,622,226**	56,714,782
Education	**23,635,537**	25,344,501
Youth leadership	**14,939,070**	14,333,482
Sustainable livelihood	**7,856,148**	4,375,483
Project management:		
Salaries, wages and employee benefits	**70,078,253**	49,246,069
Monitoring and administrative	**9,778,936**	9,569,942
Building overhead (Note 13)	**32,123,051**	29,251,124
	₱224,435,270	₱250,028,761

General and Administrative Expenses

	2018	2017
Personnel costs (Note 12)	**₱27,069,017**	₱34,785,462
Premises, utilities and maintenance	**3,883,834**	3,994,603
Professional and service fees	**4,284,758**	3,536,899
Depreciation and amortization (Notes 8 and 9)	**2,437,536**	2,940,777
Transportation and travel	**1,655,645**	1,692,360
Communication and postage	**1,161,336**	1,157,591
Advocacy and public information services	**913,746**	637,824
Supplies	**338,060**	432,254
Trainings and seminars	**101,317**	268,234
Taxes and licenses	**131,347**	40,805
Others	**1,709,498**	1,279,803
	₱43,686,094	₱50,766,612

Capital management
The primary objectives of the Foundation's capital management policies are to devote its funds to charitable projects, scholarship grants and cultural activities, to afford the financial flexibility to support its operations and to protect and preserve capital to ensure financial sustainability of the Foundation.

The Foundation's source of capital is its total net assets, which is composed of unrestricted, temporarily restricted and permanently restricted net assets, plus the net unrealized gain (loss) on financial assets.

	2018	2017
Net Assets		
Unrestricted	**₱52,258,309**	₱101,896,501
Temporarily restricted	**305,659,729**	284,813,627
Permanently restricted	**2,187,714,273**	2,187,714,273
Net fair value loss on financial assets at FVOCI (Note 10)	**(8,105,711)**	–
Net unrealized gain on financial assets (Note 10)	–	99,679,439
	₱2,537,526,600	₱2,674,103,840

15. **Income Tax**

Provision for income tax in 2018 and 2017 represents the minimum corporate income tax (MCIT).

The Foundation has NOLCO and MCIT that are available for offset against future taxable income or tax payable, for which deferred tax assets have not been recognized. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. As of December 31, 2018 and 2017, total recognized MCIT amounted ₱543,120 and ₱406,466 respectively.

As of December 31, 2018 and 2017, total unrecognized deferred tax on NOLCO and MCIT are shown below:

	2018	2017
NOLCO	**₱2,693,032**	₱5,846,745
MCIT	–	167,041

As of December 31, 2018, MCIT and NOLCO that can be claimed as deduction from future income tax liabilities or taxable income, respectively follows:

Year incurred	MCIT	NOLCO	Expiry year
2016	₱241,670	₱3,124,682	2019
2017	164,796	2,757,503	2020
2018	136,654	3,094,587	2021
	₱543,120	₱8,976,772	

The movements in NOLCO and MCIT follows:

NOLCO:

	2018	2017
At January 1	**₱19,489,150**	₱28,836,966
Additions	**3,094,587**	2,757,503
Expiration	**(13,606,965)**	(12,105,319)
At December 31	**₱8,976,772**	₱19,489,150

MCIT:

	2018	2017
At January 1	**₱573,507**	₱548,022
Additions	**136,654**	164,796
Expiration	**(167,041)**	(139,311)
At December 31	**₱543,120**	₱573,507

The reconciliation of statutory income tax to the provision for income tax follows:

	2018	2017
Statutory income tax	**(₱42,877,246)**	(₱8,889,689)
Tax effects of:		
Nontaxable income	**(38,350,885)**	(82,011,378)
Nondeductible expenses	**80,436,409**	90,238,612
Change in unrecognized deferred tax assets	**928,376**	827,251
Provision for income tax	**₱136,654**	₱164,796

16. **Financial Instruments**

Fair Value Measurement

The following table shows an analysis of the Foundation's financial assets and liabilities by level of the fair value hierarchy:

	December 31, 2018			
	Fair value measurement using			
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value:				
Fair value through profit or loss				
Listed equity securities	**₱581,247,173**	**₱327,054,000**	**₱254,193,173**	**₱–**
Equity investments in non-listed companies	**575,540**	**–**	**–**	**575,540**
Pooled funds	**677,086,879**	**–**	**677,086,879**	**–**
Fair value through OCI	**32,948,032**	**32,948,032**	**–**	**–**
	₱1,291,857,624	**₱360,002,032**	**₱931,280,052**	**₱575,540**

	December 31, 2017			
	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Available-for-sale financial assets				
Common trust fund	₱717,004,949	₱–	₱717,004,949	₱–
Quoted equity securities	375,988,400	375,988,400	–	–
Unquoted equity securities	575,540	–	–	575,540
Quoted debt securities	1,200,484,620	1,200,484,620	–	–
Unquoted debt securities	81,492,458	–	45,912,157	35,580,301
	₱2,375,545,967	₱1,576,473,020	₱762,917,106	₱36,155,841

The Foundation uses the following hierarchy for determining and disclosing the fair value of its assets and liabilities by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following methods and assumptions were used to estimate the fair values:

Management assessed that the fair values of cash and cash equivalents, loans and receivables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Quoted debt and equity investments - Fair values are based on quoted prices published in markets.

Unquoted investments - Fair value of common trust funds are based on the net asset value per share. For other unquoted equity shares and bonds, fair values are based on the latest selling price available.

Quoted equity securities amounting to ₱327.05 million and ₱375.99 million as of December 31, 2018 and 2017, respectively were classified under Level 1 (see Note 10).

Quoted equity securities amounting to ₱254.19 million as of December 31, 2018 were classified under Level 2 (see Note 10).

Investments in Unit Investment Trust Fund (UITF) amounting to ₱677.09 million and ₱717.00 million as of December 31, 2018 and 2017, respectively were classified under Level 2 (see Note 10).

Unquoted equity instruments amounting to ₱0.58 million as of December 31, 2018 and 2017 were classified under Level 3 (see Note 10).

Debt instruments amounting to ₱32.95 million and ₱203.67 million as of December 31, 2018 and 2017 were classified under Level 1 (see Note 10).

There were no transfers between fair value categories for assets and liabilities measured at fair value in 2018 and 2017.

Financial Risk Management Objectives and Policies
The Foundation has various financial instruments such as cash and cash equivalents, receivables, AFS financial assets, and accounts and other payables which arise directly from its operations.

The main purpose of the Foundation's financial instruments is to fund its operational and capital expenditures. The main risks arising from the use of financial instruments are liquidity risk, credit risk and equity price risk.

The Foundation's risk management policies are summarized below:

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Foundation maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Foundation regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities include investments in quoted and unquoted securities.

As of December 31, 2018 and 2017, the carrying amounts of accounts and other payables will be settled within one year.

The following table shows the maturity profile of the Foundation's financial assets and liabilities based on contractual undiscounted payments:

	December 31, 2018			
	Within 1 Year	**More than 1 Year**	**No Term**	**Total Gross**
Financial Assets				
Amortized cost				
Cash and cash equivalents	**₱135,355,500**	**₱–**	**₱–**	**₱135,355,500**
Receivables				
Accrued interest	**7,145,725**	–	–	**7,145,725**
Trade	**8,173,860**	–	–	**8,173,860**
Advances to officers and employees	**1,993,103**	–	–	**1,993,103**
Advances to cooperative	**1,218,200**	–	–	**1,218,200**
Nontrade	**923,195**	–	–	**923,195**
Others	**161,976**	–	–	**161,976**
Non-current financial assets	–	**917,918,631**	–	**917,918,631**
	154,971,559	**917,918,631**	–	**1,072,890,190**
Fair value through profit or loss				
Listed equity securities	–	–	**581,247,173**	**581,247,173**
Equity investments in non-listed companies	–	–	**575,540**	**575,540**
Pooled funds	–	–	**677,086,879**	**677,086,879**
	–	–	**1,258,909,592**	**1,258,909,592**
Fair value through OCI	–	**32,948,032**	–	**32,948,032**
Total Financial Assets	**₱154,971,560**	**₱950,866,663**	**₱1,258,909,592**	**₱2,364,747,814**
Other Financial Liabilities				
Accounts and other payables				
Accrued expenses	**₱16,533,715**	**₱–**	**₱–**	**₱16,533,715**
Trade	**14,013,100**	–	–	**14,013,100**
Payable to consignors	**6,531,485**	–	–	**6,531,485**
Others	**4,985,598**	–	–	**4,985,598**
Total Other Financial Liabilities	**₱42,063,898**	**₱–**	**₱–**	**₱42,063,898**

	December 31, 2017			
	Within 1 Year	More than 1 Year	No Term	Total Gross
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱124,659,286	₱–	₱–	₱124,659,286
Receivables				
Accrued interest	8,364,966	–	–	8,364,966
Trade	3,602,302	–	–	3,602,302
Advances to officers and employees	1,775,369	–	–	1,775,369
Advances to cooperative	987,947	–	–	987,947
Nontrade	832,247	–	–	832,247
Others	109,343	–	–	109,343
	140,331,460	–	–	140,331,460
AFS financial assets				
Common trust fund	–	717,004,949	–	717,004,949
Equity securities	–	–	376,563,940	376,563,940
Debt securities	–	1,281,977,078	–	1,281,977,078
	–	1,998,982,027	376,563,940	2,375,545,967
Total Financial Assets	₱140,331,460	₱1,998,982,027	₱376,563,940	₱2,515,877,427

(Forward)

	December 31, 2017			
	Within 1 Year	More than 1 Year	No Term	Total Gross
Other Financial Liabilities				
Accounts and other payables				
Accrued expenses	₱23,325,385	₱–	₱–	₱23,325,385
Trade	9,967,002	–	–	9,967,002
Payable to consignors	5,855,343	–	–	5,855,343
Others	2,394,480	–	–	2,394,480
Total Other Financial Liabilities	₱41,542,210	₱–	₱–	₱41,542,210

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Foundation's holding of cash and cash equivalents exposes the Foundation to credit risk of the counterparty. Credit risk management involves dealing only with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. Given the Foundation's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The maximum exposure to credit risk for the components of the statements of financial position is equal to the carrying values.

The aging analysis of receivables presented per class, are as follows:

December 31, 2018

	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	30-60 Days	61-90 Days	91-120 Days	>120 Days	Total	Impaired	Total
Accrued interest	**₱7,145,725**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,145,725**
Trade	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,173,860**	**8,173,860**
Advances to officers and employees	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,993,103**	**1,993,103**
Advances to cooperative	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,218,200**	**1,218,200**
Nontrade	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**923,195**	**923,195**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**161,976**	**161,976**
	₱7,145,725	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12,470,334**	**₱19,616,059**

December 31, 2017

	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	30-60 Days	61-90 Days	91-120 Days	>120 Days	Total	Impaired	Total
Accrued interest	₱8,364,966	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱8,364,966
Trade	648,169	1,141,601	861,238	948,005	–	3,289	2,954,133	–	3,602,302
Advances to officers and employees	1,659,861	102,165	7,629	2,207	1,379	2,128	115,508	–	1,775,369
Advances to cooperative	950,000	–	–	–	–	37,947	37,947	–	987,947
Nontrade	240,569	137,986	164,341	42,912	183,399	62,776	591,414	264	832,247
Others	109,343	–	–	–	–	–	–	–	109,343
	₱11,972,908	₱1,381,752	₱1,033,208	₱993,124	₱184,778	₱106,140	₱3,699,002	₱264	₱15,672,174

The table below shows the credit quality of the Foundation's financial assets:

	December 31, 2018						
	Neither Past Due nor Impaired				Past Due but	Individually	
	High Grade	**Medium Grade**	**Low Grade**	**Total**	**Not Impaired**	**Impaired**	**Total**
Cash and cash equivalents	**₱135,355,500**	**₱–**	**₱–**	**₱135,355,500**	**₱–**	**₱–**	**₱135,355,500**
Receivables:							
Accrued interest	**7,145,725**	**–**	**–**	**7,145,725**	**–**	**–**	**7,145,725**
Trade	**–**	**–**	**–**	**–**	**–**	**8,173,860**	**8,173,860**
Advances to officers and employees	**–**	**–**	**–**	**–**	**–**	**1,993,103**	**1,993,103**
Advances to cooperative	**–**	**–**	**–**	**–**	**–**	**1,218,200**	**1,218,200**
Nontrade	**–**	**–**	**–**	**–**	**–**	**923,195**	**923,195**
Others	**–**	**–**	**–**	**–**	**–**	**161,976**	**161,976**
Financial assets:							
Fair value through profit or loss	**1,258,909,592**	**–**	**–**	**1,258,909,592**	**–**	**–**	**1,258,909,592**
Amortized cost	**917,918,631**	**–**	**–**	**917,918,631**	**–**	**–**	**917,918,631**
Fair value through OCI	**32,948,032**	**–**	**–**	**32,948,032**	**–**	**–**	**32,948,032**
	₱2,352,277,480	**₱–**	**₱–**	**₱2,352,277,480**	**₱–**	**₱12,470,334**	**₱2,364,747,814**

	December 31, 2017						
	Neither Past Due nor Impaired				Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Total	Not Impaired	Impaired	Total
Cash and cash equivalents	₱124,659,286	₱–	₱–	₱124,659,286	₱–	₱–	₱124,659,286
Receivables:							
Accrued interest	8,364,966	–	–	8,364,966	–	–	8,364,966
Trade	53,906	594,263	–	648,169	2,954,133	–	3,602,302
Advances to officers and employees	1,659,861	–	–	1,659,861	115,508	–	1,775,369
Advances to cooperative	950,000	–	–	950,000	37,947	–	987,947
Nontrade	128,739	111,830	–	240,569	591,414	264	832,247
Others	86,430	–	–	86,430	–	22,913	109,343
AFS financial assets:							
Common trust fund	717,004,949	–	–	717,004,949	–	–	717,004,949
Quoted securities	376,563,940	–	–	376,563,940	–	–	376,563,940
Unquoted securities	1,281,977,078	–	–	1,281,977,078	–	–	1,281,977,078
	₱2,511,449,155	₱706,093	₱–	₱2,512,155,248	₱3,699,002	₱23,177	₱2,515,877,427

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - based on the nature of the counterparty. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Receivables - high grade pertains to receivables from Ayala Group of Companies and debtors without past due accounts; medium grade pertains to receivables with past due accounts not exceeding 12 months; and low grade pertains to receivables with past due accounts exceeding 12 months.

Financial assets – high grade pertains to quoted financial assets and unquoted financial assets are unrated.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation's market risk includes equity price risk.

The Foundation's exposure to the risk for change in market value relates primarily to the Foundation's financial assets at fair value through profit or loss and fair value through OCI. The Foundation's financial assets at fair value through profit or loss and fair value through OCI are managed by a trustee bank.

Equity price risk
Financial assets at fair value through profit or loss and fair value through OCI are acquired at certain prices in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, the country's economic performance, political stability, and domestic inflation rates, these prices change, reflecting how market participants view the developments.

The following table demonstrates the sensitivity to a reasonably possible change in the equity prices, with all variables held constant, of the Foundation's net assets on December 31, 2018 and 2017.

	Effect on Net Assets	
Increase (decrease)	**2018**	2017
5%	**₱97,313,076**	₱118,349,117
(5%)	**(97,313,076)**	(118,349,117)

17. **Other Activities**

Details of revenue and expenses of the Foundation's museum, library and other revenue-earning community development projects follows:

	2018	2017
Revenue	**₱39,478,496**	₱41,751,668
Expenses	**(42,573,083)**	(44,509,170)
Net loss	**₱3,094,587**	₱2,757,502

18. **Notes to Statements of Cash Flows**

The non-cash transaction of the Foundation for the year ended December 31, 2018 pertains to the acquisition of additional leasehold improvements amounting to ₱1.25 million.

19. **Supplementary Tax Information Under Revenue Regulations (RR) 15-2010**

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Value-added Tax (VAT)

a. *Output VAT*

The Foundation is a VAT-registered company with Output VAT declaration as follows:

	Net Sales/ Receipts	Output VAT
Taxable sales		
Sale of goods	₱19,247,430	₱2,309,692
Leasing income	9,974,497	1,196,939
Sales of services	8,007,151	960,858
	₱37,229,078	₱4,467,489

The Foundation's sales of services are based on actual collections received, and sale of goods include those from consignment, hence, may not be the same as amounts accrued in the statement of activities.

b. *Input VAT*

The amount of VAT input taxes claimed broken down into:

Beginning of the year	₱4,242,537
Current year's purchases:	
I. Goods for resale/manufacture or further processing	–
II. Goods other than for resale or manufacture	286,325
III. Capital goods subject to amortization	–
IV. Capital goods not subject to amortization	–
V. Services lodged under cost of goods sold	–
VI. Services lodged under other accounts	2,984,745
Claims for tax credit/refund and other adjustments	(4,467,489)
Balance at the end of the year	₱3,046,118

c. *Excise tax*

The Foundation did not enter into any transaction subject to excise tax.

d. *Documentary stamp tax*

The Foundation paid documentary stamp taxes amounting to ₱50.

e. All other local and national taxes

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Project' and 'General and administrative' accounts both in the Foundation's statement of activities.

Details consist of the following:

	Project Expenses	General and Administrative Expenses	Total
Real estate taxes	₱506,325	₱112,021	₱618,346
License and permits fees	215,722	34,947	250,669
	₱722,047	₱146,968	₱869,015

f. Withholding taxes

Withholding taxes on compensation and benefits	₱12,138,941
Expanded withholding taxes	4,847,580
Final withholding taxes	1,428,900
Withholding VAT	624,350
	₱19,039,771

g. Tax assessments

As of December 31, 2018, the Foundation has not received any final assessment notice from the BIR.