

***SEDPI Foundation,  
Inc.***

(A non-stock, not-for-profit  
organization)

**Financial Statements**

**As at and for the years ended December 31, 2019 and 2018**



## Independent Auditor's Report

To the Board of Trustees  
**SEDPI Foundation, Inc.**  
(A non-stock, not-for-profit organization)  
Unit 303, Loyola Heights Condo  
23 F. Dela Rosa St., Brgy. Loyola Heights  
Quezon City

### Report on the Audits of the Financial Statements

#### *Our Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SEDPI Foundation, Inc. (the "Foundation") as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small Entities ("PFRS for SEs").

#### *What we have audited*

The financial statements of the Foundation comprise:

- the statements of financial position as at December 31, 2019 and 2018;
- the statements of total comprehensive income for the years ended December 31, 2019 and 2018;
- the statements of changes in fund balance for the years ended December 31, 2019 and 2018;
- the statements of cash flows for the years ended December 31, 2019 and 2018; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

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.



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To the Board of Trustees of  
**SEDPI Foundation, Inc.**  
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***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 PFRS for SEs, 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.



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To the Board of Trustees of  
**SEDPI Foundation, Inc.**  
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- 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.



Independent Auditor's Report  
To the Board of Trustees of  
**SEDPI Foundation, Inc.**  
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***Report on the Bureau of Internal Revenue Requirement***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 17 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 supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Isla Lipana & Co.**

A handwritten signature in blue ink, appearing to read "Imelda Dela Vega-Mangundaya", is written over the printed name and title.

Imelda Dela Vega-Mangundaya  
Partner

CPA Cert. No. 0000670

PTR No. 0024586, issued on January 7, 2020, Makati City

SEC A.N. (individual) as general auditors 90670-SEC, Category A, valid to audit 2019 to 2023 financial statements

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

TIN 152-015-124

BIR A.N. 08-000745-047-2018, issued on December 10, 2018; effective until December 9, 2021

BOA/PRC Reg. No. 0142, effective until September 30, 2020

June 19, 2020  
Makati City



## Isla Lipana & Co.

Statement required by Section 8 - A, Revenue Regulations No. V - 1

To the Board of Trustees  
**SEDPI Foundation, Inc.**  
(A non-stock, not-for-profit organization)  
Unit 303, Loyola Heights Condo  
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Quezon City

None of the partners of the firm has any financial interest in SEDPI Foundation, Inc. or any family relationships with its president, manager or principal shareholder.

The supplementary information on taxes and licenses is presented in Note 17 to the financial statements.

### **Isla Lipana & Co.**

Imelda Dela Vega-Mangundaya  
Partner

CPA Cert. No. 0090670

PTR No. 0024586, issued on January 7, 2020, Makati City

SEC A.N. (individual) as general auditors 90670-SEC, Category A, valid to audit 2019 to 2023 financial statements

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

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*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines*  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

**SEDPI Foundation, Inc.**  
(A non-stock, not-for-profit Organization)

Statements of Financial Position  
December 31, 2019 and 2018  
(All amounts in Philippine Peso)

	Notes	2019	2018
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash	2	322,890	151,963
Receivables	3	394,485	387,158
Financial literacy books	4	1,009,576	708,028
Other current assets	5	121,980	83,708
<b>Total current assets</b>		<b>1,848,931</b>	<b>1,330,857</b>
<b>Non-current asset</b>			
Investment in shares of stocks	6	2,970,874	3,325,592
<b>Total assets</b>		<b>4,819,805</b>	<b>4,656,449</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>Current liabilities</b>			
Accounts payable	7	227,405	137,629
Due to related parties	15	585,192	589,308
<b>Total current liabilities</b>		<b>812,597</b>	<b>726,937</b>
<b>Non-current liability</b>			
Retirement fund payable		18,000	-
<b>Total liabilities</b>		<b>830,597</b>	<b>726,937</b>
<b>Fund balance</b>			
General	9	2,550,249	2,490,553
Restricted	9	1,438,959	1,438,959
<b>Total fund balance</b>		<b>3,989,208</b>	<b>3,929,512</b>
<b>Total liabilities and fund balance</b>		<b>4,819,805</b>	<b>4,656,449</b>

(The notes on pages 1 to 11 are integral part of these financial statements)

**SEDPI Foundation, Inc.**

(A non-stock, not-for-profit Organization)

Statements of Total Comprehensive Income  
For the years ended December 31, 2019 and 2018  
(All amounts in Philippine Peso)

	<b>Notes</b>	<b>2019</b>	<b>2018</b>
<b>Receipts</b>			
Book sales	10	493,914	612,357
Financial literacy training	10	924,178	975,406
Restricted grants, donations and contributions	10	-	450,296
Other income	11	1,053,665	763,431
<b>Total receipts</b>		<b>2,471,757</b>	<b>2,801,490</b>
<b>Expenses</b>			
Program costs	12	1,993,967	1,940,468
Administrative expenses	13	418,094	813,165
<b>Total expenses</b>		<b>2,412,061</b>	<b>2,753,633</b>
<b>Excess of receipts over expenses before tax</b>		<b>59,696</b>	<b>47,857</b>
Provision for income tax	14	-	1,730
<b>Excess of receipts over expenses for the year</b>		<b>59,696</b>	<b>46,127</b>

(The notes on pages 1 to 11 are integral part of these financial statements)



**SEDPI Foundation, Inc.**  
(A non-stock, not-for-profit Organization)

Statements of Changes in Fund Balance  
For the years ended December 31, 2019 and 2018  
(All amounts in Philippine Peso)

	General fund (Note 9)	Restricted fund (Note 9)	Total
<b>Balances at January 1, 2018</b>	2,894,722	988,663	3,883,385
(Deficiency) excess of receipts over expenses for the year	(404,169)	450,296	46,127
<b>Balances at December 31, 2018</b>	2,490,553	1,438,959	3,929,512
Excess of receipts over expenses for the year	59,696	-	59,696
<b>Balances at December 31, 2019</b>	2,550,249	1,438,959	3,989,208

(The notes on pages 1 to 11 are integral part of these financial statements)

**SEDPI Foundation, Inc.**  
(A non-stock, not-for-profit Organization)

Statements of Cash Flows  
For the years ended December 31, 2019 and 2018  
(All amounts in Philippine Peso)

	Notes	2019	2018
<b>Cash flows from operating activities</b>			
Excess of receipts over expenses before tax		59,696	47,857
Adjustments for:			
Interest income	2	(432)	(443)
Dividend income	11	(1,039,422)	(756,636)
Retirement expense		18,000	-
Changes in assets and liabilities			
Increase in:			
Receivables	3	(7,327)	(211,709)
Inventories	4	(301,548)	(265,066)
Other current assets	5	(38,271)	(2,769)
Increase in accounts payable	7	89,775	87,233
Net cash used in operations		(1,219,529)	(1,101,533)
Interest received	2	432	443
Income tax paid		-	(1,730)
Net cash used in operating activities		(1,219,097)	(1,102,820)
<b>Cash flows from investing activities</b>			
Purchase of investment in shares of stocks	6	(1,039,422)	(792,724)
Sale of investment in shares of stocks	6	1,394,140	1,241,466
Cash dividends received	11	1,039,422	756,636
Net cash from investing activities		1,394,140	1,205,378
<b>Cash flows from financing activity</b>			
Advances from related parties	15	(4,116)	(735,845)
<b>Net increase (decrease) in cash for the year</b>		170,927	(633,287)
Cash at beginning of year		151,963	785,250
<b>Cash at end of year</b>		322,890	151,963

(The notes on pages 1 to 11 are integral part of these financial statements)

**SEDPI Foundation, Inc.**

(A non-stock, not-for-profit Organization)

Notes to the Financial Statements

As at and for the years ended December 31, 2019 and 2018

(All amounts in Philippine Peso)

**Note 1 - General information**

The SEDPI Foundation, Inc. (the “Foundation”) is a non-stock, not-for-profit organization duly organized and existing under and by virtue of the laws of the Republic of the Philippines. It was registered with the Securities and Exchange Commission on January 2, 2013 under SEC Registration No. CN201223660.

The Foundation is governed by a Board of Trustees (BOT), and its operations are funded primarily through donations from donors who may be individuals or organizations.

The Foundation is exempt from income tax under Section 30(g) of the National Internal Revenue Code. However, income from any activities conducted for profit regardless of the disposition made of such income shall be subjected to tax.

On November 5, 2015, the Foundation filed with the Bureau of Internal Revenue (BIR) their application of the tax exemption ruling and the issuance of tax certificate. As at June 19, 2020, the Foundation is awaiting the tax exemption ruling from the BIR.

On March 16, 2020, the Philippine government declared the entire Luzon island under an enhanced community quarantine (ECQ) due to the increasing number of coronavirus disease (COVID-19) cases in the country. On May 12, 2020, the Philippine government then approved the easing of restrictions in Metro Manila among other cities from ECQ to modified enhanced community quarantine (MECQ) in effect from May 16, 2020 until May 31, 2020. The ECQ and MECQ mandated the closure of non-essential business establishments and strict home quarantine resulting to a slowdown of economy. On June 1, 2020, the Metro Manila shifted from MECQ to general community quarantine (GCQ) allowing the reopening of most businesses, although under reduced operating capacity and still under strict health protocols. Measures are in place to protect the health and safety of the Foundation’s employees, clients and partners, support business continuity and manage financial risks to a minimum. While the financial impact to the Foundation is considered a non-adjusting subsequent event as at December 31, 2019, management continues to monitor the subsequent developments on COVID-19 pandemic as continued spread and prolonged isolation may have an impact on the Foundation’s forward strategies, continuing operations and financial performance which is not reasonably determinable at reporting date.

The Foundation’s registered office, which is also its principal place of business, is at Unit 303 Loyola Heights Condo 23 F. Dela Rosa St., Brgy. Loyola Heights, Quezon City.

These financial statements were approved and authorized for issuance by the Foundation’s BOT on June 19, 2020.

**Note 2 - Cash in banks**

Cash with banks earn interest at the prevailing bank deposit rates. Interest income from cash in banks amounted to P432 for the year ended December 31, 2019 (2018 - 443).

### **Note 3 - Receivables**

The account as at December 31 consists of:

	Note	2019	2018
Advances to officers and employees		353,960	346,633
Due from SEDPI Social Enterprise Ventures, Inc. (SSEVI)		24,189	24,189
Dividends receivable	6	16,336	16,336
Total		394,485	387,158

Advances to officers and employees are normally liquidated within the next financial year.

No receivables have been pledged as a security for liabilities.

### **Note 4 - Financial literacy books**

The books are purchased and sold by the Foundation for fund raising activity to fund the conduct of financial literacy trainings to marginalized sectors which was authorized by the Department of Social Welfare and Development (DSWD) effective November 2016. Following the expiration of DSWD authorization in November 2017, the Foundation applied for its renewal last October 2018. As at June 19, 2020, the Foundation is awaiting approval for its renewal application.

Financial literacy books are stated at cost as of December 31, 2019 and 2018. There were no allowances or write-down as at December 31, 2019 and 2018.

### **Note 5 - Other current assets**

This account as at December 31 consists of:

	2019	2018
Creditable withholding taxes	89,105	50,463
Income tax credit	32,875	32,875
Overpayment of expanded withholding taxes	-	370
Total	121,980	83,708

Creditable withholding taxes are taxes withheld by the withholding agents from payments to the Foundation which can be applied against the income tax payable. These arise from book sales to Department of Education, National Bookstore and Fully Booked.

### **Note 6 - Investment in shares of stocks**

This account as at December 31 pertains to the Foundation's investment in the preferred shares of SEDPI Development Finance, Inc. (SDFI) as follows:

	2019	2018
Beginning	3,325,592	3,774,334
Investments during the year	1,039,422	792,724
Withdrawals during the year	(1,394,140)	(1,241,466)
End	2,970,874	3,325,592

This investment is measured at cost less impairment, if any.

SDFI is a company incorporated and registered in the Philippines engaged in general financing business of extending credit facilities to consumers and to industrial, commercial or agricultural enterprises.

### **Note 7 - Accounts payable**

This account as at December 31 pertains to amounts payable to various third party vendors for program costs and administrative expenses. Details of this account are as follows:

	2019	2018
Accounts payable	217,054	111,701
Withholding tax payable	7,380	24,860
Payable to other government agencies	2,971	1,068
	227,405	137,629

These are non-interest bearing and are normally settled within the next financial year.

### **Note 8 - Deposit for social investment**

SDFI has partnered with various Overseas Filipino Workers and the Foundation in connection with Social Welfare Protection Program (SWePP). SwePP aims to promote the economic welfare and improve the quality and health of its members. The members of the Foundation pay membership dues along with other assessments to fund the benefits provided by SWePP. These benefits include, but are not limited to, death, accident, hospitalization and fire assistance.

Proceeds from these programs are used to acquire preferred shares of SDFI.

Details of this amount as at December 31 are as follows:

	2019	2018
Proceeds received	1,868,744	1,843,644
Less: Amount invested in preferred shares	(1,868,744)	(1,843,644)
Net investment	-	-

### **Note 9 - Fund balance**

#### *Restricted funds*

Restricted funds are endowment funds received by the Foundation for specific purposes and are subject to certain restrictions imposed by donors, namely Leadership, Financial Literacy and Social Entrepreneurship (LSE) consortium, SDFI and Social Enterprise Development Partnerships, Inc. (SEDPI).

Restricted funds amounting to P222,360 as at December 31, 2019 and 2018 pertain to proceeds from literacy trainings held under LSE programs.

Restricted funds include funds held in trust to the Foundation by the Overseas Filipinos Society for the Promotion of Economic Security (OFSPES). These are earmarked for the LSE which is a consortium of Ateneo de Manila University (ADMU), SEDPI and OFSPES. The term of this joint partnership is five years starting from January 1, 2014 to December 31, 2019.

The LSE aims to uplift the socio-cultural, political and economic well-being of Overseas Filipinos and their families through:

- a. Training and building capacities of Filipinos on leadership, financial literacy and social entrepreneurship skills in a migrant context;
- b. Enabling the trainees to undertake their social enterprises aimed at improving their situation, their families and communities; and

- c. Providing a mentoring support especially for the youth to assist and guide the implementation of their social enterprises.

The Foundation started conducting LSE trainings in 2015.

As of December 31, 2019 and 2018, no withdrawals were made on the funds held in trust.

*General fund*

This represents the year-end cumulative balance of the Foundation’s General Fund over its administrative and other general expenses. The fund sources are all unrestricted receipts and surpluses as well as the retained excess of grants, which were agreed to be converted as part of the Foundation’s working fund.

**Note 10 - Receipts**

This account comprises receipts of funds from sale of books, training for financial literacy, grants, donations and contributions from various individuals and other income.

On November 2016, a certification was issued to the Foundation by Department of Social Welfare and Development to conduct fund raising campaign per DSWD Authority/Solicitation Permit No. DSWD-SB-SP-0024-2016, the purpose of which is to fund the conduct of financial literacy trainings to marginalized sectors. The solicitations are done through distribution of letters of appeal/invitation for training and book sale.

**Note 11 - Other income**

This account for the years ended December 31 consists of:

	2019	2018
Dividend income	1,039,422	756,636
Interest income	432	443
Miscellaneous	13,811	6,352
<b>Total</b>	<b>1,053,665</b>	<b>763,431</b>

**Note 12 - Program costs**

This account for the years ended December 31 consists of:

	2019	2018
Personnel	888,360	864,114
Travel and transportation	492,711	567,666
Meals and lodging	290,480	48,705
Cost of financial literacy books	152,152	174,934
Professional fee	128,822	271,944
Communications	30,400	403
Supplies and photocopy	11,042	6,702
Miscellaneous	-	6,000
<b>Total</b>	<b>1,993,967</b>	<b>1,940,468</b>

### **Note 13 - Administrative expenses**

This account for the years ended December 31 consists of:

	2019	2018
Marketing and advertising	95,346	415,561
Gross receipts tax	95,034	-
Sponsorship	74,949	100,000
Donations	43,281	-
Audit fee	42,000	27,500
Taxes and licenses	27,901	46,362
Selling expense	19,342	10,993
Communication	11,938	1,937
Freight	635	552
Meals and lodging	130	109,739
Travel and transportation	-	47,195
Dues and fees	-	15,520
Sales commission	-	3,904
Supplies and photocopy	-	1,927
Miscellaneous	7,538	31,975
Total	418,094	813,165

### **Note 14 - Income tax**

As discussed in Note 1, the Foundation is exempt from income tax under Section 30(g) of the National Internal Revenue Code. However, income from any activities conducted for profit regardless of the disposition made of such income shall be subjected to tax.

Provision for income tax for the year ended December 31, 2019 is nil (2018 - P1,730).

The reconciliations of provision for income taxes at the statutory income tax rate to provision for income taxes on the Foundation's excess of receipts over expenses before tax for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Provision for income tax at the statutory income tax rate of 30%	17,909	(120,731)
Add (deduct) effects of:		
Interest income subjected to final tax	(130)	(89)
Non-taxable income	(311,826)	(226,990)
Net operating loss carry-over	294,047	347,810
MCIT	-	1,730
	-	1,730

The Foundation did not recognize the deferred tax asset on NOLCO and MCIT since management believes that the Foundation may not have sufficient future taxable profits available to allow all or part of the NOLCO and MCIT to be utilized in the future or prior to its expiration.

The details of the Foundation's NOLCO and MCIT which can be claimed as deductions from regular corporate taxable income at December 31 are as follows:

*NOLCO*

Year loss was incurred	Year of Expiration	2019	2018
2019	2022	980,158	-
2018	2021	709,222	709,222
2017	2020	379,123	379,123
		2,068,503	1,088,345
Tax rate		30%	30%
Unrecognized DIT on NOLCO		620,551	326,504

*MCIT*

Year MCIT was incurred	Year of Expiration	2019	2018
2019	2022	-	-
2018	2021	86,501	86,501
2017	2020	934,465	934,465
		1,020,966	1,020,966
Tax rate		2%	2%
Unrecognized DIT on MCIT		20,419	20,419

**Note 15 - Related party transactions**

The following are the transactions with related parties:

	2019		2018	
	Transactions	Outstanding payable	Transactions	Outstanding payable
Advances from related parties				
Related party with common ownership (SDFI)	507,964	507,964	520,190	520,190
Member (SWePP)	77,228	77,228	69,118	69,118
Total	585,192	585,192	589,308	589,308

The balance is collectible in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.



## **Note 16 - Summary of significant accounting policies**

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

### **16.1 Basis of preparation**

The financial statements are prepared in accordance with the Philippine Financial Reporting Standards for Small Entities (PFRS for SEs) as approved by the Financial Reporting Standards Council, Board of Accountancy, and SEC.

The financial statements have been prepared on a historical cost basis.

### **16.2 Changes in accounting policy and disclosures**

#### *Transition to PFRS for Small Entities (SEs)*

On December 31, 2017, the FSRC has approved the adoption of PFRS for SEs as intended for use by small entities as defined by the SEC.

PFRS for SEs was developed in response to feedback of small entities that PFRS for Small-Medium Entities (SMEs) is too complex to apply. By reducing choices for accounting treatment, eliminating topics that are not generally relevant to small entities, simplifying methods for recognition and measurement, and reducing disclosure requirements, PFRS for SEs allows small entities to comply with the financial reporting requirements without undue cost of burden. The effective date of PFRS for SEs is January 1, 2019, with the option to adopt earlier.

Small entities are those that meet all of the following criteria:

- Total assets or total liabilities between P3.0 million to P100.0 million
- Not an issuer of securities to the public
- Not in the process of filing their statements or the purpose of issuing any class of instruments in a public market
- Not a holder of secondary licenses issued by regulatory agencies

As at December 31, 2018, the Foundation meets the definition of a small entity based on the criteria set and mandatorily adopts the framework effective January 1, 2019, with comparative period retrospectively adjusted.

There were no significant changes or adjustments to the financial statements and related notes disclosure as of and for the year ended December 31, 2019 and 2018 as a result of the Foundation's adoption of PFRS for SEs beginning January 1, 2019.

### **16.3 Cash**

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

### **16.4 Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognized when the entity becomes a party to its contractual provisions. The Foundation classifies its financial instruments into the following categories: (a) basic financial instruments; and (b) complex financial instruments. The Foundation does not have financial instruments classified as complex.

## **Basic financial instruments**

### *Initial measurement*

On initial recognition, a basic financial instrument is measured at transaction price (including transaction costs), unless the arrangement is in effect a financing transaction. In this case, it is measured at present value of the future payment discounted using a market rate of interest for a similar debt instrument.

### *Subsequent measurement*

Basic financial instruments are subsequently measured at amortized cost using the effective interest rate method, except for investments in non-convertible and non-puttable preference shares and non-puttable ordinary shares that are publicly traded whose fair value can otherwise be measured reliably. Such investments are subsequently measured at fair value with changes in fair value recognized in profit or loss.

### *Impairment of financial instruments measured at cost or amortized cost*

At each reporting date, the Foundation assesses whether there is objective evidence of impairment on any financial assets that are measured at cost or amortised cost. Where there is any objective evidence of impairment, an impairment loss is recognized immediately in profit or loss.

For financial assets measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. Where an asset is measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset in a sale at the reporting date.

### *Derecognition of financial assets*

An entity only derecognizes a financial asset when:

- The contractual rights to the cash flows from the assets have expired or are settled;
- The entity has transferred to another party substantially all the risks and rewards of ownership relating to the financial asset; or
- It has retained some significant risks and rewards but has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. The asset is therefore derecognized, and any rights and obligation created or retained are recognized.

### *Derecognition of financial liabilities*

Financial liabilities are derecognized only when these are extinguished – that is, when the obligation is discharged, cancelled or has expired.

## **16.5 Receivables**

Receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables.

Receivables are classified as current asset if receipt is due within one year or less (or in the normal operating cycle of the business if longer), otherwise, they are presented as non-current assets.

## **16.6 Financial literacy books**

Financial literacy books are valued at the lower of cost and estimated selling price less costs to sell. Cost of financial literacy book includes all costs of purchase and other costs incurred in bringing the financial literacy books to their present location and condition. The costs of purchase of financial literacy books comprise the purchase price, and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. An entity shall include other costs in the cost of financial literacy books only to the extent that they are incurred in bringing the financial literacy books to their present location and condition.

## **16.7 Creditable withholding taxes**

Creditable withholding taxes are carried at face amount or at nominal amount less any allowance for impairment loss.

Creditable withholding taxes are classified as current assets if economic benefits will flow to the entity within one year or less (or in the normal operating cycle of the business if longer), otherwise, they are presented as non-current assets.

The Foundation assesses at the end of each reporting period whether there is objective evidence that the creditable withholding tax balances are not recoverable. In determining the recoverable amount of creditable withholding taxes, management considers the probability of future transactions or events against which these accounts can be utilized, including adequacy of documentation for anticipated tax audits.

The Foundation's creditable withholding tax balance pertains to tax certificates that are held by the Foundation as at year-end which can be used to offset any income tax payable balances. Management reviews the recoverability of the creditable withholding tax balance as at each reporting date to assess whether an allowance for losses should be recognized in profit and loss. The level of this allowance is evaluated by management on the basis of factors such as availability of tax certificates supporting the amounts recognized and the probability of collection of tax certificates due from counterparties.

## **16.8 Trade payables**

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), otherwise, they are presented as non-current liabilities.

## **16.9 Provisions**

Provisions are recognized when: the Foundation has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## **16.10 Related party relationships and transactions**

### *Related party relationship*

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### *Related party transaction*

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

## **16.11 Fund balance**

Unrestricted fund balance generally results from donations, contributions and other income that are derived from the Foundation's regular operations unless the receipts are limited by donor-imposed restrictions.

The expenses of the Foundation are reported as decreases in unrestricted fund balance.

Restricted fund balance pertains to fund appropriated and managed by the Foundation for specific purposes and are subject to certain restrictions.

## **16.12 Receipts recognition**

The Foundation recognizes receipts when: the amount of receipts can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Foundation's activities, as described below.

### *Financial literacy training*

Financial literacy training fees are recognized when services are already rendered by the Foundation.

### *Book sales*

Book sales are recognized when the Foundation has delivered books to the customer; the customer has accepted the products thereby transferring the significant risks and rewards; and collectability of the related receivables is reasonably assured. Provisions for sales discounts are made at the time of sale. Sales returns are recognized upon actual return of books by the customers.

### *Grants, donations and contributions*

Project grants, donations, support and contributions are recognized as receipts when actually received. However, grants and donations that are subject to conditions/restrictions are preserved exclusively for the purposes for which they were bestowed and are recognized as part of the fund balance shown as "Restricted funds" under the statement of financial position, otherwise they are recorded as "Grants, donations and contributions" in receipts and expenses.

### *Other income*

Other income are recognized only upon collection or accrued where there is reasonable degree of certainty as to its collectability.

### 16.13 Expense recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in fund balance. Costs and expenses are recognized in receipts and expenses upon utilization of the service or in the dates they are incurred.

### 16.14 Events after the reporting date

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 notes to the financial statements when material.

### **Note 17 - Supplementary information required by the BIR**

The Foundation is exempt from payment of income tax as set forth in Section 30(g) of the National Internal Revenue Code otherwise known as "Exemption from Tax on Corporations".

The information required by RR No. 15-2010 for the year ended December 31, 2019 is presented below.

#### (i) *Local and national taxes*

Local and national taxes paid for the year ended December 31, 2019 consist of:

	Amount
Local registration fees	500
Business permits	27,401
	<u>27,901</u>

The above payments are presented in taxes and licenses under administrative expenses in the statement of total comprehensive income.

#### (ii) *Withholding taxes*

Expanded withholding tax paid and accrued for the year ended and as at December 31, 2019 amounts to P24,411 and P7,380, respectively.

Accrued withholding taxes is included within accounts payable in the statement of financial position.

#### (iii) *Tax assessments and cases*

As at December 31, 2019, taxable years 2016, 2017 and 2018 remain open. As at December 31, 2019, there are no outstanding assessments and tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

#### (iv) *Other information*

The Foundation did not have transactions that are subject to value-added taxes, custom duties, tariff fees and excise taxes for the year ended December 31, 2019.