

***Gawad Kalinga  
Community  
Development  
Foundation, Inc.***  
(A non-stock, non-profit  
organization)

**Financial Statements  
As of and for the years ended  
December 31, 2009 and 2008**

## **Independent Auditor's Report**

To the Board of Trustees of  
**Gawad Kalinga Community Development Foundation, Inc.**  
(A non-stock, non-profit organization)  
4<sup>th</sup> Floor, Pro-friends Building, #55 Tinio Street  
Barangay Addition Hills, Mandaluyong City

We have audited the accompanying financial statements of Gawad Kalinga Community Development Foundation, Inc., which comprise the statements of assets, liabilities, and fund balances as of December 31, 2009 and 2008, and the related statements of support, revenues and expenses, changes in fund balances and cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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To the Board of Trustees of  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Gawad Kalinga Community Development Foundation, Inc., as of December 31, 2009 and 2008, and its support, revenues and expenses, and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Isla Lipana & Co.**



Angelito M. Gabriel  
Partner

CPA Cert. No. 41815

P.T.R. No. 0007701; issued on January 4, 2011 at Makati City

SEC A.N. (individual) as general auditors 0052-AR-2

SEC A.N. (firm) as general auditors 0009-FR-2

T.I.N. 112-070-983

BIR A.N. 08-000745-8-2010; issued on May 31, 2010; effective until May 31, 2013

BOA/PRC Registration No. 0142; effective until December 31, 2013

Makati City  
February 16, 2011

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

To the Board of Trustees of  
**Gawad Kalinga Community Development Foundation, Inc.**  
(A non-stock, non-profit organization)  
4<sup>th</sup> Floor, Pro-friends Building, #55 Tinio Street  
Barangay Addition Hills, Mandaluyong City

None of the partners of the firm has any financial interest in the Foundation or any family relationships with its trustees, president and executive director.

The required information regarding taxes is shown in attached schedule of taxes and licenses.

**Isla Lipana & Co.**



Angelito M. Gabriel  
Partner

CPA Cert. No. 41815

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**Gawad Kalinga Community Development Foundation, Inc.**  
(A non-stock, non-profit organization)

Statements of Assets, Liabilities and Fund Balances  
December 31, 2009 and 2008  
(All Amounts in Philippine Peso)

	Notes	2009	2008
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	5	95,926,004	87,521,752
Advances to GK areas	6	188,597,377	203,618,121
Receivable from affiliated foundations	7	2,020,420	805,775
Other receivables	8	15,826,878	11,941,917
Total current assets		302,370,679	303,887,565
<b>Non-current assets</b>			
Property and equipment, net	9	1,711,884	1,897,384
<b>Total assets</b>		<b>304,082,563</b>	<b>305,784,949</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Current liabilities</b>			
Deferred grant	10	7,807,857	21,888,695
Accrued expenses and other current liabilities	11	9,098,305	9,154,279
Total current liabilities		16,906,162	31,042,974
<b>Non-current liability</b>			
Retirement benefit obligation	13	9,342,384	7,414,810
Total liabilities		26,248,546	38,457,784
<b>Fund balances</b>			
Undesignated fund balance		(46,505,910)	(25,642,321)
Designated fund balance		324,339,927	292,969,486
Total fund balances		277,834,017	267,327,165
<b>Total liabilities and fund balances</b>		<b>304,082,563</b>	<b>305,784,949</b>

The notes on pages 1 to 21 are integral part of these financial statements.

**Gawad Kalinga Community Development Foundation, Inc.**  
(A non-stock, non-profit organization)

Statements of Support, Revenues and Expenses  
For the years ended December 31, 2009 and 2008  
(All Amounts in Philippine Peso)

	Notes	2009	2008
<b>Designated fund:</b>			
Program support and donations	10	207,335,053	305,435,685
Program expenses	12	(175,964,612)	(284,078,306)
Excess of support and donations over expenses		31,370,441	21,357,379
<b>Undesignated fund:</b>			
<b>Support and donations</b>			
Donations to administration	10	23,361,135	40,659,744
Donations to special events	10	14,153,712	13,205,919
Total support and donations		37,514,847	53,865,663
<b>Expenses</b>			
Staff costs	14	29,671,431	30,656,808
GK777 Expo event expenses	8	11,122,761	14,449,715
Travel and transportation		7,860,573	8,817,793
Professional fees		5,103,030	4,447,425
Rent	16	2,100,600	1,680,480
Provision for impairment of receivable	8	1,000,000	1,000,000
Depreciation and amortization	9	897,738	1,123,657
Communication, light and water		627,537	875,611
Printing and supplies		404,085	662,523
Meetings, planning, and trainings		300,118	112,948
Repairs and maintenance	16	142,410	84,341
Taxes and licenses		5,779	6,069
Impairment loss on receivables	7	-	3,849,379
Miscellaneous		493,762	229,774
Total expenses		59,729,824	67,996,523
Interest income	5	1,386,677	2,322,434
Foreign exchange losses	17	(35,289)	(476,521)
Deficiency of support and donations over expenses		(20,863,589)	(12,284,947)
<b>Total excess of support and revenues over expenses</b>		<b>10,506,852</b>	<b>9,072,432</b>

The notes on pages 1 to 21 are integral part of these financial statements.

**Gawad Kalinga Community Development Foundation, Inc.**  
(A non-stock, non-profit organization)

Statements of Changes in Fund Balances  
For the years ended December 31, 2009 and 2008  
(All Amounts in Philippine Peso)

	Note	2009	2008
<b>Undesignated</b>			
Balance at beginning of year		(25,642,321)	(13,357,374)
Deficiency of support and donations over expenses		(20,863,589)	(12,284,947)
Balance at end of year		(46,505,910)	(25,642,321)
<b>Designated</b>			
Balance at beginning of year		292,969,486	274,332,107
Refund of donation	10	-	(2,720,000)
Excess of support and donations over expenses		31,370,441	21,357,379
Balance at end of year		324,339,927	292,969,486
<b>Total fund balances</b>		<b>277,834,017</b>	<b>267,327,165</b>

The notes on pages 1 to 21 are integral part of these financial statements.

**Gawad Kalinga Community Development Foundation, Inc.**  
(A non-stock, non-profit organization)

Statements of Cash Flows  
For the years ended December 31, 2009 and 2008  
(All Amounts in Philippine Peso)

	Notes	2009	2008
<b>Cash flows from operating activities</b>			
Excess of support and revenues over expenses		10,506,852	9,072,432
Adjustments for:			
Depreciation and amortization	9	897,739	1,123,657
Unrealized foreign exchange losses	17	35,289	476,521
Retirement benefit expense	13	1,927,574	2,420,097
Loss on write-off of property and equipment		-	242,102
Impairment loss on receivables	7	-	3,849,379
Provision for impairment of receivable	8	1,000,000	1,000,000
Interest income	5	(1,386,677)	(2,322,434)
Operating income before changes in working capital		12,980,777	15,861,754
(Increase) decrease in:			
Advances to GK areas		15,020,744	(59,636,755)
Receivable from affiliated foundations		(2,214,645)	6,392,650
Other receivables		(3,884,961)	(167,389)
Deferred grant		(14,080,838)	(26,293,125)
Accrued expenses and other current liabilities		(55,975)	(2,614,715)
Cash and cash equivalents generated from (absorbed by) operating activities		7,765,102	(66,457,580)
Interest received	5	1,386,677	2,322,434
Refunded donation			(2,720,000)
<b>Net cash and cash equivalents provided by (used in) operating activities</b>		9,151,779	(66,855,146)
<b>Cash flow from an investing activity</b>			
Acquisition of property and equipment	9	(712,238)	(1,334,091)
<b>Net increase (decrease) in cash and cash equivalents</b>		8,439,541	(68,189,237)
Effects of exchange rate changes in cash and cash equivalents	17	(35,289)	(476,521)
Cash and cash equivalents at beginning of year		87,521,752	156,187,510
<b>Cash and cash equivalents at end of year</b>	5	95,926,004	87,521,752

The notes on pages 1 to 21 are integral part of these financial statements.

**Gawad Kalinga Community Development Foundation, Inc.**

(A non-stock, non-profit organization)

Notes To Financial Statements

As of and for the years ended

December 31, 2009 and 2008

(All Amounts in Philippine Peso unless otherwise stated)

**Note 1 - General information**

Gawad Kalinga Community Development Foundation, Inc. (the "Foundation") was organized and registered with the Securities and Exchange Commission (SEC) as a non-stock, non-profit organization on July 28, 2003 primarily to advance and uphold an integrated, holistic and sustainable community development program, especially in the depressed areas, addressing shelter, livelihood, education and health issues in the spirit of nation building, to strengthen the development and improvement of human and spiritual formation of couples and their children and to foster cooperation with others in the pursuit and realization of the objectives for which the Foundation has been established.

The programs of the Foundation are usually done in partnership with corporate entities, local government units, government agencies, schools and universities and international donors. These partnerships can take the form of land donations, monetary contributions, materials and volunteer work and are either coursed through the Foundation, their affiliates here and abroad, or directly to the project sites. The financial statements account only for all cash donations and financial supports made directly to the Foundation.

The Foundation is exempt from the payment of taxes pursuant to Section 30 of the Tax Reform Act of 1997. On September 2, 2005, the Foundation was accredited as a duly qualified-donee institution by the Philippine Council for NGO Certification, Inc. (PCNC), a certification body authorized by the government to evaluate non-profit organizations for the tax-exempt status. On July 23, 2007, the Bureau of Internal Revenue issued a certificate of registration to the Foundation as a donee institution. The registration shall be valid for five (5) years from the date of its issuance unless revoked for violation of any provisions of Revenue Regulation No. 13-98 or upon withdrawal of the Certificate of Accreditation by PCNC.

The Foundation's office is located at 4th Floor, Pro-friends Building, #55 Tinio Street, Barangay Addition Hills, Mandaluyong City. It has 99 and 110 regular employees as of December 31, 2009 and 2008, respectively.

The Foundation is governed by a Board of Trustees whose members do not receive compensation.

The Foundation's financial statements were approved and authorized for issue by the Board Audit Committee, as authorized by the Board of Trustees on February 16, 2011.

## **Note 2 - Summary of significant accounting policies**

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

### **2.1 Basis of preparation**

The financial statements of the Foundation have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Standing Interpretations Committee (SIC), International Financial Reporting Interpretations Committee (IFRIC) and Interpretation of the Philippine Interpretations Committee (PIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Foundation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **Standards, interpretations and amendments to published standards effective January 1, 2009 onwards**

##### *(a) Standard and amendment to existing standard that are effective in 2009 and adopted by the Foundation*

The Foundation adopted the following applicable accounting standard and amendments to existing standards approved by the FRSC which are effective for annual periods beginning on or after January 1, 2009:

- PAS 1 (Revised), Presentation of Financial Statements (effective January 1, 2009), establishes the amendments to the presentation of information in the financial statements. It describes the "balance sheet" and the "cash flow statement" as the "statement of financial position" and "statement of cash flows", respectively. However, the use of other terms with clear meaning is allowed. It also requires the presentation of all non-owners changes in equity (i.e., comprehensive income) in a statement of total comprehensive income or in a statement of profit or loss together with a statement of total comprehensive income, separately from owner changes in equity. It also requires, as a minimum, the presentation of three statements of financial position (balance sheet) in a complete set of financial statements whenever there is a prior period adjustment or a reclassification of items in the financial statements - as at the end of the current period, the end of the comparative period and the beginning of the comparative period. In other cases, only two statements of financial position are required. Dividends recognized as distributions to owners and related per-share amounts should be presented on the face of the statement of changes in equity or in the notes and not on the face of the statement of total comprehensive income or the face of the statement of total comprehensive income. The Foundation has adopted PAS 1 (Revised) and applied such in its financial statements for the period commencing from January 1, 2009, but it has no significant impact on the Foundation's financial statements other than the required change in presentation and titles of the financial statements.

- PFRS 7 (Amendment), Financial Instruments: Disclosures - Improving about Financial Instruments (effective January 1, 2009), improves the disclosure requirements about the fair value measurements and reinforces existing principles for disclosures about the liquidity risk associated with financial instruments. An entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). In addition, this amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk. An entity is required to disclose a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities; a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows and a description of how it manages the liquidity risk inherent in these analyses. The Foundation has adopted PFRS 7 (Amendment) and applied this in its financial statements for the period commencing from January 1, 2009, but it has no significant impact on the Foundation's financial statements. The disclosure on fair value hierarchy is not applicable as the Foundation's financial assets and liabilities are not required to be measured at fair value.

*(b) Amendments that are effective in 2010 which have not been early adopted by the Foundation and are not expected to have a significant impact on the Foundation's financial statements*

The following are the relevant amendments to PFRS which contains amendments that result in accounting changes, presentation, recognition and measurement. It also includes amendments that are terminology or editorial changes only which have either minimal or no effect on accounting (effective January 1, 2010). This amendment is part of the IASB's annual improvements project published in April 2009.

- PAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2010)
- PAS 7, Statement of Cash Flows (effective for annual periods beginning or after January 1, 2010)
- PAS 17, Lease (effective for annual periods beginning on or after January 1, 2010)
- PFRS for Small and Medium Enterprises (SMEs) (effective for annual periods from January 1, 2010)

The FRSC and the SEC have adopted the PFRS for SMEs applicable to all qualified SMEs effective for annual period beginning on or after January 1, 2010. PAS 101, Financial Reporting Standards for Non-publicly Accountable Entities, will be revoked upon the effectivity of PFRS for SMEs starting January 1, 2010. SMEs will have an option to use (a) full PFRS or (b) PFRS for SMEs in the preparation of financial statements.

For Philippine financial reporting purposes, PFRSs for SMEs shall cover corporations that:

- (a) Have total assets between P3 million and P350 million or total liabilities between P3 million and P250 million;
- (b) Are not required to file financial statements under Securities Regulation Code (SRC) Rule 68.1 (unlisted and non-public entities);
- (c) Are not in the process of filing financial statements for the purpose of issuing any class of instruments in a public market;
- (d) Are not holders of secondary licenses issued by a regulatory agency such as banks, investment houses, finance companies, securities broker/dealers, mutual funds and pre-need companies; and
- (e) Not public utilities.

Based on the total assets and liabilities of the Foundation as of December 31, 2009, it qualified as SME. Based on management's assessment, this new standard will not have significant impact on its financial statements.

All other standards, amendments and interpretations to existing standards are not enumerated above as they are not applicable and/or relevant to the Foundation's financial statements during the reporting period.

## **2.2 Funds**

The accounts of the Foundation are maintained to reflect the resources for various activities which observes the limitations and restrictions placed on the use of resources. On overall, the fund balances of the Foundation are reported in the following two fund groups:

- (a) Undesignated fund represents the resources available for the Foundation's operations and administration functions.
- (b) Designated fund represents the resources which carry restrictions and are to be used only for purposes specified by their donors and be utilized for the main programs of the Foundation.

## **2.3 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are recognized at nominal amount. Cash in bank earns interest at the respective bank deposit rates.

## **2.4 Financial instruments**

### **2.4.1 Financial assets**

#### *(a) Classification*

The Foundation classifies its financial assets in the following categories: (a) at fair value through profit or loss; (b) loans and receivables; (c) held-to-maturity investments; and (d) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Foundation did not hold any financial assets during the year except for loans and receivables (see Note 2.5).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, in which case, these are classified as non-current assets. The Foundation's loans and receivables comprise cash and cash equivalents (Note 5), receivable from affiliated foundations (Note 7) and other receivables (Note 8) in the statement of assets, liabilities and fund balances.

*(b) Initial recognition and measurement*

Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Foundation commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Foundation has transferred substantially all risks and rewards of ownership.

*(c) Subsequent measurement*

Loans and receivables are carried at amortized cost using the effective interest method.

*(d) Impairment*

The Foundation assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

- (i)* In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists, 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 profit or loss - is removed from equity and recognized in the statement of total comprehensive income and expenses. Impairment losses recognized in the statement of total comprehensive income and expenses on equity instruments are not reversed through the statement of total comprehensive income and expenses.
- (ii)* For those carried at amortized cost, financial assets both in an individual and collective basis are tested for impairment if there are indicators of impairment. Impairment loss is recognized in the statement of total comprehensive income and expenses and the carrying amount is reduced through the use of allowance. Impairment of receivables is described in Note 2.5.

*(e) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of assets, liabilities and fund balance when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### **2.3.2 Financial liabilities**

#### *(a) Classification*

The Foundation classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value), financial liabilities at amortized cost and hedging derivatives. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition. As of December 31, 2009 and 2008, the Foundation did not hold financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and hedging derivatives. The Foundation's financial liabilities include only financial liabilities at amortized cost.

Financial liabilities at amortized cost are those that are not classified as at fair value through profit or loss. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date which are classified as non-current liabilities. Financial liabilities at amortized cost comprise accrued and other current liabilities (excluding taxes) (Note 11) in the statement of assets, liabilities and fund balances.

#### *(b) Initial recognition and measurement*

Financial liabilities are initially measured at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial liabilities are derecognized when extinguished or paid.

#### *(c) Subsequent measurement*

Financial liabilities are measured at amortized cost using the effective interest method.

### **2.5 Receivables**

A provision for impairment of 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of support, revenues and expenses. When a receivable remains uncollectible after the Foundation has exerted all legal remedies, it is written-off against the allowance account for receivables. The Foundation first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Foundation determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Subsequent recoveries of amounts previously written-off are credited against operating expenses in the statement of support, revenues and expenses. Reversals of previously recorded impairment provision are credited in the statement of support, revenues and expenses based on the result of management's update assessment, considering the available facts and changes in circumstances.

## 2.6 Property and equipment

Property and equipment are carried at historical cost less subsequent depreciation, amortization and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Foundation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of support, revenues and expenses within administrative expenses during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	No. of years
Office furniture and fixtures	3
Office equipment	5
Computer and other equipment	3
Transportation equipment	5

Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvements of 5 years, whichever is shorter.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the statement of support, revenues and expenses.

## 2.7 Impairment of non-financial assets

Property and equipment that have a definite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use.

## 2.8 Accrued expenses and other payables

Accrued expenses and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Foundation is established or when the corresponding assets and expenses are recognized. These are measured at amortized cost, normally equal to its nominal amount.

## **2.9 Provisions**

Provisions are recognized when the Foundation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures 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.

## **2.10 Support, revenue and expense recognition**

Support and revenue comprise the fair value of consideration received, either monetary or non-monetary, in the ordinary course of the Foundation's activities.

Support and revenue are recognized to the extent that it is probable that the economic benefits will flow to the Foundation and the amount of support and revenue can be measured reliably. The following specific criteria must also be met before support and revenue are recognized:

### *(a) Support and donation*

Support and donations are recognized in the period received and reported as revenues of the fund for which they are intended.

- i. Designated support and donation are recognized upon fulfillment of the donor-imposed conditions attached to the support and/or to the extent that expenses are incurred. Designated support for which restrictions and conditions have not yet been met, are deferred in the accounts.
- ii. Undesignated support and donation are recognized upon receipt of the support and expenses are reported when incurred.

### *(b) Interest income*

Interest income on bank deposits, which is presented net of applicable withholding tax, is recognized on a time-proportion basis.

### *(c) Expenses*

Expenses are recognized when incurred.

## **2.11 Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Foundation will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of support, revenues and expenses over the period necessary to match them with the costs that they are intended to compensate. Government grants for which restrictions and conditions have not yet been met are also classified as deferred grant.

## **2.12 Leases where Foundation is a lessee**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made by the Foundation under operating leases are charged to operations on a straight-line basis over the period of the lease.

## **2.13 Employee benefits**

The Foundation has no formal retirement plan. For purposes of determining its retirement costs and obligations, the Foundation considers defined benefit pension plan. Defined benefit pension plan is a retirement plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on certain factors such as age, years of credited service, and compensation.

The liability recognized in the statement of assets, liabilities and fund balances is the present value of the defined benefit pension plan at the reporting date less the fair value of plan assets, together with any adjustments for unrecognized gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of government bonds (since there is no deep market of high quality corporate bonds in the Philippines) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximates the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

Past service costs are recognized immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

## **2.14 Foreign currency translations**

### *(a) Functional and presentation currency*

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the Foundation operates or in which it primarily generates and expends cash ("functional currency"), while presentation currency is the currency in which the financial statements are presented. The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Foundation.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of support, revenues and expenses.

**2.15 Related party transactions and relationships**

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 relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**2.16 Subsequent events**

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 3 - Financial risk management**

**3.1 Financial risk factors**

The Foundation's activities expose it to certain financial risks: foreign exchange risk, credit risk and liquidity risk. Risk management is carried out by the finance department, through its finance director under policies approved by the Board of Trustees. The finance director identifies, evaluates and hedges financial risks in close cooperation with its partner banks. The Board of Trustees provides principles for overall risk management.

*(a) Foreign exchange risk*

The Foundation receives donations from various organizations outside the country which are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar. Foreign exchange risk arises when future transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Foundation does not speculate in currencies. Active management of exposures involves an ongoing assessment of the risks, determining the most efficient methods of minimizing these risks, and reducing the overall cost of currency to the operations.

At December 31, 2009, if the US Dollar had weakened/strengthened by 2% with all other variables held constant, excess of revenues over expenses for the year and fund balances would have been P110,111 lower/higher, mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated cash and cash equivalents. Basis for percentage increase/decrease considered the change in exchange rates from December 31, 2009 against December 31, 2008.

At December 31, 2008, if the US Dollar had weakened/strengthened by 2% with all other variables held constant, excess of revenues over expenses for the year and fund balances would have been P149,142 lower/higher, mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated cash and cash equivalents. Basis for percentage increase/decrease considered the change in exchange rates from December 31, 2008 against December 31, 2007.

*(b) Credit risk*

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to affiliated foundations and other parties. Transactions are limited to affiliated foundations and high credit-quality financial institutions. The Foundation has policies that limit the amount of credit exposure to any financial institution.

The Foundation's financial assets that are subject to credit risks are shown below:

	Gross amount	Neither past due nor impaired	Past due for the following periods but not impaired		Overdue and impaired
			Up to 6 months	Over 6 months	
At December 31, 2009					
Cash and cash equivalents	95,916,004	95,916,004	-	-	-
Receivable from affiliated foundations	2,020,420	2,020,420	-	-	-
Other receivables	18,826,879	8,843,000	-	6,983,879	3,000,000
	116,763,303	106,779,424	-	6,983,879	3,000,000

	Gross amount	Neither past due nor impaired	Past due for the following periods but not impaired		Overdue and impaired
			Up to 6 months	Over 6 months	
At December 31, 2008					
Cash and cash equivalents	87,511,752	87,511,752	-	-	-
Receivable from affiliated foundations	805,775	-	-	805,775	-
Other receivables	13,941,917	627,462	-	11,314,455	2,000,000
	102,259,444	88,139,214	-	12,120,230	2,000,000

*Credit quality of the Foundation's financial assets*

*(i) Neither past due nor impaired*

*Cash and cash equivalents (Note 5)*

Cash and cash equivalents that are neither past due nor impaired are all maintained in universal banks.

### *Advances to employees*

The credit quality of advances to employees which are classified under other receivables, that are neither past due nor impaired, are assessed to be fully recoverable through liquidation or salary deductions.

#### *(ii) Past due but not impaired*

Past due but not impaired trade receivables are related to receivable from affiliated foundations and other receivables for whom there is a minimal history of default and are determined to be fully recoverable based on experience.

#### *(iii) Overdue and impaired*

Overdue and impaired receivables relate to receivables from certain affiliated foundations which are deemed uncollectible.

As of December 31, 2009 and 2008, all overdue and impaired receivables were fully provided for in the statement of assets, liabilities and fund balances.

#### *(c) Liquidity risk*

The Foundation is exposed to liquidity risk. It aims to maintain flexibility in funding by monitoring and ensuring that there are available funds prior to involving in major activities.

The table below analyzes the Foundation's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying value, as the impact of discounting is not significant.

The financial liabilities which are due and demandable are as follows:

	2009	2008
Accrued expenses	5,953,824	5,965,026
Others	1,169,822	1,169,821
	7,123,646	7,134,847

### **3.2 Fair value estimation**

Effective January 1, 2009, the Foundation adopted the amendment to IFRS 7 for financial instruments that are measured in the statements of assets, liabilities and fund balances at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

There are no financial assets and liabilities measured at fair value as of December 31, 2009 and 2008.

The carrying amounts of cash and cash equivalents, receivable from affiliated foundations, other receivables, and accrued expenses and other current liabilities (excluding taxes) are assumed to approximate their fair values because of their short-term nature.

#### **Note 4 - Critical accounting assumptions, estimates and judgment**

The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. While estimates were used in the following areas, the Foundation believes that these will not cause significant adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### Critical accounting estimates

###### *Impairment of receivables*

The provision for impairment of receivables is based on the Foundation's assessment of the collectibility of payments from affiliated foundations and other debtors. This assessment requires judgment regarding the outcome of disputes and the ability of each affiliated foundations and other debtors to pay the amounts owed to the Foundation. Any change in the Foundation's assessment of the collectibility of receivables could significantly impact the decision to write-off the receivables and calculation of such provision.

Although, the amount and timing of recorded expenses for any period would differ based on the estimates made, receivables are recognized at fair value based on recently observed market conditions. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty as of and for the years ended December 31, 2009 and 2008 (Note 8).

###### *Retirement benefits*

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for retirement benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of the retirement benefit obligation.

The Foundation determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Foundation considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligation.

Other key assumptions for retirement benefit obligation are based in part on current market conditions.

The Foundation considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the actuarial assumptions at reporting date. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement benefit obligation at the reporting date may differ significantly from the amount reported (Note 13).

**Note 5 - Cash and cash equivalents**

The account at December 31 consists of:

	Note	2009	2008
Cash on hand		10,000	10,000
Cash in banks	3	42,457,676	76,426,419
Short-term placements	3	53,458,328	11,085,333
		95,926,004	87,521,752

Cash accounts with banks generally earn interest based on daily bank deposit rate. Average interest rate on savings and time deposits for the years ended December 31, 2009 and 2008 is 3.00% and 3.25%, respectively.

Cash and cash equivalents are designated to the following funds:

	2009	2008
National Program fund	90,296,544	73,475,815
Kalinga Luzon fund	2,676,470	2,610,505
Kalinga Bicol fund	1,332,024	11,171,236
GK 777 Expo event fund	832,860	22,793
Administration fund	599,844	54,403
Kalinga Leyte fund	188,262	187,000
	95,926,004	87,521,752

Interest income earned from cash in banks and short-term placements during the year amounted to P1,386,677 (2008 - P2,322,434).

**Note 6 - Advances to GK areas**

The account consists of remittance to various GK areas for various program expenses and is subject to liquidation, the details of which are as follows:

	2009	2008
Kalinga Leyte	11,204,952	733,722
Kalinga Luzon	6,969,637	25,726,982
Other GK areas	170,422,788	177,157,417
	188,597,377	203,618,121

The level of advances utilized is as follows:

At December 31, 2009	Total advances	Utilized advances in:				Unutilized advances
		2006	2007	2008	2009	
2009	175,964,612	-	-	-	66,991,302	108,973,310
2008	345,005,004	-	-	223,054,943	42,325,694	79,624,067
2007	397,539,276	-	295,406,145	42,655,448	59,477,683	-
2006 and preceding years	664,691,336	608,361,136	14,481,965	34,678,602	7,169,633	-
	1,583,200,228	608,361,136	309,888,110	300,388,993	175,964,312	188,597,677

At December 31, 2008	Total advances	Utilized advances in:			Unutilized advances
		2006	2007	2008	
2008	345,005,004	-	-	208,034,199	136,970,805
2007	397,539,276	-	295,406,145	42,655,448	59,477,683
2006 and preceding years	664,691,336	608,361,136	14,481,965	34,678,602	7,169,633
	1,407,235,616	608,361,136	309,888,110	285,368,249	203,618,121

As of December 31, 2010, the total unutilized advances pertaining to 2009 and preceding years' advances to GK areas amounted to P162,668,249. Utilized funds amounting to P25,929,128 is allocated as follows:

At December 31, 2009	Unutilized advances in:		Total
	2008	2009	
At December 31, 2009	79,624,067	108,973,310	188,597,377
Utilized and liquidated in 2010	16,397,057	9,532,071	25,929,128
At December 31, 2010	63,227,010	99,441,239	162,668,249

#### **Note 7 – Receivable from affiliated foundations**

The following transactions were carried out with affiliated foundations:

The Couples for Christ Global Mission Foundation, Inc. (CFC) received donations in behalf of the Foundation up to July 28, 2003. From then on, Foundation directly received donations and supports from its donors. It also shared for rent, salaries, printing costs and others with CFC until June 15, 2005. The net outstanding receivable from these transactions was fully collected in 2008.

Receivable from Ancop Foundation International, Inc. (Ancop) pertains to donations from other countries, such as the United States of America, it received in behalf of the Foundation amounted to P2,020,420 and P805,775 as of December 31, 2009 and 2008, respectively.

During the year, no receivable from affiliated foundations were written-off (2008 - P3,849,379) as approved by the Board of Trustees.

Salaries and other short-term benefits of key management personnel for the years ended December 31, 2009 and 2008 amounted to P3,350,940 and P1,811,583, respectively. There are no long-term benefits granted to key management personnel.

#### **Note 8 - Other receivables**

The account at December 31 consists of:

	Note	2009	2008
Receivables - GK 777 Expo event		5,377,107	5,627,107
Provision for impairment of receivables		(3,000,000)	(2,000,000)
		2,377,107	3,627,107
Advances to employees		787,983	627,462
Others		12,661,788	7,687,348
	3	15,826,878	11,941,917

An annual Expo event is being held as part of the Foundation's fund raising initiative to generate fund for its GK777 project. Expenses incurred for the year amounted to P11,122,761 (2008 - P14,449,715). The outstanding receivables of P5,377,107 as of December 31, 2009 (2008 - P5,627,107) pertain to advances to certain parties which are not yet liquidated. Due to uncertainty in terms of collectibility of the balances, the Board of Trustees approved to provide provision for impairment of receivables amounting to P1,000,000 beginning 2007.

The movements in the provision for impairment of receivables recognized in the statement of assets, liabilities and fund balances follow:

	2009	2008
Beginning of year	2,000,000	1,000,000
Provision for the year	1,000,000	1,000,000
End of year	3,000,000	2,000,000

Provision for impairment of receivables has been provided for over 1 year past due accounts receivable as approved by the Board of Trustees.

Other receivables of P12,661,788 (2008 - P7,687,348) substantially represent advances for travel related expenses and advances for computer software that are subject to reimbursement by other partners or donors.

The values presented above closely approximate the fair values of these receivables. The Foundation has no significant concentrations of credit risk although its receivables are limited to related parties but with an appropriate credit history.

#### **Note 9 - Property and equipment**

The details of property and equipment at December 31, 2009 and 2008 follow:

	Office furniture and fixtures	Office equipment	Computer and other equipment	Leasehold improvements	Transportation Equipment	Total
<b>Cost</b>						
January 1, 2008	17,568	2,105,063	639,769	491,554	805,000	4,058,954
Additions	-	6,504	93,000	-	1,234,587	1,334,091
Disposals	-	-	-	(491,554)	-	(491,554)
December 31, 2008	17,568	2,111,567	732,769	-	2,039,587	4,901,491
Additions	-	47,838	159,400	-	505,000	712,238
Disposals	-	-	-	-	-	-
December 31, 2009	17,568	2,159,405	892,169	-	2,544,587	5,613,729
<b>Accumulated depreciation</b>						
January 1, 2008	17,568	1,229,736	492,913	242,102	147,583	2,129,902
Depreciation	-	561,368	80,402	7,350	474,537	1,123,657
Write-off	-	-	-	(249,452)	-	(249,542)
December 31, 2008	17,568	1,791,104	573,315	-	622,120	3,004,107
Depreciation	-	196,443	111,933	-	589,362	897,738
Write-off	-	-	-	-	-	-
December 31, 2009	17,568	1,987,547	685,248	-	1,211,482	3,901,845
<b>Net book values</b>						
December 31, 2008	-	320,463	159,454	-	1,417,467	1,897,384
December 31, 2009	-	171,858	206,921	-	1,333,105	1,711,884

Depreciation charges amounting to P 897,738 in 2009 (2008 - P 1,123,657) were charged to expenses.

**Note 10 - Support, donations and government grants**

Details of the account for the years ended December 31 follow:

	2009	2008
Program donations		
Tatag		
Kalinga Luzon	900,000	100,342
Kalinga Leyte	-	925,000
Kalinga Bicol	400,000	9,862,300
National	197,039,479	291,993,771
	198,339,479	302,881,413
Education	3,425,385	-
Others	5,570,189	2,554,272
Total program donations	207,335,053	305,435,685
Donations to administration		
General fund	6,767,238	20,643,401
Retention fund	16,593,897	20,016,343
Total donations to administration	23,361,135	40,659,744
Donations to special events		
GK777 Expo event receipts	14,153,712	13,205,919
Total support and revenues	244,849,900	359,301,348

**Deferred grant**

On February 11, 2005, the Foundation entered into a Memorandum of Agreement (MOA) with the Department of Social Welfare and Development (DSWD), in a joint project (Kalinga Luzon) to build and provide shelter to the typhoon-affected families in several areas in Luzon. The MOA called for DSWD's financial commitment to fund half of the cost of each house to be built. The Foundation's pledge is to supply labor in addition to answering for the remaining half of the cost, landscaping, administrative expenses and other costs that may be needed for the completion of the houses. DSWD requires the Foundation to liquidate the grants provided through submission of formal liquidation reports.

As of December 31, 2009, the following tranches have been received and liquidated:

	Date received	Amount	Liquidated	Deferred grant
Tranche A	April 26, 2005	10,000,000	10,000,000	-
Tranche B	August 25, 2005	3,304,265	3,304,265	-
Tranche C	September 2, 2005	26,695,735	26,695,735	-
Tranche D	December 15, 2006	48,181,820	40,373,963	7,807,857
		88,181,820	80,373,963	7,807,857

As of December 31, 2008, the following tranches have been received and liquidated:

	Date received	Amount	Liquidated	Deferred grant
Tranche A	April 26, 2005	10,000,000	10,000,000	-
Tranche B	August 25, 2005	3,304,265	3,304,265	-
Tranche C	September 2, 2005	26,695,735	26,695,735	-
Tranche D	December 15, 2006	48,181,820	26,293,125	21,888,695
		88,181,820	66,293,125	21,888,695

Other collections pertain to contributions to the general fund. These are undesignated and are generally for use in the administration or operations.

As of February 16, 2011, the Tranche D has been 84% liquidated; additional support will be released to the Foundation once deferred grant is 100% liquidated.

#### Refund of donation

There were no donations refunded in 2009. In 2008, various donors refunded donations made amounting to P2,720,000 since some of the projects did not push through.

#### **Note 11 - Accrued expenses and other current liabilities**

The account at December 31 consists of:

	Note	2009	2008
Accrued expenses	3	5,953,824	5,965,026
Payable to government agencies		-	248,010
Unconfirmed deposits		1,974,659	1,771,422
Others	3	1,169,822	1,169,821
		9,098,305	9,154,279

#### **Note 12 - Program expenses**

Details of the account for the years ended December 31 follow:

	2009	2008
Kalinga Bicol	10,240,000	7,187,740
Kalinga Luzon	900,000	14,558,306
Kalinga Leyte	-	4,193,202
National		
GK Kawal Kalinga	-	10,717,000
GK Baseco	14,078,590	7,632,458
Other GK areas	150,746,022	239,789,600
Total program expenses	175,964,612	284,078,306

### **Note 13 - Employee benefits**

The Foundation provides for retirement benefits equivalent to 100% of the monthly pay for every year of credited service based on the salary at the time of retirement, provided that the employee is 60 years old and has rendered 20 years of service, whichever is earlier. Actuarial valuation of the retirement benefits was sought from an independent actuary as of December 31, 2009 and 2008.

The amounts recognized in the statement of assets, liabilities and fund balances are as follows:

	2009	2008	2007
Present value of obligation	7,496,671	4,927,013	6,119,239
Fair value of plan assets	-	-	-
Unfunded obligation	7,496,671	4,927,013	6,119,239
Unrecognized actuarial losses (gains)	1,845,713	2,487,797	(1,124,526)
Liability	9,342,384	7,414,810	4,994,713

The movement in the present value of obligation over the periods is as follows:

	2009	2008	2007
Present value of obligation, beginning	4,927,013	6,119,239	4,859,370
Interest cost	556,260	510,956	402,842
Current service cost	1,454,443	1,888,637	1,743,089
Actuarial losses (gains)	558,955	(3,591,819)	(886,062)
Present value of obligation, end	7,496,671	4,927,013	6,119,239

There were no contributions or benefits paid during the years ended December 31, 2009, 2008 and 2007.

The amounts recognized in the statement of support, revenues and expenses are as follows:

	Note	2009	2008
Current service cost		1,454,443	1,888,637
Interest cost		556,260	510,956
Net actuarial loss (gain) recognized during the year		(83,129)	20,504
Total, included in employee benefit expense	14	1,927,574	2,420,097

Experience adjustments on plan liabilities for the years ended December 31, 2009 amounted to P632,254 gain (2008 - P1,478,721 gain; 2007 - P841,115 gain).

The movements in the liability account are as follows:

	2009	2008
Beginning	7,414,810	4,994,713
Expense recognized	1,927,574	2,420,097
End	9,342,384	7,414,810

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	9.74%	11.29%
Salary increase rate	10.00%	10.00%

*Mortality rate*

Assumptions regarding future mortality experience are set based on the 1960 Basic Group Table.

**Note 14 - Staff costs**

Details of the account for the years ended December 31 follow:

	Note	2009	2008
Salaries and wages		23,797,102	23,354,197
Employee benefits		3,946,755	4,882,514
Retirement benefits	13	1,927,574	2,420,097
		29,671,431	30,656,808

**Note 15 - Tax exemption**

The Foundation, as a non-stock, non-profit corporation, organized and operated for advancing sustainable community development programs is exempt from income tax pursuant to Section 30 of the Tax Reform Act of 1997 ("R.A. 8424"). Accordingly, the Foundation did not recognize deferred income tax assets for the tax effects of temporary differences arising from net loss carryover, retirement benefit obligation and the unrealized foreign exchange gain and/or losses because of its tax-exempt status.

**Note 16 - Lease agreement**

On May 2007, the Foundation transferred its main office to 4<sup>th</sup> Floor of Pro-friends Building, #55 Tinio Street, Barangay Addition Hills, Mandaluyong City.

The Foundation was permitted to occupy the 4<sup>th</sup> floor of Pro-friends Building for five (5) years free of charge for rentals and utilities. The Foundation, however, shall pay for the improvements, refurbishing, repairs and maintenance necessary for its operations. The fair value of free rentals and utilities as of December 31, 2009 amounted to P2,100,600 (2008 - P1,680,480) which was recognized as part of donation to administrative fund on the statement of support, revenues and expenses.

Total improvements and refurbishing charged as repairs and maintenance in the statement of support, revenues and expenses during the year amounted to P142,410 (2008 - P84,341).

**Note 17 - Foreign currency denominated monetary assets and liabilities**

Details of the Foundation's foreign currency denominated monetary asset at December 31 follow:

	2009	2008
Cash	US\$115,556	US\$154,697
Cash	Euro9,613	Euro 1,601
Peso equivalent	P5,978,144	P7,045,083

The exchange rate was P46.20 (2008 - P47.52) per US\$1, respectively. As of December 31, 2009 exchange rate was P66.52 (2008 - P66.15) per €1. Net foreign exchange loss charged to operations in 2009 amounted to P35,289 (2008 - P476,521).