FUNDACIÓN SANTIAGO, INC.
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION AND PROJECT DESCRIPTION AND OPERATIONS

1.1 Corporate Information

Fundación Santiago, Inc. (the Foundation) was registered with the Philippine Securities and Exchange Commission on October 14, 1993 as a nonstock, nonprofit charitable organization engaged in community development which includes providing financial assistance to organized communities through civic and cultural programs.

The Foundation's registered address is located at Filipinas Heritage Library, Ayala Triangle, Makati Avenue, Makati City.

The financial statements of the Foundation for the year ended December 31, 2012 (including the comparatives for the year ended December 31, 2011) were authorized for issue by the Foundation's Executive Director on August 6, 2013.

1.2 Project Description and Operations

As a private, nonprofit organization, the Foundation works through its two-fold mission statement, represented by its Pamana (Cultural Heritage) and Pag-asa (Social Development) programs as follows:

(a) To contribute to a strong grasp of the national identity by promoting and sustaining historical awareness among Filipinos, and using this sense of self and of shared purpose, as one of the foundations of national development; and,

(b) To contribute to true, sustainable, and equitable national development through the promotion of entrepreneurship and commitment to community among economically-marginalized Filipinos, particularly those in the countryside.

To achieve its missions, the Foundation fostered several partnerships with, but not limited to, foreign and local government agencies and nongovernment organizations. The Foundation's projects are being aligned with the activities of its partner organizations based on merits established by the Foundation.

In 2012 and 2011, the Foundation did not solicit or receive significant contribution from any government agencies since the Foundation still has sufficient fund balance to finance its projects and activities. Further, it continues to find ways and means to maximize earnings on excess funds through careful evaluation of its investment vehicles (see Note 8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these 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 of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standard for Small and Medium-sized Entities

The financial statements of the Foundation have been prepared in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs). The financial statements have been prepared using the measurement bases specified by PFRS for SMEs for each type of assets, liabilities, support, revenues and expenses. The measurement bases are more fully described in the accounting policies in the succeeding pages that follow.

The preparation of financial statements in conformity with PFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Foundation's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.

(b) Presentation of Statement of Support, Revenues and Expenses and Statement of Changes in Fund Balance

The Foundation opted to present separate statement of support, revenues and expenses and separate statement of changes in fund balance even when the changes to fund balance during the years presented arise only from profit or loss and adjustment to the beginning balance of the fund as set-out in Note 9.

Also, in 2012, the Foundation reclassified certain accounts in the 2011 financial statements to conform to the 2012 financial statements presentation and accounts classification. Land and condominium unit which were previously presented as investment property are now presented as part of property and equipment in the statements of assets, liabilities and fund balance in accordance with PFRS for SMEs (see Note 2 and 7). Also, gains and losses incurred from the Foundation's investments are now presented separately in the statements of support, revenues and expenses. These reclassifications have no impact on the Foundation's fund balance.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Foundation's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Foundation are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Foundation operates.

2.2 Fund Accounting

To ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting and reporting purposes. Separate accounts are maintained for each fund based on their nature and purpose; however, in the financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by the fund groups.

Fund balance represents unrestricted resources available for the Foundation's operations.

2.3 Receivables

Receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less accumulated allowance for impairment. An allowance for impairment of receivables is established when there is an objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables. The related impairment loss is recognized immediately in the statement of support, revenues and expenses.

2.4 Property and Equipment

The Foundation's property and equipment, except for land, are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment loss because no finite useful life for it can be determined, its carrying amount is not depreciated.

The Foundation's land and condominium qualify as investment property since both are held to earn rental income and/or for capital appreciation, but not for sale in the ordinary course of business, for use in supply of services or for administrative purposes. However, since the fair value of these assets cannot be measured reliably without undue cost or effort, the Foundation accounts for the asset as property and equipment using the cost-depreciation-impairment model in Section 17 of the PFRS for SMEs.

The cost of an asset comprises its purchase price which is directly attributable to the cost of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expenses during the period in which they are incurred and are shown in the statement of support, revenues and expenses.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Condominium unit	10 years
Transportation equipment	5 years
Office furniture and fixtures	3 to 5 years

If there is an indication that there has been a significant change in the useful life of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

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 (see Note 2.11).

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

2.5 Investments

Investments, comprising principally of marketable equity securities and debt securities, are carried at market value, determined at the end of the reporting period. The market values of investments are based on quoted market prices. For investments traded in active markets, market value is determined by reference to the stock exchange quoted bid prices. For other investments, market value is estimated by reference to current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets. These investments are classified as non-current assets, unless they are expected to be realized within 12 months from the end of the reporting period or unless they need to be sold to raise operating capital. Any gain or loss on change in market value shall be recognized directly in the statement of support, revenues and expenses.

2.6 Accrued Expenses and Other Payables

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

2.7 Provisions and Contingencies

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.

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.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Foundation that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Foundation can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.8 Revenue Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Foundation; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before the revenue is recognized:

(a) *Contributions and Pledges* – Revenue is recognized when earned which usually coincides with the actual receipt of contributions and donations.

(b) *Rental* – Lease income from operating lease is recognized on a straight-line basis over the lease term (see Note 2.10).

(c) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(d) *Dividends* – Revenue is recognized when the Foundation's right to receive payment is established.

2.9 Foreign Currency Transactions

The accounting records of the Foundation are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

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

2.10 Leases

(a) *Foundation as Lessee*

Leases which do not transfer to the Foundation substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of support, revenues and expenses on a straight-line basis over the lease term. Associated costs, such as repairs, maintenance and insurance, are expensed as incurred.

(b) *Foundation as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the statement of supports, revenues and expenses on a straight-line basis over the lease term (see Note 2.8).

2.11 Impairment of Non-financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in the statement of support, revenues and expenses.

2.12 Post-employment Benefit

The Foundation has no formal post-employment benefit plan since the Foundation has only two employees. Post-employment costs are charged to operations and will be paid in accordance with the provisions of the Foundation's policy, which is to provide for employees' post-employment benefits equivalent to one-month salary for every year of service for regular employees who have been with the Foundation for five years or more. This is in compliance with the minimum requirements of Republic Act No. 7641, *The Retirement Pay Law*, a form of defined benefit plan.

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Foundation, even if plan assets for funding the defined benefit plan have been acquired. The Foundation's defined benefit post-employment plan covers all regular full-time employees.

2.13 Income Tax

The Foundation is exempt from payment of income taxes under Section 30(g) of the National Internal Revenue Code, as amended in 1998 (the Code). However, income of whatever kind and character of the Foundation, on any of its properties, real or personal, or from any of its activities conducted for profit, regardless of the disposition of such income, shall be subjected to income tax as imposed under the Code.

2.14 Fund Balance

Fund balance includes all current and prior period excess (deficiency) of support and revenues over expenses as reported in the statement of support, revenues and expenses.

2.15 Related Party Relationship and Transactions

Related party transactions are transfers of resources, services or obligations between the Foundation and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Foundation; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Foundation that gives them significant influence over the Foundation and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.16 Events after the End of the Reporting Period

Any post-year-end event that provides additional information about the Foundation's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's financial statements prepared in accordance with PFRS for SMEs requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinction Between Investment Properties and Owner-managed Properties

The Foundation determines whether a property qualifies as investment property. In making its judgment, the Foundation considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(b) *Impairment of Investment in Debt and Equity Securities*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Foundation evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Foundation's investments, management concluded that the assets are not impaired as of December 31, 2012 and 2011 (see Note 8).

(c) *Distinction Between Operating and Finance Leases*

The Foundation has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has determined that the Foundation's current lease agreements are operating leases.

(d) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Notes 2.7 and 15.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) *Useful Lives of Property and Equipment, including Investment Property Classified as Property and Equipment*

The Foundation estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are analyzed in Note 7. Based on management's assessment as at December 31, 2012, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(b) *Impairment of Non-financial Assets*

The Foundation's policy on estimating the impairment of non-financial assets is discussed in Note 2.11. Though management believes that the assumptions used in the estimation of fair values are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2012, the Foundation recognized impairment loss amounting to P0.3 million (nil in 2011) on portion of its input value-added tax (VAT) as management believes that these assets may least likely to be recovered (see Note 6). The impairment loss is presented as part of General and Administrative Expenses in the statement of support, revenues and expenses (see Note 12).

(c) *Fair Value of Equity and Debt Securities*

The Foundation carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Foundation utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss.

Fair value loss and fair value gain from the change in fair value of equity and debt securities amounted to P1.3 million and P3.6 million in 2012 and 2011, respectively. These are presented as part of investment losses and investment gains, respectively, in the statements of support, revenues and expenses (see Note 8).

(d) *Valuation of Post-employment Defined Benefit Obligation*

In determining the post-employment benefit obligation, management must make an estimate of salary increases, determine the appropriate discount rate to use in the present value calculation, and the number of employees expected to leave before they receive the benefits. Management believes that the assumptions are reasonable.

Post-employment benefit obligation amounts to P1.1 million and P0.9 million as of December 31, 2012 and 2011, respectively (see Note 9).

4. CASH

The details of cash are as follows:

	Note	**2012**	2011
Cash on hand		**P 5,000**	P 5,000
Cash in bank	8	**4,832,526**	9,175,410
		P 4,837,526	P 9,180,410

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest income earned from these financial assets amounted to P0.05 million and P0.04 million in 2012 and 2011, respectively, and is presented as part of Interest Income in the statements of support, revenues and expenses.

5. RECEIVABLES

The details of this account are shown below.

	Notes		2012		2011
Advances to officers and employees	14.1	**P**	**34,833**	P	49,389
Others	8		**7,699**		409
		P	**42,532**	P	49,798

The Foundation's receivables have been reviewed for indicators of impairment. Based on management's evaluation, no impairment loss on receivables needs to be recognized in 2012 and 2011.

6. OTHER CURRENT ASSETS

This account consists of:

	Notes		2012		2011
Input VAT	16.1(b)	**P**	**431,764**	P	364,603
Allowance for impairment	12	**(**	**299,186)**		-
			132,578		364,603
Creditable withholding taxes			**92,662**		84,502
Security deposits			**27,775**		27,775
Restricted cash			**-**		1,120,274
Others			**2,401**		4,800
		P	**255,416**	P	1,601,954

The balance of restricted cash amounting to P1.1 million in 2011 was received by the Foundation from Zoo de Barcelona to be used only on projects approved by the latter. The full amount has been utilized in 2012.

In 2012, the Foundation recognized impairment on portion of its input VAT amounting to P0.30 million as management believes that these can no longer be recovered considering that the Foundation's revenue sources, which are mainly contributions and pledges received from donors and income from investment, are not subject to output VAT (see Note 12).

7. PROPERTY AND EQUIPMENT

The details of this account are shown in the reconciliation presented below.

	Land	Condominium Unit	Office Furniture and Fixture	Transportation Equipment	Total
Cost	P -	P 7,760,000	P 487,064	P 591,607	P 8,838,671
Balance at January 1, 2012					
Additions	-	-	59,554	-	59,554
Balance at December 31, 2012	-	7,760,000	546,618	591,607	8,898,225
Accumulated depreciation					
Balance at January 1, 2012	-	6,143,333	480,697	59,161	6,683,191
Depreciation for the year	-	776,000	18,891	118,321	913,212
Balance at December 31, 2012	-	6,919,333	499,588	177,482	7,596,403
Net carrying amount at December 31, 2012	P -	P 840,667	P 47,030	P 414,125	P 1,301,822

The amount of depreciation charges for property and equipment is presented as part of general and administrative expenses in the statements of support, revenues and expenses (see Note 12).

In 2011, the Foundation sold its parcel of land at a price which is lower than its P0.80 million carrying amount, thereby resulting to a loss of P0.08 million, which is reported as part of Loss on redemption under Investment Losses in the 2011 statement of support, revenues and expenses. This parcel of land previously forms part of the Foundation's investment with AB Capital and Investment Corporation (see Notes 8 and 12).

8. INVESTMENTS

The Foundation's investments are held by the following trustee banks:

	2012	2011
Bank Julius Baer and Co. Ltd.	**P 23,616,024**	P 38,246,454
AB Capital and Investment Corporation	**23,262,332**	11,440,076
Philippine Partnership for the Development of Human Resources in Rural Area Development Fund	**10,000**	10,000
	P 46,888,356	P 49,696,530

These investments held by the trustee banks are classified in the statements of assets, liabilities and fund balance as follows:

	Notes	2012	2011
Cash	4	**P 3,017,740**	P 2,034,943
Receivables	5	**6,767**	-
Investments in debt and equity securities – net		**43,863,849**	47,661,587
		P 46,888,356	P 49,696,530

The reconciliation of the carrying amounts of the Foundation's investments held by trustee banks is as follows:

	2012	2011
Balance at beginning of year	**P 49,696,530**	P 63,965,128
Additions	**11,500,000**	6,547,307
Withdrawals	**(10,306,800)**	(17,844,500)
Investment loss and changes – net	**(4,001,374)**	(2,971,405)
Balance at end of year	**P 46,888,356**	P 49,696,530

Investment loss and changes as noted above consists of the following:

	Notes	2012	2011
Foreign currency losses	12	**P 2,512,263**	P 104,869
Fair value loss	12	**1,247,826**	-
Investment interest income		**(409,428)**	(245,120)
Fund management fees	12	**373,979**	785,320
Loss on redemption	7, 12	**276,734**	5,895,974
Fair value gain		**-**	(3,569,638)
		P 4,001,374	P 2,971,405

Fair value loss (gain) is determined by reference to published prices quoted in active markets.

Investment loss and changes are presented in the statements of support, revenues and expenses as follows:

	2012	2011
Investment losses	**P 4,036,823**	P 6,000,843
Interest income	**(409,428)**	(245,120)
General and administrative expenses	**373,979**	785,320
Investment gains	**-**	(3,569,638)
	P 4,001,374	P 2,971,405

9. RETIREMENT BENEFIT OBLIGATION

Details of salaries and employee benefits are presented below.

	Note	2012	2011 (As Restated)
Current		**P 1,822,182**	P 1,711,474
Post-employment benefit expense		**187,867**	232,551
Balance at end of year	12	**P 2,010,049**	P 1,944,025

The Foundation has not yet established a formal post-employment plan for its two employees. Estimated post-employment benefits are periodically accrued and computed based on the employees' current salary rate and years of service.

In 2012, the Foundation's management remeasured the retirement benefit obligation on a discounted present value basis in accordance with the provisions of Section 28, *Employee Benefits*, of PFRS for SMEs. Accordingly, the Foundation restated its 2011 financial statements which resulted in a decrease in total liabilities and an increase in fund balance by P829,135.

The movements in the post-employment benefit obligation are presented below.

	2012	2011 (As Restated)
Balance at beginning of year	**P 913,084**	P 680,533
Post-employment benefit expense	**187,867**	232,551
Balance at end of year	**P 1,100,951**	P 913,084

The restatements of certain line items in the 2011 statement of assets, liabilities and fund balance as a result of the above re-measurement are summarized below.

	As Previously Reported	**Prior Period Adjustment**	**As Restated**
Change in liability –			
Retirement benefit obligation	P 1,742,219	(P 829,135)	P 913,084
Change in fund balance –			
Fund balance	58,399,765	829,135	59,228,900

The effects of prior period adjustments on certain line items in the 2011 statement of support, revenues and expenses are summarized below:

	As Previously Reported	**Prior Period Adjustment**	**As Restated**
Change in expenses:			
Project expenses	P 4,670,920	P 102,119	P 4,773,039
General and administrative expenses	2,919,168	34,040	2,953,208

The prior period adjustments have the following effect on the 2011 statement of cash flows:

	As Previously Reported	Prior Period Adjustment	As Restated
Changes in cash flows:			
Deficiency of support and revenue over expenses	(P 8,314,575)	(P 136,159)	(P 8,450,734)
Increase in retirement benefit obligation	96,392	136,159	232,551

10. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	2012	2011
Refundable deposit	**P 260,748**	P 256,936
Others	**193,850**	304,699
	P 454,598	P 561,635

Other payables consist of income tax payable withholding taxes, social security and others contributions.

11. PROJECT EXPENSES

This account consists of expenses incurred for the following projects (see Note 12):

	2012	2011
Community-based heritage tourism	**P 3,633,638**	P 4,135,847
Special projects	**1,071,646**	485,920
Volun2rismo	**685,359**	100,090
Others	**218,568**	51,182
	P 5,609,212	P 4,773,039

The details of project expenses by nature are as follows:

	2012	2011
Salaries and employee benefits	**P 1,368,852**	P 1,405,749
Professional fees	**1,153,533**	976,124
Donations	**1,104,007**	591,977
Representation and entertainment	**603,235**	699,864
Supplies	**512,964**	374,749
Transportation and travel	**365,181**	221,920
Rent	**146,250**	150,638
Miscellaneous	**355,190**	352,018
	P 5,609,212	P 4,773,039

12. EXPENSES BY NATURE

The details of expenses by nature are shown below.

	Notes	2012	2011
Foreign currency losses	8	**P 2,512,263**	P 104,869
Salaries and employee benefits	9	**2,010,049**	1,944,025
Professional fees		**1,673,433**	1,496,024
Fair value loss	8	**1,247,826**	-
Donations		**1,104,007**	591,977
Depreciation	7	**913,212**	837,509
Representation and entertainment		**603,235**	699,864
Supplies		**526,277**	391,161
Fund management fees	8	**373,979**	785,320
Transportation and travel		**365,181**	221,920
Impairment loss on input VAT	6	**299,186**	-
Loss on investment disposal/redemption	7, 8	**276,734**	5,895,974
Rent		**146,250**	150,638
Membership dues		**99,738**	63,565
Taxes and licenses	16.1(f)	**51,325**	51,474
Utilities		**49,360**	30,439
Repairs and maintenance		**41,428**	36,613
Miscellaneous		**486,399**	425,718
		P 12,779,882	P 13,727,090

These expenses are presented in the statements of support, revenues and expenses as follows:

	Note	2012	2011
Project expenses	11	**P 5,609,212**	P 4,773,039
General and administrative expenses		**3,133,847**	2,953,208
Investment losses		**4,036,823**	6,000,843
		P 12,779,882	P 13,727,090

13. TAXES

The components of tax expense for each year as reported in statements of support, revenues and expenses are presented below.

	2012	2011
Regular corporate income tax (RCIT) at 30%	**P 43,727**	P 23,696
Final tax at 20%	**10,530**	9,277
	P 54,257	P 32,973

The Foundation's rental income in 2012 and 2011 is subject to RCIT of 30% as provided by the Tax Code (see Note 2.13). This is also subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income, as defined under the tax regulations. No MCIT was reported in 2012 and 2011 as the RCIT is higher in both years.

In 2012 and 2011, the Foundation opted to use itemized deductions on income subject to RCIT.

14. RELATED PARTY TRANSACTIONS

14.1 Advances to Officers and Employees

In 2010, the Foundation granted its executive director a special loan amounting to P0.16 million. The loan is noninterest-bearing and payable in one and a half years. The outstanding balance of the loan amounts to P0.03 million as of December 31, 2011 and is presented as part of Receivables in the 2011 statement of assets, liabilities and fund balance (see Note 5). The loan was fully settled in 2012.

14.2 Key Management Personnel Compensation

The compensation of key management personnel is shown below.

	Note	**2012**	2011
Short-term employee benefits		**P 1,368,870**	P 1,347,974
Post-employment benefit	9	**147,430**	182,565
		P 1,516,300	P 1,530,539

15. COMMITMENTS AND CONTINGENCIES

There are commitments and contingent liabilities that may arise in the normal course of the Foundation's operations that are not reflected in the financial statements. As of December 31, 2012, management is of the opinion that losses, if any, from these items will not have a material effect on the Foundation's financial statements.

16. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS for SMEs.

16.1 Requirements under Revenue Regulation (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

(a) Output VAT

In 2012, the Foundation declared output VAT amounting to P123,481 from its rental income of P1,029,014. The output VAT was fully covered by input VAT [see Note 16.1(b)].

The Foundation's contributions and pledges are not subject to output VAT as these transactions are not considered sales of goods or services made in the course of trade or business based on the provisions of Section 105, *Persons Liable,* of the Code (see Note 2.13).

(b) Input VAT

The movements in input VAT for the year ended December 31, 2012 are summarized below (see Note 6).

	Note		
Balance at beginning of year		P	364,603
Goods other than for resale or manufacture			190,642
Credited against output VAT	16.1(a)	(	123,481)
Balance at end of year		P	431,764

(c) Taxes on Importation

The Foundation has not paid or accrued any customs duties and tariff fees as it has no importation for the year ended December 31, 2012.

(d) Excise Tax

The Foundation did not have any transactions for the year ended December 31, 2012 which are subject to excise tax.

(e) Documentary Stamp Tax

The Foundation did not incur any documentary stamp tax for the year 2012 as it did not execute any documents, instruments, loan agreements or papers evidencing the acceptance, assignment, sale or transfer of an obligation, and any right or property hereunto during the year.

(f) Taxes and Licenses

The details of taxes and licenses for the year ended December 31,2012 is broken down as follows (see Note 12):

Real estate taxes	P	42,542
Business taxes		8,783
	P	51,325

(g) Withholding Taxes

The details of total withholding taxes reported for the year ended December 31, 2012 are as follows:

Compensation and benefit	P	317,606
Expanded		147,819
	P	465,425

The Foundation has no transactions in 2012 which are subject to final withholding tax.

(h) Deficiency Tax Assessment and Tax Cases

As of December 31, 2012, the Foundation does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

16.2 Requirements under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions, and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the 2012 statement of support, revenues and expenses.

(a) Exempt Revenues

The Foundation's exempt revenues pertain to grants and donations received during the year amounting to P891,626 (see Note 2.13).

(b) Exempt Cost of Service

The Foundation's project expenses totalling to P5,609,212 incurred in 2012 are likewise exempt from tax (see Note 2.13).

(c) Non-operating and Other Income

Other income subject to regular tax rate amounts to P1,029,014. This pertains to rental income earned by the Foundation from leasing out its condominium unit.

(d) Itemized Deductions

The details of the Foundation's itemized deductions for the year ended December 31, 2012 subject to regular tax rate are as follows:

	Exempt	Regular Tax Rate
Foreign currency losses	P 2,512,263	P -
Salaries and employee benefits	641,197	-
Professional fees	519,900	-
Fund management fees	373,979	-
Loss on investment disposal/redemption	276,734	-
Depreciation	137,212	776,000
Utilities	49,360	-
Repairs and maintenance	41,428	-
Membership dues	35,024	64,714
Supplies	13,313	-
Taxes and licenses	8,783	42,542
Miscellaneous	131,209	-
	P 4,740,402	P 883,256