

PATH FOUNDATION PHILIPPINES, INC.

(A Non-stock, Non-profit Organization)

Makati City

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

And

AUDITORS' REPORT

In Philippine Pesos

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees and Members of
PATH Foundation Philippines, Inc.
(A Non-stock, Non-profit Organization)
10/F Unit 1005 Tower 2 Cityland Condominium 10
No. 154 H. V. Dela Costa St., Salcedo Village
Makati City, Metro Manila
Philippines

We have audited the accompanying financial statements of PATH Foundation Philippines, Inc. (a non-stock, non-profit organization) which comprise the statements of financial position as of December 31, 2011 and 2010, and the related statements of comprehensive income, statements of changes in fund balance and statements of 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 fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities. The 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider 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 reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of PATH Foundation Philippines, Inc. (a non-stock, non-profit organization) as of December 31, 2011 and 2010 and the results of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Larena & Company, CPAs



Antonio C. Larena

Partner

PRC License No. 44347

SEC Accreditation No. 0915-A (Group C), expires January 10, 2014

PRC/BOA Reg. No. 0842, expires December 31, 2014

BIR AN 07-005001-1-2010, expires March 5, 2013

TIN 117-004-840

PTR No. 6004116, January 2, 2012, Quezon City

April 12, 2012

Quezon City

Philippines

PATH FOUNDATION PHILIPPINES, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

	Notes	2011	2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3,5	P 9,672,823	P 7,943,085
Grants and other receivables	3,4,6	3,299,497	340,415
Other current assets	3,7	14,000	234,000
Total Current Assets		12,986,320	8,517,500
NON-CURRENT ASSETS			
Property and equipment	3,4,8	538,414	496,186
Other non-current assets	3,9	51,900	51,900
Total Non-current Assets		590,314	548,086
TOTAL ASSETS		P 13,576,634	P 9,065,586
LIABILITIES AND FUND BALANCE			
LIABILITIES			
CURRENT LIABILITIES			
Payables	3,10	P 8,491,844	P 6,265,776
FUND BALANCE	3,11	5,084,790	2,799,810
TOTAL LIABILITIES AND FUND BALANCE		P 13,576,634	P 9,065,586

See Notes to Financial Statements

PATH FOUNDATION PHILIPPINES, INC.
 (A Non-stock, Non-profit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

	Notes	2011	2010
RECEIPTS	3,12	P 35,076,328	P 17,149,314
EXPENSES	3,14	(33,204,227)	(21,768,378)
OTHER RECEIPTS	3,13	213,795	1,540,427
DOLLAR INCREMENT	3,19	199,084	(246,174)
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENSES		P 2,284,980	(P 3,324,811)

See Notes to Financial Statements

PATH FOUNDATION PHILIPPINES, INC.
 (A Non-stock, Non-profit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Members' Contributions (Notes 3,11)	Cumulative Excess of Receipts Over Expenses (Note 3)	Total Fund Balance
Balance at December 31, 2010	₱ 50,000	₱ 2,794,810	₱ 2,799,810
Excess of receipts over expenses	-	2,284,980	2,284,980
<u>Balance at December 31, 2011</u>	<u>₱ 50,000</u>	<u>₱ 5,079,790</u>	<u>₱ 5,084,790</u>
Balance at December 31, 2009	₱ 50,000	₱ 6,119,621	₱ 6,124,621
Deficiency of receipts over expenses	-	(3,324,811)	(3,324,811)
<u>Balance at December 31, 2010</u>	<u>₱ 50,000</u>	<u>₱ 2,794,810</u>	<u>₱ 2,799,810</u>

See Notes to Financial Statements

PATH FOUNDATION PHILIPPINES, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENSES		₱ 2,284,980	(₱ 3,324,811)
Adjustments for:			
Depreciation	8	226,636	177,547
Interest income	3	(105,902)	(104,892)
Dollar increment	19	(199,084)	246,174
Operating income (loss) before working capital changes		2,206,630	(3,005,982)
Changes in operating assets and liabilities:			
Grants and other receivables	6	(2,959,082)	498,897
Other current assets	7	220,000	-
Other non-current assets	9	-	12,306
Payables	10	2,226,068	(678,793)
Cash generated from operations		1,693,616	(3,173,572)
Interest received	3	105,902	104,892
Net Cash (Provided by) Used in Operating Activities		1,799,518	(3,068,680)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to office furniture and equipment	8	(24,018)	(186,235)
Additions to office computer equipment	8	(244,846)	(282,214)
Net Cash Used in Investing Activities		(268,864)	(468,449)
CASH FLOWS FROM FINANCING ACTIVITIES			
-			
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		199,084	(246,174)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		1,729,738	(3,783,303)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,943,085	11,726,388
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱ 9,672,823	₱ 7,943,085

See Notes to Financial Statements

PATH FOUNDATION PHILIPPINES, INC.

(A Non-stock, Non-profit Organization)

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2011 and 2010

1. CORPORATE INFORMATION

PATH Foundation Philippines, Inc. (PFPI) is a non-stock, non-profit organization existing under the virtue of the laws in the Philippines. It was registered with the Securities and Exchange Commission on October 28, 1992.

The primary purpose of PFPI is giving information in the development of technologies related to health and family planning such as but not limited to the prevention and control of communicable infectious disease like human immunodeficiency (AIDS) virus, pregnancy and delivery and postpartum care. It serves also as a national forum to generate public awareness of the needs, benefits and the availability of health and family planning related technologies.

Being a non-stock, non-profit organization and is operated exclusively for health program, no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person. It falls under Section 30(e) of the National Internal Revenue Code (Tax Reform Act of 1997).

PFPI's registered business address is 10/F Unit 1009, Cityland Condominium 10, 154 H. V. Dela Costa St., Salcedo Village, Makati City 1227, Philippines.

The Board of Trustees authorized the financial statements for issue on April 12, 2012.

The Board of Trustees is still empowered to make revisions even after the date of issue.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements of the Foundation have been prepared in accordance with the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs) issued by the International Accounting Standards Board (IASB) as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of Measurement

The financial statements of the Foundation have been prepared in accordance with the historical cost convention. These financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

Functional and Presentation Currency

The Foundation's financial statements are presented in Philippine Pesos, the currency of the primary economic environment in which the Foundation operates. All values are rounded to the nearest peso, except when otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Instruments

All financial assets and financial liabilities in the statement of financial position are recognized when the Foundation becomes a party to the contractual provisions of the instrument.

a. Initial Recognition of Financial Instruments

Financial assets and financial liabilities are recognized initially at cost. After initial recognition, basic financial assets and basic financial liabilities are measured at amortized cost less impairment except for investment in shares that are publicly traded or whose fair value can otherwise be measured reliably, which are measured at fair value with changes in fair value recognized in the statement of comprehensive income.

b. Impairment of Financial Assets

At the end of each reporting period, management assesses whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Foundation shall recognize an impairment loss in the statement of comprehensive income immediately. If in subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Foundation shall reverse the previously recognized impairment loss either directly or adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset (net of allowance account) that exceeds what the carrying amount would have been had the impairment not previously recognized. The Foundation shall recognize the amount of reversal in the statement of comprehensive income immediately.

c. Derecognition of Financial Assets

A financial asset (or where applicable, a part of financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired or are settled; or
- the Foundation has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

d. Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

e. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Financial Assets

Financial assets consist of the following:

a. Cash and cash equivalents

Cash and cash equivalents are stated at face value. Information on cash and cash equivalents are discussed in Note 5.

b. *Grants and other receivables*

Grants receivable are non-interest bearing and were recognized initially at its transaction cost and subsequently measured at cost less provision for impairment. This consists of grants receivable and advances to staff.

Advances to staff are classified as current assets unless the Foundation has an unconditional right to defer collection of the advances for at least twelve months after the reporting period. These are derecognized from the statement of financial position when the advances are collected or cancelled.

A provision for impairment of the 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. Assumptions made by management in estimating allowance for impairment loss on receivables are disclosed in Note 4.

Details of grants and other receivables are discussed in Note 6.

Other current assets

Other current assets are recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts. These are derecognized in the statement of financial position either with the passage of time or through consumption. This account includes prepaid rent and other prepayments.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income of such period.

Depreciations are calculated on a straight-line basis over the useful lives of the assets.

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

Details and other information on property and equipment are disclosed in Note 8.

Impairment of Property and Equipment

An assessment is made by management at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated by management. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Foundation's property and equipment are not impaired as of December 31, 2011 and 2010. Assumptions made by management in assessing impairment of property and equipment are disclosed in Note 4.

Financial Liabilities

Financial liabilities include other payables.

Payables

Payable includes collections from economic enterprise development projects which will be released to project proponents and beneficiaries. It also includes accrued expenses. Payables are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Fund Balance

The Foundation reports grants and cash donations received based on the requirements of the donor agencies and the net results of operations are reflected in the fund balance. The Foundation's expenses are reported as decrease in its revenue and other net assets.

Revenue and cost recognition

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

- Grants - Full amount of the grants received are recognized in the year that they were made.
- Interest on bank deposits - Income is recognized as the interest accrues (taking into account the effective yield on the asset).

Related costs and expenses are recognized in the statement of comprehensive income upon utilization of the service or in the date they are incurred.

Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees, including directors and management. Employee benefits consist of short-term employee benefits, which include wages, salaries, statutory bonuses, social security contributions and other non-monetary benefits. These are accrued during the period in which the related services are rendered by employees of the Foundation.

Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Foundation as a Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Income Taxes

PATH Foundation Philippines, Inc. is a non-stock, non-profit organization organized exclusively for health programs as contemplated under Section 30 (e) of the Tax Reform Act of 1997 (R.A. 8424). Accordingly, it is exempt from the payment of income tax on income received by it as such organization. No part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. The key management personnel of the Foundation and post-employment benefit plans for the benefit of its employees are also considered to be related parties.

Provisions

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

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

As of December 31, 2011 and 2010, the Foundation has no provisions.

Contingencies

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

The Foundation has no contingent liabilities as of December 31, 2011 and 2010.

Events After Reporting Date

Management identifies subsequent events as events that occurred after reporting date but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information (adjusting events) about the Foundation's financial position at the reporting date are reflected in the financial statements. Events that are not adjusting events are disclosed in the notes to financial statements when material.

The Foundation has no adjusting events as of December 31, 2011 and 2010.

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Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

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The Foundation has no adjusting events as of December 31, 2011 and 2010.

4. MANAGEMENT'S SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing the financial statements, management is required to make estimates and assumptions that affect amounts reported in the financial statements and related notes. The following judgments, estimates and associated assumptions are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Critical accounting estimates and assumptions

- *Estimated useful lives of property and equipment*
The useful life of each of the Foundation items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of the practices of similar businesses and experiences with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset.

The Foundation considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates and assumptions on asset utilization, internal technical evaluation, and anticipated use of assets tempered by related industry benchmark information during the reporting periods. However, it is reasonably possible, on the basis of existing knowledge, that a change in the estimated useful life of any item of property and equipment brought about by changes in the factors mentioned above would impact the recorded expenses and non-current assets.

The carrying values of property and equipment are presented in Note 8.

Critical judgments in applying the Foundation's accounting policies

- *Provision for impairment of receivables*
Provisions for impairment of receivables are maintained at a level considered adequate to provide for potentially uncollectible receivables. In determining the amount of provision, management considers the following: (a) historical experience of unexpected losses established for all receivables based on the ageing structure of receivables that are past due; and (b) evaluation of specific accounts of customers who are unable to meet their financial obligations, irrespective of ageing. In these cases, management uses judgments based on the best available facts and circumstances, including but not limited to, the length of relationship with the customers and the customers' payment history. An evaluation of the receivables, designed to identify potential charges to the provision, is performed on a continuous basis throughout the year. The carrying value of the receivables at the end of each reporting period and the amount and timing of recorded provision for any period could differ based on actual experience and changes in judgments made. A change in provision for impairment of grants receivable would impact the Foundation recorded operating expenses and current assets.

No allowance was provided because the management has satisfactory experience in its collectivity. The carrying amounts of grants receivable is presented in Note 6.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	2011	2010
Cash in banks	P 5,416,201	P 3,776,667
Short-term investment	4,256,622	4,161,418
Petty cash fund	-	5,000
Total	P 9,672,823	P 7,943,085

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months from dates of acquisition or less and that are subject to an insignificant risk of change in value.

The US dollar was converted to Philippine peso based on the Bangko Sentral ng Pilipinas (BSP) exchange rate on December 29, 2011 of P 43.93 and P43.88 on December 31, 2010.

6. GRANTS AND OTHER RECEIVABLES

This account consists of:

	2011	2010
Grants receivable	P 3,262,592	P 153,681
Others	36,905	186,734
Net realizable value	P 3,299,497	P 340,415

Grants receivable consist of the accounts due from Coastal Resource Center of Rhode Island (CRC-URI) for the Building Actors and Leaders for Advancing Community Excellence in Development Project (BALANCED), the Ashmore Foundation for the Empower Project, and Program for Appropriate Technology in Health (PATH) for the VACCINE Project.

Other account is composed of operational advances, which represents project staff cash advances for project operation, which are liquidated after the reporting period.

7. OTHER CURRENT ASSETS

This account consists of:

	2011	2010
Prepaid rent	P -	P 220,000
Other prepayments	14,000	14,000
Total	P 14,000	P 234,000

Prepaid rent pertains to advance rental to Cityland Condominium 10, while other prepayments represent advance payment made to Eastern Communications as internet service provider.

8. PROPERTY AND EQUIPMENT

The summary of property and equipment is shown below:

	Balance December 31 2010		Additions	Balance December 31, 2011	
Cost					
Office furniture and equipment	₱	559,382	₱	24,018	₱ 583,400
Computer and accessories		1,473,347		244,846	1,718,193
		2,032,729		268,864	2,301,593
Accumulated depreciation					
Office furniture and equipment		396,750		57,755	454,505
Computer and accessories		1,139,793		168,881	1,308,674
		1,536,543		226,636	1,763,179
Net book value	₱	496,186			₱ 538,414

	Balance December 31 2009		Additions	Balance December 31, 2010	
Cost					
Office furniture and equipment	₱	373,147	₱	186,235	₱ 559,382
Computer and accessories		1,191,133		282,214	1,473,347
		1,564,280		468,449	2,032,729
Accumulated depreciation					
Office furniture and equipment		278,364		118,386	396,750
Computer and accessories		1,080,632		59,161	1,139,793
		1,358,996		177,547	1,536,543
Book value	₱	205,284			₱ 496,186

The management believes that the carrying amounts of its property and equipment during the year are not impaired.

9. OTHER NON-CURRENT ASSETS

This account consists of:

	2011	2010
Rental deposit	₱ 44,000	₱ 44,000
Others	7,900	7,900
	₱ 51,900	₱ 51,900

Rental deposit pertains to deposit for parking slots allotted to the Foundation. Other deposits were payments to public utility providers.

10. PAYABLES

This account consists of:

	2011	2010
Accrued expenses	P 4,198,367	P 2,966,179
Other payables	4,293,477	3,286,097
Withholding tax payable	-	13,500
	P 8,491,844	P 6,265,776

Other payables include program and operating expenses incurred in 2011; while accrued expenses include fringe benefits obligation and other unpaid costs.

The breakdown of payables is summarized as follows:

2011	Total	Accrued Expenses	Other Payables	Withholding Tax
Amarillo	P 161,122	P -	P 161,122	P -
Andaya	32,762	-	32,762	-
Valino	5,817	-	5,817	-
Hinacay	550	-	550	-
Insigne	2,002	-	2,002	-
CCEF	4,544	-	4,544	-
Rotairo	9,066	-	9,066	-
Freight and postage	2,012	2,012	-	-
Accrued expenses	126,957	126,957	-	-
EXCEL	220,754	-	220,754	-
EED fund	3,663,573	-	3,663,573	-
HPC fund	185,002	-	185,002	-
Accrued expenses	582,806	582,806	-	-
Accrued fringe benefits	3,474,867	3,474,867	-	-
The Ashmore Foundation	90	-	90	-
Banco de Oro	7,575	-	7,575	-
Antoque	620	-	620	-
Meralco	11,725	11,725	-	-
Total	P 8,491,844	P 4,198,367	P 4,293,477	P -

2010	Total	Accrued Expenses	Other Payables	Withholding Tax
D'Agnes	P 150,535	P -	P 150,535	P -
Banco de Oro	58,017	-	58,017	-
EED fund	2,558,647	-	2,558,647	-
HPC fund	185,002	-	185,002	-
PPE fund	113,896	-	113,896	-
TEH Cityland	220,000	-	220,000	-
Accrued expenses	102,257	102,257	-	-
Accrued fringe benefits	2,469,681	2,469,681	-	-
Due to BIR	13,500	-	-	13,500
Facilities	394,241	394,241	-	-
Total	P 6,265,776	P 2,966,179	P 3,286,097	P 13,500

11. FUND BALANCE

The Foundation uses the funds for the operational activities as indicated in the approved agreement with donor partners and agencies. Fund balances are utilized only for project activities in conformity with the approved work plans, budgets, personnel and financial guidelines and policies of PFPI.

12. RECEIPTS

This account is composed of grants from the following:

	2011	2010
University of Rhode Island	P 31,607,616	P 17,149,314
The Ashmore Foundation	2,362,202	-
Program for Appropriate Technology in Health	1,106,510	-
Total	P 35,076,328	P 17,149,314

- On October 1, 2008, the Coastal Resource Center of the University of Rhode Island (CRC-URI) awarded a sub agreement to PATH Foundation Philippines, Inc. as one of the their strategic partners to assist in implementing the "Building Actors and Leaders for Advancing Community Excellence in Development" (BALANCED) project. BALANCED Project is a multi-year global program supported by the United States Agency for International Development (USAID) Office of Population and Reproductive Health. The project aims to advance and support wider use of effective population-health environment (PHE) activities globally as follows:

- IR1: Build capacity for integrated PHE implementation
- IR2: PHE knowledge and tools developed, organized, synthesized and shared
- IR3: Results – oriented PHE filed activities implemented in areas of high biodiversity

The PFPI's integrated population and coastal resource management (IPOPCORM) model is one of the evidence-based PHE approaches that BALANCED is adapting and applying in other settings and countries. PFPI serves as the Technical Assistance Lead for transfer of know-how to environmental organizations in Africa and Asia seeking to integrate family planning into their field programs, action plans and organizational directions.

- The UK-based Ashmore Foundation on June 30, 2011 provided a financial grant in the amount of £35,000 for PFPI's empowering rural youth with PHE and enterprise development know-how (the Empower Project). The project operates in 28 coastal barangays of Bohol and Oriental Mindoro provinces where it is creating livelihood options for disadvantaged youth in order to improve quality of life and reduce pressure on dwindling marine resources. Young people (aged 15-24) are mobilized and trained to serve as volunteer youth peer educators (YPE) and change agents for population, health and environment (PHE) actions in their respective communities. Other inputs enable youth to initiate viable micro-businesses that are environmentally friendly and responsive to their interests. PFPI works with government units such as the Philippine Technical Education and Skills Development Authority (TESDA) to transfer knowledge and skills to youth for livelihood and enterprise development.
- In 2011, PFPI in partnership with the Program for Appropriate Technology in Health (PATH, USA) conducted a research as part of initiative funded by the Bill and Melinda Gates Foundation to gather information needed to inform the planning, administration, implementation, data collection and analysis of vaccine product attributes.

- The project with Asian Development Bank in 2010 provided technical assistance to local government units and coastal communities working towards its desired incomes that includes: 1) generation of political commitment and support for integrated approaches to poverty alleviation that incorporate reproductive health strategies; 2) expanding capacity planning of provincial and municipal governments on integrated poverty-population-environment; 3) creating LGU capacity to establish and sustain community-based family planning systems; and 4) improving family planning acceptance and use in focal areas. On HIV/AIDS/STI prevention programs, the project aimed to develop strategy for reaching groups at risk.

13. OTHER RECEIPTS

This account consists of:

	2011	2010
Interest income	P 105,902	P 104,892
Donations and other receipts	107,893	1,435,535
Total	P 213,795	P 1,540,427

Interest represents income earned from interest-bearing bank account. The cash gifts and donations and other receipts generally pertain to the recovered costs of training supplies, book and other materials.

14. EXPENSES

This account consists of:

	Notes	2011	2010
Subproject support activities	15	P 13,756,974	P 10,944,367
Salaries and wages		7,549,828	5,673,824
Other direct costs	16	4,741,159	2,786,386
Sub-agreements	17	3,452,727	807,426
Transportation and travel		2,121,247	819,359
Per diem		1,582,292	737,016
Total		P 33,204,227	P 21,768,378

15. SUBPROJECT SUPPORT ACTIVITIES

This account consists of:

	2011	2010
Contracted services	P 4,436,143	P 2,612,444
Consultants	6,188,112	4,564,585
Project workshop and training	3,132,719	3,767,338
Total	P 13,756,974	P 10,944,367

16. OTHER DIRECT COSTS

This account consists of:

	Notes	2011	2010
Rent and facilities	18	P 1,179,466	P 761,141
Office supplies and copying		303,932	97,322
Telephone		228,542	208,056
Depreciation	8	226,636	177,547
Professional fees		95,750	115,350
Online fees		57,326	71,380
Bank charges		61,163	52,987
Meeting and conferences		55,821	30,614
Postage and freight		37,693	75,739
Other direct expenses		2,494,830	1,196,250
Total		P 4,741,159	P 2,786,386

17. SUB-AGREEMENTS

The sub-agreements include seed grants provided to the following sub grantees:

	2011	2010
Wildlife Conservation Society (WCS) Zambia	P 865,600	P 47,751
Bwindi Mgahinga Conservation Trust (BMCT)	865,600	-
Tree Kangaroo Conservation Program (TKCP)	865,600	-
Volunteer Efforts for Development (VEDCO)	855,927	-
Ethio Wetlands and Natural Resources Ass'n (EWNRA)	-	759,675
Total	P 3,452,727	P 807,426

- Wildlife Conservation Society (WCS) Zambia - The purpose of the program is to provide supplemental support to integrate FP into WCS Zambia's COMACO livelihood and conservation program. The project term is from October 1, 2010 to September 30, 2012 with a total funding support of \$40,000.
- Bwindi Mgahinga Conservation Trust (BMCT) - The purpose of the program is to provide supplemental support to facilitate the communities in Kanungu district to manage their natural resources in ways that improve their health and livelihoods while conserving the Bwindi critical ecosystem they depend on through PHE. The project term is November 1, 2011 to June 30, 2013 with a total funding support of \$40,000.
- Tree Kangaroo Conservation Program (TKCP) - The purpose of the project is to provide supplemental support to facilitate the selected communities Houn Peninsula in Papua New Guinea to achieve human welfare while managing the YUS Conservation Area they depend on the PHE. The term of the project is from November 1, 2011 to June 30, 2013 with a total funding support of \$40,000.
- Volunteer Efforts for Development (VEDCO) – The purpose of the project is to provide supplemental support to VEDCO to implement strategies and activities towards improving access and use of family planning in the agricultural department areas through PHE. The term of the project is from November 1, 2011 to June 30, 2013 with a total funding support of \$40,000.
- On October 1, 2010, Wildlife Conservation Society (WCS)'s project facilitated the Family Health Training in Mfuwe for a total of \$1,100 equivalent to P 47,751.

- On November 17, 2010, Ethio Wetlands and Natural Resources Association was provided with ₱759,675 equivalent to \$17,555 as a supplemental support to strengthen the family planning component of its PHE approach in the Witchi Wetland Watershed region and its project in Orgelo-Shenkora Waterhed in Ethiopia.

18. COMMITMENTS

Lease obligations

The Foundation is paying a fix monthly rental rate, with an agreement that the contract is to be renewed at the end of the term of the lease. There are no purchase options and escalation clauses stipulated in the contract. No restrictions are imposed concerning additional debt and further leasing.

The lease contracts is for the period of one (1) year and renewable for another year after the expiry date of the period stipulated under such terms and conditions mutually acceptable to both parties.

Future minimum rent payables for the non-cancelable portions of the operating leases are as follows:

Within one year	₱ 291,000
After one year but not more than five years	-

Rent expense charged against current operations under administrative amounted to ₱268,640 in 2011 and ₱277,200 in 2010.

19. DOLLAR INCREMENT

Transactions in foreign currency denomination are recorded in the books in Philippine Pesos at the average rate computed at the end of each month. The value of cash and cash equivalent in US dollar are recognized at the rate of Peso equivalent at the end of each month and any difference is recognized as dollar increment or decline. The recorded dollar appreciation amounted to ₱199,084 in 2011 and a decline of ₱246,174 in 2010.

20. INDIRECT COST RATE

PATH Foundation Philippines, Inc. (PFPI) charges indirect cost across its all projects. The indirect cost rate of 15% was allocated as the current overhead rate based on the total direct cost of the projects.

The fringe benefits are allocated as a direct cost in the accounting and budgeting system of PFPI. These benefits are based on a percentage of salary plus leave cost at the current rate of 27%. The fringe benefits includes statutory benefits such as Social Security System (SSS), worker’s compensation, Philhealth, Pag-ibig Fund, 13th month pay, annual cash bonus, severance pay; and voluntary benefits such as life/accident insurance, transportation subsidy, medical/dental reimbursement and pension plan.

21. SUPPLEMENTARY INFORMATION REQUIRED BY RR 15-2010 OF THE BIR

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRSs and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year.

Following is the required information under RR No. 15-2010 for the years ended December 31, 2011 and 2010:

A. Value-added-tax (VAT)

The Foundation is a Non-stock, non-profit Organization not obligated to remit value-added-tax (VAT).

B. Withholding taxes

This account is composed of the following:

	2011	2010
Tax on compensation and benefits	P 1,693,974	P 1,385,172
Expanded withholding tax	896,619	751,606
	<u>P 2,590,593</u>	<u>P 2,136,778</u>

C. All other taxes

This account pertains to other taxes paid during the year recognized under "Taxes and Licenses" account in the Statement of Comprehensive Income:

	2011	2010
Mayor's permit	P 8,671	P 5,800
Barangay clearance	200	200
Community tax certificate	550	550
BIR annual registration fee	500	500
Total	<u>P 9,921</u>	<u>P 7,050</u>

22. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are non-interest advances and reimbursement of expenses of directors, officers and employees. (See Note 6)

Compensation of Key Management Personnel

Compensation of key management personnel of the Foundation pertains to consultancy fees, salaries and other short-term benefits.

LARENA & COMPANY

Certified Public Accountants

Suite 303 Web-Jet Bldg.
No. 64 Quezon Ave. corner BMA, Quezon City
SEC Accreditation No. 185-F

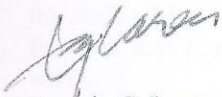
**REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY
FINANANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

To the Members and Board of Trustees
PATH Foundation Philippines, Inc.
(A Non-stock, Non-profit Organization)
10/F Unit 1009 Tower 2 Cityland Condominium 10
No. 154 H. V. Dela Costa St., Salcedo Village
Makati City, Metro Manila
Philippines

We have examined the financial statements of **PATH Foundation Philippines, Inc. (A Non-stock, Non-profit Organization)** for the year ended December 31, 2011, which we have rendered the attachment report dated April 12, 2012.

In compliance with SRC Rule 68, we are stating that **PATH Foundation Philippines, Inc. (A Non-stock, Non-profit Organization)** has a total number of seven (7) members.

Larena & Company, CPAs



Antonio C. Larena
Partner
PRC License No. 44347
SEC Accreditation No. 0915-A (Group C), expires January 10, 2013
PRC/BOA Reg. No. 0842, expires December 31, 2014
BIR AN 07-005001-1-2010, March 5, 2013
TIN 117-004-840
PTR No. 6004116, January 2, 2012, Quezon City

April 12, 2012
Quezon City
Philippines

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

To the Board of Trustees and Members of
PATH Foundation Philippines, Inc.
(A Non-stock, Non-profit Organization)
10/F Unit 1005 Tower 2 Cityland Condominium 10
No. 154 H. V. Dela Costa St., Salcedo Village
Makati City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the financial statements of PATH Foundation Philippines, Inc. (A Non-stock, Non-profit Organization), for the year ended December 31, 2011 and have issued our report thereon dated April 12, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of receipts and expenses and the sworn statement of sources and application of funds for the year ended of December 31, 2011, are the responsibility of the Company's management. These supplementary schedules are presented for the purpose of complying with Securities Regulation Code (SRC) Rule No. 68, as amended, and are not part of the basic financial statements. These supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Larena & Company, CPAs



Antonio C. Larena
Partner

PRC License No. 44347

SEC Accreditation No. 0915-A (Group C), expires January 10, 2013

PRC/BOA Reg. No. 0842, expires December 31, 2014

BIR AN 07-005001-1-2010, expires March 5, 2013

TIN 117-004-840

PTR No.6004116, January 2, 2012, Quezon City

April 12, 2012
Quezon City
Philippines

PATH FOUNDATION PHILIPPINES, INC.
(A Non-stock, Non-profit Organization)
SCHEDULE OF RECEIPTS AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31

	2011	2010
RECEIPTS		
University of Rhode Island	P 31,607,616	P 17,149,314
The Ashmore Foundation	2,362,202	-
Program for Appropriate Technology in Health	1,106,510	-
Total Receipts	35,076,328	17,149,314
EXPENSES		
Subproject support activities		
Contracted services	4,436,143	2,612,444
Consultants	6,188,112	4,564,585
Project workshop and training	3,132,719	3,767,338
Other direct costs		
Rent and facilities	1,179,466	761,141
Office supplies and copying	303,932	97,322
Telephone	228,542	208,056
Depreciation	226,636	177,547
Professional fees	95,750	115,350
Online fees	57,326	71,380
Bank charges	61,163	52,987
Meeting and conferences	55,821	30,614
Postage and freight	37,693	75,739
Other direct expenses	2,494,830	1,196,250
Salaries and wages	7,549,828	5,673,824
Sub-agreements	3,452,727	807,426
Transportation and travel	2,121,247	819,359
Per diem	1,582,292	737,016
Total Expenses	33,204,227	21,768,378
OTHER RECEIPTS		
Interest income	P 105,902	P 104,892
Donations and other receipts	107,893	1,435,535
Total Other Receipts	213,795	1,540,427
DOLLAR INCREMENT	199,084	(246,174)
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENSES	P 2,284,980	(P 3,324,811)