LARENA & COMPANY
Certified Public Accountants

Suite 303 Web-Jet Bldg.
64 Quezon Ave. corner BMA, Quezon City

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees and Members of
PATH Foundation Philippines, Inc.
(A Non-stock, Non-profit Organization)
22/F Unit 2205 Tower 2 Cityland Condominium 10
No. 154 H. V. Dela Costa St., SalcedoVillage
Makati City, Metro Manila
Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of PATH Foundation Philippines, Inc. (A Non-stock, Non-profit Organization) which comprise the statements of assets, liabilities and fund balance as of December 31, 2018 and 2017 and statements of receipts and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all materials respects, the financial position of PATH Foundation Philippines, Inc. (A Non-stock, Non-profit Organization) as of December 31, 2018 and 2017, 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 Entities (PFRS for SEs).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SEs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

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

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

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

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

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

Our 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 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of 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/BOA Reg. No. 0842, until June 23, 2021
BIR AN 07-005001-1-2016, until May 5, 2019
TIN 117-004-840
PTR No. 7281778 January 3, 2019, Quezon City

March 14, 2019
Quezon City
Philippines

INTERNAL REVENUE
NO. 8 - MAKATI
District Office No. 50
South Makati
RECEIVED
DATE:
MARCOS RDO CODE: 050
APR 11 2019

PATH FOUNDATION PHILIPPINES, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE
DECEMBER 31

	Notes	2018	2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3,5	**₱ 2,130,909**	₱ 895,659
Grant and other receivables	3,4,6	**6,622,211**	19,927
Other current assets	3,7	**390,629**	102,587
Total Current Assets		**9,143,749**	1,018,173
NON-CURRENT ASSETS			
Property and equipment	3,4,8	**2**	2
TOTAL ASSETS		**₱ 9,143,751**	₱ 1,018,175
LIABILITIES AND FUND BALANCE			
LIABILITIES			
CURRENT LIABILITIES			
Payables	3,9	**₱ 3,307,195**	₱ 676,949
FUND BALANCE	3, 10	**5,836,556**	341,226
TOTAL LIABILITIES AND FUND BALANCE		**₱ 9,143,751**	₱ 1,018,175

See Notes to Financial Statements

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

	Notes		2018		2017
RECEIPTS	3,11	₱	**33,956,994**	₱	8,010,250
EXPENSES	3,13	(	**29,073,608)**	(	8,366,510)
OTHER RECEIPTS	3,12		**558,434**		534,123
DOLLAR INCREMENT	3,17		**53,510**		59,309
EXCESS OF RECEIPTS OVER EXPENSES		₱	**5,495,330**	₱	237,172

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, 2018 AND 2017

		Members' Contributions (Note 3)		Cumulative Excess of Receipts Over Expenses (Note 3)		Total Fund Balance
Balance at December 31, 2017	₱	50,000	₱	291,226	₱	341,226
Excess receipts over expenses		-		5,495,330		5,495,330
Balance at December 31, 2018	₱	50,000	₱	5,786,556	₱	5,836,556
Balance at December 31, 2016	₱	50,000	₱	54,054	₱	104,054
Excess receipts over expenses		-		237,172		237,172
Balance at December 31, 2017	₱	50,000	₱	291,226	₱	341,226

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	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
EXCESS RECEIPTS OVER EXPENSES		**₱ 5,495,330**	₱ 237,172
Adjustments for:			
Depreciation	8	**-**	12,948
Interest income	12	**(2,141)**	(1,669)
Dollar increment	17	**(53,510)**	(59,309)
Operating excess before working capital changes		**5,439,679**	189,142
Changes in operating assets and liabilities:			
Grants and other receivables	6	**(6,602,284)**	(17,427)
Other current assets	7	**(288,042)**	(4,648)
Payables	9	**2,630,246**	(670,273)
Cash generated from operations		**1,179,599**	(503,206)
Interest received	12	**2,141**	1,669
Net Cash Provided by (Used) in Operating Activities		**1,181,740**	(501,537)
CASH FLOWS FROM INVESTING ACTIVITIES		**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	-
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**53,510**	59,309
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,235,250**	(442,228)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**895,659**	1,337,887
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱ 2,130,909**	₱ 895,659

See Notes to Financial Statements

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 to give 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, 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 22/F Unit 2205 Tower II, Cityland Condominium 10, No. 154 H. V. Dela Costa St., Salcedo Village, Makati City 1227, Metro Manila, Philippines.

The Board of Trustees authorized the financial statements for issue on March 14, 2019.

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 as of and for the year ended December 31, 2018 are the first PFPI has prepared in accordance with the PFRS for Small Entities (the "Framework") as approved by the Financial Reporting Standard Council, Board of Accountancy, and Securities and Exchange Commission (SEC).

Basis of Measurement
They have been prepared on a historical cost basis. In preparing these financial statements, the PFPI's opening statement of assets, liabilities and fund balance was prepared as of December 31, 2017, PFPI's transition date to PFRS for Small Entities. Note 21 to the financial statements explains the adjustments, if any, made by PFPI in restating its previous financial statements prepared in accordance with PFRS for SMEs, including the financial statements as of and for the year ended December 31, 2017.

PFPI opted to adopt the Framework earlier than its mandatory effective date of January 1, 2019, as allowed by the standard itself and the existing SEC rules and regulations.

Functional and Presentation Currency
PFPI's financial statements are presented in Philippine Pesos, the currency of the primary economic environment in which PFPI 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 statements of assets, liabilities and fund balance are recognized when PFPI 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 statements of receipts and expenses.

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, PFPI shall recognize an impairment loss in the statements of receipts and expenses 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, PFPI shall reverse the previously recognized impairment loss either directly or by 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. PFPI shall recognize the amount of reversal in the statements of receipts and expenses 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
- PFPI 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 statements of receipts and expenses.

e. *Offsetting Financial Instruments*
Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets, liabilities and fund balance 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 statements of assets, liabilities and fund balance.

Financial Assets
Financial assets consist of the following:

a. *Cash*
Cash is stated at face value. Information on cash is 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.

Advances to staff are classified as current assets unless PFPI has an unconditional right to defer collection of the advances for at least twelve months after the reporting period. These are derecognized from the statements of assets, liabilities and fund balance when the advances are collected or cancelled.

A provision for impairment of the receivables is established when there is objective evidence that PFPI 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.

c. *Rental deposit*
Rental deposit is recognized in the event that payment has been made to guarantee or obtain right of access to goods or receipt of services and measured at nominal amounts. These are derecognized in the statements of assets, liabilities and fund balance either with the passage of time or through use or consumption.

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 statements of assets, liabilities and fund balance either with the passage of time or through consumption. This account includes rental deposit, 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 statements of receipts and expenses 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 statements of receipts and expenses 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 statements of receipts and expenses 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.

PFPI's property and equipment are not impaired as of December 31, 2018 and 2017.

Financial Liabilities
Financial liabilities include payables.

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

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

Revenue Recognition
PFPI 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 PFPI'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).

Expense and Cost Recognition
Related costs and expenses are recognized in the statements of receipts and expenses 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 PFPI.

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

PFPI 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 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 PFPI 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: PFPI 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, 2018 and 2017, PFPI 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.

PFPI has no contingent liabilities as of December 31, 2018 and 2017.

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 PFPI'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.

PFPI has no adjusting events as of December 31, 2018 and 2017.

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 PFPI's 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.

  PFPI 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 PFPI'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 PFPI's 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

This account consists of:

	2018	2017
Cash in bank	₱ 2,125,909	₱ 893,659
Petty cash fund	5,000	2,000
Total	₱ 2,130,909	₱ 895,659

Cash in banks earn interest at prevailing bank deposit rates.

The US dollar was converted to Philippine peso based on the Bangko Sentral ng Pilipinas (BSP) exchange rate on December 29, 2018 of ₱ 52.72 and ₱50.01on December 29, 2017.

6. GRANTS AND OTHER RECEIVABLES

This account consists of:

	2018	2017
Others	₱ 6,622,211	₱ 19,927

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

7. OTHER CURRENT ASSETS

This account consists of:

	2018	2017
Rental deposit	₱ 390,629	₱ 102,587

Rental deposit pertains to guaranty deposit used as security in the event PFPI vacates the lessor's property.

8. PROPERTY AND EQUIPMENT

The summary of property and equipment is shown below:

	Balance December 31 2017	Additions	Balance December 31 2018
Cost			
Office furniture and equipment	₱ 776,927	₱ -	₱ 776,927
Computer and accessories	1,852,559	-	1,852,559
	2,629,486	-	2,629,486
Accumulated depreciation			
Office furniture and equipment	776,926	-	776,926
Computer and accessories	1,852,558	-	1,852,558
	2,629,484	-	2,629,484
Net book value	₱ 2		₱ 2

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

9. PAYABLES

This account consists of:

	2018	2017
Accrued expenses	₱ 1,362,604	₱ 564,749
Other payables	1,944,591	112,200
Total	₱ 3,307,195	₱ 676,949

Accrued expenses are expenses incurred during the year but not yet paid as of reporting date which includes fringe benefits obligation and other unpaid expenses.

Other payables include program and operating costs.

10. FUND BALANCE

PFPI 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.

11. RECEIPTS

This account is composed of grants from the following:

	2018	2017
Gerry Roxas Foundation, Inc. (SEAnergy)	₱ 6,912,049	₱ 8,010,250
University of Rhode Island (FISH-Right)	27,044,945	-
Total	₱ 33,956,994	₱ 8,010,250

Brief details of commitments to grantors are in Note 16.

12. OTHER RECEIPTS

This account consists of:

	2018	2017
Interest income	₱ 2,141	₱ 1,669
Donations and other receipts	556,293	532,454
Total	₱ 558,434	₱ 534,123

Interest represents income earned from interest-bearing bank account. Donations and other receipts generally pertain to the recovered costs of training supplies, books and other materials.

13. EXPENSES

This account consists of:

	Notes	2018	2017
Salaries and wages		₱ 15,594,439	₱ 3,396,168
Subproject support activities	14	5,825,696	3,410,307
Other direct costs	15	7,041,411	1,195,215
Transportation and travel		400,057	286,712
Per diem		212,005	78,108
Total		₱ 29,073,608	₱ 8,336,510

14. SUBPROJECT SUPPORT ACTIVITIES

This account consists of:

	2018	2017
Consultants	₱ 172,000	₱ 749,872
Project workshop and training	5,653,696	2,660,435
Total	₱ 5,825,696	₱ 3,410,307

15. OTHER DIRECT COSTS

This account consists of:

	Notes	2018	2017
Other direct expenses		₱ 3,502,099	₱ 255,019
Rent and facilities	16	2,839,634	384,152
Printing and publication		265,500	134,000
Medical insurance		175,051	114,348
Telephone		131,969	90,972
Office supplies and copying		85,128	55,559
Bank charges		20,414	3,417
Postage and freight		13,091	32,800
Business taxes		8,525	0
Professional fees		-	112,000
Depreciation	8	-	12,948
Total		₱ 7,041,411	₱ 1,195,215

16. COMMITMENTS

Lease obligations
PFPI 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:

Rent expense charged against current operations under other direct cost amounted to ₱2,025,699 in 2018 and ₱384,152 in 2017.

Commitments to Grantors

- The Gerry Roxas Foundation, Inc. (GRF) through PhilAM Fund provided PATH Foundation Philippines Inc. financial grant to implement the SEAnergy Project covering July 1, 2016 and estimated completion date was March 31, 2018. The total Project budget approved for this Grant amounted to ₱13, 078,098. Effective June 1, 2017, additional funding in the amount of ₱4,490,611for an expansion site was provided as per Grant Modification No. 1 increasing the total Grants to ₱17,568,709. This Grant was incrementally funded based on USAID fiscal performance period. GRF obligated the grant amount to PFPI on a yearly basis based on the work and financial plan submitted to and approved by GRF, subject to compliance with the Specific Conditions as described in Section A.17 of the Grant Agreement Schedule. The initial grant for Year 1 amounted to ₱7,797,781 plus additional ₱4,988,258 or a total of ₱12,786,039. Subsequent releases of funds up to the total amount of the Grant was obligated subject to approval of Year 2 Budget, the availability of funds, satisfactory progress of Foundation's program and activities, and continued relevance of the Foundation's activities to the prime contract between USAID and Gerry Roxas Foundation (GRF).

Grant Agreement Modification No.2 effective October 15, 2017 modified the grant agreement performance of the project from March 31, 2018 to June 30, 2018.

Grant Agreement Modification No. 4 effective June 29, 2018 modified the grant agreement performance of the project from June 30, 2018 to July 31, 2018.

Grant Agreement Modification No. 5 effective July 20, 2018 modified the grant agreement for additional funding in the amount of ₱1,267,204 increasing the total amount obligated to ₱18,835,913 and modified the project performance from July 31, 2018 to August 31, 2018.

Grant Agreement Modification No. 6 effective August 28, 2018 modifies the grant agreement performance from August 31, 2018 to end September 15, 2018.

- On May 1, 2018, the Coastal Resource Center of the University of Rhode Island (CRC-URI) awarded a sub agreement to PATH Foundation Philippines, Inc. (PFPI) as one of its strategic partners to assist in the implementation of the "FISH Right" project. The FISH Right project is a multi-year program supported by the United States Agency for International Development (USAID).

17. 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 ₱53,510 in 2018 and ₱59,309 in 2017.

18. FRINGE BENEFITS

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 include 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.

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

Following is the required information under RR No. 15-2010 for the years ended December 31, 2018 and 2017:

A. Value-added-tax (VAT)

PFPI 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:

	2018	2017
Tax on compensation and benefits	₱ 2,615,291	₱ 516,370
Expanded withholding tax	124,212	97,614
Total	₱ 2,739,503	₱ 613,984

C. All other taxes

This account pertains to other taxes paid during the year recognized under "Taxes and Licenses" account in the Statements of Receipts and Expenses:

	2018	2017
Mayor's permit	₱ 7,125	₱ 7,125
Barangay clearance	400	400
Community tax certificate	500	500
BIR annual registration fee	500	500
Others	-	50
Total	₱ 8,525	₱ 8,575

20. RELATED PARTY TRANSACTIONS

Significant related party transactions include compensation of key management personnel of PFPI which pertains to consultancy fees, salaries and other short-term benefits.

21. TRANSITION TO PFRS FOR SMALL ENTITIES

Explanation of transition to the PFRS for Small Entities

The following reconciliations show that the transition from previous accounting framework (PFRS for SMEs) to the PFRS for Small Entities on PFPI's equity has no effect as at January 1, 2017 and December 31, 2017, and PFPI's excess of receipts over expenses for the year ended December 31, 2017.

a) Fund balance

	December 31 2017	January 1 2017
Total fund balance under previous accounting framework	₱ 341,226	₱ 104,054
Adjustment	0	0
Total fund balance under PFRS for Small Entities ₱	₱ 341,226	₱ 104,054

b) Excess of receipts over expenses for the year ended

	December 31 2017
Excess of receipts over expenses for the year under previous accounting framework	₱ 237,172
Adjustment	0
Excess of receipts over expenses for the year under PFRS for Small Entities	₱ 237,172

PATH Foundation Philippines, Inc.
ALLEVIATING POVERTY * IMPROVING HEALTH * PROMOTING ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **PATH Foundation Philippines, Inc. (A Non-stock, Non-profit Organization)** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of **PATH Foundation Philippines, Inc. (A Non-stock, Non-profit Organization)**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **PATH Foundation Philippines, Inc. (A Non-stock, Non-profit Organization)** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 11 2019

Angel C. Alcala
Chairman/President

Joan Regina L. Castro
Treasurer

March 14, 2019

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