Stichting BRAC International, Inc.- Philippine Branch
(A Nonstock, Nonprofit Organization)

Financial Statements
December 31, 2021 and 2020

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Stichting BRAC International, Inc. - Philippine Branch
(A Nonstock, Nonprofit Organization)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stichting BRAC International, Inc. - Philippine Branch (a nonstock, nonprofit organization) (the Branch), which comprise the statement of assets, liabilities and home office account as at December 31, 2021, and the statement of comprehensive income, statement of changes in home office account and statement of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch 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 audit opinion.

Other Matter

The financial statements of the Branch as at and for the year ended December 31, 2020, were audited by another auditor who expressed an unqualified opinion on those statements on April 13, 2021.

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 PFRSs, 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 Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch'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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 34-2020 and 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 required under Revenue Regulations 34-2020 and 15-2010 in Note 15 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 the management of Stichting BRAC International, Inc. - Philippine Branch. 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.

SYCIP GORRES VELAYO & CO.

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SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-113-2022,
January 25, 2022, valid until January 24, 2025
PTR No. 8853468, January 3, 2022, Makati City

April 6, 2022

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND HOME OFFICE ACCOUNT

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 4)	**₱9,841,669**	₱12,437,105
Receivables (Note 5)	**5,353,405**	606,943
Other current assets (Note 12)	**156,240**	170,240
	15,351,314	13,214,288
Noncurrent Assets		
Property and equipment - net (Note 6)	**298,159**	136,914
TOTAL ASSETS	**₱15,649,473**	₱13,351,202
LIABILITIES AND HOME OFFICE ACCOUNT		
Current Liabilities		
Accounts payable and accrued expenses (Note 7)	**₱7,346,881**	₱5,044,268
Deferred grants (Note 8)	**8,302,592**	8,306,934
	15,649,473	13,351,202
Home Office Account	**–**	–
TOTAL LIABILITIES AND HOME OFFICE ACCOUNT	**₱15,649,473**	₱13,351,202

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
INCOME		
Grants (Note 8)	**₱41,367,278**	₱18,224,605
Interest income	**1,333**	10,770
	41,368,611	18,235,375
PROJECT EXPENSES (Note 9)		
Salaries and employee benefits	**19,995,564**	5,119,208
Logistics and management expense	**6,123,061**	722,997
Project supplies	**5,509,309**	6,159,429
Training and orientation	**3,998,292**	1,620,309
Evaluation activity	**3,097,454**	723,867
Office utilities	**855,659**	303,426
Transportation and travel	**711,535**	471,605
Rent (Note 12)	**368,440**	122,120
Outside services	**340,152**	214,068
Taxes and licenses	**50,470**	46,879
Miscellaneous	**330,549**	678,017
	41,380,485	16,181,925
OTHER EXPENSE (INCOME)		
Depreciation (Note 6)	**146,707**	85,908
Foreign exchange loss (gain) - net	**(59,800)**	353,346
Other income	**(119,806)**	–
	(32,899)	439,254
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**21,025**	1,614,196
	41,368,611	18,235,375
NET EXCESS OF INCOME OVER EXPENSES	**–**	–
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱–**	₱–

See accompanying Notes to Financial Statements

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF CHANGES IN HOME OFFICE ACCOUNT

	Years Ended December 31	
	2021	2020
HOME OFFICE ACCOUNT		
At January 1	**₱–**	₱–
Net excess of income over expenses	**–**	–
At December 31	**₱–**	₱–

See accompanying Notes to Financial Statements

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net excess of income over expenses	**₱–**	₱–
Adjustments for:		
Depreciation (Note 6)	**146,707**	85,908
Foreign exchange loss (gain) - net	**(59,800)**	353,346
Interest income (Note 4)	**(1,333)**	(10,770)
Excess of income over expenses before working capital changes	**85,574**	428,484
Decrease (increase) in:		
Receivables	**(4,746,462)**	(520,943)
Other current assets	**14,000**	25,540
Increase (decrease) in:		
Accounts payable and accrued expenses	**2,302,613**	159,366
Deferred grants	**(4,342)**	(6,816,802)
Net cash used in operating activities	**(2,348,617)**	(6,724,355)
Interest received	**1,333**	10,770
Net cash used in operating activities	**(2,347,284)**	(6,713,585)
CASH FLOWS USED IN AN INVESTING ACTIVITY		
Additions to property and equipment (Note 6)	**(307,952)**	–
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	**59,800**	(353,346)
NET DECREASE IN CASH	**(2,595,436)**	(7,066,931)
CASH AT BEGINNING OF YEAR	**12,437,105**	19,504,036
CASH AT END OF YEAR (Note 4)	**₱9,841,669**	₱12,437,105

See accompanying Notes to Financial Statements.

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS

1. Branch Information

Stichting BRAC International, Inc. (the "Head Office"), a foundation registered under the laws of The Netherlands, was granted by the Philippine Securities and Exchange Commission (SEC) a license to transact business in the Philippines (the "Branch") on January 25, 2012 to manage the implementation of education assistance projects in Mindanao as part of the then Australian Agency for International Development (AusAID) program, which subsequently changed its name to Department of Foreign Affairs and Trade (DFAT) - Australian Aid Program. The Branch implements the "Alternative Delivery Model (ADM) Project" of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) with an objective of improving access to quality pre-school and elementary education, particularly in communities without access to or which have difficulty in accessing government schools. The project ended on June 30, 2019.

On December 6, 2017, the Branch revised its purpose, as registered with SEC, to manage the implementation of education assistance projects to Mindanao as part of the AusAid Program and to develop, implement and manage social welfare activities in education, health, livelihoods, and community resilience by creating opportunities for people to realize their potential for change and development by linking and working with associated stakeholders in the Philippines.

On December 11, 2018, the Branch entered into agreement with Asian Development Bank on pioneering the implementation of "Ultra Poor Graduation (UPG) or Graduation Approach" (the "Program"). The implementing government partner for the program is the Department of Labor and Employment (DOLE). The program ended on December 31, 2020.

On June 1, 2020, the Branch entered into a contract with the Palladium Global Philippines as a sub-contractor for Abot Kaalaman sa Pamilyang Bangsamoro (AKAP) Program. The AKAP Program is an Australian Government-funded education program in Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). It is designed to support the efforts of the Ministry of Basic, Higher and Technical Education (MBHTE) and other local stakeholders in improving educational performance, quality, and equity.

Palladium Global Philippines' Pathways Project is supporting the MBHTE to deliver quality education access to unserved communities through the AKAP Project. The support is intended to capacitate the access technical working group at the regional and division levels to provide, implement, manage, and sustain alternative and contextualized learning modalities in remote communities. The Phase 1 and Phase 2 projects have ended last November 30, 2020 and December 31, 2021, respectively. The Phase 3 of the project will end on June 30, 2022.

On March 1, 2021, the Branch has entered into memorandum of understanding with BRAC USA to implement the Expanded Social Assistance Project- Graduation from Poverty Approach in the Philippines, funded by the Asian Development Bank "ADB". The project started on March 1, 2021 and will end on December 31, 2022. The Sustainable Livelihood Program (SLP) is a DSWD program in partnership with Asian Development Bank (ADB) and Department of Foreign Affairs and Trade (DFAT) that integrate the Graduation approach in the current SLP process holistically address the poverty challenges of SLP participants to ensure the sustainability of its interventions. The program has 3,000 beneficiaries through series of Graduation sites in the provinces of Iloilo, Bukidnon, and Sultan Kudarat. To support DSWD's implementation of the Graduation approach, BRAC Philippines will provide payroll, provision of health and accident insurance, financial administration for compensation of the national staff, relocation assistance for staff, quarterly financial and administrative reports to BRAC International, procurement and distribution of equipment, and provision of reimbursements for COVID-19 vaccines of staff.

On August 1, 2021, the Branch has entered into a contract with BRAC USA for the implementation of the COVID-19 response in the Philippines that runs until February 2022 by providing series of initiatives to enhance COVID-19 awareness and prevention, and increase vaccination uptake in AKAP areas in BARMM and UPGI areas in Iloilo, Bukidnon and Sultan Kudarat.

The registered office of the Branch, which is also its principal place of business, is located at Block 4., Lot 6., Narra Street, San Pablo Village, Cotabato City.

The accompanying financial statements were approved and authorized for issue by the Board of Directors on April 6, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation
The financial statements of the Branch have been prepared on a historical cost basis. The financial statements are presented in Philippine peso, which is the Branch's functional and presentation currency.

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The Branch qualifies as a Small Entity (SE) based on the criteria set by the SEC. However, as provided under the Revised Securities Regulation Code Rule 68, the Branch availed of the exemption from the mandatory adoption of the PFRS for SEs on the basis that it is a branch of a foreign parent company reporting under the full IFRS. There are no significant differences between PFRS and IFRS with regard to accounts that are currently used by the Branch.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Branch has adopted the following new accounting pronouncements starting January 1, 2021.

Except as otherwise indicated, adoption of the following new and amended standards and interpretations did not have any significant impact on the Branch's financial statements:

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
    - The rent concession is a direct consequence of COVID-19;
    - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
    - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and

- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.
The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The amendments did not affect the Branch's financial statements since it has no COVID-19 related lease concession.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Branch shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

  These amendments had no impact on the financial statements of the Branch as it does not have any interest rate hedge relationships.

<u>Standards Issued But Not Yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Branch does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Branch intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Current versus Noncurrent Classification

The Branch presents assets and liabilities in the statement of assets, liabilities and home office account based on current or noncurrent classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Branch classifies all other liabilities as noncurrent.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or,
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Branch.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Branch uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Branch determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Branch has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash
Cash includes cash on hand and in banks.

Financial Instruments - Classification and Measurement
Classification of financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Branch's business model for managing the financial assets. The Branch classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

Contractual cash flows characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Branch assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Branch determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model
The Branch's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Branch's business model does not depend on management's intentions for an individual instrument.

The Branch's business model refers to how it manages its financial assets in order to generate cash flows. The Branch's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Branch in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Branch's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Costs and expenses" in the statement of comprehensive income.

As of December 31, 2021 and 2020, the Branch has debt financial assets consisting of cash and receivables. The Branch assessed that the contractual cash flows of these debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Branch concluded these debt financial assets to be measured at amortized cost.

Financial assets at fair value through other comprehensive income (FVOCI)
A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other

comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Branch may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Branch may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Branch's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Branch; and,
- the amount of the dividend can be measured reliably.

The Branch has no financial assets at FVOCI as of December 31, 2021 and 2020.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets at FVTPL are measured as at unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Branch may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis. Trading gains or losses are calculated based on the results arising from trading activities of the Branch, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Branch has no financial assets at FVTPL as of December 31, 2021 and 2020.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Branch retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and,
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or,

- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Branch's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Reclassifications of financial instruments
The Branch reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Branch and any previously recognized gains, losses or interest shall not be restated. The Branch does not reclassify its financial liabilities. The Branch does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at fair value through profit or loss.

Classification of Financial Instruments between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or,
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Branch; or,
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Branch does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets
The Branch recognizes expected credit losses (ECL) for its debt instruments measured at amortized cost.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and

- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Branch considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade", or when the exposure is less than 30 days past due.

Determining the stage for impairment
At each reporting date, the Branch assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Branch considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to “Receivables”. The Branch has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

Derecognition of Financial Assets and Liabilities

Financial assets

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

- the rights to receive cash flows from the asset expires;
- the Branch retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or,
- the Branch has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Branch retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to one or more entities, the Branch treats the transaction as a transfer of a financial asset if the Branch:

- has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and,
- has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Branch neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it retains control over the financial asset, the financial asset is recognized to the extent of the Branch’s continuing involvement in the financial asset. The extent of the Branch’s continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Branch’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Branch continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Branch could be required to repay (“the guarantee amount”).

When the Branch’s continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Branch’s continuing involvement is the amount of the transferred asset that the Branch may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the Branch’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Branch’s continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Branch’s continuing involvement is measured in the same way as that which results from non-cash settled options.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Branch recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted

EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has 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 or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Offsetting Financial Instruments
Financial instruments are offset and the net amount reported in the statement of assets, liabilities and home office account if, and only if, there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally recognized as expense in the period such 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. Each part of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Category	Number of Years
Office furniture and fixtures	3-10
Transportation equipment	5

Impairment of Nonfinancial Assets
The carrying values of property and equipment and prepaid rent (presented as part of "Other current assets") are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The estimated recoverable amount of the nonfinancial assets is the greater of fair value less costs to sell and value in use. Impairment losses, if any, are recognized in the statement of comprehensive income.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded as income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

Recognition of Grants
Grants received are initially recognized as deferred grants and are then recognized as income to the extent of the expenses incurred for the year as set in the conditions associated with the grant. Assets acquired through the grant are also recognized as deferred grants and are recognized as income on a systematic basis over the useful life of the asset or duration of the related project whichever is shorter.

Interest Income
Interest income, presented net of applicable tax withheld by the banks, is recognized when earned.

Expense Recognition
Costs and expenses are recognized upon receipt of goods, utilization of services or at the date these are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Leases
Branch as Lessee
Lessee may elect not to apply the recognition of right-of-use assets to either short-term leases or leases for which the underlying asset is of low value. The lessee shall recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease

term or another systematic basis. The lessee shall apply another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

The Branch applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Foreign Currency Denominated Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rates of exchange at the reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are recognized in the statement of comprehensive income.

Provisions
Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Branch's statements of assets, liabilities and home office account at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the Branch'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:

Functional currency
Based on the economic substance of the underlying circumstances relevant to the Branch, the functional currency of the Branch has been determined to be the Philippine Peso (₱). The Philippine Peso is the currency of the primary economic environment in which the Branch operates. It is the currency that mainly influences the costs of producing the Branch's goods, and the currency in which receipts from operating activities are normally retained.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.
The Branch based its assumptions and estimates on parameters available when the audited financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Branch. Such changes are reflected in the assumptions when they occur.

Measurement of expected credit losses
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Branch in accordance with the contract and the cash flows that the Branch expects to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The Branch leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Branch to identify whether the credit risk of financial assets has significantly increased.

The Branch uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Branch's historical observed default rates. The Branch calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

As of December 31, 2021 and 2020, the carrying value of the Branch's cash in bank, receivables and refundable deposits (presented as part of "Other current assets") amounted to ₱15.3 million and ₱13.2 million, respectively (see Notes 4, 5 and 12). No provision for impairment of receivables was recognized in 2021 and 2020.

Estimated useful lives of property and equipment
The useful life of each of the Branch's 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, internal technical evaluation and experience 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. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded

expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

As of December 31, 2021 and 2020, property and equipment amounted to ₱0.3 million and ₱0.1 million, respectively (see Note 6).

Impairment of nonfinancial assets
The Branch assesses at each reporting period whether there is an indication that property and equipment and prepaid rent (presented as part of "Other current assets") may be impaired. Determining the value of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Branch to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Branch to conclude that these assets are impaired.

Any resulting impairment loss could have a material impact on the financial position and performance of the Branch.

The preparation of the estimated future cash flows involves judgment and estimations. While the Branch believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Branch's assessment of recoverable values and may lead to future additional impairment charges.

As of December 31, 2021 and 2020, the aggregate carrying values of property and equipment and prepaid rent (presented as part of "Other current assets") amounted to ₱0.4 million and ₱0.3 million, respectively (see Note 6).

4. Cash

	2021	2020
Cash on hand	**₱10,517**	₱31,729
Cash in banks	**9,831,152**	12,405,376
	₱9,841,669	₱12,437,105

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱1,333 and ₱10,770 in 2021 and 2020, respectively.

5. Receivables

	2021	2020
Grants receivable	**₱4,339,989**	₱606,943
Advances to other projects	**1,013,416**	–
	₱5,353,405	₱606,943

Grants receivable pertains to a portion of an ongoing project's fund that has been agreed in line with the donor agreement, but funding has not yet been received by the Branch. The Branch has grants receivable from Palladium Global Philippines amounting to ₱4,339,989 as of December 31, 2021 and from ADB amounting to ₱606,943 as of December 31, 2020.

Advances to other projects are non-interest bearing and generally collected in cash within one year.

6. Property and Equipment

December 31, 2021

	Office Furniture, Fixtures and Equipment	Transportation Equipment	**Total**
Cost			
At January 1	₱588,503	₱1,885,000	**₱2,473,503**
Additions	307,952	–	**307,952**
At December 31	896,455	1,885,000	**2,781,455**
Accumulated Depreciation			
At January 1	451,589	1,885,000	**2,336,589**
Depreciation	146,707	–	**146,707**
At December 31	598,296	1,885,000	**2,483,296**
Net Book Value	**₱298,159**	**₱ –**	**₱298,159**

December 31, 2020

	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1 and December 31	₱588,503	₱1,885,000	₱2,473,503
Accumulated Depreciation			
At January 1	365,681	1,885,000	2,250,681
Depreciation	85,908	–	85,908
At December 31	451,589	1,885,000	2,336,589
Net Book Value	₱136,914	₱ –	₱136,914

The cost of fully depreciated property and equipment still used by the Branch amounted to ₱2,186,878 as of December 31, 2021 and 2020.

7. Accounts Payable and Accrued Expenses

	2021	2020
Accrued expenses	**₱4,296,160**	₱3,568,692
Due to related parties (Note 11)	**2,923,067**	1,449,803
Withholding tax payable	**96,942**	11,451
Payroll-related payable	**30,712**	14,322
	₱7,346,881	₱5,044,268

Accrued expenses pertain to the accrual of benefits of the Branch's employees.

Due to related parties are related to reimbursements for expenses incurred in providing management and technical support to the Branch (see Note 11).

8. Grant Agreement

On June 1, 2020, the Branch entered into a contract with the Palladium Global Philippines as a sub-contractor. The Pathways Program is an Australian Government-funded education program in Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). It is designed to support the efforts of the Ministry of Basic, Higher and Technical Education (MBHTE) and other local stakeholders in improving educational performance, quality and equity.

Pathways is supporting the MBHTE to deliver quality education access to unserved communities through the Abot Kaalaman sa Pamilyang Bangsamoro (AKAP) Project. The support is intended to capacitate the Access Technical Working Group (TWG) at the regional and division levels to provide, implement, manage, and sustain alternative and contextualized learning modalities in remote communities. The AKAP project has total grants amounting to ₱6,747,970 and ₱17,997,073 for Phase 1 and Phase 2, respectively. The Branch has received the full amount of these grants as of December 31, 2021.

On March 1, 2021, the Branch has entered into a memorandum of understanding with BRAC USA to implement the Expanded Social Assistance Project- Graduation from Poverty Approach in the Philippines, funded by the Asian Development Bank "ADB". The project started on March 1, 2021 and will end on December 31, 2022. SLP Project has total grants of $647,611. The total grants received related to the project amounted to ₱18,471,809 as of December 31, 2021.

On August 1, 2021, the Branch has entered into a contract with BRAC USA for the implementation of the COVID-19 response in the Philippines that runs until February 2022. The total grants received related to the project amounted to ₱5,416,506 as of December 31, 2021.

Total grants recognized in statements of comprehensive income amounted to ₱41,367,278 and ₱18,224,605 in 2021 and 2020, respectively. As of December 31, 2021 and 2020, deferred grants amounted to ₱8,302,592 and ₱8,306,934, respectively.

9. Project Expenses

The following are the cost centers of the Branch:

- Department of Foreign Affairs and Trade - Accessible and Contextually Appropriate Elementary Education System for children facing barriers to formal schooling (DFAT-ACCESS)
- Ultra Poor Graduation Program - Asian Development Bank Sustainable Livelihood Program (UPG-ADB)
- Health - COVID-19
- Ultra Poor Graduation Program - Department of Labor and Employment (UPG-DOLE)
- Ultra Poor Graduation Program - Asian Development Bank (UPG-ADB)
- Country Office

	2021	2020
DFAT - ACCESS		
Salaries and employee benefits	**₱5,681,918**	₱2,256,172
Logistics and management expense	**5,021,951**	722,997

(Forward)

	2021	2020
Project supplies	**₱4,070,590**	₱1,299,270
Training and orientation	**3,257,868**	1,620,309
Evaluation activity	**2,360,761**	723,867
Office utilities	**519,239**	183,220
Rent	**314,440**	122,120
Outside services	**199,999**	214,068
Transportation and travel	**82,327**	91,937
Taxes and licenses	**50,470**	–
UPG - ADB		
Salaries and employee benefits	**13,359,519**	–
Logistics and management expense	**430,757**	–
Project supplies	**214,710**	–
Transportation and travel	**176,644**	–
Outside services	**140,153**	–
Office utilities	**118,569**	–
Rent	**54,000**	–
Health - COVID-19		
Project supplies	**1,224,009**	–
Salaries and employee benefits	**954,127**	–
Training and orientation	**740,424**	–
Evaluation activity	**736,693**	–
Logistics and management expense	**670,353**	
Transportation and travel	**452,564**	–
Office utilities	**215,603**	–
UPG - DOLE		
Project supplies	–	3,637,651
UPG - ADB		
Project supplies	–	1,222,508
Salaries and employee benefits	–	259,811
Taxes and licenses	–	13,400
Office utilities	–	2,913
Transportation and travel	–	–
Country Office		
Office utilities	**2,248**	117,293
Salaries and employee benefits	–	2,603,225
Transportation and travel	–	379,668
Taxes and licenses	–	33,479
Miscellaneous		
ERP software and service charge overhead costs	**330,549**	299,623
Office running costs	–	378,394
	₱41,380,485	₱16,181,925

The Branch entered into a contract with Palladium Global Philippines to support the Ministry of Basic Higher and Technical Education MBHTE-BARMM in providing technical assistance in establishing AKAP learning centers, including community scoping activities, development, and implementation of a Training needs Assessment with Learning Facilitators, conducting a write shop with the Access TWG and basic orientations and pre-service training in each of the seven divisions.

The Branch has agreed with BRAC USA to provide payroll assistance to 29 staff, provision of health and accident insurance, financial administration for compensation of the national staff, relocation assistance for staff, quarterly financial and administrative reports to BRAC International, procurement and distribution of equipment.

Moreover, the Branch has another contract with BRAC USA for the implementation of the COVID-19 response in the Philippines that will end in February 2022.

10. General and Administrative Expenses

	2021	2020
Transportation and travel	**₱21,025**	₱419,422
Professional fees	–	486,998
Outside services	–	431,567
Security measurement management	–	132,670
Miscellaneous	–	143,539
	₱21,025	₱1,614,196

11. Related Party Transactions

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. Related parties may be individuals or corporate entities.

The Branch has the following transactions with its related parties in the implementation of the AKAP, ADB and COVID-19 project:

	Amount		**Balances**			
	2021	2020	**2021**	2020	Terms	Conditions
Due to related parties						
Head office						
Technical support	**₱5,579,809**	₱722,997	**₱2,923,067**	₱1,317,675	On demand, non-interest bearing	Unsecured
BRAC USA						
Cash advances	–	42,009	–	132,128	On demand, non-interest bearing	Unsecured
			₱2,923,067	₱1,449,803		

Technical support pertains to reimbursements to the Head Office for expenses paid for in providing administration and financial management assistance to the Branch. It also entails sending support personnel to the Branch for the efficient and effective management and implementation of the existing projects in accordance with the provisions of the Grant Agreement.

Cash advances pertains to the cash received from BRAC USA for the monthly compensation of the staff of Ultra Poor Graduation (UPG) program in 2020.

12. Lease Agreements

In August 2017, the Branch entered into a lease agreement for the office located at Pansacala St, RH-10 Cotabato City until May 2018. In September 2018, the branch then transferred to San Pablo St., Rosary Heights 10, Cotabato City and entered into a new lease agreement until December 31, 2021.

The Branch also leases various premises serve as Project Office. The lease period which ranges until one year. All these lease agreements require a refundable deposit.

The details of the Branch's other current assets related to leases are as follows:

	2021	2020
Refundable deposits	**₱79,500**	₱52,720
Prepaid rent	**76,740**	117,520
	₱156,240	₱170,240

Short-term Lease

The Branch outstanding lease is the lease of office premises of which is considered as a short-term lease. The Branch did not recognize right-of-use assets and lease liabilities for the lease.

Rent expense recognized in statements of comprehensive income amounted to ₱368,440 and ₱122,120 in 2021 and 2020, respectively.

13. Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

- *Cash, receivables, refundable deposits (presented as part of "Other current assets") and accounts payable and accrued expenses (excluding statutory payables).* The carrying values approximate fair values due to the relatively short-term maturity of these financial instruments.

Fair Value Hierarchy

As of December 31, 2021 and 2020, the Branch has no financial instruments measured at fair value.

14. Financial Risk Management Objectives and Policies

The Branch's principal financial instruments comprise of cash. The main purpose of the financial instrument is to fund the Branch's operations and capital expenditures. The Branch has other financial assets and liabilities such as receivables, refundable deposits (presented as part of "Other current assets") and accounts payable and accrued expenses (excluding statutory payables), which arise directly from its operations. The main risks arising from the use of financial instruments are liquidity risk, credit risk, and market risk.

The Governing Body of the Head Office of the Branch has overall responsibility for the establishment and oversight of the Branch's risk management framework. The Governing Body has established the Audit Committee, which is responsible for developing and monitoring the Branch's risk management policies.

The Audit Committee identifies all issues affecting the operations of the Branch and reports regularly to the Governing Body on its activities. The Branch's risk management policies are established to identify and analyze the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities.

Mitigating strategies and procedures are devised to address the risks that inevitably occur so as not to affect the Branch's operations and impact forecasted results.
The Branch, through its training on and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Chief Finance and Risk Officer performs oversight over financial management functions, specifically in the areas of managing credit, market and other risks of the Branch. The Chief Finance and Risk Officer directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Branch.

Liquidity Risk
Liquidity risk arises from the possibility that the Branch may encounter difficulties in raising funds to meet commitments from financial instruments.

The Branch's objectives in managing its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and, c) to be able to access funding when needed at the least possible cost.

The Branch's accounts payable and accrued expenses (excluding statutory payables) amounting to ₱7.2 million and ₱5.0 million as of December 31, 2021 and 2020, respectively, are on demand based on contractual undiscounted payments. The Branch's undiscounted financial assets amounting to ₱15.3 million and ₱13.1 million as of December 31, 2021 and 2020, respectively, are on demand and available for maturing obligations.

Credit Risk
Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Branch's credit risks are primarily attributable to cash, collection of receivables, and realization of investments. The Country Representative reviews and institutes policies for managing each of assets as of December 31, 2021 and 2020. The Branch's exposure to impairment loss is not significant since receivable balances are monitored on an ongoing basis.

The table below shows the maximum exposure to credit risk for the components of the statements of assets, liabilities and home office account:

	2021	2020
Financial assets at amortized cost:		
Cash in banks	**₱9,831,152**	₱12,405,376
Receivables		
Grants receivable	**4,339,989**	606,943
Advances to other projects	**1,013,416**	–
Refundable deposits*	**79,500**	52,720
	₱15,264,057	₱13,065,039

*Presented as part of "Other current assets"

The Branch has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment. The Branch considers a financial asset in default when contractual payments are past due. However, in certain cases, the Branch may also consider a financial asset to be in default when internal or external information indicates that the Branch is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Branch. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash in Banks
For cash, the Branch applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Branch's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Branch uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Receivables
For receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various payor segments with similar loss patterns (i.e., by payors). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Based on the Branch's credit risk experience, expected credit loss rate increases as the age of receivables also increases.

No provision for impairment of receivables was recognized in 2021 and 2020.

15. Supplementary Information Required Under Revenue Regulations No. 34-2020 and 15-2010

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the notes to financial statements which were prepared in accordance with PFRSs. The following is the tax information required by Revenue Regulations No. 34-2020 and 15-2010 for the taxable year ended December 31, 2021:

Information Return on Related Party Transactions (BIR Form 1709)
The Branch is not required to submit BIR Form 1709 and its supporting documents, as attachment to the Annual Income Tax Return (ITR), effective July 25, 2020 since the Branch does not belong to any of the following criteria:

a. Large taxpayers
b. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate
c. Taxpayers reporting net losses for the current taxable year and the immediately preceding two (2) consecutive taxable years
d. A related party, as defined in RR No. 19-2020, which has transactions with (a), (b) or (c). For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be

any requirement to report any transaction between the KMP and the reporting entity/parent company of the latter in the RPT Form.

The Branch reported and/or paid the following types of taxes in 2021:

VAT
The Branch was registered with the Bureau of Internal Revenue on March 2, 2012 as a nonstock, non-VAT and nonprofit taxpayer not engaged in trade or business. The Branch is exempt from VAT.

Other Taxes and Licenses
The Branch's taxes and licenses included in project expenses in 2021 pertain to licenses and permits amounting to ₱50,470.

Withholding Taxes
The Branch has expanded withholding taxes amounting ₱897,427 in 2021.

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND HOME OFFICE ACCOUNT
(AS OF DECEMBER 31, 2021)

	Country Office	ADB - UPG	DOLE - UPG	DFAT-AKAP P1	DFAT-AKAP P2	ADB - SLP	BRAC-USA COVID-19	**Total**
ASSETS								
Current Assets								
Cash	₱5,612,560	₱–	₱–	₱33,204	₱14,741	₱4,030,076	₱151,088	**₱9,841,669**
Receivables	795,706	–	–	195,835	4,024,154	–	337,710	**5,353,405**
Other current assets	37,740	–	–	–	118,500	–	–	**156,240**
	6,446,006	–	–	229,039	4,157,395	4,030,076	488,798	**15,351,314**
Noncurrent Assets								
Property and equipment - net	34,159	25,559	–	–	28,889	209,552	–	**298,159**
TOTAL ASSETS	₱6,480,165	₱25,559	₱–	₱229,039	₱4,186,284	₱4,239,628	₱488,798	**₱15,649,473**
LIABILITIES AND HOME OFFICE ACCOUNT								
Current Liabilities								
Accounts payable and accrued expenses	₱2,693,727	₱–	₱–	₱60,204	₱4,157,395	₱332,817	₱102,738	**₱7,346,881**
Deferred grants	3,786,438	25,559	–	168,835	28,889	3,906,811	386,060	**8,302,592**
Home Office Account	–	–	–	–	–	–	–	–
TOTAL LIABILITIES AND HOME OFFICE ACCOUNT	₱6,480,165	₱25,559	₱–	₱229,039	₱4,186,284	₱4,239,628	₱488,798	**₱15,649,473**

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF COMPREHENSIVE INCOME
(AS FOR THE YEAR ENDED DECEMBER 31, 2021)

	Country Office	ADB - UPG	DOLE - UPG	DFAT-AKAP P1	DFAT-AKAP P2	ADB - SLP	BRAC-USA COVID-19	**Total**
INCOME								
Grants	₱–	₱39,336	₱–	₱–	₱21,732,498	₱14,564,998	₱5,030,446	**₱41,367,278**
Interest income	1,333	–	–	–	–	–	–	**1,333**
	1,333	39,336	–	–	21,732,498	14,564,998	5,030,446	**41,368,611**
PROJECT EXPENSES								
Salaries and employee benefits	–	–	–	–	5,681,918	13,359,519	954,127	**19,995,564**
Logistics and management expense	–	–	–	–	5,021,951	430,757	670,353	**6,123,061**
Project supplies	–	–	–	–	4,070,590	214,710	1,224,009	**5,509,309**
Training and orientation	–	–	–	–	3,257,868	–	740,424	**3,998,292**
Evaluation activity	–	–	–	–	2,360,761	–	736,693	**3,097,454**
Office utilities	2,248	–	–	–	519,239	118,569	215,603	**855,659**
Transportation and travel	–	–	–	–	82,327	176,644	452,564	**711,535**
Rent	–	–	–	–	314,440	54,000	–	**368,440**
Outside services	–	–	–	–	199,999	140,153	–	**340,152**
Taxes and licenses	–	–	–	–	50,470	–	–	**50,470**
Miscellaneous	–	5,272	–	114,534	161,825	12,245	36,673	**330,549**
	2,248	5,272	–	114,534	21,721,388	14,506,597	5,030,446	**41,380,485**
OTHER EXPENSE (INCOME)								
Other income	–	(5,272)	–	(114,534)	–	–	–	**(119,806)**
Foreign exchange loss (gain) - net	(59,800)	–	–	–	–	–	–	**(59,800)**
Depreciation	37,860	39,336	–	–	11,110	58,401	–	**146,707**
	(21,940)	34,064	–	(114,534)	11,110	58,401	–	**(32,899)**
GENERAL AND ADMINISTRATIVE EXPENSES	21,025	–	–	–	–	–	–	**21,025**
	1,333	39,336	–	–	21,732,498	14,564,998	5,030,446	**41,368,611**

(Forward)

	Country Office	ADB - UPG	DOLE - UPG	DFAT-AKAP P1	DFAT-AKAP P2	ADB - SLP	BRAC-USA COVID-19	Total
NET EXCESS OF INCOME OVER EXPENSES	₱ –	₱ –	₱ –	₱ –	₱ –	₱ –	₱ –	₱ –
OTHER COMPREHENSIVE INCOME	–	–	–	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME	₱ –	₱ –	₱ –	₱ –	₱ –	₱ –	₱ –	₱ –

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