



#### Sir Fazle Hasan Abed KCMG

1936 - 2019

### We will not say 'rest' in peace.

#### Thank you, Abed bhai.

Thank you for showing us how meaningful one's life can be.

Thank you for instilling the courage in us to take on the impossible.

Thank you for showing us how to listen and learn, to fail and to get up again in the service of others.

Thank you for making us see that no one is ordinary and to seek potential in everyone.

#### We will not say 'rest' in peace.

The Abed bhai we know would not rest until we build an equal world.

We know you would not want us to lament your loss for long.

You would want us to tirelessly fight poverty and inequality, like you did the last 47 years.

We promise to rise to that responsibility.

### We promise to be worthy of your legacy.

# CONTENT

- 2 Letter from the Executive Director
- 4 Letter from the Country Representative
- 5 BRAC Safeguarding Framework
- 6 BRAC International Programmes
- 8 Our Country-wise Reach in 2019
- 9 Programmatic Reach of BRAC international in 2019
- 10 BRAC Across the World
- 2 Stichting BRAC International Management
- 3 Stichting BRAC International Supervisory Board
- 16 BRAC Philippines Management
- 16 Development Partners
- 18 Education
- 20 Ultra Poor Graduation
- 22 Programmes in BRAC Philippines
- 23 Financials

# LETTER FROM THE EXECUTIVE DIRECTOR



# STRONGER TOGETHER IN TIMES OF TRANSITION

2019 was a year of great change and transition for BRAC International. First and foremost in our hearts, we lost our dear founder, Sir Fazle Hasan Abed. Abed Bhai's guidance, vision, and spirit are irreplaceable and deeply missed. Before his passing, Abed Bhai spearheaded the creation of a new Global Board to lead us in the post-founder era. This body is guided by the new BRAC Global Strategy which sets a bold vision for BRAC over the next decade. This strategy not only helped bring the BRAC family together but provides an enormous amount of guidance for our work, outlining a path to reach at least 250 million people by 2030.

In this spirit of transition, we began 2019 working to build a strong base for the years to come by consolidating and strengthening our programme and organisational management. Our core focus areas included improving our programme quality, both in design and implementation, by developing new program quality standards and improving our front line supervision and monitoring, evaluation, and learning (MEL) systems through targeted in-country pilots.

We also took several steps to build BI's capacity to achieve impact at scale. We developed a Microfinance Growth for Impact Plan: a strategy for converging Microfinance operations with other social development programmes, while opening a new Africa Regional Office in Nairobi, Kenya, to build leadership and greater supervision at the field level. Steps were taken to improve our grants management capacity at all levels to respond to the needs of our donors and those we serve.

While our management focus was on strengthening internal capacity, on the ground we continued to deliver innovative programs to support those living in situations of poverty and inequality. In 2019, we reached a total

of 6.6 million people, predominantly women and girls, across 10 countries in Asia and Africa. Bl Microfinance, our signature financial inclusion programme, provided 650,000 program participants and their families access to basic financial services and support in six countries, five in Africa and one in Asia.

The COVID-19 pandemic has emerged as a major challenge while continuing our organisational strengthening work and programming. Building on our existing capacity, we have been working with governments through National Coordination Committees and Task Forces in each of our countries of operation to quickly meet the needs of those affected by the virus. To date, BI has reached over 45 million people through our COVID-19 response programming. We have also worked to develop innovative ways to continue our existing programmes safely and effectively. For example, our early childhood education team has been utilising local radio stations to deliver play-based learning to children stuck in their homes in Uganda and Tanzania.

Our innovative spirit was not limited to fighting COVID, but also fighting the other great challenge of our time: climate change. We see how the changing climate is affecting the people we serve, decimating livelihoods, health, food security, and pushing people into poverty. We are acting now to build and deploy tools that will enable us to fight climate change-induced disasters by strengthening early warning systems and supporting locally-led climate adaptation programmes.

It is through these challenging times that we see the true spirit of BRAC. Abed Bhai always believed in the power of collective action and effort to meet the challenges that face us. It is through the support, compassion, and generosity of our partners, peers, host governments, and donors that we are able to continue fulfilling his vision to protect, help, and uplift vulnerable people everywhere.

We believe that those living in poverty and inequality are not only resilient but that they are able to take control of their own lives. Together we can build towards an even brighter future.

**Dr Muhammad Musa**Executive Director
BRAC International



# MESSAGE FROM THE COUNTRY REPRESENTATIVE

The year 2019 was a period of crucial transition for BRAC Philippines, mainly for the following reasons: firstly, the final hand-over of the Alternative Delivery Model (ADM) of primary education to the Ministry of Basic, Higher and Technical Education; secondly, the expansion of the Alternative Learning System (ALS) in delivering secondary education; and thirdly, the broadening of BRAC in-country footprints through the pilot testing of the Ultra Poor Graduation (UPG) approach.

## Leader in Technical Assistance for Alternative Education

BRAC Philippines handed over 101 Learning Centers with 1,964 enrolled learners to the MBHTE and signed a policy called Accessible and Contextually-Appropriate Elementary Education System (ACCESS), modeled through an action policy research by BRAC Philippines following the ADM for the previous seven years.

#### Trailblazer in Education Delivery

Collaborating with the Department of Education (DepEd), we conducted research on potential implementation of ALS in Balabac. The research explored opportunities for ALS, employment and livelihood for adolescents who are victims of trafficking and child-labor. Commissioned by the DepEd, we will develop modalities, delivering education and livelihood to 200 stateless minors and their families.

We acted as resource-expert for technical working groups under the Senate Committee on Basic Education for drafting Senate Bill No. 1365 or the ALS Act. The Act will institutionalize DepEd's parallel learning system as an option for out-of-school minors and adults, who were unable to enroll in formal schooling.

#### Introduction of Ultra Poor Graduation (UPG)

The Asian Development Bank partnered with BRAC Philippines for technical assistance, providing contracts,

unlocking Innovation for development – piloting the UPG approach in the Philippines. From this, a graduation pilot by the Department of Labor and Employment (DOLE), masterminded by BRAC, featured sustainable livelihoods, adaptation to rural and peri-urban contexts, and digital monitoring. It also included group & individual coaching methods aiming to graduate 1,800 beneficiaries of Pantawid Pamilyang Pilipino Program (4Ps) as well as national conditional cash transfer programmes, across five municipalities in Negros Occidental.

This year, 1,239 4Ps families provided social preparation assistance, skills training, transfers of livelihood assets and continuous individual and group coaching sessions. Towards the middle of pilot testing, UPG gained traction from government and donors as viable solutions for a country with a population of 109 million, of which 16.6% live below the national poverty-line.

## BRAC Philippines innovating scalable solutions for children, youth and their families

BRAC Philippines remains committed to searching for solutions to poverty, scalable by listening to and working with the vulnerable and ultra-poor; whether in education, youth empowerment or UPG initiatives.

We thank BRAC International, its affiliates, donors and key government and community partners for the endless support.

Uphagi

Efren Lubuguin Country Representative BRAC Philippines

BRAC SAFEGUARDING FRAMEWORK

Since its inception, BRAC has prioritised the safety and wellbeing of all those it works with — stakeholder of all programmes, members of staff and volunteers, and partners and donors. From the beginning of 2018, BRAC strengthened its safeguarding compliance, and has committed to ensure that safeguarding measures are incorporated across all levels of the organisation.

BRAC currently operates with six safeguarding standards: safe governance, safe people practices, safe programming, safe partnering, safe risk management and safe reporting. A safeguarding unit has been formed within BRAC Human Resources and Learning Department to provide technical support in strengthening safeguarding at organisational, programmatic and partnership levels.

BRAC has developed a standalone safeguarding policy as well as specialised policies to address sexual harassment, protection of children and adolescents, prevention of workplace bullying and violence, rights of persons with disabilities, and whistleblowing. All members of staff at BRAC are trained on safeguarding through classroom and online sessions. Different programmes and departments are in the process of developing risk mitigation plans to



curb safeguarding risks associated with their work.

BRAC's overall strategy to safeguard people is firstly through means of prevention. If that fails, each case or incident violating the policy is addressed through a mechanism that is fair, transparent and objective. Our priority is to take safety measures for the complainant if and when an incident arises.

BRAC has a robust internal investigation process and unit with two separate streams to address

safeguarding-related breaches, as well as two independent decisionmaking committees. A centralised 24/7 call centre has been established to lodge complaints. Additional emphasis is given on awareness and data management related to complaints regarding all forms of harassment and bullying. BRAC's safeguarding unit implements action plans jointly developed with DFID, and in collaboration with all its programmes and departments to build a strong safeguarding culture within the organisation.

# BRAC INTERNATIONAL PROGRAMMES



Our **Education programme** focuses on raising awareness on gender and child rights and developing a child-friendly learning atmosphere. Our programme complements the mainstream schooling system by supporting government primary and secondary schools to improve quality and strengthen capacity. We also provide training with support from local vocational and technical institutes.

Our Early Childhood Development programme is an investment towards breaking intergenerational cycles of poverty and facilitating economic growth. We provide early learning opportunities through our Play Labs to 3 to 6 year olds, with a low cost and play-based early learning model. Our Play Labs are safe play spaces, providing cost effective local learning materials to children in marginalised communities.





The Agriculture, Food Security and Livelihood programme focuses on four strategic directions - a) Strengthen pro-poor market systems, b) Make agriculture systems more resilient to climate change, c) Improve food and nutrition security, and d) Empower women and youth across the value chain.

Through our **Health programme** we partner with respective governments to reduce child mortality, improve maternal and child health, and combat diseases. We work at the community and facility level to strengthen the capacity of female community health volunteers, health workers, and doctors so that they can provide educational, preventive, and curative health services.



Through our **Youth Empowerment programme** we provide life-saving and life-transforming services to adolescent girls to prevent unintended pregnancies, improve their awareness on harmful practices, and empower them financially. We create safe spaces by establishing clubhouses for girls aged 10-21, especially those who are vulnerable, dropped out of school, and at the risk of early marriage and pregnancy.





The Ultra-Poor Graduation approach is a comprehensive, time-bound, integrated and sequenced set of interventions that aim to enable extreme and ultra-poor households to achieve key milestones towards sustainable livelihoods and socio-economic resilience, in order to progress along a pathway out of extreme poverty.

Through our Emergency Preparedness and Response programme we build local emergency preparedness and response capacities in communities, schools, and local governments. Using a participatory and inclusive approach, our interventions in urban, rural, and refugee settings prioritise the equitable participation of all groups, particularly women and youth, to ensure that they are able to mitigate risks, save lives, protect livelihoods, and build back better from disasters and crises.





With the help of **Microfinance**, we provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard to reach areas, to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

6 Annual Report 2019

# **OUR COUNTRY-WISE REACH IN 2019**

532,265 people reached in TANZANIA

86,125 people reached in LIBERIA 131,949 people reached in SIERRA LEONE

5,433
people reached in RWANDA

2,206,531 people reached in UGANDA

32,100
people reached in
SOUTH SUDAN

1,914 people reached in PHILIPPINES

3,668,788 people reached in AFGHANISTAN

130,056 people reached in MYANMAR

1,366
people reached in NEPAL

A total of 6,599,435 people reached in Africa and Asia in 2019

# PROGRAMMATIC REACH OF BRAC INTERNATIONAL IN 2019



833,921

people through the **Education programme** in Afghanistan, Philippines, Uganda, and Liberia



16,623

people through the **Early Childhood Development programme** in Tanzania and
Uganda



100,313

people through the Agriculture, Food Security and Livelihood programme in Myanmar, Nepal, South Sudan, Uganda, Liberia, and Sierra Leone



59,359

people through the **Youth Empowerment programme**in Nepal, Tanzania, Uganda,
Liberia, and Sierra Leone



7,725

people reached through the Emergency Preparedness and Response programme in Myanmar, Uganda, and Sierra Leone



3,307,849

people reached through the **Health programme** in Afghanistan, Nepal, Liberia, Uganda, and Sierra Leone



2,401

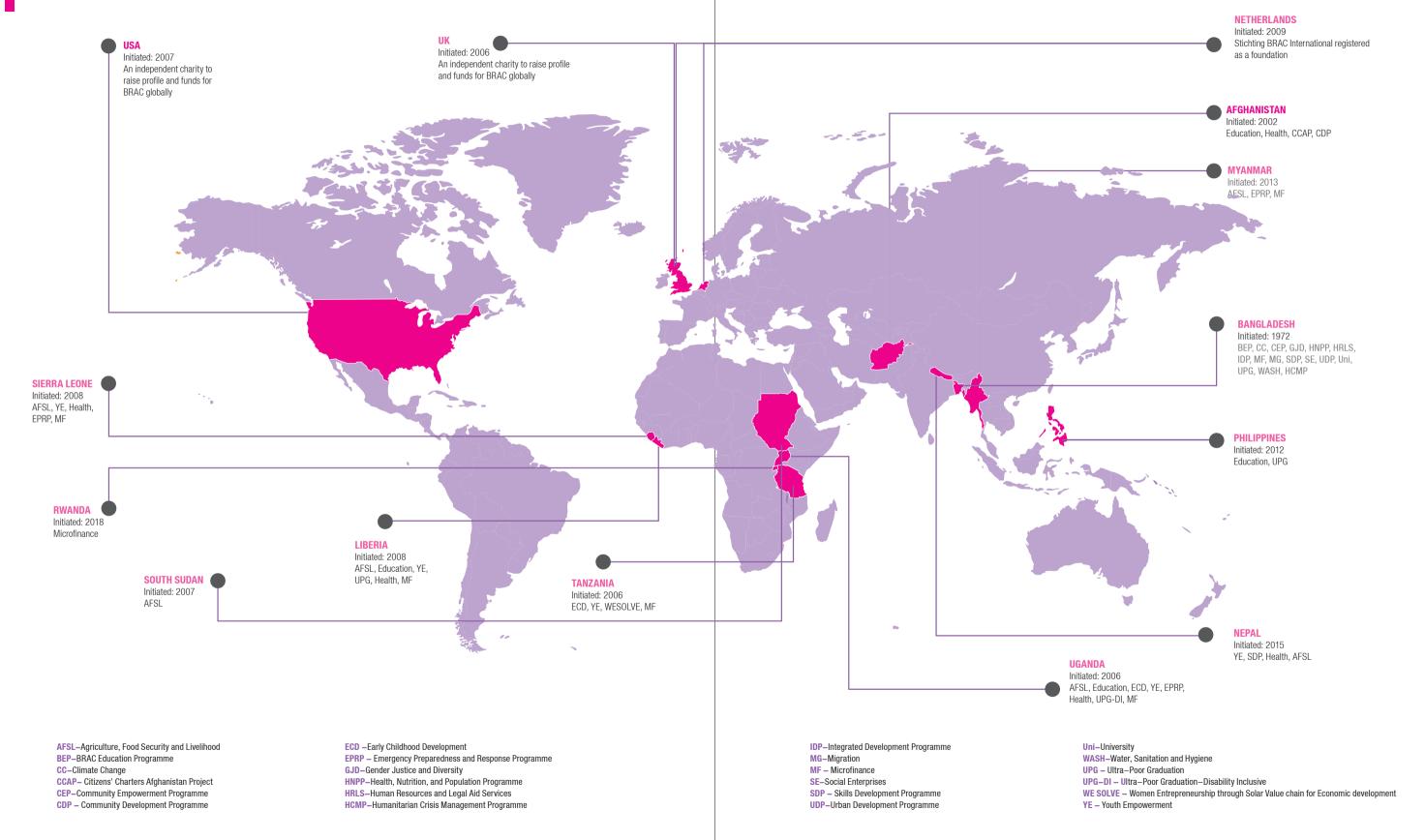
people reached through the **Ultra-Poor Graduation programme** in Uganda and Liberia



646,442

borrowers and 150,231 depositors through the Microfinance programme in Myanmar, Uganda, Liberia, Tanzania, Sierra Leone, and Rwanda

# BRAC ACROSS THE WORLD



## STICHTING BRAC INTERNATIONAL MANAGEMENT AS OF 31 DECEMBER, 2019

#### MANAGEMENT BOARD



EXECUTIVE DIRECTOR



SYED ABOUL MUNTAKIN DIRECTOR BRAC International



DIRECTOR Africa Region BRAC International



DIRECTOR BRAC International



Human Resources BRAC International

#### **DIRECTORS**



SENIOR DIRECTOR Microfinance, Ultra Poor Graduation BRAC and BRAC International



SENIOR DIRECTOR Programme Development, Resource Mobilisation and Learning.



HANS ESKES DIRECTOR BRAC International Holding B.V.



DIRECTOR Grant Management, Programme Development, Resource Mobilisation & Learning



SONIA WALLMAN KENNETH CAROL VAN TOLL DIRECTOR Institutional Fundraising and Partnership



MARJOLEIN VAN DEN HOVEN DIRECTOR Private Sector Fundraising



**AUDREY AHWAN** DIRECTOR Programme Development, Resource Mobilisation and Learning, BRAC and BRAC International



**MOUTUSHI KABIR** DIRECTOR Communications and Outreach BRAC and BRAC International



NANDA DULAL SAHA DIRECTOR Internal Audit BRAC and BRAC International



MD SAJEDUL HASAN DIRECTOR Humanitarian Programme

## STICHTING BRAC INTERNATIONAL **SUPERVISORY BOARD**



**Marilou van Golstein Brouwers Chair** (Appointed Chair to the Board on 7 April 2020, member since 28 March 2019)

**Stichting BRAC International Supervisory Board BRAC International Holdings B.V. Supervisory Board** 

Marilou van Golstein Brouwers is a former chair of the Management Board and founder of Triodos Investment Management BV, a subsidiary

Ms Brouwers is an international entrepreneurial impact investment banker, with more than 30 years of experience in values-driven business and banking, with immense expertise on impact investing.

She started working for Triodos Bank in 1990 and was involved in the founding of Triodos Investment Management, of which she became the managing director in 2003. She was the chair of the Management Board from January 2015 to December 2018.

Ms Brouwers is currently active in a variety of roles. Within Triodos Bank, she is a member of several boards and involved in the startup of the Triodos Regenerative Money Centre. She is also a member of the Board of Directors of the Global Impact Investing Network and the Special Working Group on impact economy by the Global Steering Group for Impact Investment. She is chair of the Supervisory Board of B Lab Europe and the Supervisory Board of Qredits. The Netherlands, one of the Women Entrepreneurs Finance Initiative Leadership Champions.

Ms Brouwers has served on the board of directors of banks in Uganda. Kenva, Tanzania, Russia, Afghanistan and Pakistan, She was a member of the Group of Advisors for the United Nations Year of Microcredit in 2004 and 2005, of the Executive Committee of CCAP (2003-2008), the Board of Trustees of Women's World Banking (2003-2012), the Advisory Committee of the Mastercard Foundation Fund for Rural Prosperity (2014-2017) and the Advisory Council on International Affairs Committee for Development Cooperation in The Netherlands. She was chair of SBI Limited (2011-2013), the Steering Committee of the Principles for Responsible Investment / Principles for Investors in Inclusive Finance (2011-2013) and the Advisory Board of Women in Financial Services in The Netherlands (2011-2016). She was also treasurer of the Max Havelaar Foundation (2008-2015).

Ms Brouwers studied business and economics at Erasmus University in Rotterdam.



**Ameerah Haq** (Was appointed as the Board Chair on 6 August 2019 and resigned on 7 April 2020)

#### Stichting BRAC International Supervisory Board

Ms Ameerah Hag is the former UN under-secretary-general for the Department of Field Support, She held the position of under-secretarygeneral from 2009 till her retirement and was the senior-most Bangladeshi national in the United Nations during those years. She most recently served as the vice chair of the high-level independent panel on peace operations for the UN. She has over 39 years of UN experience including 19 years of field experience. She was the last special representative of the secretary-general (SRSG) in the UN Integrated Mission in Timor-Leste. She has also held the positions of deputy SRSG and UN resident coordinator in Sudan, as well as deputy SRSG and UN resident coordinator in Afghanistan. In addition, Ms Hag has held senior positions within the UN development programme and has served as UN resident coordinator in Malaysia and Laos.

Ms Hag currently serves on the Board for the Centre for Humanitarian Dialogue in Geneva, on the secretary-general's senior expert group on Human Rights Up Front, on the Board for the Peace Operations Training Institute, Williamsburg, Virginia. She is also a special advisor to the United Nations Foundation in Washington and a member of the Special Advisory Group of the Challenges Forum of the Folke Bernadette Academy of Sweden. Ms Haq lectures frequently at many universities and speaks at seminars hosted by think tanks and non-governmental

During her service in the UN, Ms Haq was awarded the highest Presidential Medal in East Timor by President Jose Ramos Horta, the highest civilian medal of the Lao People's Democratic Republic and the Malalai Medal of Honor from President Hamid Karzai of Afghanistan, which is among the highest civilian honors given for courage and dedication. She is also the recipient of the Julia Taft Outstanding Humanitarian Service Award during the time she served as humanitarian coordinator for her work in Darfur, Sudan.

Ms Hag received a bachelor of science degree in psychology from Western College for Women in Oxford, Ohio in 1969. She subsequently went on to receive a master of science degree in Community Organization and Planning from Columbia University, New York in 1972, and a master in business administration from New York University in 1974.

12 | Annual Report 2019 Annual Report 2019 | 13



**Sylvia Borren** Vice Chair

#### Stichting BRAC International Supervisory Board

**Sylvia Borren** has worked all her life within and for civil society organisations, both professionally and as a volunteer.

She was part of the Dutch and global women's and sexual rights movements (COC, ILGA, IWC for a just and sustainable Palestinian-Israeli peace) and is now advisor to the UN Women National Committee Netherlands and ATRIA (the Institute on gender equality and women's history). Ms Borren was part of the anti-poverty movement (director of Oxfam Novib 1994-2008, cochair of the Global Call to Action against Poverty and EEN) and is now the Vice Chair of the Stichting BRAC International Supervisory Board.

She was on two national governmental advisory commissions (for Youth Policy and the Advisory Council on International Affairs), co-chair of the Worldconnectors (a Dutch think tank), on the board of a large mental health institute (Altrecht), worked as an organisational consultant with De Beuk for many years, led the project Quality Educators for All with the trade union Education International, and continues to be a member of the Worldconnectors.

Ms Borren was recently director of Greenpeace Netherlands (2011-2016), part of the Forest Stewardship Council Netherlands, and is now on the advisory commission of Staatsbosbeheer, which manages nature reserves.

She is now a freelance consultant at 'Working for Justice' and a senior adviser for Governance & Integrity.



Dr Debapriya Bhattacharya

#### **Stichting BRAC International Supervisory Board**

**Dr Debapriya Bhattacharya,** a macroeconomist and public policy analyst, is a Distinguished Fellow at the Centre for Policy Dialogue (CPD), Dhaka, where he was its first Executive Director. He was the Ambassador and Permanent Representative of Bangladesh to WTO and UN Offices in Geneva and Vienna and former Special Advisor on LDCs to the Secretary General of UNCTAD. Earlier, he was a Senior Research Fellow at the Bangladesh Institute of Development Studies (BIDS).

He studied in Dhaka, Moscow, and Oxford. Visiting positions held include Senior Fulbright Fellow at the Center for Global Development, Washington DC. He serves on the boards and working groups of various leading institutions and editorial boards of reputed journals including Oxford Development Studies. He was General Secretary of the Bangladesh Economic Association for three consecutive terms.

Dr Bhattacharya chairs the Southern Voice, a network of 50 think tanks from Africa, Asia, and Latin America, dedicated to following up and reviewing

the implementation of the Sustainable Development Goals (SDGs). He led the pioneering multi-country studies on shaping the 2030 Agenda of the United Nations, data deficits of SDG monitoring, and early signals of SDG implementation in the developing countries. He also chairs LDC IV Monitor, an independent partnership of eight international organisations and academic institutions engaged in monitoring the outcome of the fourth United Nations Conference on the Least Developed Countries.

He serves as the Convenor of the Citizen's Platform for SDGs, Bangladesh - a platform of more than 100 NGOs and private sector bodies, seeking to contribute to the delivery of the SDGs at the country level.

He recently edited the volume Bangladesh's Graduation from the Least Developed Countries Group: Pitfalls and Promises, Routledge (2018); Southern Perspectives on the Post-2015 International Development Agenda, Routledge, London (2017); team leader of the study Quest for Inclusive Transformation of Bangladesh: Who Not to be Left Behind (2017).



Parveen Mahmud FCA
Member

Stichting BRAC International Supervisory Board BRAC International Holdings B.V. Supervisory Board

**Parveen Mahmud,** in her varied professional career has worked with social innovations, entrepreneurship, and sustainable development. Ms Mahmud started her career with BRAC, and has worked with international NGOs and development agencies. She was the deputy managing director of PKSF, Bangladesh's apex funding organisation for Microfinance Institutes. She is the founding managing director of Grameen Telecom Trust.

She was a partner in ACNABIN & Co, Chartered Accountants. She is the first female president of the Institute of Chartered Accountants of Bangladesh (ICAB), as well as the first female board member of the South Asian Federation of Accountants (SAFA), the apex accounting professional body of SAARC. She is the chairperson of CA Female Forum - Women in Leadership Committee, ICAB and is the vice chairperson of the Women in Leadership Committee of SAFA.

Ms Mahmud sits on numerous boards, including Stichting BRAC International, Apex Footwear Ltd, Grameenphone Ltd, Linde Bangladesh

Ltd, Manusher Jonnyo Foundation, Transparency International Bangladesh, and Centre for Policy Dialogue. She is the chairperson of UCEP Bangladesh, Shasha Foundation, and was chairperson of MIDAS, Shasha Denims Ltd, and Acid Survivors' Foundation. Ms Mahmud is also a member of the International Chamber of Commerce, Bangladesh. She was a member of the National Advisory Panel for SME Development of Bangladesh, founding board member of SME Foundation, and Convenor, SME Women's Forum.

Ms Mahmud is the recipient of Ananynna Top Ten Women - 2018 Award, Women at Work - 2017 Award from Bangladesh Association of Software and Information Services, and Women of Inspiration Awards 2017 from the Bangladesh Organisation for Learning & Development. She received the Begum Rokeya Shining Personality Award 2006 for women's empowerment from Narikantha Foundation.



Shabana Azmi Member

#### **Stichting BRAC International Supervisory Board**

**Shabana Azmi** is an internationally celebrated film and theatre actress. She has won five national and five international awards for best actress.

She is a highly respected social activist and tireless campaigner for the rights of women, slum dwellers, and the underprivileged. She heads the Mijwan Welfare Society (MWS), an NGO that works for empowerment of the girl child in rural India. MWS works on education, primary health and sanitation, skill development, and employment generation.

Ms Azmi was nominated to The Rajya Sabha by the President of India in 1997. She is a recipient of the Padmashri and Padma Bhushan. She was awarded the Gandhi International Peace Prize in 2006. At the bicentennial celebrations of international human rights in Paris in 1989, she was honoured along with Mother Theresa by President Mitterand of France. She also won the Crystal Award at the World Economic Forum 2006. She has been conferred five Doctorates by renowned universities, both national and international. She has received the prestigious Martin Luther King, Rosa Park, and Chavez Awards and is a visiting professor at the University of Michigan. A former UN Goodwill Ambassador for Population and Development, she continues to work on issues of public health. She has recently been nominated as Global Leadership Ambassador for Women in Public Service Project initiated by Hillary Clinton.



Victoria Sekitoleko Member

#### **Stichting BRAC International Supervisory Board**

**Victoria Balyejusa Sekitoleko** is a former Minister of Agriculture in the Ugandan government. She was a representative of the United Nations Food and Agriculture Organization (FAO) in China, Mongolia, and South Korea, and previously served as the FAO's representative in Ethiopia to the African Union and to the Economic Community for Africa.

Ms Sekitoleko is currently the chair of the governing board of the Uganda Agribusiness Alliance, which unites all those involved in the industry to optimise their ability to profitably and sustainably pursue the many global opportunities in the world's largest industry.

In 2010, Victoria founded the Uganda Community Cultural Center which trades as Speakers Forum. This trains professionals to become skilled presenters and also supports community libraries.

Ms Sekitoleko was educated at Makerere University in Kampala, where she attained a BSc in Agriculture majoring in Farm Management and Extension.



**Gregory Chen**Member

### Stichting BRAC International Supervisory Board BRAC International Holdings B.V. Supervisory Board

**Gregory Chen** has worked on financial inclusion for 25 years, with most of his work spanning across South Asia. His work focuses on hands-on advisory and implementation with microfinance institutions and, for the past decade, with newer players in digital finance. This has included work with digital players like bKash, Wave Money and also development organisations including the Aga Khan Development Network, BRAC, and Dvara. His work has included deep technical engagements with more than a dozen financial sector regulators. He has also worked as a corporate banker at Bank of America and with the financial services consulting firm Enclude.

Mr Chen is a member of CGAP's management team and oversees CGAP's policy Engagement. He focuses on helping policy makers adapt to the rapid change in the world of financial services brought on by technology, and particularly to ensure that financial systems can responsibly reach the disadvantaged.

Mr Chen is a regular speaker on microfinance and digital finance at the Boulder Institute for Microfinance, BRAC University, Johns Hopkins, Tufts University, Yale University, and American University, among others. He has a master's degree in international development from Harvard Kennedy School and a bachelor's degree from Wesleyan University.

# GROUP FINANCE AND AUDIT COMMITTEE

Composition of the present finance and audit committee is as follows:

- · Parveen Mahmud FCA. Chair
- · Dr Muhammad Musa, Member
- Sved Abdul Muntakim Secretary
- · Sylvia Borren, Member
- Hans Eskes, Member

The primary function of the finance and audit committee is a assist the governing board in fulfilling its responsibilities on the

- Financial reporting and budgeting processes
- System of internal controls and risk assessmen
- Compliance with legal and regulatory requirements
- Qualifications, independence, and performance of the external auditors
- Qualifications, independence, and performance of the internal auditfunction

# BRAC PHILIPPINES GOVERNANCE AND MANAGEMENT

Efren V. Lubuguin – Country Representative

Sarah C. Abutazil – Admin and Finance Manager

Janifa C. Bangcola – Deputy Provincial Manager for Maguindanao

Marilyn C. Mai – Deputy Provincial Manager for Lanao del Sur

Florinda J. Masukat – Deputy Provincial Manager for Basulta

# **DEVELOPMENT PARTNERS**















# **EDUCATION**

BRAC began operating in the Philippines since 2012, focusing on the underprivileged communities of Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) by implementing the Alternative Delivery Model (ADM) project, funded by the Australian government and co-managed with the Bangsamoro Ministry of Basic, Higher, and Technical Education (MBHTE).

In 2018, BRAC Philippines developed the Accessible and Contextually-Appropriate Elementary Education System (ACCESS) policy to establish the best practices of the ADM project. The policy aims to guide the MBHTE and other education service providers to deliver alternative means of education to the underserved BARMM communities. The main challenge is to successfully implement the ACCESS policy.

### **OUR APPROACH**

Through the ADM project (2012 - 2019), BRAC Philippines provided basic education to children in the remote areas of the five provinces of BARMM. In collaboration with the Australian government, Department of Education (DepEd), MBHTE, and fifteen local partner organisations, we followed the K-to-12 curriculum of DepEd and developed instructional materials that cater to the diverse needs of these communities. We also conducted monthly refresher trainings with communitybased Learning Facilitators and teachers to ensure the quality of teaching delivery and pedagogy.

In the last phase of the project, we supported project transition from ADM schools to DepEd system, registering all learners under the Enhanced Basic Education Information System (EBEIS) and the Learners Information System (LIS).



#### **MOVING FORWARD**

BRAC Philippines plans to support the MBHTE in their implementation of the ACCESS policy. According to the Ministry, over 200 communities in

the region remain underserved and our aim is to deliver education to them. We are eager to conduct research on innovative education practices by engaging with academic institutions all over the Philippines. We are also involved with a technical working group hosted by the Committee of Basic Education of the Philippine Senate to design the Alternative Learning System Act for out-ofschool youths and adults.



1.964 learners across the Autonomous Region in Muslim Mindanao catered during 2018-2019.

Total of 1.177 BRAC Grade 6 education, 737 learners were endorsed by the Ministry of Basic,

Philippines has established 2.108 Learning Centers.

Total enrollment of 65.990 6.344 are indigenous children.

Learners are managed by 2.108 community-based Learning Facilitators

Total 2,961 Parents-Teachers-Community Association (PTCA)



### THE KEY TO ACHIEVING YOUR DREAMS

"When I was younger, I doubted that I would ever reach my dreams of being an engineer since our village had no schools. The nearest one was too far for the children in our village to walk everyday. So, we could not attend any schools and could not study," said Norsida Akil. A 12-year-old Grade 6 Learner at Olas, from Purok 1 BRAC Learning Center in Sultan Kudarat, Maguindanao, Norsida was among the thousands of BRAC Alternative Delivery Model (ADM) learners who successfully completed their elementary education this year.

In her graduation speech, she shared her gratitude towards the ADM project saying, "When BRAC came into our village and put up Learning Centers, the children in our community were provided with an opportunity to study and finish our elementary education. My sibling and I started at pre-school, and now, we have finished our elementary years. Alhamdulillah, I will never forget the lessons I learned from our ADM teacher. We will be forever grateful to DFAT, BRAC and DepED for giving us the opportunity to be closer to our dreams."

Norsida is now a Junior High School student at Darapanan Integrated School in Sultan Kudarat, Maguindao. She is one of the top performing students of her class.



18 | Annual Report 2019 Annual Report 2019 | 19

# **ULTRA POOR GRADUATION**

In 2018, the Department of Labor and Employment in the Philippines partnered with the Asian Development Bank and technical assistance of BRAC to launch the Unlocking Innovation for Development - Piloting the Graduation Approach in the Philippines, targeting 1,800 beneficiaries of Pantawid Pamilyang Pilipino Programme (4 Ps) of the Department of Social Welfare and Development (DSWD) across five municipalities in Negros Occidental. The pilot aims to ensure all participants have access to improving their livelihoods, through comprehensive measures including housing and periodic interventions. It is based on a study conducted by Innovations for Poverty Action (IPA) which included randomized control trial.



### **OUR APPROACH**

The project interventions include features such as the Kabuhayan (Livelihoods) Starter kit that combines a one-time

asset transfer and training in business management; technical training on how to manage the asset; savings mechanisms; coaching by Graduation Community Facilitators; training on social and health issues; and linkages to community groups and cooperatives. Participant households also continue to receive social assistance benefits from the Pantawid program (4Ps).

The success rate of participants is measured against a set of Graduation criteria that examine multiple dimensions of poverty, including food security, income, health, and resilience.



#### MOVING FORWARD

In its pursuit to end poverty in all forms, BRAC Philippines shall remain vigilant and proactive in devising innovations to address this issue. This upcoming year,

we will continue looking for opportunities to pilot test the UPG approach in other provinces; thus, we will maintain our relationship with Asian Development Bank (ADB), DOLE, DSWD, local government units, and other stakeholders. Additionally, as a proactive measure, we will develop mechanisms for the rapid diagnosis of household welfare, distribution of relief goods, and provision of guidance to help rebuild disrupted livelihoods should our beneficiaries be affected by crisis of any kind.



1,181 beneficiaries have received complete livelihood asset packages and only 58 beneficiaries have received partial livelihood asset packages.

Graduation Community Facilitators completed **10** out of the **12** scheduled life skills training topics.

385 households reported being able to diversify their livelihoods.

Based on the income, variable costs, fixed costs, and profits reported that fried chicken food carts were the most profitable livelihood mechanism, followed by swine fattening, fried snacks food carts, and meat processing. This is in line with the predictions made in the market

About 70% of the 966 participants who participated in the Household Welfare survey in December 2019 reported that they were able to save, compared to 61% in June 2019. About 38% of them reported saving in a financial institution compared to 2% in June 2019. Other savings mechanisms include community savings, savings groups,



## DREAM BIG. STAY POSITIVE.

Grace Roldan Quinanola is a participant of the Department of Labor and Employment Graduation Approach Project. She is 39 years old with three children and her husband, Jorlito, is a security guard. Grace is primarily a housewife but would often work at the sugarcane plantation for extra income because her husband's salary alone is not enough to cover all the household expenses.

Upon inclusion into the project, Grace received coaching and mentoring interventions from the Graduation Community Facilitators (GCF) of BRAC. She first selected swine fattening as her livelihood but failed to pass the livelihood assessment. After another round of selection and assessment she was able to determine that the salted egg

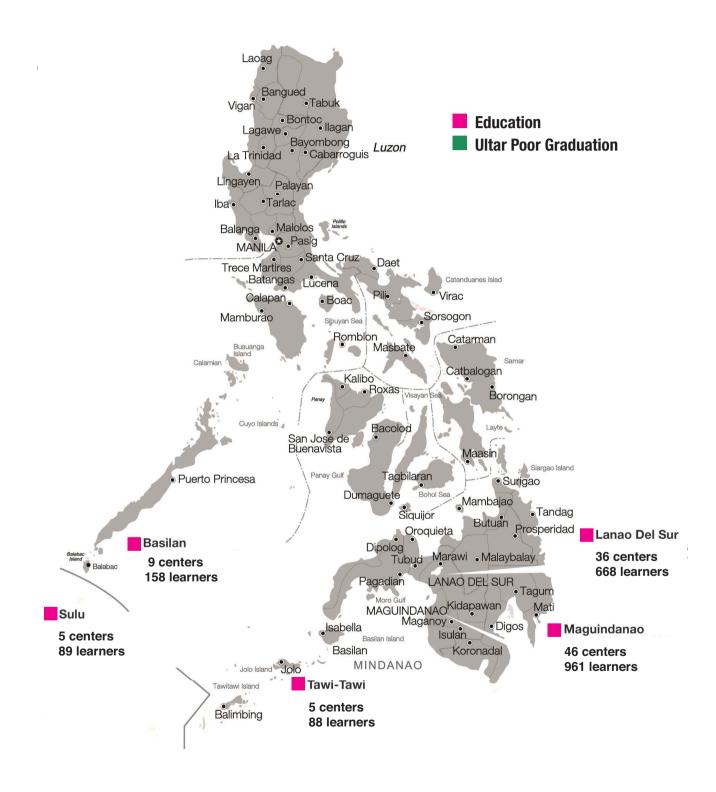
processing would be best for her. She was then given training and was given the initial livelihood package.

It was not easy for her to start her business. Initially, she would encounter problems in the process of preparing the salted eggs and the shop owners would not give her the best price either. But due to her determination, support from her family and assistance from the GCF, Grace was able to sustain her livelihood for 10 months now.

They are now able to eat three meals a day and sometimes would include snacks. She started saving for her children's tuition and was able to save enough to expand her livelihood as well. She expressed gratitude for the coaching sessions that the GCF provides every month and said that the topics from the coaching sessions help her take better care of her household, especially on the health and nutrition aspect.



# **PROGRAMMES IN BRAC PHILIPPINES**



#### 22 Annual Report 2019

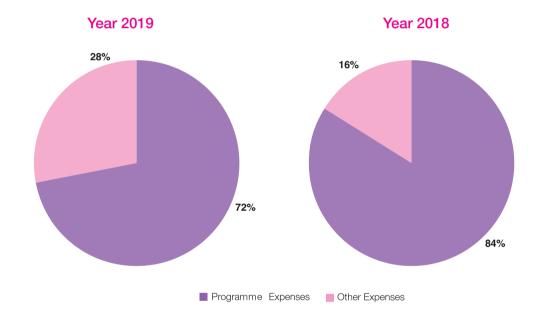
# **FINANCIALS**

# FINANCIAL HIGHLIGHTS

BRAC Philippines completed its 8th year of operation in 2019. Grant Income was USD 712,998 against USD 1,065,098 in 2018. Out of total expenses, project expenses was USD 685,479 (USD 898,106 in 2018) and 72% (84% in 2018) of the total cost.

#### PROGRAMME COST BY NATURE OF EXPENSES

	2019		2018		
Expenses	USD	%	USD	%	
Programme Expenses	511,258	72%	898,106	84%	
Other Expenses	202,421	28%	168,235	16%	
Total	713,679		1,066,341		



#### **PERFORMANCE REVIEW**

	2019	2018	2017	2016	2015
Income Statement	USD	USD	USD	USD	USD
Grant Income	712,998	1,065,098	3,096,102	5,105,196	6,758,161
Other Income	681	1,243	3,648	1,741	2,771
Programme Expenses	511,258	898,106	2,910,268	4,244,564	6,128,495
Other Expenses	202,421	168,235	189,482	862,373	632,437

#### **FINANCIAL POSITION**

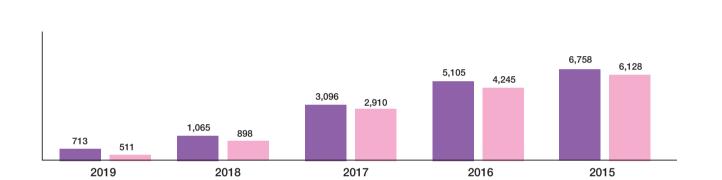
	2019	2018	2017	2016	2015
Balance sheet	USD	USD	USD	USD	USD
Cash at Bank	384,361	644,091	1,760,844	5,088,966	6,628,206

#### **ANNUAL INCOME AND EXPENSES**

■ Grant income

in Thousands USD

Programme expenses



# STICHTING BRAC INTERNATIONAL, INC.

(Incorporated in Netherlands) PHILIPPINES BRANCH (A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS **DECEMBER 31, 2019 AND 2018** 

WITH INDEPENDENT AUDITORS' REPORT



R.G. Manabat & Co. The KPMG Center, 9/F 6787 Ayala Avenue, Makati City

Philippines 1226

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#### REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders Stichting BRAC International, Inc. - Philippine Branch Waterfront Insular Hotel, Km 7 Lanang, Davao City

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Stichting BRAC International, Inc. -Philippine Branch (the "Branch"), which comprise the statements of assets and liabilities as at December 31, 2019 and 2018, and the statements of income and expenses and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information. The segmental financial information in the financial statements is not part of the basic financial statements and was not subjected to our audit.

In our opinion, the accompanying financial statements present fairly, in all material respects, the statements of assets and liabilities of the Branch as at December 31, 2019 and 2018, and its statements of income and expenses and its statements of 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 Auditors' 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 opinion.

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International"), a Swiss entity.

PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
In Accreditation No. 1720/17010-R, valid until November 15, 2020
SST - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

26 | Annual Report 2019 Annual Report 2019 | 27

#### KPMG

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which describes that the Grant Agreement of the Branch with the Department of Foreign Affairs and Trade (DFAT) - Australia Aid Program ended on June 30, 2019. This condition indicates that a material uncertainty exists that may cast significant doubt on the Branch ability to continue as a going concern.

As of the date of the audit report, the Branch has a short term program, Ultra Poor Graduation - UPG program, with Asian Development Bank (ADB) and Department of Labor and Employment (DOLE). While the Branch is proposing to extend the program in Region 3 (Central Luzon), gearing up for new donors and projects, the Parent Company is committed to provide the necessary financial and operational support to enable the Branch to sustain its operations and pay maturing obligations as they fall due.

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.

Auditors' 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 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 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 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 No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information 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 supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

VERNILO G. YU

Partner

CPA License No. 108798

SEC Accreditation No. PA-A-874-A, Group A, valid until June 30, 2020

Tax Identification No. 225-454-652

BIR Accreditation No. 08-001987-35-2018

Issued September 20, 2018; valid until September 19, 2021

PTR No. MKT 8116789

Issued January 2, 2020 at Makati City

April 3, 2020

Makati City, Metro Manila



R.G. Manabat & Co. The KPMG Center, 9/F 6787 Ayala Avenue, Makati City Philippines 1226

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and Stockholders Stichting BRAC International, Inc. - Philippine Branch Waterfront Insular Hotel, Km 7 Lanang, Davao City

We have audited the accompanying financial statements of the Philippine Branch Office of Stichting BRAC International, Inc. (a nonstock, nonprofit organization) as at December 31, 2019, on which we have rendered our report dated April 3, 2020. The segmental financial information in the financial statements is not part of the basic financial statements and was not subjected to our audit.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to any officer or member of the Governing Body of the Branch.

R.G. MANABAT & CO.

VERNILO G. YU Partner

CPA License No. 108798

SEC Accreditation No. PA-A-874-A, Group A, valid until June 30, 2020

Tax Identification No. 225-454-652

BIR Accreditation No. 08-001987-35-2018 Issued September 20, 2018; valid until September 19, 2021

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Email ph-inquiry@kpmg.com

#### REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders Stichting BRAC International, Inc. - Philippine Branch Waterfront Insular Hotel, Km 7 Lanang, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the basic financial statements of Stichting BRAC International, Inc. - Philippine Branch (the "Branch") as at and for the year ended December 31, 2019, and have rendered our report dated April 3, 2020. The segmental financial information in the financial statements is not part of the basic financial statements and was not subjected to our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Branch taken as a whole. The supplementary information included in the Schedule of Philippine Financial Reporting Standards and Interpretations is the responsibility of the Branch's management. This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68, and is not part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

VERNILO G. YU

Partner

CPA License No. 108798

SEC Accreditation No. PA-A-874-A, Group A, valid until June 30, 2020

Tax Identification No. 225-454-652

BIR Accreditation No. 08-001987-35-2018

Issued September 20, 2018; valid until September 19, 2021

PTR No. MKT 8116789

Issued January 2, 2020 at Makati City

April 3, 2020

Makati City, Metro Manila

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30 | Annual Report 2019 Annual Report 2019 | 31

(A Nonstock, Nonprofit Organization)

#### STATEMENTS OF ASSET AND LIABILITIES

		De	December 31	
	Note	2019	2018	
ASSETS				
Current Assets				
Cash	4, 5	P19,504,036	P33,956,497	
Other current assets	6	86,000	260,867	
Total Current Assets		19,590,036	34,217,364	
Noncurrent Assets				
Property and equipment - net	7	222,822	285,680	
Refundable deposits	4, 13	195,780	248,880	
Total Noncurrent Assets		418,602	534,560	
		P20,008,638	P34,751,924	
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	4, 8	P4,884,902	P4,769,927	
Deferred grant income	9	15,123,736	29,981,997	
Total Current Liabilities		P20,008,638	P34,751,924	

See Notes to the Financial Statements.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

#### STATEMENTS OF INCOME AND EXPENSES

#### Years Ended December 31

	Note	2019	2018
INCOME			
Grants	9	P36,887,646	P56,151,961
Interest income	5	35,257	65,542
		36,922,903	56,217,503
PROJECT EXPENSES			
Project Supplies - Sustainable livelihood		14,431,061	-
Salaries and employee benefits		9,009,077	9,212,182
Learning facilitators allowances		3,273,229	17,769,027
Transportation and travel		2,954,416	3,480,654
Evaluation activity		860,238	4,423,487
Partner non-government organizations (NGO) employee benefits		808,848	3,747,052
Rent	13	340,500	2,110,855
Office utilities		293,717	341,894
Training and orientation		157,376	2,700,820
Taxes and licenses		124,943	165,128
School supplies		-	2,567,010
Others		2,163,862	3,678,036
	10	34,417,267	50,196,145
OTHER NONCASH EXPENSES (INCOME)			
Depreciation	7	225,638	752,820
Currency Exchange Loss (Gains)	4	821,066	(3,600,816)
		1,046,704	(2,847,996)
GENERAL AND ADMINISTRATIVE EXPENSES	11	1,458,932	8,869,354
		36,922,903	56,217,503
NET EXCESS OF INCOME OVER EXPENSES	-	Р -	Р -

See Notes to the Financial Statements.

(A Nonstock, Nonprofit Organization)

#### STATEMENTS OF CASH FLOWS

#### Year Ended December 31

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of income over expenses		Р-	Р-
Adjustments for:			
Depreciation	7	225,638	752,820
Loss on disposal of property and equipment	7	45,190	480,355
Currency Exchange Loss (Gains)	4	821,066	(3,600,816)
Interest income	5	(35,257)	(65,542)
Excess of income over expenses before working capita	l changes	1,056,637	(2,433,183)
Decrease (increase) in:			
Other current assets	6	174,867	561,474
Refundable Deposits		53,100	(68,936)
Decrease in:			
Accounts payable and accrued expenses		114,975	(1,383,760)
Deferred grant income	9	(14,858,261)	(54,292,074)
Cash used in operations		(13,458,682)	(57,616,479)
Interest received		35,257	65,542
Net cash used in operating activities in cash		(13,423,425)	(57,550,937)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	7	(207,970)	
NET DECREASE IN CASH		(14,452,461)	(57,550,937)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGE	S ON CASH	(821,066)	3,600,816
CASH AT BEGINNING OF YEAR		33,956,497	87,906,618
CASH AT END OF YEAR	5	P19,504,036	P33,956,497

See Notes to the Financial Statements.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

### (A Nonstock, Nonprofit Organization) NOTES TO THE 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 (AusAlD) 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.

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.

Prior to the completion of the project with DFAT on June 30, 2019, the Branch's management and implementation of the ADM Project of the BEAM-ARMM has the following components:

#### Component 1: Curriculum, Materials and Assessment Development

This component involves reviewing the Department of Education's (DepEd) standard curriculum for both pre-school and the six-year elementary education to develop a mechanism and instructional plan for enhanced delivery, identification of appropriate teaching and learning materials for both pre-school and elementary education and the mechanism and tools to monitor and measure student learning and inform how the program delivery could be improved.

#### Component 2: Community Learning Center Operations

This component involves the establishment and operation of Community Learning Centers (CLCs) in identified priority barangays (villages). The CLCs implement the curriculum for both pre-school and elementary education targeting primarily the out-of-school children in barangays without schools and in areas with large number of out-of-school children.

#### Component 3: Capacity Building

This component develops the capacity of key stakeholders to manage and sustain the implementation of an alternative delivery model for basic education. The key activities under this component include core resource group training in Bangladesh for senior managers of DepEd Central and Autonomous Region in Muslim Mindanao (ARMM), trainings and workshops for specialized trainers, curriculum writers, project officers and coordinators, learning facilitators and specialized training courses for educators on curriculum materials development, assessment and instructional supervision.

#### Component 4: Project Management, Monitoring and Evaluation

This component includes the establishment, staffing and operations of the project management unit and provincial offices. In addition, this component performs the general coordination and supervision of CLCs, monitoring and evaluation, policy support and coordination for scale-up to other regions and conducts research and impact evaluations and policy advocacies.

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).

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

Under the program, on December 28, 2018 the Department of Labor and Employment (DOLE) has given responsibility to the Branch in implementing the Livelihood (Kabuhayan) Project entitled "Swine Fattening, Meat Processing; Negosyo sa Kariton and Salted Eggs Processing Project," or the "project," in accordance with the Department Order No. 173, series of 2017.

The project targets households participating in the Pantawid Pamilyang Pilipino Program (4Ps). To build resilience and an upward trajectory from poverty for the poorest households in Negros, this approach designed to provide sustainable livelihoods, regular mentorship and coaching, and access to improved goods and services for selected households in Negros. Key interventions of the graduation approach include asset transfers, technical training, life skills training, savings facilitations, cash transfers, coaching, access to health services.

DOLE is leading the execution of the project in Negros Occidental in the municipalities of Murcia, Talisay, Silay City, Enrique B Magalona and Victorias.

The grants from DOLE and ADB is for the same project, however the beneficiaries are different. The grants for one set of beneficiaries is being coursed through DOLE. While the grants for the other set of beneficiaries is directly being received from ADB. The second set of beneficiaries is an extension of the project.

The Branch DFAT project was completed on June 30, 2019 and the existing UPG program is a short term program which indicates that a material uncertainty exists that may cast significant doubt on the Branch ability to continue as a going concern. While the Branch is proposing to extend the program in Region 3 (Central Luzon), gearing up for new donors and projects, the Parent Company is committed to provide the necessary financial and operational support to enable the Branch to sustain its operations and pay maturing obligations as they fall due.

The Branch, in its letter to International Tax Affairs Division of the Bureau of International Revenue dated May 10, 2013, has requested for confirmation of the tax exemption privileges of the BEAM-ARMM Program pursuant to Section 30 of the Tax Reform Act of 1997 (R.A 8424). As at December 31, 2019, the Branch has not received confirmation of the said tax exemption.

The registered office of the Branch, which is also its principal place of business, is located at Waterfront Insular Hotel, Km. 7, Lanang, Davao City.

#### 2. BASIS OF PREPARATION

#### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS is based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consists of PFRS, Philippine Accounting Standards, and Philippine Interpretations.

The accompanying financial statements were approved and authorized for issue by the Board of Directors on April 3, 2020.

#### Basis of Measurement

The Branch's financial statements have been prepared under the historical cost basis of accounting.

#### **Functional and Presentation Currency**

The financial statements are presented in Philippine peso, which is the Branch's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

### (A Nonstock, Nonprofit Organization) NOTES TO THE FINANCIAL STATEMENTS

#### Significant Accounting Judgement, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS 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:

#### Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Branch, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the cost of implementing the project.

#### Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based on management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

#### Estimating Useful Lives of Property and Equipment

The Branch estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use or the duration of the ADM Project whichever is shorter. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets.

As at December 31, 2019 and 2018, the property and equipment, net of depreciation amounted to P222,822 and P285,680, respectively (see Note 7).

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Branch has adopted the following new standards, amendments to standards and interpretations starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Branch's financial statements.

• PFRS 16 Leases supersedes PAS 17 Leases and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

PFRS 16 does not have material impact on the financial statements in the period of initial application. Leases of the Branch is lease of office premises classified as operating leases under PAS 17. It is a short-term lease of which lease term ends within 12 months of the date of initial application, thus the Branch did not recognize right-of-use assets and lease liabilities. Payments associated with the leases is recognized as an expense on a straight-line basis.

• Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments clarifies how to apply the recognition and measurement requirements in PAS 12 Income Taxes when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty – either the most likely amount or the expected value.

IFRIC 23 does not have material impact on the financial statements as the Branch is a non-stock non-profit organization of which is not subject to Income Tax. See Note 1.

The Branch has also adopted the following amendments and standards which did not have any significant impact on the Company's financial statements. These are as follows:

- PFRS 9, Financial Instruments Prepayment Features with Negative Compensation (Amendments)
- PAS 28, Investments in Associates and Joint Ventures Long-term Interests in Associates and Joint Ventures (Amendments)
- PAS 19, Employee Benefits Plan Amendment, Curtailment or Settlement; and
- Annual Improvements to PFRS 2015 2017 Cycle.

Additional disclosures required by the amended standards and interpretation were included in the financial statements, where applicable.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS

#### Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Branch has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Branch's financial statements.

Effective January 1, 2020

- Amendments to References to Conceptual Framework in PFRS Standards
- Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).

The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

#### Financial Instruments

Date of Recognition. The Branch recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those at fair value through profit or loss (FVPL), includes transaction costs.

Subsequent to initial recognition, the Branch classifies its financial assets in the following categories: financial assets at FVPL, financial assets at fair value through other comprehensive income (FVOCI), and financial assets at amortized cost. The classification of financial assets depends on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Branch classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVPL. The Branch classifies all financial liabilities at amortized cost, except for:

- (a) financial liabilities designated by the Branch at initial recognition as at fair value through profit or loss, when doing so results in more relevant information;
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- (c) contingent consideration recognized by the Branch in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and
- (d) financial guarantee contracts and commitments to provide loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

Determination of Fair Value. The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been any significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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 the categorization at the end of each reporting period.

For purposes of the fair value disclosure, 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.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Branch recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Branch determines the appropriate method of recognizing the 'Day 1' profit amount.

The Branch has no financial liabilities at FVPL as at December 31, 2019 and 2018.

#### Financial Assets

Financial Assets at FVPL. The Branch measures a financial asset at FVPL unless it is measured at amortized cost or at FVOCI. At initial recognition, the Branch may choose to irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets at FVPL are carried in the statements of financial position at fair value with gains or losses recognized in profit or loss. Interest income is recorded in the statement of comprehensive income when the right to receive payment has been established.

Financial Assets at Amortized Cost. The Branch measures a financial asset at amortized cost if it is not designated as at FVPL and both of the following conditions are met:

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS

- (a) the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- (b) 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.

Such financial assets are carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is included as part of "Interest income" in the statement of comprehensive income. Gains and losses are recognized in profit or loss when the financial assets at amortized cost are derecognized or impaired, as well as through the amortization process. Financial assets at amortized cost are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

The financial assets at amortized cost includes the Branch's cash and refundable deposits.

Cash represents cash on hand and in bank and is stated at its face value. Cash in banks earns interest at the respective bank deposit rates.

#### **Business Model Assessment**

The Branch makes an assessment of the objectives of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular,
  whether management's strategy focuses on earning contractual interest revenue, maintaining a particular
  interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding
  those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Branch's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realized.

#### Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers:

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branch's claim to cash flows for specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money e.g., periodical reset of interest rates.

#### Financial Liabilities

Financial Liabilities at Amortized Cost. This category pertains to financial liabilities that are not designated at FVPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Branch's accounts payable and accrued expenses (excluding statutory liabilities to government agencies).

#### Reclassification of Financial Assets and Liabilities

Financial Assets. When, and only when, the Branch changes its business model for managing financial assets, it shall reclassify all affected financial assets. Such changes are determined by the Branch's senior management as a result of external or internal changes and must be significant to the entity's operations and demonstrable to external parties.

A change in the Branch's business model will occur only when the Branch either begins or ceases to perform an activity that is significant to its operations; for example, when the entity has acquired, disposed of or terminated a business line.

Financial Liabilities. The Branch shall not reclassify any financial liability.

#### 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:

- the rights to receive cash flows from the asset expired;
- the Branch retains the rights 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 assets; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Branch has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Branch's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branch could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. When 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Impairment of Financial Assets

The Branch measures impairment losses using the expected credit losses model ("ECL") which is applied to all debt and equity instruments measured at amortized cost or FVOCI as well as to issued loan commitments and most financial guarantee contracts. The ECL is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-months ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these items, lifetime expected credit losses are recognized which is the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these items, lifetime expected credit losses are recognized. No impairment loss is recognized on equity investments.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Branch's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Branch includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor
  or in its business activities
- payment record this includes overdue status as well as a range of variables about payment ratios
- existing and forecast changes in the business, financial and economic conditions

The Branch considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Branch in full, without recourse by the Branch to actions such as realizing security (if any is held); or
- the debtor is past due more than 90 days on any material credit obligation to the Branch.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the year is recognized in profit or loss. If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets and liabilities 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 on a gross basis in the statements of assets and liabilities.

#### Property and Equipment

Items of property and equipment are initially measured at cost. After initial recognition, all items of property and equipment are measured at cost less accumulated depreciation, and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statements of income and expenses as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value, if any. Depreciation is recognized in the statements of income and expenses on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful life of each item of property and equipment is as follows:

Number	O†	Years

Office furniture and fixtures Transportation Equipment	3 - 10 5

If there is an indication that there has been a significant change in the depreciation method, useful life or residual value of an asset, the depreciation of that asset is reviewed and adjusted prospectively if appropriate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on a net basis in the statements of income and expenses.

#### Impairment of Nonfinancial Assets

The carrying amounts of the Branch's nonfinancial assets such as property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognized in the statements of income and expenses whenever the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use (VIU).

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS

The fair value less costs to sell 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 measurement date. VIU is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of the useful life. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statements of income and expenses.

#### Recognition of Grants

Grants received are initially recognized as deferred income 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 thru the grant are also recognized as deferred income 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.

#### Short-term Leases

The Branch did not recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Branch recognizes the lease payments associated with these leases as an expense over the lease term and are recognized as rent expense in profit or loss.

#### Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in Philippine peso using the exchange rate prevailing at the reporting date.

Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded and translated at reporting date are recognized in the statements of income and expenses in the year in which they arise.

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

#### Provisions

Provisions are recognized when the Branch has a legal or constructive obligation as a result of a past events, it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimate of the amount can be made

#### Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the 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 are disclosed in the notes to the financial statements 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 and liabilities 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.

#### **4.FINANCIAL RISK MANAGEMENT**

#### Objectives and Policies

The Branch has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing such risks, and the Branch's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

The main purpose of the Branch's dealings in financial instruments is to fund its operations and capital expenditures.

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 Country Representative performs oversight over financial management functions, specifically in the areas of managing credit, market and other risks of the Branch. The Country Representative 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.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

### (A Nonstock, Nonprofit Organization) NOTES TO THE FINANCIAL STATEMENTS

#### Credit Risk

The results of procedures performed by the Country Representative are reported to the Audit Committee. The Country Representative reviews and institutes policies for managing each of the risks and they are summarized below.

The maximum exposure to credit risk for the Branch's financial assets as at December 31 is presented below:

	Note	2019	2018
Cash in banks	5	P19,436,377	P33,887,515
Refundable deposits	13	195,780	248,880
		P19,632,157	P34,136,395

The aging of financial assets as at December 31, are as follows:

	2019						
	<b>Neither Past</b>	ither Past Past Due but not Impaired			Past		
	Due nor	<30	31 - 60	61 - 90	90	Due and	
	Impaired	Days	Days	Days	Days	Impaired	Total
Cash in banks	P19,436,377	Р-	Р-	Р-	Р-	Р-	P19,436,377
Refundable deposit	195,780	-	-	-	-	-	195,780
	P19,632,157	Р-	Р-	Р-	Р-	Р-	P19,632,157

#### 2018

	Ne	ither Past	Pa	ast Due but	not Impaire	d Past	
	Due nor	<30	31 - 60	61 - 90	90	Due and	
	Impaired	Days	Days	Days	Days	Impaired	Total
Cash in banks	P33,887,515	Р -	Р -	Р-	Р-	Р-	P33,887,515
Refundable deposit	248,880	-			-	-	248,880
	P34,136,395	P -	P -	P -	P -	Р-	P34,136,395

Below is the classification of the Branch's financial assets that are neither past-due nor impaired:

2019	High Grade	Standard Grade	Total
Cash in banks	P19,436,377	Р -	P19,436,377
Refundable deposits	195,780	-	195,780
	P19,632,157	P -	P19,632,157
2018	High Grade	Standard Grade	Tota
Cash in banks	P33,887,515	Р -	P33,887,515
Refundable deposits	248,880	-	248,880
	P34,136,395	P -	P34,136,395

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

The credit qualities of financial assets were determined as follows:

- Cash in banks is considered high grade as these pertains to deposits in reputable banks.
- Refundable deposits are considered high grade as these pertain to deposits that are covered by the lease agreements.

#### Cash in Banks

Impairment on cash in banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Branch considers that its cash in banks have low credit risk considering the Branch's cash in banks are held with reputable bank institutions. Therefore, the ECL for the Branch's cash in banks as at December 31, 2019 was determined to have no significant impact on the Branch's financial statements.

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Branch has cash deposited in two (2) banks in four (4) different branches. The Branch's management performs an assessment of its external environment, including the related risks and limitations, and selects the Branch's depository banks based on factors such as reputation in the market place, and compliance with regulations, among others.

#### Estimating ECL

The table below presents the Branch's exposure to credit risk and shows the credit quality of the financial assets as at December 31, 2019 by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

		Financial Assets at Amortized Cost				
December 31, 2019	12 Month ECL	Lifetime ECL Not Credit Impaired	Total	ECL	Carrying Amount	
Cash	P19,504,036	P -	P19,504,036	P -	P19,504,036	
Other current assets	86,000	-	86,000	-	86,000	
Refundable deposits	195,780	-	195,780	-	195,780	
	P19,785,816	P -	P19,785,816	P -	P19,785,816	

	_	Financial Assets at Amortized Cost				
	12 Month	Lifetime ECL			Carrying	
December 31, 2018	ECL	Not Credit Impaired	Total	ECL	Amount	
Cash	P33,956,497	P -	P33,956,497	P -	P33,956,497	
Other current assets	260,867	-	260,867	-	260,867	
Refundable deposits	248,880	=	248,880	-	248,880	
	P34,466,244	P -	P34,466,244	P -	P34,466,244	

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in reputable banks.

Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Branch considers that its cash has low credit risk based on the external credit ratings of the counterparties.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

Other current assets and refundable deposits and are considered of good quality since these are transacted with counterparties with high external credit ratings. the credit quality of these financial assets is considered to be high grade.

#### Liquidity Risk

Liquidity risk pertains to the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Branch's objectives to manage its liquidity risk are as follows: (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 table below summarizes the maturity profile of the Branch's financial liabilities based on contractual undiscounted payments used for liquidity management:

			2019	
	Carrying		Less than	More than
	Amount	Total	3 months	3 months
Financial Liabilities				
Accounts payable and accrued				
expenses*	P4,700,574	P4,700,574	P4,700,574	Р-
Excluding statutory payables.				
			2018	
	Carrying		Less than	More than
	Amount	Total	3 months	3 months
Financial Liabilities				
Accounts payable and accrued				
expenses*	P4.585,599	P4.585.599	P4.585.599	Р-

<sup>\*</sup>Excluding statutory payables.

#### Market Risk

Market risk is the risk that changes in foreign exchange rates which affect the Branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Foreign Currency Risk

The Branch is exposed to foreign currency risk on monetary asset and liability held in currencies other than the Philippine peso, the Branch ensures that its exposure is kept to an acceptable level by maintaining regular savings deposits in US dollar and buying foreign currencies at spot rates where necessary to address short-term imbalances.

The Branch's foreign currency-denominated assets and liabilities as at December 31 are as follows:

48 | Annual Report 2019 Annual Report 2019 | 49

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

2019	Current	Current Assets	Net Foreign Currency Liabilities	Exchange Exposure	Rate	PHP Equivalent
Currency						
USD		216,473	21,730	194,743	50.744	9,882,039
				Niat Fausiana		
				Net Foreign		
		Current	Current	Currency	Exchange	
2018		Assets	Liabilities	Exposure	Rate	PHP Equivalent
Currency						
USD		534,244	62,280	471,964	52.720	24,881,957

The Branch recognized foreign exchange gains (loss) of (P821,066) and P3,600,816 in 2019 and 2018, respectively.

#### Sensitivity Analysis

A 4% strengthening of the Philippine peso against USD as at December 31, 2019 would have decreased foreign exchange loss by P395,645. A 6% strengthening of the Philippine peso against USD as at December 31, 2018 would have increased foreign exchange gains by P1,395,623.

A weakening of the Philippine peso against the USD by the same percentage as above as at December 31, 2019 and 2018 would have had equal but opposite effect on the basis that all other variables remain constant.

#### Fair Values

The carrying value of cash approximates its fair value, since it can be readily withdrawn and used for operations at any time. The fair value of the refundable deposits approximates its carrying amount since it can be reasonably be collected on their due dates.

#### 5. CASH

This account consists of:

	Note	2019	2018
Cash on hand		P67,659	P68,982
Cash in banks	4	19,436,377	33,887,515
		P19,504,036	P33,956,497

Cash in banks earns annual interest at the respective bank deposit rates.

Interest income earned from cash in banks in 2019 and 2018 amounted to P35,257 and P65,542, respectively.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization) NOTES TO THE FINANCIAL STATEMENTS

#### 6. OTHER CURRENT ASSETS

Other current asset for 2019 amounting to P86,000 pertains to downpayment for project supplies while the 2018 balances is advances to non-government organizations (NGO) partners and Branch employees amounting P260,867 as at December 31, 2018.

#### 7. PROPERTY AND EQUIPMENT

The movements and balances of this account are as follows:

	Office		
	Furniture and	Transportation	
	Equipment	Equipment	Total
Cost			
January 1, 2018	P4,581,438	10,074,800	P14,656,238
Disposals	(2,513,131)	-	(2,513,131)
December 31, 2018	2,068,307	10,074,800	12,143,107
Additions	207,970	=	207,970
Disposals	(1,687,774)	(8,189,800)	(9,877,574)
December 31, 2019	588,503	1,885,000	2,473,503
Accumulated Depreciation			
January 1, 2018	3,484,534	9,652,850	13,137,384
Depreciation	330,882	421,937	752,819
Disposals	(2,032,776)	-	(2,032,776)
December 31, 2018	1,782,640	10,074,787	11,857,427
Depreciation	225,638	=	225,638
Disposals	(1,642,597)	(8,189,787)	(9,832,384)
December 31, 2019	365,681	1,885,000	2,250,681
Carrying Amount			
December 31, 2018	285,667	P13	285,680
December 31, 2019	P222,822	P -	P222,822

#### 8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of:

	Note	2019	2018
Due to related parties	12	P1,276,804	P1,493,499
Payroll-related payable		337,797	290,329
Withholding tax payable		137,413	91,993
Accrued expenses		3,132,888	2,894,106
		P4,884,902	P4,769,927

Due to related parties includes payables to BRAC Bangladesh, BRAC USA and Stichting BRAC International. These pertain to reimbursements for expenses incurred in providing management and technical support to the Branch (see Note 12).

50 | Annual Report 2019 Annual Report 2019 | 51

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

Accrued expenses pertains to the accrual of employee benefits of the Branch's.

#### 9. GRANT AGREEMENT

A Grant Agreement between the Commonwealth of Australia, as represented by then AusAID and Stichting BRAC International, Inc. was executed on February 3, 2012 covering the ADM project for the BEAM-ARMM. This Grant Agreement was effective until June 30, 2015.

In accordance with the provisions of the Grant Agreement, the Branch received from AusAID a grant of AUD30,500,000 for the management and implementation of the ADM project which was given in four (4) tranches as follows:

- the first tranche amounting to AUD7,000,000 was given within thirty (30) days from the date of the agreement;
- the second tranche amounting to AUD7,700,000 was given in August 2012;
- the third tranche amounting to AUD9,000,000 was given in August 2013; and
- the fourth and final tranche amounting to AUD6,800,000 was given in August 2014.

The schedule of tranches is subject to the terms and conditions as stipulated in the Grant Agreement.

In March 2015, the Amendment of the Grant Agreement ("Amendment") was executed by DFAT which extended the period covered by the Grant Agreement until June 30, 2017. As part of the Amendment, additional two (2) tranches were included amounting to AUD6,105,866 for each tranche. The first tranche was given in September 2015 and the remaining tranche was given on August 2016. As a result of the Amendment, the new total amount of the grant is AUD42,711,732 from the previous amount of AUD30,500,000. Another amendment on December 29, 2015 was done resulting to the reduction of the remaining tranche which was received on September 2016 amounting to AUD5,379,880. As a result of the Amendment, the total amount of the grant received was AUD41,985,746 from the previous amount of AUD42,711,732.

In March 2017, the Branch was able to obtain a one (1) year extension until June 30, 2018 (Note 1) for the Grant Agreement subject to the following conditions:

- the total amount of the grant received was AUD41,609,982 from the previous amount of AUD42,323,737.
- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.
- the extension will focus on ensuring the transition of the children to DepEd managed schools.
- monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

In June 2018, the branch was able to obtain another one (1) year extension until June 30, 2019 for the Grant Agreement subject to the following conditions:

- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.
- the extension will focus on ensuring the transition of the children to DepEd managed schools.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

The grant received by the Branch from DFAT/AusAID which has not yet been utilized in the implementation of the ADM Project as at December 31, 2019 and 2018 amounted to nil and P28,192,110, respectively.

On December 11, 2018, the branch signed a contract with Asian Development Bank (ADB), TA-9592 REG: Implementation Support in the Philippines (50364-003), in support of the UPG Program in Negros Occidental. The contract amounted to \$250,000.

On December 28, 2018, the Branch entered into contract with DOLE, related to UPG program, a Livelihood (Kabuhayan) project was launched with DOLE. Total contract amounted to P14,302,047.

The contract with ADB and DOLE is both for the UPG program which is for the Livelihood (Kabuhayan) project. Grants from ADB and DOLE is for different sets of beneficiaries selected by a third party engaged by ADB, respectively.

#### PROJECT EXPENSES

Project expenses incurred per project for the years ended December 31, 2019 and 2018, respectively, are presented below:

Description	2019	2018
DFAT - ADM		
Component 1: Curriculum, Materials and Assessment Development	P -	P -
Component 2: Community Learning Center Operations	8,157,332	34,605,107
Component 3: Capacity Building	157,376	2,700,820
Component 4: Project Management, Monitoringand Evaluation	7,131,723	9,212,182
	15,446,431	46,518,109
UPG - DOLE		
Project supplies - sustainable livelihood	7,836,642	-
UPG - ADB		
Project supplies - sustainable livelihood	6,594,419	=
Salaries and benefits	1,877,354	-
Transportation and travel	472,624	-
Taxes and licenses	14,450	=
Office utilities	11,485	-
	16,806,974	-
	P32,253,405	P46,518,109

The Branch entered into various agreements with local NGOs. As provided under the terms of the agreement with DFAT, the NGOs will manage the operation of the CLCs in their designated provinces in ARMM. As at December 31, 2019, the Branch, together with its duly recognized local NGOs, focused on the transition of the children to DepEd managed schools.

The Branch disburses funds to its local partner NGOs on a quarterly basis for the management and operations of the CLCs in their designated areas and provinces. The partner NGOs will liquidate the funds received for the expenses

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

incurred in accordance with the agreement.

Project supplies for the UPG - DOLE and UPG - ADB pertains to cost of swines, freezers, carts, supplies for the carts, ingredients for meat processing and ingredients for salted eggs.

Other project expenses during the year includes:

	Note	2019	2018
ERP software and service charge overhead costs	12	P1,015,534	P2,517,595
Office running costs		1,148,328	1,160,441
		P2,163,862	P3,678,036

#### 11. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	Note	2019	2018
Professional fees		P493,673	P960,325
Outside services		404,910	419,966
Transportation and travel		198,865	355,646
Technical support	12	172,842	6,007,459
Security measurement management		91,805	288,638
Support services		28,004	18,944
Utilities		15,957	53,261
Others		52,876	765,115
		P1,458,932	P8,869,354

#### 12. 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.

In the implementation of the ADB and ADM project, the Branch has transactions with its related parties as at 2019 and 2018 as follows:

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS

			Amount	Outstanding Balance	
Related Party/Transaction	Ref		of the Transaction	Due to Related Parties	Terms and Conditions
Head office					
<ul> <li>Technical support</li> </ul>	12a	2019	P566,709	P566,706	30 days; non-interest
		2018	P4,246,107	-	bearing; unsecured
BRAC IT service					
<ul> <li>Technical support</li> </ul>	12a	2019	535,958	535,958	30 days; non-interest
		2018	-	-	bearing; unsecured
BRAC Bangladesh					
<ul> <li>Technical support</li> </ul>	12a	2019	-	-	30 days; non-interest
		2018	1,758,714	-	bearing; unsecured
BRAC USA					
<ul> <li>Cash advances</li> </ul>	12b	2019	3,956,338	174,130	30 days; non-interest
		2018	6,389,720	1,493,499	bearing; unsecured
		2019		P1,276,804	
		2018		P1,493,499	

- a. Technical support pertains to reimbursements to BRAC Bangladesh and 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 ADM Project ADB Project in accordance with the provisions of the Grant Agreement. In 2019, Information Services (IT) is being provided by BRAC IT Services.
- b. Cash advances pertains to the cash received from BRAC USA for the monthly compensation of the staff of UPG programme.
- c. Compensation and other short-term benefits of key management personnel amounted to nil and P1,088,769 as at December 31, 2019 and 2018, respectively.

#### 13. LEASES

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City with two (2) residential buildings, two (2) stories with an annex one room office and a guard house, with concrete perimeter fence. The lease was renewed for a fixed period of three (3) years until February 28, 2018.

In August 2017 the branch entered into a lease agreement for the period of one year. The lease is for the transfer of Country office from Cotabato City to DBP Village, Ma-a, Davao City. In July 2018, the lease was terminated and the branch transferred the Country Office to Waterfront Insular Hotel, Km 7, Lanang, Davao City and entered into a lease agreement for the period of one (1) year commencing on July 2018. This lease was renewed from thereon of which each renewal is for another six (6) months.

In August 2017, the Branch entered into a new 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

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

City and entered into a lease agreement uzntil June 30, 2019. The lease was also renewed for another six (6) months.

The Branch also leases various premises serve as Project Office. The lease period which range until one (1) year. All these lease agreements require a refundable deposit except Zamboanga office.

The Branch also entered into a lease agreement for the 101 CLCS that were previously endorsed to the community located in the five (5) provinces of Autonomous Region in Muslim Mindanao (ARMM).

All aforementioned leases, except for the Country office lease, ended on 2019. Lease for the Country office was renewed for another six (6) months.

#### 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 amounted to P340,500 and P2,110,855 in 2019 and 2018, respectively.

#### 14. EVENTS AFTER THE REPORTING PERIOD

On March 8, 2020, under Proclamation 922, the Office of the President has declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the spread of the Corona Virus Disease 2019 (COVID-19). To manage the spread of the disease, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which involved several measures including travel restrictions, home quarantine and temporary suspension or regulation of business operations, among others, limiting activities related to the provision of essential goods and services. The effectivity of the ECQ was further extended up to April 30, 2020.

The Branch is not significantly affected by these events because the Branch's purchases of goods from suppliers and delivery/performance of goods or services to beneficiaries were only delayed due to the enhanced community quarantine. However, the event may have an unfavorable impact on the Branch since it was not able to collect/ process the grants yet to be received on the normal terms as a result of limited movements due to the implementation of enhanced community quarantine. The quantitative impact of this event on the Branch's financial performance for the succeeding quarters is not yet determinable at this date.

#### 15. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

In addition to the disclosures mandated under PFRS, 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 PFRS. The following is the tax information required by Revenue Regulations No. 15-2010 for the taxable year ended December 31, 2019:

The Branch reported and/or paid the following types of taxes in 2019:

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

#### A. Withholding Taxes

Tax on compensation and benefits	P657,503
Final withholding taxes	382,110
	P1.039.613

#### B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under
"Taxes and licenses" account under Project Expenses

Licenses and permits
P2,415

#### C. Deficiency Tax Assessments

As at December 31, 2019, the Branch has no deficiency tax assessment.

#### D. Tax Cases

As at December 31, 2019, the Branch has no pending tax court cases nor has received tax assessment notices from the BIR.

The Branch is a non-VAT registered entity not engaged in the sale of goods or service. All of its receipts, excluding interest income from banks, come from grants which were not charged with output VAT. The input tax incurred in all of its costs and expenses were charged to operations.

Information on the amount of custom duties and tariff fees, excise taxes and documentary stamp taxes paid or accrued are not applicable since the Branch did not enter into transactions that resulted in payment or accrual of such taxes.

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

	DFAT - ADM	UPG - ADB	UPG - DOLE	Total
ASSETS				
Current Assets				
Cash	P12,848,385	P657,278	P5,998,373	P19,504,036
Other current assets	-	87,930	(1,930)	86,000
Total Current Assets	12,848,385	745,208	5,996,443	19,590,036
Noncurrent Assets				
Property and equipment - net	18,604	104,218	-	222,822
Refundable deposit	86,960	108,820	=	195,780
Total Noncurrent Assets	205,564	213,038	-	418,602
	P13,053,949	P958,246	P5,996,443	P20,008,638
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	P4,233,226	P651,676	=	P4,884,902
Deferred grant income - current	8,820,723	306,570	5,996,443	15,123,736
Total Current Liabilities	P13,053,949	P958,246	P5,996,443	P20,008,638

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

# (A Nonstock, Nonprofit Organization) NOTES TO THE FINANCIAL STATEMENTS

	DFAT - ADM	UPG - ADB	UPG - DOLE	Total
INCOME				
Grants	P19,326,196	P9,730,743	P7,830,707	P36,887,646
Interest income	27,773	-	7,484	35,257
	19,353,969	9,730,743	7,838,191	36,922,903
PROJECT EXPENSES				
Project supplies-Sustainable livelihood	(5,930)	6,600,349	7,836,642	14,431,061
Salaries and employee benefits	7,131,723	1,877,354	-	9,009,077
Learning facilitators allowances	3,273,229	-	-	3,273,229
Transportation and travel	2,481,792	472,624	-	2,954,416
Evaluation activity	860,238	-	-	860,238
Partner NGOs employee benefits	808,848	-	-	808,848
Rent	340,500	-	-	340,500
Office utilities	282,232	11,485	=	293,717
Training and orientation	157,376	-	-	157,376
Taxes and licenses	110,493	14,450	=	124,943
School supplies		-	-	
Community learning center expenses	-	-	-	-
Production and development	-	-	-	-
Others	1,421,594	740,719	1,549	2,163,862
	16,862,095	9,716,981	7,838,191	34,417,267
OTHER NONCASH EXPENSES (INCOME)				
Depreciation	211,876	13,762	-	225,638
Loss in Disposal	-	-	-	-
Currency Exchange gain/ (loss)	821,066	-	-	821,066
	1,032,942	13,762	-	1,046,704
GENERAL AND ADMINISTRATIVE EXPENSES	1,458,932		-	1,458,932
	19,353,969	9,730,743	7,838,191	36,922,903
NET EXCESS OF EXPENSES OVER INCOME	P -	P-	P -	P -

#### COVER SHEET

# For AUDITED FINANCIAL STATEMENTS

**SEC Registration Number** 

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# STICHTING BRAC INTERNATIONAL, INC.

(Incorporated in Netherlands)
PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019

(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE FOR STATEMENTS OF ASSETS AND LIABILITIES AND AVERAGE RATE FOR STATEMENTS OF INCOME AND EXPENSES AT REPORTING DATE)

WITH INDEPENDENT AUDITORS' REPORT

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

<sup>2:</sup> All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with t Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liabilifor its deficiencies.



R.G. Manabat & Co. The KPMG Center, 9/F 6787 Ayala Avenue, Makati City Philippines 1226

Telephone +63 (2) 885 7000 Fax +63 (2) 894 1985 Internet www.kpmg.com.ph

Email ph-inquiry@kpmg.com.ph

April 3, 2020

The Board of Directors and Stockholders

Stichting BRAC International, Inc. - Philippine Branch
Waterfront Insular Hotel, Km 7
Lanang, Davao City

Attention:

Gentlemen:

We have audited in accordance with Philippine Standards on Auditing, the financial statements of the Philippine Branch Office of Stichting BRAC International, Inc. (a nonstock, nonprofit organization) as at December 31, 2019 and 2018, and have issued our report thereon dated April 3, 2020. Such financial statements have been presented in Philippine peso, being the Branch's functional currency.

In reference to your request, we are pleased to submit the accompanying financial statements containing supplementary information using U.S. dollars as the presentation currency.

Please note that the said financial statements are intended solely as supplementary information for the use of the Board of Directors of the Head Office of the Branch and Management of the Philippine Branch Office of Stichting BRAC International, Inc. and are not intended to be and should not be used by anyone other than these specified parties. The segmental financial information in the financial statements is not part of the basic financial statements and was not subjected to our audit.

Yours very truly,

Vernilo G. Yu

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

# (A Nonstock, Nonprofit Organization) SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF ASSETS AND LIABILITIES (TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

		Dec	cember 31
	Note	2019	2018
ASSETS			
Current Assets			
Cash	4, 5	\$384,361	\$644,091
Other current assets	6	1,695	4,948
Total Current Assets		386,056	649,039
Noncurrent Assets			
Property and equipment - net	7	4,391	5,419
Refundable deposits	4, 13	3,859	4,721
Total Noncurrent Assets		8,250	10,140
		\$394,306	\$659,179
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	4, 8	\$96,266	\$90,476
Deferred grant income	9	298,040	568,703
Total Current Liabilities		\$394,306	\$659,179

See Notes to the Financial Statements.

#### (A Nonstock, Nonprofit Organization) SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF INCOME AND EXPENSES (TRANSLATED TO U.S. DOLLARS USING AVERAGE RATE AT REPORTING DATE)

		Years Ended D	ecember 31
	Note	2019	2018
INCOME			
Grants	9	\$712,998	\$1,065,098
Interest income	5	681	1,243
		713,679	1,066,341
PROJECT EXPENSES			
Project Supplies - sustainable livelihood		278,937	-
Salaries and employee benefits	14	174,136	174,738
Learning facilitators allowances	14	63,268	337,045
Transportation and travel		57,106	66,022
Evaluation activity		16,627	83,905
Partner non-government organizations (NGO) employee benefits	14	15,634	71,075
Rent		6,581	40,039
Office utilities		5,677	6,485
Training and orientation		3,042	51,230
Taxes and licenses		2,415	3,132
School supplies		-	48,691
Others	10	41,825	69,765
		665,248	952,127
OTHER NONCASH EXPENSES (INCOME)			
Depreciation	7	4,361	14,280
Foreign exchange gain (loss)	4	15,870	(68,301)
		20,231	(54,021)
GENERAL AND ADMINISTRATIVE EXPENSES	11	28,200	168,235
		713,679	1,066,341
NET EXCESS OF INCOME OVER EXPENSES		\$ -	\$ -

See Notes to the Financial Statements.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization) SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF CASHFLOWS (TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

Years Ended December 31

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of income over expenses		\$ -	\$ -
Adjustments for:			
Depreciation	7	4,361	14,280
Loss on disposal of property and equipment	7	891	9,111
Interest income	5	(681)	(1,243)
Excess of income over expenses before working capital changes		4,571	22,148
Decrease (increase) in:			
Other current assets	6	3,446	10,650
Refundable deposits		1,046	(1,308)
Decrease in:			
Accounts payable and accrued expenses		2,266	(26,247)
Deferred grant income	9	(292,597)	(1,029,819)
Cash used in operations		(281,268)	(1,024,576)
Interest received		681	1,243
Net cash used in operating activities in cash		(280,587)	(1,023,333)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(4,244)	-
NET INCREASE (DECREASE) IN CASH		(284,811)	(1,023,333)
Adjustments*		25,081	(93,420)
CASH AT BEGINNING OF YEAR		644,091	1,760,844
CASH AT END OF YEAR	5	\$384,361	\$644,091

<sup>\*</sup>Adjustment to translate beginning balance at closing rate as of December 31, 2019 See Notes to the Financial Statements.

64 | Annual Report 2019 Annual Report 2019 | 65

(A Nonstock, Nonprofit Organization)
SUPPLEMENTARY INFORMATION TO THE
NOTES TO THE FINANCIAL STATEMENTS
(WITH AMOUNTS TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

#### 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.

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.

Prior to the completion of the project with DFAT on June 30, 2019, the Branch's management and implementation of the ADM Project of the BEAM-ARMM has the following components:

#### Component 1: Curriculum, Materials and Assessment Development

This component involves reviewing the Department of Education's (DepEd) standard curriculum for both pre-school and the six-year elementary education to develop a mechanism and instructional plan for enhanced delivery, identification of appropriate teaching and learning materials for both pre-school and elementary education and the mechanism and tools to monitor and measure student learning and inform how the program delivery could be improved.

#### Component 2: Community Learning Center Operations

This component involves the establishment and operation of Community Learning Centers (CLCs) in identified priority barangays (villages). The CLCs implement the curriculum for both pre-school and elementary education targeting primarily the out-of-school children in barangays without schools and in areas with large number of out-of-school children.

#### Component 3: Capacity Building

This component develops the capacity of key stakeholders to manage and sustain the implementation of an alternative delivery model for basic education. The key activities under this component include core resource group training in Bangladesh for senior managers of DepEd Central and Autonomous Region in Muslim Mindanao (ARMM), trainings and workshops for specialized trainers, curriculum writers, project officers and coordinators, learning facilitators and specialized training courses for educators on curriculum materials development, assessment and instructional supervision.

#### Component 4: Project Management, Monitoring and Evaluation

This component includes the establishment, staffing and operations of the project management unit and provincial offices. In addition, this component performs the general coordination and supervision of CLCs, monitoring and evaluation, policy support and coordination for scale-up to other regions and conducts research and impact evaluations and policy advocacies.

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).

Under the program, on December 28, 2018 the Department of Labor and Employment (DOLE) has given responsibility to the Branch in implementing the Livelihood (Kabuhayan) Project entitled "Swine Fattening, Meat Processing; Negosyo sa Kariton and Salted Eggs Processing Project," or the "project," in accordance with the Department Order No. 173, series of 2017.

The project targets households participating in the Pantawid Pamilyang Pilipino Program (4Ps). To build resilience and an upward trajectory from poverty for the poorest households in Negros, this approach designed to provide sustainable livelihoods, regular mentorship and coaching, and access to improved goods and services for selected households in Negros. Key interventions of the graduation approach include asset transfers, technical training, life skills training, savings facilitations, cash transfers, coaching, access to health services.

DOLE is leading the execution of the project in Negros Occidental in the municipalities of Murcia, Talisay, Silay City, Enrique B Magalona and Victorias.

The grants from DOLE and ADB is for the same project, however the beneficiaries are different. The grants for one set of beneficiaries is directly being received from ADB. While the grants for the other set of beneficiaries is being coursed thru DOLE.

The Branch DFAT project was completed on June 30, 2019 and the existing UPG program is a short term program which indicates that a material uncertainty exists that may cast significant doubt on the Branch ability to continue as a going concern. While the Branch is proposing to extend the program in Region 3 (Central Luzon), gearing up for new donors and projects, the Parent Company is committed to provide the necessary financial and operational support to enable the Branch to sustain its operations and pay maturing obligations as they fall due.

The Branch, in its letter to International Tax Affairs Division of the Bureau of International Revenue dated May 10, 2013, has requested for confirmation of the tax exemption privileges of the BEAM-ARMM Program pursuant to Section 30 of the Tax Reform Act of 1997 (R.A 8424). As at December 31, 2019, the Branch has not received confirmation of the said tax exemption.

The registered office of the Branch, which is also its principal place of business, is located at Waterfront Insular Hotel, Km. 7, Lanang, Davao City.

#### 2. BASIS OF PREPARATION

#### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS is based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consists of PFRS, Philippine Accounting Standards, and Philippine Interpretations.

The accompanying financial statements were approved and authorized for issue by the Board of Directors on April 03, 2020.

#### Basis of Measurement

The Branch's financial statements have been prepared under the historical cost basis of accounting.

#### Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Branch's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

#### Significant Accounting Judgement, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS 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.

#### <u>Judgments</u>

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:

#### Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Branch, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the cost of implementing the project.

#### Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based on management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

#### Estimating Useful Lives of Property and Equipment

The Branch estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use or the duration of the ADM Project whichever is shorter. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets.

As at December 31, 2019 and 2018, the property and equipment, net of depreciation amounted to \$4,391 and \$5,419, respectively (see Note 7).

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Branch has adopted the following new standards, amendments to standards and interpretations starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Branch's financial statements.

• PFRS 16 Leases supersedes PAS 17 Leases and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-

level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

PFRS 16 does not have material impact on the financial statements in the period of initial application. Leases of the Branch is lease of office premises classified as operating leases under PAS 17. It is a short-term lease of which lease term ends within 12 months of the date of initial application. The Branch did not recognize right-of-use assets and lease liabilities. Payments associated with the leases is recognized as an expense on a straight-line basis.

• Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments clarifies how to apply the recognition and measurement requirements in PAS 12 Income Taxes when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty – either the most likely amount or the expected value.

IFRIC 23 does not have material impact on the financial statements as the Branch is a non-stock non-profit organization of which is not subject to Income Tax. See Note 1.

The Branch has also adopted the following amendments and standards which did not have any significant impact on the Company's financial statements. These are as follows:

- PFRS 9, Financial Instruments Prepayment Features with Negative Compensation (Amendments)
- PAS 28, Investments in Associates and Joint Ventures Long-term Interests in Associates and Joint Ventures (Amendments)
- PAS 19, Employee Benefits Plan Amendment, Curtailment or Settlement; and
- Annual Improvements to PFRS 2015 2017 Cycle.

Additional disclosures required by the amended standards and interpretation were included in the financial statements, where applicable.

#### Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Branch has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Branch's financial statements.

Effective January 1, 2020

- Amendments to References to Conceptual Framework in PFRS Standards
- Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).

The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

#### Financial Instruments

Date of Recognition. The Branch recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those at fair value through profit or loss (FVPL), includes transaction costs.

Subsequent to initial recognition, the Branch classifies its financial assets in the following categories: financial assets at FVPL, financial assets at fair value through other comprehensive income (FVOCI), and financial assets at amortized cost. The classification of financial assets depends on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Branch classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVPL. The Branch classifies all financial liabilities at amortized cost, except for:

- (a) financial liabilities designated by the Branch at initial recognition as at fair value through profit or loss, when doing so results in more relevant information;
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- (c) contingent consideration recognized by the Branch in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and
- (d) financial guarantee contracts and commitments to provide loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been any significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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 the categorization at the end of each reporting period

For purposes of the fair value disclosure, 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.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of the other observable

current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Branch recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Branch determines the appropriate method of recognizing the 'Day 1' profit amount.

The Branch has no financial liabilities at FVPL as at December 31, 2019 and 2018.

#### Financial Assets

Financial Assets at FVPL. The Branch measures a financial asset at FVPL unless it is measured at amortized cost or at FVOCI. At initial recognition, the Branch may choose to irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets at FVPL are carried in the statements of financial position at fair value with gains or losses recognized in profit or loss. Interest income is recorded in the statement of comprehensive income when the right to receive payment has been established.

Financial Assets at Amortized Cost. The Branch measures a financial asset at amortized cost if it is not designated as at FVPL and both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- (b) 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.

Such financial assets are carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is included as part of "Interest income" in the statement of comprehensive income. Gains and losses are recognized in profit or loss when the financial assets at amortized cost are derecognized or impaired, as well as through the amortization process. Financial assets at amortized cost are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

The financial assets at amortized cost includes the Branch's cash and refundable deposits.

Cash represents cash on hand and in bank and is stated at its face value. Cash in banks earns interest at the respective bank deposit rates.

#### **Business Model Assessment**

The Branch makes an assessment of the objectives of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Branch's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectation about

future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realized.

#### Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branch's claim to cash flows for specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money e.g., periodical reset of interest rates.

#### Financial Liabilities

Financial Liabilities at Amortized Cost. This category pertains to financial liabilities that are not designated at FVPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Branch's accounts payable and accrued expenses (excluding statutory liabilities to government agencies).

#### Reclassification of Financial Assets and Liabilities

Financial Assets. When, and only when, the Branch changes its business model for managing financial assets, it shall reclassify all affected financial assets. Such changes are determined by the Branch's senior management as a result of external or internal changes and must be significant to the entity's operations and demonstrable to external parties.

A change in the Branch's business model will occur only when the Branch either begins or ceases to perform an activity that is significant to its operations; for example, when the entity has acquired, disposed of or terminated a business line.

Financial Liabilities. The Branch shall not reclassify any financial liability.

#### 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:

• the rights to receive cash flows from the asset expired;

- the Branch retains the rights 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 assets; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Branch has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Branch's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branch could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. When 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### Impairment of Financial Assets

The Branch measures impairment losses using the expected credit losses model ("ECL") which is applied to all debt and equity instruments measured at amortized cost or FVOCI as well as to issued loan commitments and most financial guarantee contracts. The ECL is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-months ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these items, lifetime expected credit losses are recognized which is the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these items, lifetime expected credit losses are recognized. No impairment loss is recognized on equity investments.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Branch's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Branch includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities
- payment record this includes overdue status as well as a range of variables about payment ratios
- existing and forecast changes in the business, financial and economic conditions

The Branch considers a financial asset to be in default when:

• the debtor is unlikely to pay its credit obligation to the Branch in full, without recourse by the Branch to actions such as realizing security (if any is held); or

• the debtor is past due more than 90 days on any material credit obligation to the Branch.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the year is recognized in profit or loss. If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets and liabilities 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 on a gross basis in the statements of assets and liabilities.

#### Property and Equipment

Items of property and equipment are initially measured at cost. After initial recognition, all items of property and equipment are measured at cost less accumulated depreciation, and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statements of income and expenses as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value, if any. Depreciation is recognized in the statements of income and expenses on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful life of each item of property and equipment is as follows:

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

If there is an indication that there has been a significant change in the depreciation method, useful life or residual value of an asset, the depreciation of that asset is reviewed and adjusted prospectively if appropriate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on a net basis in the statements of income and expenses.

#### Impairment of Nonfinancial Assets

The carrying amounts of the Branch's nonfinancial assets such as property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognized in the statements of income and expenses whenever the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use (VIU).

The fair value less costs to sell 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 measurement date. VIU is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of the useful life. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statements of income and expenses.

#### Recognition of Grants

Grants received are initially recognized as deferred income 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 thru the grant are also recognized as deferred income 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.

#### Short-term Leases

The Branch did not recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Branch recognizes the lease payments associated with these leases as an expense over the lease term and are recognized as rent expense in profit or loss.

#### Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in Philippine peso using the exchange rate prevailing at the reporting date.

Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded and translated at reporting date are recognized in the statements of income and expenses in the year in which they arise.

#### **Provisions**

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

#### Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the 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 are disclosed in the notes to the financial statements 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 and liabilities 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.

#### 4. FINANCIAL RISK MANAGEMENT

#### Objectives and Policies

The Branch has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing such risks, and the Branch's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

The main purpose of the Branch's dealings in financial instruments is to fund its operations and capital expenditures.

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 Country Representative performs oversight over financial management functions, specifically in the areas of managing credit, market and other risks of the Branch. The Country Representative 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.

#### Credit Risk

The results of procedures performed by the Country Representative are reported to the Audit Committee. The Country Representative reviews and institutes policies for managing each of the risks and they are summarized below.

The maximum exposure to credit risk for the Branch's financial assets as at December 31 is presented below:

	Note	2019	2018
Cash in banks	5	\$383,028	\$644,091
Refundable deposits	13	3,858	4,721
		\$386,886	\$648,812

The aging of financial assets as at December 31, are as follows:

	2019							
	Neither Past	Pa	st Due but n		Past			
	Due nor	<30 31 - 60 61 - 90 90		Due and				
	Impaired	Days	Days	Days	Days	Impaired	Total	
Cash in banks	\$383,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$383,028	
Refundable deposit	3,859 \$386,887		-	-	_	-	3,859	
		\$ -	\$ -	\$ -	\$ -	\$ -	\$386,887	

2018

	Neither Past	Pa	Past Due but not Impaired				
	Due nor	<30	31 - 60	61 - 90	90	Due and	
	Impaired	Days	Days	Days	Days	Impaired	Total
Cash in banks	\$642,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$642,783
Refundable deposit	4,721	-			_	-	4,721
	\$647,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$647,504

Below is the classification of the Branch's financial assets that are neither past-due nor impaired:

2019	High Grade	Standard Grade	Total
Cash in banks	\$383,028	\$ -	\$383,028
Refundable deposits	3,859	-	3,859
	\$386,887	\$ -	\$386,887
2018	High Grade	Standard Grade	Total
Cash in banks	\$642,783	\$ -	\$642,783
Refundable deposits	4,721		4,721
	\$647.504	\$ -	\$647,504

The credit qualities of financial assets were determined as follows:

- Cash in banks is considered high grade as these pertains to deposits in reputable banks.
- Refundable deposits are considered high grade as these pertain to deposits that are covered by the lease agreements.

#### Cash in Banks

Impairment on cash in banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Branch considers that its cash in banks have low credit risk considering the Branch's cash in banks are held with reputable bank institutions. Therefore, the ECL for the Branch's cash in banks as at December 31, 2019 was determined to have no significant impact on the Branch's financial statements.

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Branch has cash deposited in two (2) banks in four (4) different branches. The Branch's management performs an assessment of its external environment, including the related risks and limitations, and selects the Branch's depository banks based on factors such as reputation in the market place, and compliance with regulations, among others.

#### Estimating ECL

The table below presents the Branch's exposure to credit risk and shows the credit quality of the financial assets as at December 31, 2019 by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

		Financial Assets at Amortized Cost				
	12 Month	Lifetime ECL			Carrying	
December 31, 2019	ECL	Not Credit Impaired	Total	ECL	Amount	
Cash	\$384,361	\$ -	\$384,361	\$ -	\$384,361	
Other current assets	1,695	-	1,695	-	1,695	
Refundable deposits	3,859	-	3,859	-	3,859	
	\$389,915	\$ -	\$389,915	\$ -	\$389,915	

	Financial Assets at Amortized Cost				
	12 Month	Lifetime ECL			Carrying
December 31, 2018	ECL	Not Credit Impaired	Total	ECL	Amount
Cash	\$644,091	\$ -	\$644,091	\$ -	\$644,091
Other current assets	4,948	-	4,948	-	4,948
Refundable deposits	4,721		4,721	-	4,721
	\$653,760	\$ -	\$653,760	\$ -	\$653,760

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in reputable banks.

Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Branch considers that its cash has low credit risk based on the external credit ratings of the counterparties.

Other current assets and refundable deposits and are considered of good quality since these are transacted with counterparties with high external credit ratings. the credit quality of these financial assets is considered to be high grade.

#### Liquidity Risk

Liquidity risk pertains to the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Branch's objectives to manage its liquidity risk are as follows: (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 table below summarizes the maturity profile of the Branch's financial liabilities based on contractual undiscounted payments used for liquidity management:

	As at December 31, 2019				
Carryin	ng Amount	Total	Less than 3 months	More than 3 months	
Financial Liabilities* Accounts payable and accrued expenses	\$92,633	\$92,633	\$92,633	\$ -	

<sup>\*</sup>Excluding statutory payables.

As at December 31, 2018

_	Carrying Amount	Total	Less than 3 months	More than 3 months
Financial Liabilities*				
Accounts payable and accrued expense	s \$86,980	\$86,980	\$86,980	\$ -

<sup>\*</sup>Excluding statutory payables.

#### Market Risk

Market risk is the risk that changes in foreign exchange rates which affect the Branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Foreign Currency Risk

The Branch is exposed to foreign currency risk on monetary asset and liability held in currencies other than the Philippine peso, the Branch ensures that its exposure is kept to an acceptable level by maintaining regular savings deposits in US dollar and buying foreign currencies at spot rates where necessary to address short-term imbalances.

The Branch's foreign currency-denominated assets and liabilities as at December 31 are as follows:

2019	Current Assets	Current Liabilities	Net Foreign Currency Exposure
Currency USD	216,473	21,730	194,743
2018	Current Assets	Current Liabilities	Net Foreign Currency Exposure
Currency USD	534,244	62,280	471,964

The Branch recognized foreign exchange gains (loss) of (\$15,870) and \$68,301 in 2019 and 2018, respectively.

#### Sensitivity Analysis

A 4% strengthening of the Philippine peso against USD as at December 31, 2019 would have decreased foreign exchange loss by \$7,647. A 6% strengthening of the Philippine peso against USD as at December 31, 2018 would have increased foreign exchange gains by \$26,976.

A weakening of the Philippine peso against the USD by the same percentage as above as at December 31, 2019 and 2018 would have had equal but opposite effect on the basis that all other variables remain constant.

#### Fair Values

The carrying value of cash approximates its fair value, since it can be readily withdrawn and used for operations at any time. The fair value of the refundable deposits approximates its carrying amount since it can be reasonably be collected on their due dates.

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#### NOTES TO THE FINANCIAL STATEMENTS

#### 5. CASH

This account consists of:

	Note	2019	2018
Cash on hand		\$1,333	\$1,308
Cash in banks	4	383,028	642,783
		384,361	644,091

Cash in banks earn annual interest at the respective bank deposit rates.

Interest income earned from cash in banks in 2018 and 2017 amounted to \$681 and \$1,243, respectively.

#### 6. OTHER CURRENT ASSETS

Other current asset for 2019 amounting to \$1,695 pertains to downpayment for project supplies while the 2018 balances is advances to non-government organizations (NGO) partners and Branch employees amounting \$4,984 as at December 31, 2018.

#### 7. PROPERTY AND EQUIPMENT

The movements and balances of this account are as follows:

	Office		
	Furniture and	Transportation	
	Equipment	Equipment	Total
Cost			
January 1, 2018	\$91,770	\$201,807	\$293,577
Adjustments*	(4,869)	(10,707)	(15,576)
Disposals	(47,669)	-	(47,669)
December 31, 2018	39,232	191,100	230,332
Adjustments*	1,528	7,441	8,969
Additions	4,098	-	4,098
Disposals	(33,261)	(161,394)	(194,655)
December 31, 2019	11,597	37,147	48,744
Accumulated Depreciation			
January 1, 2018	69,798	193,355	263,153
Adjustments*	(3,703)	(10,258)	(13,961)
Depreciation	6,276	8,003	14,279
Disposals	(38,558)	-	(38,558)
December 31, 2018	33,813,	191,100	224,913
Adjustments*	1,402	7,441	8,843
Depreciation	4,361	-	4,361
Disposals	(32,370)	(161,394)	(193,764)
December 31, 2019	7,206	37,147	44,353
Carrying Amount			
December 31, 2018	5,419		5,419
December 31, 2019	4,391	-	4,391

<sup>\*</sup>Adjustment to translate beginning balance at closing rate as of December 31, 2019

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS

#### 8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of:

	Note	2019	2018
Payroll-related payable		\$6,657	\$5,507
Due to related parties	12	25,162	28,329
Withholding tax payable		2,708	1,745
Accrued expenses		61,739	54,895
		\$96,266	\$90,476

Due to related parties includes payables to BRAC Bangladesh, BRAC USA and Stichting BRAC International. These pertain to reimbursements for expenses incurred in providing management and technical support to the Branch (see Note 12).

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

#### 9. GRANT AGREEMENT

A Grant Agreement between the Commonwealth of Australia, as represented by then AusAID and Stichting BRAC International, Inc. was executed on February 3, 2012 covering the ADM project for the BEAM-ARMM. This Grant Agreement was effective until June 30, 2015.

In accordance with the provisions of the Grant Agreement, the Branch received from AusAID a grant of AUD30,500,000 for the management and implementation of the ADM project which was given in four (4) tranches as follows:

- the first tranche amounting to AUD7,000,000 was given within thirty (30) days from the date of the agreement;
- the second tranche amounting to AUD7,700,000 was given in August 2012;
- the third tranche amounting to AUD9,000,000 was given in August 2013; and
- the fourth and final tranche amounting to AUD6,800,000 was given in August 2014.

The schedule of tranches is subject to the terms and conditions as stipulated in the Grant Agreement.

In March 2015, the Amendment of the Grant Agreement ("Amendment") was executed by DFAT which extended the period covered by the Grant Agreement until June 30, 2017. As part of the Amendment, additional two (2) tranches were included amounting to AUD6,105,866 for each tranche. The first tranche was given in September 2015 and the remaining tranche was given on August 2016. As a result of the Amendment, the new total amount of the grant is AUD42,711,732 from the previous amount of AUD30,500,000. Another amendment on December 29, 2015 was done resulting to the reduction of the remaining tranche which was received on September 2016 amounting to AUD5,379,880. As a result of the Amendment, the total amount of the grant received was AUD41,985,746 from the previous amount of AUD42,711,732.

In March 2017, the Branch was able to obtain a one (1) year extension until June 30, 2018 (Note 1) for the Grant Agreement subject to the following conditions:

• the total amount of the grant received was AUD41,609,982 from the previous amount of AUD42,323,737.

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.
- the extension will focus on ensuring the transition of the children to DepEd managed schools.
- monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

In June 2018, the branch was able to obtain another one (1) year extension until June 30, 2019 for the Grant Agreement subject to the following conditions:

- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.
- the extension will focus on ensuring the transition of the children to DepEd managed schools.
- monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

The grant received by the Branch from DFAT/AusAID which has not yet been utilized in the implementation of the ADM Project as at December 31, 2019 and 2018 amounted to nil and \$535,031, respectively.

On December 11, 2018, the branch signed a contract with Asian Development Bank (ADB), TA-9592 REG: Implementation Support in the Philippines (50364-003), in support of the UPG Program in Negros Occidental. The contract amounted to \$250,000.

On December 28, 2018, the Branch entered into contract with DOLE, related to UPG program, a Livelihood (Kabuhayan) project was launched with DOLE. Total contract amounted to \$276,443.

The contract with ADB and DOLE is both for the UPG program which is for the Livelihood (Kabuhayan) project. Grants from ADB and DOLE is for different sets of beneficiaries selected by a third party engaged by ADB, respectively.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

#### 10. PROJECT EXPENSES

Project expenses incurred per project for the years ended December 31, 2019 and 2018, respectively, are presented below:

Description	2019	2018
DFAT - ADM		
Component 1: Curriculum, Materials and Assessment Development	\$ -	\$ -
Component 2: Community Learning Center Operations	157,672	656,394
Component 3: Capacity Building	3,042	51,230
Component 4: Project Management, Monitoringand Evaluation	137,848	174,738
	298,562	882,362
UPG - DOLE		
Project supplies - sustainable livelihood	151,474	-
UPG - ADB		
Project supplies - sustainable livelihood	127,463	-
Salaries and benefits	36,287	=
Transportation and travel	9,135	=
Taxes and licenses	279	=
Office utilities	222	-
	324,860	-
	\$623,422	\$882,362

The Branch entered into various agreements with local NGOs. As provided under the terms of the agreement with DFAT, the NGOs will manage the operation of the CLCs in their designated provinces in ARMM. As at December 31, 2019, the Branch, together with its duly recognized local NGOs, focused on the transition of the children to DepEd managed schools.

The Branch disburses funds to its local partner NGOs on a quarterly basis for the management and operations of the CLCs in their designated areas and provinces. The partner NGOs will liquidate the funds received for the expenses incurred in accordance with the agreement.

Project supplies for the UPG - DOLE and UPG - ADB pertains to cost of swines, freezers, carts, supplies for the carts, ingredients for meat processing and ingredients for salted eggs.

Other project expenses during the year includes:

	Note	2019	2018
ERP software and service charge overhead costs Office running costs	12	\$19,630 22,195	\$47,754 22,011
		\$41,825	\$69,765

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

#### 11. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	Note	2019	2018
Professional services		\$9,542	\$18,216
Outside services		7,826	7,966
Transportation and travel		3,844	6,746
Technical support	12	3,341	113,950
Security measurement management		1,774	5,475
Support services		541	359
Utilities		310	1,010
Others		1,022	14,513
		\$28,200	\$168,235

Professional fees pertains to expenses related to external audit services incurred by the Branch.

#### 12. 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.

In the implementation of the ADB and ADM project, the Branch has transactions with its related parties as at 2019 and 2018 as follows:

				Outstanding	
			Amount	Balance	
			of the	Due to	
Related Party/Transaction	Ref		Transaction	Related Parties	Terms and Conditions
Head office					
<ul> <li>Technical support</li> </ul>	12a	2019	\$11,168	\$ 11,168	30 days; non-interest
		2018	80,591	-	bearing; unsecured
BRAC IT service					
<ul> <li>Technical support</li> </ul>	12a	2019	\$10,562	\$ 10,562	30 days; non-interest
		2018	-	-	bearing; unsecured
BRAC Bangladesh					
Technical support	12a	2018	33,360	-	30 days; non-interest
				-	bearing; unsecured
BRAC USA					
<ul> <li>Cash advances</li> </ul>	12b	2019	77,967	3,432	30 days; non-interest
		2018	121,201	28,329	bearing; unsecured
		2019		\$25,162	
		2018		\$28,329	

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

- a. Technical support pertains to reimbursements to BRAC Bangladesh and 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 ADM Project ADB Project in accordance with the provisions of the Grant Agreement. In 2019 Information Technology (IT) is being provided by BRAC IT Services
- b. Cash advances pertains to the cash received from BRAC USA for the monthly compensation of the staff of UPG program.
- c. Compensation and other short-term benefits of key management personnel amounted to nil and \$20,652 as at December 31, 2019 and 2018, respectively

#### 13. LEASE COMMITMENTS

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City with two (2) residential buildings, two (2) stories with an annex one room office and a guard house, with concrete perimeter fence. The lease was renewed for a fixed period of three (3) years until February 28, 2018.

In August 2017 the branch entered into a lease agreement for the period of one year. The lease is for the transfer of Country office from Cotabato City to DBP Village, Ma-a, Davao City. In July 2018, the lease was terminated and the branch transferred the Country Office to Waterfront Insular Hotel, Km 7, Lanang, Davao City and entered into a lease agreement for the period of one (1) year commencing on July 2018. This lease was renewed from thereon of which each renewal is for another six (6) months.

In August 2017, the Branch entered into a new 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 lease agreement until June 30, 2019. The lease was also renewed for another six (6) months.

The Branch also leases various premises serve as Project Office. The lease period which range until one (1) year. All these lease agreements require a refundable deposit except Zamboanga office.

The Branch also entered into a lease agreement for the 101 CLCS that were previously endorsed to the community located in the five (5) provinces of Autonomous Region in Muslim Mindanao (ARMM).

All aforementioned leases, except for the Country office lease, ended on 2019. Lease for the Country office was renewed for another six (6) months.

#### 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 amounted to \$6,581 and \$40,039 in 2019 and 2018, respectively.

(A Nonstock, Nonprofit Organization)

#### NOTES TO THE FINANCIAL STATEMENTS

#### 14. STAFF COST

	Salaries and Employee Benefits	Learning Facilitators Allowances	Partner NGOs Employee Benefits
Basic salary			
2019	\$162,958	\$63,268	\$14,160
2018	\$136,790	\$309,634	\$67,117
13th month pay/Bonus			
2019	7,380	-	812
2018	8,515	25,708	3,528
SSS/Philhealth/Pag-ibig /Provident Fund/G	iratuity	,	,
2019	3,798	-	662
2018	29,433	1,703	430
2019	\$174,136	\$63,268	\$15,634
2018	\$174,738	\$337,045	\$71,075

#### 15. EVENTS AFTER THE REPORTING PERIOD

On March 8, 2020, under Proclamation 922, the Office of the President has declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the spread of the Corona Virus Disease 2019 (COVID-19). To manage the spread of the disease, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which involved several measures including travel restrictions, home quarantine and temporary suspension or regulation of business operations, among others, limiting activities related to the provision of essential goods and services. The effectivity of the ECQ was further extended up to April 30, 2020.

The Branch is not significantly affected by these events because the Branch's purchases of goods from suppliers and delivery/ performance of goods or services to beneficiaries were only delayed due to the enhanced community quarantine. However, the event may have an unfavorable impact on the Branch since it was not able to collect/ process the grants yet to be received on the normal terms as a result of limited movements due to the implementation of enhanced community quarantine. The quantitative impact of this event on the Branch's financial performance for the succeeding quarters is not yet determinable at this date.

#### STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

# SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF ASSETS AND LIABILITIES (TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE) AS OF DECEMBER 31, 2019

	DFAT - ADM	UPG - ADB	UPG - DOLE	Total
ASSETS				
Current Assets				
Cash	\$253,200	\$12,953	\$118,208	\$384,361
Other current assets	Ψ230,200	1,733	(38)	1,695
Total Current Assets	253,200	14,686	118,170	386,056
Non current Assets				
Property and equipment - net	2,337	2,054	-	4,391
Refundable deposit	1,714	2,145	-	3,859
Total Non current Assets	4,051	4,199	-	8,250
	\$257,251	\$18,885	\$118,170	\$394,306
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$83,423	\$12,843	\$ -	\$96,266
Deferred grant income - current	173,828	6,042	118,170	298,040
Total Current Liabilities	\$257,251	\$18,885	\$118,170	\$394,306

(A Nonstock, Nonprofit Organization)

# SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF INCOME AND EXPENSES (TRANSLATED TO U.S. DOLLARS USING AVERAGE RATE AT REPORTING DATE) AS OF DECEMBER 31, 2019

	DFAT - ADM	UPG - ADB	UPG - DOLE	Total
INCOME				
Grants	\$373,554	\$188,085	\$151,359	\$712,998
Interest income	536	-	145	681
	374,090	188,085	151,504	713,679
PROJECT EXPENSES				
Project supplies	(114)	127,577	151,474	278,937
Salaries and employee benefits	137,849	36,287	101,474	174,136
Learning facilitators allowances	63,268	-	_	63,268
Transportation and travel	47,971	9,135	_	57,106
Evaluation activity	16,627	-	_	16,627
Partner NGOs employee benefits	15,634	-	-	15,634
Rent	6,581	-	-	6,581
Office utilities	5,455	222	=	5,677
Training and orientation	3,042	-	-	3,042
Taxes and licenses	2,136	279	-	2,415
School supplies	-	-	-	-
Community learning center expenses	-	-	-	-
Production and development	-	-	-	-
Others	27,478	14,319	30	41,827
	325,927	187,819	151,504	665,250
OTHER NON CASH EXPENSES (INCOME)				
Depreciation	4,095	266	-	4,361
Loss in Disposal	-	-	-	-
Currency Exchange Gain/ (loss)	15,868	=	<del>-</del>	15,868
	19,963	266	-	20,229
GENERAL AND ADMINISTRATIVE EXPENSES	28,200	-	-	28,200
	374,090	188,085	151,504	713,679
NET EXCESS OF EXPENSES OVER INCOME	\$ -	\$ -	\$ -	\$ -

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