

**PARTNERSHIP IN ENVIRONMENTAL MANAGEMENT
FOR THE SEAS OF EAST ASIA (PEMSEA)**

**APPLYING KNOWLEDGE MANAGEMENT TO SCALE UP PARTNERSHIP
INVESTMENTS FOR SUSTAINABLE DEVELOPMENT OF LARGE MARINE
ECOSYSTEMS OF EAST ASIA AND THEIR COASTS**

**A project funded by
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT (WORLD BANK)**

Grant No. TF015589

PROJECT FINANCIAL STATEMENTS

For the period 01 January 2015 to 31 December 2015

and

AUDITORS' REPORT

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Mr. Stephen Adrian Ross

Executive Director
Partnership in Environmental Management
for the Seas of the East Asia (PEMSEA)
PEMSEA Resource Facility
PEMSEA Office Building
DENR Compound
Visayas Avenue, Quezon City
Philippines

We have audited the accompanying financial statements of **Applying Knowledge Management to Scale Up Partnership Investments for Sustainable Development of Large Marine Ecosystems of East Asia and their Coasts (Grant no. TF 015589)** of the **Partnership in Environmental Management for the Seas of East Asia (PEMSEA)** a project funded by **International Bank For Reconstruction And Development (World Bank)** which comprise the statement of financial position as at December 31, 2015, and the statements of receipts, expenses and fund balances and cash flows for the year then ended, and a summary of significant policies and other explanatory information.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this project financial statement in accordance with the financial reporting provisions of the agreement between PEMSEA and World Bank and for such internal control as management determine is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Partnership in Environmental Management
for the Seas of the East Asia (PEMSEA)
PEMSEA Resource Facility
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Opinion

In our opinion, the financial statement referred to above present fairly, on all material respects, the financial position of **Applying Knowledge Management to Scale Up Partnership Investments for Sustainable Development of Large Marine Ecosystems of East Asia and their Coasts (Grant no. TF 015589)** of the **Partnership in Environmental Management for the Seas of East Asia (PEMSEA)** a project funded by **International Bank For Reconstruction And Development (World Bank)** which comprise the statement of financial position as at December 31, 2015, and the statements of receipts, expenses and fund balances and cash flows for the year then ended in accordance with the financial reporting provisions of the agreement between PEMSEA and World Bank.

Basis of Accounting and Restriction on Distribution and Use

The project financial statement has been prepared on the modified receipts and expenses basis of accounting and in accordance with other reporting requirements of World Bank. The financial statement is prepared to assist the Project to comply with the financial reporting provisions of the agreement. As a result, the financial statement may not be suitable for another purpose. Our report is intended solely for the information and use of the PEMSEA and World Bank and should not be distributed to or used by parties other than the PEMSEA or World Bank.

ROMANO MENDEZ & CO.
Board of Accountancy Accreditation No. 5613
Valid from February 2, 2015 to December 31, 2017



ROCHELLE B. MENDEZ

Partner
CPA Certificate No.: 103142
Tax Identification No.: 206-455-623
BIR Accreditation No.: 07-0000970-001-2016;
Valid from January 6, 2016 to January 5, 2019
PTR No. 2181739
Issued on January 5, 2016
Quezon City, Metro Manila

14 June 2016

PARTNERSHIP IN ENVIRONMENTAL MANAGEMENT FOR THE SEAS OF EAST ASIA (PEMSEA)

**Applying Knowledge Management to Scale Up Partnership Investments for Sustainable
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A project funded by **INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT (WORLD BANK)**

Grant Number: TF 015589

STATEMENTS OF FINANCIAL POSITION

Amounts In USD currency

December 31, 2015

ASSETS

CURRENT ASSETS

Cash in bank 5,345.40

TOTAL ASSETS 5,345.40

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Advances from PEMSEA 71,984.00

TOTAL LIABILITIES 71,984.00

FUND DEFICIENCY (66,638.60)

TOTAL LIABILITIES AND FUND DEFICIENCY 5,345.40

See Accompanying Notes to Financial Statements.

PARTNERSHIP IN ENVIRONMENTAL MANAGEMENT FOR THE SEAS OF EAST ASIA (PEMSEA)

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STATEMENT OF RECEIPTS AND EXPENSES AND CHANGES IN FUND BALANCE

Amounts In USD currency

For the period 01 January 2015 to 31 December 2015

RECEIPTS	
Grant from World Bank	276,055.81
Interest income from bank deposits	56.27
TOTAL	276,112.08
LESS: EXPENSES	
Consultant services including audit	293,272.87
Training	84,364.32
Goods	23,533.64
Operating Costs	3,043.02
TOTAL EXPENSES	404,213.85
DEFICIENCY OF REVENUES OVER EXPENSES AND FUND DEFICIENCY	(128,101.77)
ADD: FUND BALANCE, BEGINNING	61,463.17
FUND DEFICIENCY, ENDING	(66,638.60)

See Notes to Financial Statements.

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CASH FLOW STATEMENT

Amounts In USD currency

December 31, 2015

CASH INFLOWS:

Grant from World Bank	276,055.81
Interest income from deposits	56.27

276,112.08

CASH OUTFLOWS:

Cash Outflow for Expenses	404,213.85
Less: Outstanding Payables- PEMSEA	66,807.00

337,406.85

NET CASH OUTFLOW (61,294.77)

ADD: BEGINNING CASH BALANCE 66,640.17

NET CASH BALANCE, DECEMBER 31, 2015 5,345.40

See Notes to Financial Statements.

PARTNERSHIP IN ENVIRONMENTAL MANAGEMENT FOR THE SEAS OF EAST ASIA (PEMSEA)

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Schedule of Budget and Expenses

Amounts In USD currency

For the Period Ended 31 December 2015

CATEGORY	Approved Budget	ACTUAL		Cumulative Total	Balance
		Year ended December 31,			
		2015	2014		
1 Consultant Services including audit	466,000.00	293,272.87	63,541.59	356,814.46	109,185.54
2 Training	383,000.00	84,364.32	58,878.28	143,242.60	239,757.40
3 Goods	83,000.00	23,533.64	6,928.12	30,461.76	52,538.24
4 Operating Costs	68,000.00	3,043.02	1,218.30	4,261.32	63,738.68
TOTAL	1,000,000.00	404,213.85	130,566.29	534,780.14	465,219.86

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NOTES TO PROJECT FINANCIAL STATEMENTS

For the period 01 January 2015 to 31 December 2015

1. ORGANIZATION

PARTNERSHIP IN ENVIRONMENTAL MANAGEMENT FOR THE SEAS OF EAST ASIA (PEMSEA) is a partnership arrangement among government and non government entities of the Seas of East Asia, established to serve as the regional coordinating mechanism with a mandate to pursue the sustainable management and development of coasts and oceans and ensure the implementation of the Sustainable Development Strategy for the Seas of East Asia (the “SDS-SEA”) through collaborative, synergistic and responsible actions and the accomplishment of individual commitments.

2. PROJECT INFORMATION

The project, **APPLYING KNOWLEDGE MANAGEMENT TO SCALE UP PARTNERSHIP INVESTMENTS FOR SUSTAINABLE DEVELOPMENT OF LARGE MARINE ECOSYSTEMS OF EAST ASIA AND THEIR COASTS (Grant no. TF 015589)** is a project between PEMSEA and International Bank for Reconstruction and Development (World Bank) with the objective to enhance the capacity and performance of investments in sustainable development of large marine ecosystems and coasts in the East Asia Seas (EAS) region through knowledge and experience sharing, portfolio learning and networking. The Project consists of the following parts:

Part A: ICM e-Library/Knowledge Sharing Portal

Part B: Innovative Tools and Best Practices

Part C: Communities of Practice and Support Services

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statement of the Project has been prepared on a fair value measurement. The financial statement is presented in US Dollars (USD), which is the Project’s functional currency.

Statement of Compliance

The accompanying financial statement has been prepared in accordance with the receipts and expenses basis of accounting and in accordance with the reporting requirements of WORLD BANK.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in US Dollars, which is the Project's functional and presentation currency.

Recognition of Receipts and Expenses

Revenue comprises the fair value of the consideration received or receivable generated in the course of the Organization's activities.

The Organization recognizes revenue when: the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

The following specific recognition criteria must be met before revenue is recognized:

- Grants, donations and contributions are recognized upon receipt;
- Interest income is recognized net of applicable final tax;
- Cost and expenses are recognized upon utilization of the goods or services in the date they are incurred.