



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

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

Executive Committee and Partnership Council
PEMSEA Resource Facility Center
PEMSEA Building, Department of Environment and Natural Resources Compound
Visayas Avenue, Quezon City

We have audited the accompanying financial statements of PEMSEA Resource Facility Center (the "Center") as at and for the year ended December 31, 2023, on which we have rendered our report thereon dated April 19, 2024.

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

R.G. MANABAT & CO.

Markent Ronie R. Tampos

MARKENT RONIE R. TAMPOC

Partner

CPA License No. 0120537

Tax Identification No. 253-456-564

BIR Accreditation No. 08-001987-151-2022

Issued January 27, 2022; valid until January 26, 2025

PTR No. MKT 10075202

Issued January 2, 2024 at Makati City

April 19, 2024
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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REPORT OF INDEPENDENT AUDITORS

Executive Committee and Partnership Council
PEMSEA Resource Facility Center
PEMSEA Building, Department of Environment and Natural Resources Compound
Visayas Avenue, Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PEMSEA Resource Facility Center (the "Center"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of receipts and expenses and other comprehensive income (loss), statements of changes in equity and statements of cash flows for the years then ended, and notes, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Firm Regulatory Registration & Accreditation
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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 Center'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 Center or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Center'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 Center'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 Center'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 Center 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 and Revenue Regulations No. 34-2020 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 18 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on the Supplementary Information Presenting Grants and Expenses per Project

The supplementary information presenting grants and expenses per project for the years ended December 31, 2023 and 2022 in Note 19 to the basic financial statements is presented for the purpose of the internal users of the basic financial statements and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management. We were not able to apply auditing procedures on such information because of the following reasons: (i) a different reporting framework is required to be used as basis for the preparation; and (ii) the grants and expenses under the Cost Sharing Agreement between the donor national agency and the United Nations Development Programme (UNDP) are under the administration of UNDP. The amounts were lifted from the 2023 and 2022 Combined Delivery Report. Accordingly, it is inappropriate to and we do not express opinion on the information referred to above.

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April 19, 2024

Makati City, Metro Manila

**PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2023	2022
ASSETS			
Current Assets			
Cash	4	\$3,359,740	\$2,966,337
Receivables	5	26,353	42,571
Total Current Assets		3,386,093	3,008,908
Noncurrent Assets			
Financial asset at fair value through other comprehensive income (FVOCI)	6	52,197	56,611
Property and equipment - net	7	25,669	5,603
Other noncurrent assets	8	27,422	10,493
Total Noncurrent Assets		105,288	72,707
		\$3,491,381	\$3,081,615
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other liabilities	9	\$343,399	\$274,424
Deferred grants	10	1,381,556	1,116,962
Total Current Liabilities		1,724,955	1,391,386
Noncurrent Liabilities			
Defined contribution liability	11	179,870	141,877
Retirement benefit obligation	11	49,146	64,855
Total Noncurrent Liabilities		229,016	206,732
Total Liabilities		1,953,971	1,598,118
Equity			
Fund balance		1,515,016	1,442,791
Reserve for remeasurements on retirement benefit obligation	11	40,631	54,529
Accumulated changes in fair value of financial asset at FVOCI	6	(18,237)	(13,823)
Total Equity		1,537,410	1,483,497
		\$3,491,381	\$3,081,615

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF RECEIPTS AND EXPENSES AND OTHER
COMPREHENSIVE INCOME (LOSS)

	<i>Note</i>	Years Ended December 31	
		2023	2022
RECEIPTS			
Grants and donations	12	\$2,967,304	\$2,425,339
Other income - net	15	169,836	84,570
		3,137,140	2,509,909
EXPENSES			
Project expenses	13	2,778,712	2,216,165
General and administrative expenses	14	286,203	259,749
		3,064,915	2,475,914
Excess of Receipts over Expenses		72,225	33,995
Other Comprehensive Income (Loss)			
<i>Items that will not be reclassified to receipts and expenses</i>			
Remeasurement gain (loss) on retirement benefit obligation	11	(13,898)	29,405
Fair value loss on financial asset at FVOCI	6	(4,414)	(7,141)
		(18,312)	22,264
Total Comprehensive Income for the Year		\$53,913	\$56,259

See Notes to the Financial Statements.

**PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF CHANGES IN EQUITY**

	Years Ended December 31			
	Fund Balance	Reserve for Remeasurements on Retirement Benefit Obligation (Note 11)	Accumulated Changes in Fair Value of Financial Asset at FVOCI (Note 6)	Total
Balance at January 1, 2022	\$1,408,796	\$25,124	(\$6,682)	\$1,427,238
Total Comprehensive Income for the Year				
Excess of receipts over expenses for the year	33,995	-	-	33,995
Other comprehensive income (loss) for the year:				
Remeasurement gain on retirement benefit obligation	-	29,405	-	29,405
Fair value loss on financial asset at FVOCI	-	-	(7,141)	(7,141)
Total Comprehensive Income	33,995	29,405	(7,141)	56,259
Balance at December 31, 2022	1,442,791	54,529	(13,823)	1,483,497
Total Comprehensive Income for the Year				
Excess of receipts over expenses for the year	72,225	-	-	72,225
Other comprehensive loss for the year:				
Remeasurement loss on retirement benefit obligation	-	(13,898)	-	(13,898)
Fair value loss on financial asset at FVOCI	-	-	(4,414)	(4,414)
Total Comprehensive Income	72,225	(13,898)	(4,414)	53,913
Balance at December 31, 2023	\$1,515,016	\$40,631	(\$18,237)	\$1,537,410

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of receipts over expenses		\$72,225	\$33,995
Adjustments for:			
Defined contribution expense	11	179,870	141,877
Retirement benefit expense	11	16,829	19,269
Depreciation	7	6,979	4,183
Unrealized foreign exchange loss (gain)	15	4,502	(3,240)
Interest income	4, 15	(2,015)	(484)
Excess of receipts over expenses before changes in working capital		278,390	195,600
Decrease in receivables		16,218	65,718
Increase (decrease) in:			
Accrued expenses and other liabilities		68,800	(33,734)
Deferred grants		264,594	(313,992)
Cash generated from (absorbed by) operations		628,002	(86,408)
Interest received		2,015	484
Retirement benefits paid	11	(47,646)	-
Contributions to plan assets	11	(141,877)	(155,520)
Net cash provided by (used in) operating activities		440,494	(241,444)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	7	(27,045)	(7,542)
Advances to a supplier	8	(7,374)	-
Cash used in investing activities		(34,419)	(7,542)
Effect of exchange rate changes on cash		(3,117)	3,479
NET INCREASE (DECREASE) IN CASH		402,958	(245,507)
CASH AT BEGINNING OF YEAR			
Cash	4	2,966,337	3,172,276
Other noncurrent assets	11	10,493	50,061
		2,976,830	3,222,337
CASH AT END OF YEAR			
Cash	4	3,359,740	2,966,337
Other noncurrent assets	11	20,048	10,493
		\$3,379,788	\$2,976,830

See Notes to the Financial Statements.

PEMSEA RESOURCES FACILITY CENTER
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Partnerships in Environmental Management for the Seas of East Asia (PEMSEA) is a partnership arrangement involving various stakeholders of the Seas of East Asia, including national and local governments, civil society, the private sector, research and educational institutions, communities, international agencies, regional programs, financial institutions and donors. It is also the regional coordinating mechanism for the implementation of the Sustainable Development Strategy for the Seas of East Asia (SDS-SEA).

The PEMSEA Resource Facility Center (the "Center") is the operating arm of PEMSEA. It provides secretariat and technical services to the East Asian Seas Partnership Council and the participating partners.

The Center mobilizes resources, products and services to support the implementation of the SDS-SEA through inter-governmental and multi-sectorial partnerships. Its core functions include providing secretariat services to the East Asian Seas (EAS) Partnership Council and the Executive Committee, and providing technical services to country and non-country partners for the implementation of the SDS-SEA. Funding for the Center's secretariat services in part, comes from voluntary contributions from China, Indonesia, Japan, the Philippines, Republic of Korea, Singapore and Timor Leste while the funding for the Center's technical services comes from sponsored projects and programs, principally from Global Environment Facility (GEF) and United Nations Development Programme (UNDP). In 2021, the Center also worked with other international development agencies and the private sector.

The Philippines has hosted PEMSEA, through the Center, since 1993 by providing the use of land and building as well as other services and facilities for its use as part of the Philippines' contribution to implement sustainable coastal development in the region.

Pursuant to the recognition of PEMSEA's International Legal Personality signed on November 26, 2009, which provides that the seat of PEMSEA shall be in Metro Manila, Philippines, PEMSEA and the Government of the Republic of the Philippines formalized the existing arrangement with the signing of the Agreement between the Government of the Republic of the Philippines and the Partnerships in Environmental Management for the Seas of East Asia (the "Agreement") on the establishment of the PRE as the Headquarters of PEMSEA in the Philippines. The Agreement was signed by the Executive Director of PEMSEA and the Secretary of the Department of Foreign Affairs on July 31, 2012. The Agreement was ratified by the President of the Philippines on November 22, 2013 and endorsed by the Senate Committee on Foreign Relations for concurrence by the Philippine Senate on March 5, 2015. The Agreement was further ratified by concurrence of Philippine Senate on May 25, 2015.

Under the Agreement, certain privileges, immunities, and facilities have been granted by the Government of the Republic of the Philippines to the Center to ensure its full functions and operations in achieving its goals and objectives. Among these incentives are the following:

- a. Exemption from payment of all direct taxes and value-added taxes on its purchase of goods, materials, equipment, vehicles and services for its official use.
- b. Exemption from duty to collect or withhold taxes on its payments to other entities including payments to its officers and staff.
- c. All gifts, bequests, donations, and contributions which may be received by the Center from any source whatsoever, or which may be granted by the Center to any individual or non-profit organization for educational or scientific purposes, shall be exempt from taxation and considered allowable deductions for purposes of determining the income tax of the donor.

The Bureau of Internal Revenue (BIR), Department of Finance, Department of Justice, National Economic and Development Authority, Bangko Sentral ng Pilipinas, Bureau of Customs, and Department of Environment and Natural Resources have been consulted on the Agreement and they concurred on the ratification of the Agreement through the issuance of the Certificate of Concurrence by Concerned Agencies and Officials. BIR Revenue Memorandum Circular No. 31-2013 issued on April 12, 2013 has categorized PEMSEA as an international organization.

An Executive Director oversees the coordination between the secretariat and technical services, specifically in program development and implementation.

As a testament of PEMSEA's commitment to pursuing excellence and providing quality services, it received its ISO 9001:2015 certification in November 2020, adding confidence and credibility to the organization as it continues to champion SDS-SEA and passed the surveillance audit in November 2021.

The Center has its registered office address at PEMSEA Building, Department of Environment and Natural Resources Compound, Visayas Avenue, Quezon City, Philippines.

2. Basis of Preparation

Statement of Compliance

The Center's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs, which are issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The financial statements of the Center were approved and authorized for issuance by the Executive Committee through the Audit Committee on April 10, 2024.

Basis of Measurement

The financial statements have been prepared on the historical cost basis of accounting, except for financial asset at fair value through other comprehensive income (FVOCI) which is measured at fair value and retirement benefits obligation which is measured at the present value of defined benefit obligation less fair value of plan assets.

Functional and Presentation Currency

The financial statements of the Center are presented in US Dollar (\$), which is the Center's functional currency. All financial information presented in US Dollar has been rounded-off to the nearest dollar, except when otherwise indicated.

Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements.

The estimates and the underlying assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates and underlying assumptions are revised and in any future periods affected.

Judgments

In the process of applying the Center's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the financial statements:

Determining Functional Currency

The primary economic environment in which the Center operates is normally the one in which it mainly generates and expends cash. In determining its functional currency, the Center considers as primary indicators the currency in which receipts and disbursements from the operating activities are usually made. Additional indicators which may provide evidence of functional currency are also considered like the currency in which funds from financing activities are generated and the currency in which receipts from operating activities are usually retained.

When indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to the primary indicators before considering the additional indicators, which are designed to provide additional supporting evidence to determine an entity's functional currency. The Center's financial performance and results and operations are measured and reported to the Partnership Council in US Dollar.

Based on its assessment, management has determined that US Dollar is the functional currency of the Center.

Classifying Financial Instruments

Financial instruments are recognized in the statements of financial position when the Center becomes a party to the contractual provisions of the instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Center classifies financial assets by evaluating, among others, both the business model in which the financial asset is managed and whether the cash flows from the financial asset represent, on specified date, solely payment of principal and interest (SPPI) on the principal amount outstanding. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Center classifies its financial assets into the following categories: financial assets measured at amortized cost, financial assets measured at FVOCI, or financial assets measured at fair value through profit or loss (FVTPL). The Center classifies its financial liabilities into financial liabilities at FVTPL and other financial liabilities.

The Center classifies its cash and receivables as financial assets measured at amortized cost. The Center classifies investment in unit investment trust funds (UITF) as financial asset measured at FVOCI as this is held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities.

Estimate

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that may have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and fund balance within the next financial year is as follows:

Estimating Impairment on Financial Assets

ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Center has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Center's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In determining the ECL of receivables, the Center had used three years of historical loss data to determine the loss rate and applied an adjustment against the historical loss rate based on the change in inflation rate to reflect the current and forward-looking information.

Receivables that were written off in 2023 and 2022 amounted to \$22,336 and nil, respectively (see Note 5).

The carrying amount of the Center's receivables as at December 31, 2023 and 2022 amounted to \$26,353 and \$42,571, respectively (see Note 5).

Estimating Retirement Benefit Obligation

The determination of the Center's retirement benefit obligation and expense is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 11 to the financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Center's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Center's retirement benefit obligation and cost.

As at December 31, 2023 and 2022, retirement benefit obligation amounted to \$49,146 and \$64,855, respectively (see Note 11).

3. Material 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 explained below.

Adoption of Amendments to Standards

The Center has adopted the following amendments to standards starting January 1, 2023 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Center's financial statements.

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)*. To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

The amendments are applied prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements)*. The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures, assisting companies to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Amendments to Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2023. However, the Center has not applied the following amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Center's financial statements.

Effective January 1, 2025

- *Lack of Exchangeability (Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates)*. The amendments clarify that a currency is exchangeable into another currency when a company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

Financial Instruments

Recognition and Initial Measurement

Financial instruments within the scope of PFRS 9 are recognized in the statements of financial position when the Center becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

A financial asset (unless it is a receivable without a financing component) or financial liability is initially measured at fair value. Except for financial instruments classified or designated at FVTPL, the initial measurement of financial assets includes directly attributable transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement

The Center determines the classification of its financial assets on initial recognition. The Center classifies its financial assets into the following categories: financial assets at amortized cost or at FVTPL, debt investments at FVOCI and equity investments at FVOCI. The classification depends on the Center's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. Financial assets are not reclassified subsequent to their initial recognition unless the Center changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

As at December 31, 2023 and 2022, the Center has no debt investments at FVOCI and financial assets at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment loss are recognized in statements of receipts and expenses. Any gain or loss on derecognition is also recognized in the statements of receipts and expenses. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Center's cash, receivables and other noncurrent assets (excluding advances to a supplier) are included in this category. Cash excludes those which are restricted from Center's use in operations. Interest income accruing from cash are recognized as part of "Other income - net" account in the statements of receipts and expenses.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Center may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in OCI and are never reclassified to profit or loss. Included in this category is the Center's financial asset at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Business Model Assessment

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

- the standard policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; and
- the frequency, volume and timing of sales of financial assets in prior period, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Center's continuing recognition of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes 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 risk 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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Center 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 this assessment, the Center considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Center's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Classification and Subsequent Measurement - Financial Liabilities

Accrued expenses and other liabilities (excluding employee retirement contributions payable which is covered by other PFRSs) are recognized initially at fair value, less directly attributable transaction cost and subsequently measured at their amortized cost. Interest accrued on financial instruments is recognized in the statements of receipts and expenses. As at December 31, 2023 and 2022, the Center did not have financial liabilities classified as at FVTPL, or associated to fair value hedge strategies with derivative financial instruments. Direct costs incurred in debt issuances or borrowings are deducted from the fair value of the financial liability at initial recognition and amortized as interest expense as part of the effective interest rate of each transaction over its maturity. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Center has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the statements of financial position.

Impairment of Financial Assets

The Center recognizes loss allowances for ECLs on financial assets measured at amortized cost.

The Center measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Center 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 Center's historical experience and informed credit assessment and including forward-looking information.

The Center assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Center considers a financial asset to be in default when: (1) the borrower is unlikely to pay its obligations to the Center in full, without recourse by the Center to actions such as realizing any collateral; or (2) the financial asset is more than 90 days past due.

The Center considers a debt security to have low credit risk when: i) the debt security has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Center is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Center expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets

At each reporting date, the Center assesses whether financial assets carried at amortized cost are credit-impaired. 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Center on terms that the Center would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of Allowance for ECL in the Statements of Financial Position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written-off when the Center has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Center expects no significant recovery from the amount written-off. However, previously written-off financial assets which are subsequently collected are recognized in profit or loss.

Derecognition of Financial Instruments

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 financial asset have expired;
- the Center retains the right to receive cash flows from the financial 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 Center has transferred its rights to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Center has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Center's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Center could be required to repay.

A financial liability, including lease liability, is derecognized when the obligation under the liability is discharged or 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 derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in profit or loss.

'Day 1' Profit

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Center recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, 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 Center determines the appropriate method of recognizing the 'Day 1' profit amount.

Fair Value Measurement

A number of the Center's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Center uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or a liability, the Center uses market observable data as far as possible. Fair values are categorized in different levels of the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

The Center recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Property and Equipment

Property and equipment are recognized at cost upon initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the items. Following the initial recognition, all items of property and equipment are recorded at cost less accumulated depreciation and provision for impairment, if any.

Subsequent costs are included in the carrying amount of assets or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Center and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to receipts and expenses during the financial period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Number of Years
Building improvements	5 Years
Vehicles	5 Years
Computer equipment	3 Years
Office equipment	3 Years

Fully depreciated assets are retained in the property and equipment until these are retired.

The assets' residual values and useful lives are reviewed and adjusted, as appropriate, at each financial reporting date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than the its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated depreciation is removed from the statements of financial position. Any gains or losses arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in receipts and expenses.

Impairment of Non-financial Assets

Assets that are subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in receipts and expenses.

Employee Benefits

Short-term Benefits

Accrual for employee benefits is made for benefits accruing to employees in respect of wages and salaries, vacation leave and sick leave when it is probable that settlement will be required, and they are capable of being measured reliably. Accruals made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Accruals made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of estimated future cash outflows to be made by the Center in respect of services provided by employees up to the financial reporting date.

Retirement Benefit Obligation

The Center has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Center pays fixed contributions into a separate fund. Under a defined contribution plan, the Center has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Defined Benefit Plan

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Philippine Peso, and that have terms to maturity approximating the terms of the related retirement benefit obligation.

The liability recognized in the statements of financial position in respect of funded defined benefit plan is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to other comprehensive income (loss) under "Remeasurement gain or loss on retirement benefit obligation" account in the period in which they arise.

All past service costs are recognized immediately in receipts and expenses.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included as part of retirement benefit expense recognized in receipts and expenses.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in receipts and expenses. The Center recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

Defined Contribution Plan

For the defined contribution plan, the Center pays contributions to a separate and allocated fund established to contributions made by the employees and the Center for the employees' behalf. The Center has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when these are due. Forfeitures of the Center's contributions are recognized as other income on the year of forfeiture.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Center recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among the reporting enterprises and their key management personnel, directors, or their shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Provisions and Contingencies

Provisions

A provision is a liability of uncertain timing or amount. It is recognized when the Center has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Center expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The amount recognized for the reimbursement shall not exceed the amount of the provision.

Contingencies

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

Fund Balance

Fund balance represent the cumulative balance of periodic net income (loss), prior period adjustments and effect of changes in accounting policy. At the end of each accounting period, the Center closes its books and transfers excess of receipts over expenses to fund balance account.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) pertains to items of income and expenses that are not recognized in receipts and expenses for the year in accordance with PFRSs.

Receipts Recognition

Grants and Deferred Grants

Grants are initially recognized as deferred grant upon receipt and are then recognized as income to the extent of the expenses incurred for the year in accordance with the conditions associated with the grant as provided in the grant agreements. At project completion date, any excess funds are returned to the grantors, unless otherwise agreed by both parties that the excess be retained by the Center and therefore recognized as income.

Donations

Donations are cash contributions that are free from conditions or requirements from the donors and are recognized in the period received.

Interest Income

Interest income is recognized as it accrues, taking into account the effective yield on the asset and is presented net of applicable tax.

Training fees and other income

Training fee and other income is recognized when earned.

Costs and Expenses

Costs and expenses are recognized in receipts and expenses when a decrease in future economic benefit related to a decrease in an asset, or an increase in a liability has arisen, that can be measured reliably.

Costs and expenses are recognized:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures (i.e. when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined); or
- immediately (i.e. 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 in the statements of financial position).

Costs and expenses are presented in receipts and expenses according to their function.

Foreign Currency Transactions

Transactions in currencies other than US Dollar are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the functional currency at the exchange rate at that date. All differences are taken to the statements of revenues and expenses. Foreign currency gains and losses are reported on a net basis.

Events After the Reporting Date

Post year-end events up to the date the financial statements are authorized for issue that provide additional information about the Center's financial position 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. Cash

	2023	2022
Cash on hand	\$1,005	\$1,005
Cash in banks	3,358,735	2,965,332
	\$3,359,740	\$2,966,337

Cash in banks earn interest based on the prevailing interest rate. Interest income earned amounted to \$2,015 and \$484 in 2023 and 2022, respectively (see Note 15).

The Center's exposures to credit risk and foreign currency risk related to cash are disclosed in Note 17 to the financial statements.

5. Receivables

Receivables at December 31 consist of:

	2023	2022
Grant receivables	\$21,433	\$18,637
Other receivables	4,920	23,934
	\$26,353	\$42,571

The Center's receivables are collectible in cash, unsecured, non-interest bearing and are on a 30 days term.

Grant receivables pertain to disbursements made by the Center for a particular project where funding has not yet been received from grantors. Other receivables mainly pertain to receivable from officers and employees and receivable from a third party contractor. In 2023, the said receivable from a third party contractor amounting to \$22,336 was written off as the Center assessed that it is no longer collectible.

The Center's exposures to credit risk and foreign currency risk related to receivables are disclosed in Note 17 to the financial statements.

6. Financial Asset at FVOCI

The Center's financial asset at FVOCI consists of its investments in UITF being managed by a reputable financial institution. These investments are restricted and intended to fund the retirement benefit obligation. The Center adopted this classification as these investments were made for strategic purposes of settling its retirement liabilities rather than with a view to profit on a subsequent sale, and there are no plans to dispose these investments in the short term.

The movements in the Center's financial asset at FVOCI for the years ended December 31 are as follows:

	2023	2022
Fair value at beginning of year	\$56,611	\$63,752
Unrealized loss on fair value	(4,414)	(7,141)
Fair value at end of year	\$52,197	\$56,611

The movements in "Accumulated Changes in Fair Value of Financial Asset at FVOCI" account for the years ended December 31 are as follows:

	2023	2022
At beginning of the year	(\$13,823)	(\$6,682)
Unrealized loss on fair value	(4,414)	(7,141)
At end of year	(\$18,237)	(\$13,823)

The Center's exposure to market price risk related to its financial asset at FVOCI is disclosed in Note 17 to the financial statements.

7. Property and Equipment - net

The movements for each class of property and equipment are as follows:

	Building Improvements	Computer Equipment	Office Equipment	Vehicles	Total
At January 1, 2022					
Cost	\$197,840	\$4,090	\$37,534	\$30,343	\$269,807
Accumulated depreciation	(197,840)	(4,090)	(35,290)	(30,343)	(267,563)
Net carrying value	-	-	2,244	-	2,244
For the year ended December 31, 2022					
Opening net carrying value	-	-	2,244	-	2,244
Additions	-	-	7,542	-	7,542
Depreciation	-	-	(4,183)	-	(4,183)
Closing net carrying value	-	-	5,603	-	5,603
At December 31, 2022					
Cost	197,840	4,090	45,076	30,343	277,349
Accumulated depreciation	(197,840)	(4,090)	(39,473)	(30,343)	(271,746)
Net carrying value	-	-	5,603	-	5,603
For the year ended December 31, 2023					
Opening net carrying value	-	-	5,603	-	5,603
Additions	-	-	27,045	-	27,045
Depreciation	-	-	(6,979)	-	(6,979)
Closing net carrying value	-	-	25,669	-	25,669
At December 31, 2023					
Cost	\$197,840	\$4,090	72,121	30,343	304,394
Accumulated depreciation	(197,840)	(4,090)	(46,452)	(30,343)	(278,725)
Net carrying value	\$ -	\$ -	\$25,669	\$ -	\$25,669

Depreciation for the years ended December 31 are charged as to the following:

	Note	2023	2022
Project expenses	13	\$5,430	\$1,205
General and administrative expenses	14	1,549	2,978
		\$6,979	\$4,183

8. Other noncurrent assets

Other noncurrent assets at December 31 consist of:

	<i>Note</i>	2023	2022
Employee retirement contributions	9, 11	\$20,048	\$10,493
Advances to a supplier		7,374	-
		\$27,422	\$10,493

Other noncurrent assets pertain to employees' contributions which are held in the Center's bank account and are earmarked for the retirement benefits of the Center's employees. Corresponding liability was recognized under accrued expenses and other liabilities equivalent to the total amount of employees' contribution as at December 31, 2023 and 2022 (see Note 9).

Advances to a supplier pertains to downpayments made by the Center related to future purchase of an accounting software.

9. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at December 31 consist of:

	<i>Note</i>	2023	2022
Accrued expenses:			
Employee benefits		\$230,139	\$169,275
Professional fees		27,598	29,189
Funds held in trust		65,614	59,440
Employee retirement contributions	8, 11	20,048	10,493
Others		-	6,027
		\$343,399	\$274,424

Accrued employee benefits include short-term employee benefits such as annual leave, educational grants, and medical benefits.

Funds held in trust pertain to the unspent funds received by the Center from PEMSEA Network of Local Governments (PNLG), which are held by the Center for safekeeping purposes.

Employee retirement contributions represent the employees' share in funding the retirement benefits which were deducted from employees' salaries.

The Center's exposures to liquidity risk and foreign currency risk related to its accrued expenses and other liabilities (excluding employee retirement contributions) are disclosed in Note 17 to the financial statements.

10. Deferred Grants

Deferred grants represent funds received from the grantors but were unspent as of reporting date and are to be utilized in the succeeding periods. The funds are to be used only for specific projects and should comply with the terms and conditions of the respective grant agreements. Unused funds at the end of the project are returned to the grantor unless otherwise agreed by the grantor to be retained by the Center.

Deferred grants as at December 31 consist of unspent funds from the following partners:

	2023	2022
Ministry of Oceans & Fisheries, Republic of Korea	\$1,005,457	\$778,098
State Oceanic Administration, People's Republic of China	131,737	126,435
International Maritime Organization	81,938	79,391
Timor Leste	67,468	59,606
Global Environment Facility	40,289	26,855
United Nations Office for Project Services	38,025	-
Department of Agriculture	15,394	15,394
Coca-Cola Foundation Philippines, Inc.	1,248	31,183
	\$1,381,556	\$1,116,962

11. Retirement Benefit Plan

The Center's employees were previously covered by a contract with the UNDP. On December 31, 2013, said employees agreed with UNDP to extinguish such contract. The employees were then employed by PEMSEA starting January 1, 2014. Any retirement benefit contributions due to the employees when they were with UNDP were paid out to the employees in full by UNDP.

On January 1, 2014, the Center established the PEMSEA Resource Facility Pension Fund (the "Fund"), in accordance with the Regulations of the PEMSEA Resource Facility Staff Pension (the "Regulations"). The Fund is contributory and of the defined benefit type covering all qualified officers and employees, which provides retirement benefits as the higher of:

- a. The benefit shall, subject to minimum payment and maximum accumulation as defined in the Regulations, be payable at the standard annual rate obtained by multiplying: i) the first five years of the participant's contributory service, by 1.5 per cent of the final average remuneration; ii) the next five years of contributory service, by 1.75 per cent of the final average remuneration; iii) the next 25 years of contributory service, by 2 per cent of the final average remuneration; and iv) the years of contributory service in excess of 35, by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent; and
- b. The benefit shall, subject to minimum and maximum payments as defined in the Regulations, be payable at the standard annual rate obtained by multiplying: i) the first 30 years of the Participant's contributory service, by 2 per cent of the final average remuneration; ii) the years of contributory service in excess of 30, but not exceeding five, by 1 per cent of the final average remuneration; and iii) the years of contributory service in excess of 35 by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent.

The retirement benefits are computed as a proportion of the final average remuneration, with the proportion determined based on number of years of contributory service, subject to minimum payments and maximum accumulation as provided in the Regulations.

In 2016, the Center implemented changes in the provisions of its pension fund such that the PEMSEA Resource Facility Retirement Plan is contributory and provides benefits of both the defined benefit (DB) and the defined contribution (DC) type. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the Plan.

The Plan provides a retirement benefit equal to the sum of the following:

- a. From Fund A - Guaranteed benefit ranging from five percent (5%) to one hundred percent (100%) of Plan Salary for every year of contributory service;
- b. From Fund B - 100% of the Members' Employee Accumulated Value (EEAV), which represents the member's own contributions to Fund B (7.90% of Plan Salary) plus the corresponding investment earnings and losses (net of taxes and expenses) on such contributions, provided, that such net investment earnings and losses corresponding to the member's own contributions shall not be less than the minimum annual interest rate in accordance with Center policy, compounded annually; and
- c. From Fund C - 100% of the Members' Employer Accumulated Value (ERAV), which represents the Center's contributions to Fund C in the member's favor (15.80% of Plan Salary) plus the corresponding investment earnings and losses (net of taxes and expenses) on such contributions, provided, that such net investment earnings and losses corresponding to the Center's contributions in the member's favor shall not be less than the minimum annual interest rate in accordance with Center policy, compounded annually.

The Members' Accumulated Values shall be determined based on the latest calendar quarter financial valuation of the Fund, adjusted to include the reimbursement of the Members' contributions and the Center's contributions for his account made after the latest calendar quarter financial valuation.

Management assessed that the Center is an International Agency with Juridical Personality and is therefore not covered by the provisions of the Labor Code of the Philippines on the minimum retirement benefit payable by an employer.

Defined Benefit Plan

The defined benefit (DB) fund (Fund A), which is to be funded solely by the Center is computed based on a formula stipulated in the plan. An independent actuary conducts periodic actuarial valuation of the DB plan using the projected unit credit method. The Center's latest actuarial valuation date was made for the year ended December 31, 2023. Valuations are obtained on an annual basis.

The amounts recognized in the statements of financial position as at December 31 are as follows:

	2023	2022
Present value of defined benefit obligation	\$73,138	\$88,752
Fair value of plan assets	(23,992)	(23,897)
	\$49,146	\$64,855

The movement in the defined benefit obligation for the years ended December 31 is as follows:

	2023	2022
Beginning of the year	\$88,752	\$102,643
Current service cost	12,428	15,440
Interest cost	5,998	5,037
Benefits paid directly by the Center	(47,646)	-
Effect of movement in exchange rates	1,305	(3,755)
Remeasurement loss (gain) arising from:		
Financial assumptions	12,542	(8,955)
Experience adjustment	(241)	(459)
Demographic adjustment	-	(21,199)
End of the year	\$73,138	\$88,752

The movement in the fair value of plan assets for the years ended December 31 are as follows:

	2023	2022
Beginning of the year	\$23,897	\$26,108
Interest income	1,597	1,208
Remeasurement loss on plan assets	(1,597)	(1,208)
Effect of movement in exchange rates	95	(2,211)
End of the year	\$23,992	\$23,897

The amounts of retirement benefit expense recognized as part of personnel cost under project expenses for the years ended December 31, 2023 and 2022 in relation to defined benefit plan are as follows:

	2023	2022
Current service cost	\$12,428	\$15,440
Net interest cost	4,401	3,829
	\$16,829	\$19,269

Movements in reserve for remeasurements on retirement benefit obligation recognized within equity account are as follows:

	2023	2022
Balances at beginning of the year	(\$54,529)	(\$25,124)
Remeasurement loss (gain) arising from:		
Experience adjustment	12,542	(459)
Remeasurement loss on plan assets	1,597	1,208
Financial assumptions	(241)	(8,955)
Demographic assumptions	-	(21,199)
	13,898	(29,405)
Balances at end of the year	(\$40,631)	(\$54,529)

The composition of the plan assets at December 31 follows:

	2023		2022	
Government Securities	\$18,061	75%	\$16,728	70%
Unitized Investment Trust Funds	3,793	16%	6,930	29%
Other Securities & Debt Instruments	1,639	7%	-	-
Cash and cash equivalents	499	2%	239	1%
	\$23,992	100%	\$23,897	100%

The Plan assets are held in trustee bank and are governed by local regulations and practice in the Philippines.

The largest proportion of plan assets is invested in government securities. The retirement plan believes that government securities offer the best returns over the long term with an acceptable level of risk.

Principal actuarial assumptions used to determine the present value of the defined benefit obligation as at December 31 are as follows:

	2023	2022
Discount rate	6.75%	6.68%
Future salary growth	3.00%	3.00%

Assumptions regarding future mortality rates are in accordance with the 1994 GAM table.

The weighted-average duration of the retirement benefit obligation is 4.7 years and 5.1 years as at December 31, 2023 and 2022, respectively.

Maturity analysis of the benefit payments is as follows:

	Contractual Cash Flows	Within One Year	Within 2 - 5 Years	More than 5 Years
2023	\$109,074	\$1,051	\$58,953	\$49,070
2022	142,951	1,279	91,390	50,282

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

There are no unusual or significant risks to which the defined benefit plan exposes the Center, however in the event a benefit claim arises the benefit shall immediately become due and payable.

The sensitivity of the defined benefit obligation to changes in the principal assumptions as at December 31 follows:

	Impact on Retirement Benefit Obligation Increase (Decrease)		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
As at December 31, 2023			
Discount rate	+/- 100bps	(\$3,586)	\$3,309
Future salary increase rate	+/- 100bps	3,685	(3,456)
As at December 31, 2022			
Discount rate	+/- 100bps	(4,903)	4,468
Future salary increase rate	+/- 100bps	5,035	(4,663)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

Defined Contribution Plan

The defined contribution (DC) fund (Fund B & C) is a separate and allocated fund established to hold contributions made by both the employees and the Center.

Contributions to the Fund are made by the Center and the employees at 15.8% and 7.9%, respectively, of the employees' basic pay. All employee contributions are initially held in the Center's payroll bank account. In 2015, the Center invested funds in a reputable financial institution where all fund contributions of the Center's employees in 2014, together with the Center's contribution in 2015 which is equivalent to its 2014 required contribution, were invested (Note 6).

As at December 31, total employer and employee contributions, including any interest earned, are presented in the statements of financial position as follows:

	Note	2023	2022
Employee contributions:			
Other noncurrent assets	8	\$20,048	\$10,493
Accrued expenses and other liabilities	9	20,048	10,493
Employer contributions:			
Defined contribution liability		179,870	141,877

Other noncurrent assets pertain to employees' contributions which are held in the Center's bank account and are earmarked for the retirement benefits of the Center's employees. Corresponding liability was recognized under accrued expenses and other liabilities equivalent to the total amount of employees' contribution held in the Center's bank account as at December 31, 2023 and 2022 (see Note 9).

For the years ended December 31, the Center's required contributions to the DC fund is charged to personnel cost as follows:

	<i>Note</i>	2023	2022
Direct project expenses	13	\$134,903	\$106,408
Indirect project expenses	13	26,980	21,281
General and administrative expenses	14	17,987	14,188
		\$179,870	\$141,877

12. Grants and Donations

This account consists of grants and donations from the following partners:

	2023	2022
Global Environment Facility	\$1,453,311	\$1,038,923
Ministry of Oceans and Fisheries, Republic of Korea	1,011,347	331,292
Republic of the Philippines	201,039	211,112
Ministry of Land Infrastructure and Transportation, Government of Japan	87,114	105,234
Ministry of Natural Resources, The People's Republic of China	65,182	105,525
International Maritime Organization	42,243	290,967
Ministry of Agriculture and Fisheries of Timor-Leste	42,133	40,394
Coca-Cola Foundation Philippines, Inc.	29,935	57,777
Government of Singapore	20,000	20,000
Korea Institute of Science and Technology (KIOST)	15,000	20,000
Center for Southeast Asian Studies	-	94,382
Deutsche Gesellschaft fur Internationale Zusammenarbeit	-	78,235
Incheon Port Authority	-	13,928
Institute for Global Environmental Strategies (IGES)	-	5,605
DENR C&M/RB IIMS/Wall Repair	-	5,484
Philippine Department of Agriculture - PRDP	-	5,471
East Asian Congress 2021 (Cambodia)	-	1,010
	\$2,967,304	\$2,425,339

The grants and donations cover the following projects:

Global Environment Facility (GEF)

GEF/UNDP/PEMSEA Project on Implementation of the Arafura and Timor Seas Regional and National Strategic Action Programs (ATSEA-2)

ATSEA-2 is the second phase of the Arafura and Timor Seas Ecosystem Action (ATSEA) Programme, a regional partnership involving the governments of Indonesia, Timor-Leste, Papua New Guinea and Australia. The project was designed to enhance regional collaboration and coordination in the Arafura and Timor Seas (ATS) region. Specifically, it is focusing on supporting the implementation of the ATS Strategic Action Program (SAP) with the long-term objective "to promote sustainable development of the Arafura - Timor Seas region to improve the quality of life of its inhabitants through restoration, conservation and sustainable management of marine-coastal ecosystems". A 5-year project which began in 2019, ATSEA-2 is a GEF-funded programme, managed and executed by the UNDP (with UNDP Indonesia as Principal Project Representative), with the PEMSEA Resource Facility as an Implementing Partner for the Regional and Papua New Guinea components. The project is working in three countries in the ATS region - Indonesia, Timor-Leste and Papua New Guinea, with the support of the Australian Government.

GEF/UNDP/PRF Reducing Pollution and Preserving Environmental Flows in the East Asian Seas through the Implementation on Integrated River Basin Management in ASEAN Countries - The project goal is to establish functional integrated river basin management mechanisms in priority river basins of 6 ASEAN countries for reducing pollution and sustaining freshwater environmental flows as well as adapting to climate change vulnerabilities.

The project objective is to improve governance and management responsiveness and capacities in integrated water resources management, pollution load reduction from nutrients and other land-based activities, protection and conservation of freshwater environmental flows, and alleviation of climate vulnerability through demonstrations, planning, and strengthening of integrated river basin management in priority river basins of 6 ASEAN countries

Ministry of Oceans & Fisheries, Republic of Korea

Cost Sharing Agreement between the Ministry of Oceans and Fisheries of the Republic of Korea and PEMSEA

The objective of this project is to strengthen the engagement and collaboration of the Center and RO Korea, as well as non-country partners in RO Korea, in scaling up the implementation of the SDS-SEA and to support successful stationing of the seconded RO Korean officer to the Center.

Reducing Marine Plastics in the East Asian Seas Region or the Marine Plastics Project is a six-year initiative between Partnership in Environmental Management for the Seas of East Asian and the Republic of Korea through the Ministry of Oceans and Fisheries. It aims to reduce marine plastics in 10 local sites in the Philippines (6) and Timor-Leste (4) through improved governance and management, demonstration of best practices and innovative solutions, marine litter monitoring, and increasing capacity and awareness of the partner communities.

Republic of the Philippines

The Philippines has hosted PEMSEA, through the Center, since 1993 by providing the use of land and building as well as other utility services and facilities for its use as the Philippines' contribution to the implementation of sustainable coastal development in the region.

Ministry of Land Infrastructure and Transportation, Government of Japan
Sustainable Development Strategy for the Seas of East Asia (SDS-SEA)

As part of the Cost Sharing Agreement (CSA) executed between the donor national agency and UNDP, as the instrument for cash contributions to support the Center's secretariat services for the purpose of implementing the SDS-SEA, UNDP receives and administers the payment of contributions from the Ministry of Land Infrastructure and Transportation, Government of Japan in accordance with its rules, regulations and directives.

Ministry of Natural Resources, The People's Republic of China
Sustainable Development Strategy for the Seas of East Asia (SDS-SEA)

As part of the Cost Sharing Agreement (CSA) executed between the donor national agency and PEMSEA Resource Facility as the instrument for cash contributions to support the Center's secretariat services for the purpose of implementing the SDS-SEA. The Center receives and administers the payment of contributions from the Ministry of Natural Resources, The People's Republic of China, in accordance with its rules, regulations and directives.

International Maritime Organization

UNDP/GEF/IMO GloFouling Partnerships Project courses funds through PEMSEA, the regional cooperating partner of the project to implement awareness raising, commission studies and organizes training in the region.

IKI-IMO Blue Solutions project preparation grant to prepare a 5-year full proposal to GHG emissions reduction in the maritime transport sector in the region.

Ministry of Agriculture and Fisheries of Timor Leste
Sustainable Development Strategy for the Seas of East Asia (SDS-SEA)

The objective of the agreement is to strengthen cooperation between PEMSEA Resource Facility and Ministry of Agriculture and Fisheries for addressing the identified threats to the environment and sustainable development of the Seas of East Asia and build confidence through collaborative projects, especially in the application of integrated coastal management to transition towards sustainable, inclusive and resilient blue economy.

Coca-Cola Foundation Philippines, Inc.

PEMSEA and Coca-Cola Foundation Philippines, Inc. entered into a Project Agreement for the purpose of implementing the Ecological Solid Waste Management Project in Cavite Province, Philippines. The Project will run from January 2020 to June 2023 PEMSEA shall organize a committee for the Project and shall fulfill the Project's specific logistical and administrative responsibilities.

Government of Singapore

In line with the commitment, it made during the sixth East Asian Seas Partnership Council Meeting, the Government of Singapore committed to contribute \$20,000 to the Center's operations on an annual basis.

Korea Institute of Science and Technology (KIOST)

KIOST organized a Collab session on "Biofouling: Regional Efforts and Innovative Solutions" at the EAS Congress 2021 with PEMSEA and IMO GloFouling Partnership Project. KIOST was responsible for developing a provisional program for the Collab session, publicizing the Collab session and submitting a high-resolution logo to the EAS Congress secretariat.

Center for Southeast Asian Studies

ASEAN- Norwegian Capacity Building Project for Reducing Plastic Pollution

This is a regional capacity building project funded by the Norwegian Government to Combat Marine Litter for the period 2019-2022.

Deutsche Gesellschaft für Internationale Zusammenarbeit

Sustainable Solid Waste Management - the project is focused on the reduction of the ship wastes and cargo residues to the seas and coasts of the Philippines while ensuring the smooth operation of maritime traffic and improving the availability and use of adequate port reception facilities and delivery of ship waste to those facilities.

Incheon Port Authority

As part of its strategy to work collaboratively and build partnerships with relevant international and regional organizations/programmes across the region especially through hosting Incheon International Ocean Forum annually, IPA commissioned PEMSEA Resource Facility to conduct targeted research on the practices and opportunities to reduce GHG emissions in the maritime transport sector in ASEAN/East Asian Seas.

Institute for Global Environmental Strategies (IGES)

The ARA Microgrant Project entitled, Knowledge based local adaptation planning in Guimaras Province, a vulnerable island province in the Philippines, is the first collaborative undertaking between PEMSEA and IGES and has fully benefited from IGES' expertise and experience, having been designated as a Regional Center of Excellence in CCA and DRR in 2020. The project endeavored to introduce the co-production process in identifying local adaptation options to address the identified priority climate change-related concerns of the province over the short-, medium- and long-term combining scientific and local knowledge within the framework of the ICM program of the province with the engagement of a wide range of stakeholders. The outputs from the Project are useful references for updating the CCA and DRRM plans of Guimaras Province. They also contribute to the increasing practices of co-producing context-specific climate relevant knowledge to support climate resilience planning and adaptation. With this initial undertaking, there is potential for replicating the experience in other ICM sites in the East Asian Region with similar climate change related concerns through PRF and IGES' capacity development programs.

Department of Environment and Natural Resources (DENR) RB IIMS/Wall Repair

PEMSEA and DENR works towards the design, development, installation and system implementation & support to DENR users of web-based River Basin Integrated Information Management System (RB- IIMS) for the implementation of the Sustainable Development Strategy for the Seas of East Asia (SDS- SEA). The project was to be implemented in 2015 to 2019. However, given the disruptions from COVID - 19, finalization of the project only occurred in 2020. During 2022, PEMSEA and DENR entered into a supplemental Memorandum of Agreement wherein both parties agreed to co-finance the treatment and repairs of the PEMSEA office building wall.

DENR Coastal and Marine Project

DENR commissioned PEMSEA to conduct a special project to assess the effectiveness of the various foreign assisted coastal and marine initiatives that were implemented in the Philippines for the period 2008 to 2020 by reviewing and enhancing current evaluation frameworks, methodologies and indicators, as prescribed by the government for the environment in general, and coastal and marine environment in particular. During 2022, a new agreement was signed by the parties focusing on the field survey validation. The project was planned to be implemented from April to November 2022.

Philippine Department of Agriculture - PRDP

The Philippine Rural Development Project (PRDP) is a World Bank funded project to the Philippine Department of Agriculture (DA). DA subcontracted PEMSEA to create the PRDP Information Knowledge management portal on the success stories and best practices of integrated coastal and fisheries resource management initiatives of local governments in South Luzon and Visayan region.

East Asian Congress 2021 (Cambodia)

As host of the EAS Congress 2021, the Government of Cambodia provided financial support to PEMSEA Resource Facility to co-execute an online EAS Congress and the 7th EAS Ministerial Forum.

13. Project Expenses

The components of project expenses for the years ended December 31 are as follows:

	<i>Note</i>	2023	2022
<i>Direct project expenses</i>			
Personnel cost	11	\$989,991	\$449,507
Subcontract		519,123	527,622
Training		489,198	199,600
Consultancy fees		280,966	759,891
Travel and meetings		169,388	121,986
Other direct costs including depreciation		147,857	57,043
		2,596,523	2,115,649
<i>Indirect project expenses</i>			
Personnel cost	11	122,996	77,021
Written-off receivable from a contractor	5	22,336	-
Overhead		21,081	17,882
Travel and meetings		12,928	4,408
Depreciation	7	2,848	1,205
		182,189	100,516
		\$2,778,712	\$2,216,165

14. General and Administrative Expenses

The components of general and administrative expenses for the years ended December 31 are as follows:

	<i>Note</i>	2023	2022
Office space rental		\$164,485	\$179,356
Personnel cost	11	64,641	24,706
Janitorial and security services		20,833	19,935
Consultancy		18,974	20,953
Utilities		15,721	11,821
Depreciation	7	1,549	2,978
		\$286,203	\$259,749

15. Other Income - net

The components of other income - net for the years ended December 31 are as follows:

	<i>Note</i>	2023	2022
Training and execution fees		\$171,711	\$87,590
Interest income	4	2,015	484
Foreign exchange loss - net		(3,722)	(3,337)
Others		(168)	(167)
		\$169,836	\$84,570

Net foreign exchange loss charged to statements of receipts and expenses and other comprehensive income (loss) for the years ended December 31, 2023 and 2022 amounted to \$3,722 and \$3,337, of which net unrealized foreign exchange gain (loss) amounted to (\$4,502) and \$3,240, respectively.

16. Related Party Transactions

Compensation and other short-term benefits of key management personnel amounted to \$173,823 and \$159,067 in 2023 and 2022, respectively, and is included as part of personnel cost under project expenses account presented in the statements of receipts and expenses and other comprehensive income (loss) (see Note 13).

There are no retirement benefits incurred for key management personnel in 2023 and 2022.

The Center has contributions amounting to \$141,877 and \$155,520 in 2023 and 2022, respectively, to the retirement plan known as PEMSEA Resource Facility Pension Fund, a trustee plan covering its regular employees. The contributions to the retirement benefit plans are determined by management based on the recommendations from the actuary.

17. Financial Risk, Fund Management and Fair Value of Financial Instruments

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

- Market Risk (foreign currency exchange and market price risks)
- Credit Risk
- Liquidity Risk

This note presents information about the Center's exposure to each of the above risks, the Center's objectives, policies and processes for measuring and managing risk, and the Center's fund management. The Center's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Center's financial performance.

The Partnership Council is responsible for the overall risk management approach and for approval of risk strategies and principles of the Center.

Foreign Currency Exchange Risk

Foreign currency exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than the Center's functional currency.

The Center's foreign currency exchange risk exposure arises mainly from cash in banks, financial asset at FVOCI and purchases of goods and services where the resulting payables are denominated in foreign currency, particularly Philippine peso.

Management monitors the timing of payments of foreign currency-denominated monetary assets and liabilities to ensure that the Center is not unfavorably exposed to fluctuations of foreign exchange rates.

The Center's monetary assets and liabilities denominated in Philippine peso (Php) as at December 31 are as follows:

	2023	2022
Current assets		
Cash	Php11,796,915	Php11,571,001
Receivables	-	1,244,115
Financial asset at FVOCI	2,895,497	3,067,866
	14,692,412	15,882,982
Noncurrent asset		
Other noncurrent asset	1,112,131	593,460
Total assets	15,804,543	16,476,442
Current Liabilities		
Accrued expenses and other liabilities	2,158,963	1,602,166
Net foreign currency-denominated assets	Php13,645,580	Php14,874,276
USD equivalent	\$245,986	\$267,043

The exchange rates in Philippine peso as at December 31 are as follows:

Year	Average Rate	Spot Rate
2023	Php55.68	Php55.47
2022	54.60	55.70

Foreign exchange rates are based on the published operational rates of exchange by the United Nations treasury.

A reasonable possible change in foreign currency exchange (US Dollar versus foreign currency) would lead to the following movements in receipts and expenses:

	2023	2022
Foreign currency denominated net assets	Php13,645,580	Php14,874,276
Reasonably possible change in exchange rates	0.50	(0.27)
Effect on receipts and expenses for the year and equity	(\$2,198)	\$1,354

The reasonable possible change in foreign exchange rate used in performing the above sensitivity analysis is the change in rate between the US Dollar and the Philippine Peso determined thirty (30) days from reporting date, by which management is expected to receive or settle the Center's significant financial assets or liabilities, respectively.

Credit Risk

Credit risk is the risk that the Center will incur losses in case its counterparties fail to discharge their contractual obligations.

The Center's exposure to credit risk relates primarily to cash in banks, receivables and other noncurrent assets (excluding advances to a supplier). To manage the risks, the Center places its cash deposits in reputable commercial banks without restrictions as to withdrawal and by monitoring the receivables and other noncurrent assets (excluding advances to a supplier). on an ongoing basis.

The Center's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

The Center has the following financial assets as at December 31 where the expected credit loss model has been applied:

As at December 31, 2023

Class of Financial Assets	At Gross Amounts	Expected Credit Losses	Net Carrying Amount	Internal Credit Rating	Basis for Recognition of Expected Credit Loss (ECL)
Cash in banks	\$3,358,735	\$ -	\$3,358,735	Performing	12-month ECL
Receivables	26,353	-	26,353	Performing	12-month ECL
Other non-current assets*	20,048	-	20,048	Performing	12-month ECL
Total	\$3,405,136	\$ -	\$3,405,136		

* Excluding advances to a supplier amounting to \$7,374 as at December 31, 2023

As at December 31, 2022

Class of Financial Assets	At Gross Amounts	Expected Credit Losses	Net Carrying Amount	Internal Credit Rating	Basis for Recognition of Expected Credit Loss (ECL)
Cash in banks	\$2,965,332	\$ -	\$2,965,332	Performing	12-month ECL
Receivables	42,571	-	42,571	Performing	12-month ECL
Other non-current assets	10,493	-	10,493	Performing	12-month ECL
Total	\$3,018,396	\$ -	\$3,018,396		

Impairment on cash in banks and other noncurrent assets has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Center considers that these financial assets have low credit risk as these are held with reputable banks. All other debt investments at amortized, which include the Center's receivables, are considered to have low credit risk, because they have low risk of default as the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Credit risk on these financial assets has not increased significantly since their initial recognition. Hence, the loss allowance calculated was therefore limited to 12 months expected losses. The Center has determined an insignificant amount of ECL on these financial assets.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its operating cash requirements. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity.

The Center's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows. It aims to maintain flexibility in funding its operations through efficient collection strategies and maintaining sufficient and available cash in bank. The Center does not maintain credit facilities from third parties, instead, all funding requirements are obtained from the grantors.

The tables below summarize the maturity profile of the Center's financial liabilities, based on contractual undiscounted payments:

	Within 3 Months	More than 3 Months	Total
Accrued expenses and other current liabilities			
December 31, 2023	\$343,399	\$ -	\$343,399
December 31, 2022	274,424	-	274,424

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Other Market Price Risk

Other market price risk arises from the financial assets at FVOCI held to fund the retirement obligation once it falls due. Changes in fair value of FVOCI are recognized in other comprehensive income (loss). Market price risk related to these financial assets was assessed to be insignificant.

Fair Value of Financial Instruments

The fair value of cash, receivables and accrued expenses and other liabilities (excluding employee retirement contributions payable) reasonably approximates their carrying amounts considering the short-term maturities of these financial instruments.

The carrying amount of the Center's financial asset at FVOCI amounting to \$52,197 and \$56,611 as at December 31, 2023 and 2022, respectively, represents its fair market value which is determined by reference to quoted bid price at the reporting date (categorized as Level 1 in the fair value hierarchy).

Fund Management

The Center's equity is comprised of fund balance, reserve for remeasurements on retirement benefit obligations, and accumulated changes in fair value of financial asset at FVOCI as shown in the statements of financial position. Management's objective in managing its fund is to safeguard the Center's ability to continue as a going concern so it can sustain its drive to provide services.

In order to maintain or adjust its fund structure, the Center may obtain funding from other partner countries. In line with its fund structure policy, the Center performs cash management on a monthly basis and strictly implements work plan and budget preparation and evaluation to ensure the Center's fund is sufficient to meet its operating requirements.

The Center is not subject to externally imposed capital requirements.

18. Supplementary Information Required by the BIR**Based on Revenue Regulations No. 15-2010**

As discussed in Note 1 to the financial statements, the Center enjoys a number of tax incentives pursuant to the Agreement signed by the Executive Director of PEMSEA, and the Secretary of the Department of Foreign Affairs on July 31, 2012.

On September 2012, the BIR issued the Certificate of Concurrence by Concerned Agencies and Officials agreeing to the requested action on the ratification of the above Agreement and, through BIR Revenue Memorandum Circular No. 31-2013 issued on April 12, 2013, the BIR categorized PEMSEA as an international organization.

Accordingly, information on the withholding taxes, taxes paid during the year, input value-added taxes (VAT) claimed, output tax declared during the year, the amount of import and amount of custom duties and tariff fees paid or accrued, the amount of excise taxes, documentary stamp taxes and other local taxes and tax cases are not applicable.

As at December 31, 2023, the Center has neither any pending tax cases in court nor has received tax assessment notices from the BIR.

Based on RR No. 34-2020

In compliance with Section 4 of RR No. 34-2020, the Center is not covered by the requirements and procedures for the submission of BIR No. Form 1709 Information Return on Related Party Transactions, Transfer Pricing Documentation and other supporting documents as prescribed under RR 34-2020.

19. Supplementary Information Presenting Reports on Grants and Expenses per Project for the Partnership Council (UNAUDITED)

December 31, 2023	GEF/ UNDP ATSEA2	GEF/ IRBM	ROK ODA	ROK	CHINA/MNR	SG	IMO Glofouling	TIMOR LESTE	KIOST	Coca-Cola Foundation	Sub-total	PEMSEA	UNDP - Japan	Grand Total
Receipts	\$918,949	\$534,362	\$648,728	\$362,620	\$65,182	\$20,000	\$42,243	\$42,133	\$15,000	\$29,935	\$2,679,152	\$ -	\$87,114	\$2,766,266
Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PEMSEA services	-	-	-	-	-	-	-	-	-	-	-	171,711	-	171,711
Interest income from deposits	57	60	238	-	-	-	-	-	-	6	361	1,654	-	2,015
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	919,006	534,422	648,966	362,620	65,182	20,000	42,243	42,133	15,000	29,941	2,679,513	173,365	87,114	2,939,992
Expenses														
Project expenses	918,949	534,362	648,728	150,490	-	-	42,243	32,128	15,000	7,599	2,349,499	-	-	2,349,499
Office space rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personnel cost	-	-	-	190,760	65,182	-	-	-	-	-	255,942	55,157	73,486	384,585
Professional fees	-	-	-	-	-	20,000	-	-	-	-	20,000	-	-	20,000
Consultancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Janitorial and security services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel and meeting	-	-	-	7,574	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	7,574	-	12,928	20,502
Foreign exchange loss	-	-	-	-	-	-	-	-	-	-	-	1,549	-	1,549
Others	-	-	-	13,796	-	-	-	10,005	-	22,336	46,137	43,417	700	90,254
	918,949	534,362	648,728	362,620	65,182	20,000	42,243	42,133	15,000	29,935	2,679,152	100,123	87,114	2,866,389
Excess of receipts over expenses	\$57	\$60	\$238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$6	\$361	\$73,242	\$ -	\$73,603

December 31, 2022	GEF/ UNDP	ROK	SG	CHINA	TIMOR LESTE	KIOST	CSEAS	IMO	GIZ	INDONESIA	IPA	PH	DENR C&M	Coca-Cola Foundation	PRDP	WB	Sub-total	PEMSEA	UNDP - Japan	Grand Total
Receipts																				
Grant	\$1,038,923	\$331,292	\$20,000	\$105,525	\$40,394	\$20,000	\$94,382	\$290,967	\$78,235	\$ -	\$13,928	\$211,112	\$5,484	\$57,777	\$ -	\$ -	\$2,308,019	\$12,807	\$105,234	\$2,425,060
PEMSEA services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92,472	-	92,472
Interest income from deposits	20	-	-	-	-	-	-	16	-	-	-	-	-	24	-	-	60	424	-	484
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,881)	-	(4,881)
	1,038,943	331,292	20,000	105,525	40,394	20,000	94,382	290,983	78,235	-	13,928	211,112	5,484	57,801	-	-	2,308,079	100,822	105,234	2,514,135
Expenses																				
Project expenses	1,038,923	302,636	-	71,138	40,394	20,000	94,382	290,967	78,235	-	13,928	-	2,285	57,777	-	-	2,010,664	14,522	-	2,025,186
Office space rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	179,356	-	-	179,356
Personnel cost	-	28,656	-	34,387	-	-	-	-	-	-	-	179,356	-	-	-	-	63,043	40,705	99,328	203,077
Professional fees	-	-	19,054	-	-	-	-	-	-	-	-	-	-	-	-	-	19,054	-	-	19,054
Consultancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Janitorial and security services	-	-	-	-	-	-	-	-	-	-	-	19,935	-	-	-	-	19,935	-	-	19,935
Utilities	-	-	-	-	-	-	-	-	-	-	11,821	-	-	-	-	-	11,821	-	-	11,821
Travel and meeting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,408	1,508	5,916
Foreign exchange loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	3,199	-	-	-	3,199	4,959	4,398	12,556
	1,038,923	331,292	19,054	105,525	40,394	20,000	94,382	290,967	78,235	-	13,928	211,112	5,484	57,777	-	-	2,307,072	64,594	105,234	2,476,900
Excess of receipts over expenses																				
	\$20	\$ -	\$946	\$ -	\$ -	\$ -	\$ -	\$16	\$ -	\$ -	\$ -	\$ -	\$ -	\$24	\$ -	\$ -	\$1,007	\$36,228	\$ -	\$37,235

Basis of Preparation

The supplementary information presenting grants and expenses per project have been prepared using the following basis:

- expenses are recognized when incurred;
- grants are recognized when received (the unutilized portion is recognized as deferred grant); and
- expenditure for the acquisition of intangibles and property and equipment are recognized when paid.

Accordingly, the supplementary information is not intended to present results of operations in conformity with PFRSs.

Reporting Framework

The supplementary information presenting grants and expenses per project have been prepared using cash and accrual basis of accounting. Grants and acquisition of property and equipment is recognized using the cash basis of accounting while expenses are recognized using the accrual basis.

Cost Sharing Agreement

The Center provides the secretariat services as well as technical services in the EAS Partnership Council, EAS Congress and various activities. A number of countries have made a commitment to support the operations of the Center, through financial and in-kind contributions. The 11th Project Steering Committee (PSC) approved the Cost Sharing Agreement (CSA) executed between the donor national agency and UNDP, as the instrument for cash contributions to support the Center's secretariat services for the purpose of implementing the SDS-SEA. UNDP receives and administers the payment of contributions in accordance with its rules, regulations, and directives in the case of the voluntary contribution from Japan.

The UNDP is responsible for the execution of the project, by applying and enhancing the technical resources of the Center, with guidance from and in coordination with the EAS Partnership Council and EAS Congress. EAS Partnership Council serves as the PSC.

Global Environment Facility

The expenses incurred under GEF project comprise of the following components:

	2023	2022
The Implementation of the Arafura and Timor Seas Regional and National Strategic Action Programme (ATSEA 2)	\$918,949	\$1,038,923
Reducing Pollution and Preserving Environmental Flows in the East Asian Seas through the Implementation of the Integrated River Basin Management in ASEAN Countries	534,362	-
	\$1,453,311	\$1,038,923

The Implementation of the Arafura and Timor Seas Regional and National Strategic Action Programme (ATSEA 2)

This component aims to enhance sustainable development of the Arafura-Timor Seas (ATS) region to protect biodiversity and improve the quality of life of its inhabitants through conservation and sustainable management of marine-coastal ecosystems (as indicated in the SAP).

Reducing Pollution and Preserving Environmental Flows in the East Asian Seas through the Implementation on Integrated River Basin Management in ASEAN Countries (IRBM)

The project goal is to establish functional integrated river basin management mechanisms in priority river basins of 6 ASEAN countries for reducing pollution and sustaining freshwater environmental flows as well as adapting to climate change vulnerabilities.