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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of PEMSEA Resource Facility Center the which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of receipts and expenses, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PEMSEA Resource Facility Center as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 18 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, 2014 and 2013 in Note 19 to the basic financial statements is presented for the purpose of the interested 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 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 United Nations Development Programme (UNDP) are under the administration of UNDP. The amounts were only lifted from the 2014 and 2013 Combined Delivery Report. Accordingly, it is inappropriate to and we do not express an opinion on the information referred to above.

R.G. MANABAT & CO.

Sharon G. Dayoan

SHARON G. DAYOAN

Partner

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Makati City, Metro Manila

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF FINANCIAL POSITION

		December 31		January 1,
		2014	2013 As restated (Note 6)	2013 As restated (Note 6)
	Note			
ASSETS				
Current Assets				
Cash	7	\$2,250,255	\$1,662,195	\$1,432,204
Receivable	8	18,684	6,228	405
Other asset	13	34,576	-	-
Total Current Assets		2,303,515	1,668,423	1,432,609
Noncurrent Assets				
Property and equipment - net	9	6,354	456	1,819
Intangible asset - net	10	3,976	7,952	-
Total Noncurrent Assets		10,330	8,408	1,819
		\$2,313,845	\$1,676,831	\$1,434,428
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	11	\$268,555	\$104,457	\$171,919
Deferred grants	12	633,730	270,249	43,885
Advances from a grantor		8,927	8,927	14,986
Total Current Liabilities		911,212	383,633	230,790
Noncurrent Liability				
Retirement benefits liability	13	76,582	-	-
Total Liabilities		987,794	383,633	230,790
Equity				
Fund balance		1,326,391	1,293,198	1,203,638
Employee benefit reserve	13	(340)	-	-
Total Equity		1,326,051	1,293,198	1,203,638
		\$2,313,845	\$1,676,831	\$1,434,428

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF RECEIPTS AND EXPENSES

Years Ended December 31			
			2013
	<i>Note</i>	2014	As restated (see Note 6)
RECEIPTS			
Grants	14	\$1,381,702	\$1,735,527
Training fee		28,085	-
Donations		4,010	1,241
Interest	7	3,201	2,108
Others	16	101,053	-
		1,518,051	1,738,876
EXPENSES			
Project expenses	15	1,094,775	1,391,929
Core staff		288,188	148,345
Support staff		71,380	-
Professional fees		13,533	-
Travel and meeting		5,433	55,686
Depreciation and amortization	9, 10	4,949	1,363
Others		6,600	51,993
		1,484,858	1,649,316
EXCESS OF RECEIPTS OVER EXPENSES		33,193	89,560
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified subsequently to receipts or expenses			
Remeasurements of post employment benefit obligations	13	340	-
TOTAL COMPREHENSIVE INCOME		\$32,853	\$89,560

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31				
	Note	Fund Balance	Employee Benefit Reserve	Total
Balances as at January 1, 2013, as previously reported		\$1,247,523	\$ -	\$1,247,523
Impact of accounting error	6	(43,885)	-	(43,885)
Balances as at January 1, 2013, as restated		1,203,638	-	1,203,638
Excess of receipts over expenses		89,560	-	89,560
Balances as at December 31, 2013		1,293,198	-	1,293,198
Excess of receipts over expenses		33,193	-	33,193
Other comprehensive loss	13	-	(340)	(340)
Total comprehensive income (loss)		33,193	(340)	32,853
Balances as at December 31, 2014		\$1,326,391	(\$340)	\$1,326,051

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF CASH FLOWS

Years Ended December 31

		2013	2014
	<i>Note</i>	As restated (see Note 6)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of receipts over expenses		\$89,560	\$33,193
Adjustments for:			
Retirement benefit cost	13	-	76,242
Depreciation and amortization	9, 10	1,363	4,949
Interest income	7	(2,108)	(3,201)
Excess of receipts over expenses before working capital changes		88,815	111,183
Increase in receivable		(5,823)	(12,456)
Increase (decrease) in:			
Accounts payable and accrued expenses		(67,462)	164,098
Deferred grants		226,364	363,481
Advances from grantor		(6,059)	-
Cash generated from operations		235,835	626,306
Interest received		2,108	3,201
Net cash generated from operations		237,943	629,507
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	9	-	(6,871)
Acquisition of intangible asset	10	(7,952)	-
Net cash used in investing activities		(7,952)	(6,871)
NET INCREASE IN CASH		229,991	622,636
CASH AT BEGINNING OF YEAR		1,432,204	1,662,195
CASH AT END OF YEAR			
Cash	7	1,662,195	2,250,255
Other asset	13	-	34,576
		\$1,662,195	\$2,284,831

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

The 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 education 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 (PRFC or "Center") is the operating arm of PEMSEA. It provides secretariat and technical services to the Partnership Council and the participating partners.

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

Pursuant to the international legal personality of PEMSEA 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 PRF 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. As of December 31, 2014, the concurrence by the Philippine Senate is forthcoming.

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 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, in particular, has categorized PEMSEA as an international organization.

The Center mobilizes resources, products and services to support the implementation of the SDS-SEA through inter-governmental and multi-sectoral 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, Japan and Republic of Korea managed by UNDP, while the funding for the Center's technical services comes from sponsored projects and programmes, principally from Global Environment Facility (GEF), United Nations Development Programme (UNDP) and The World Bank (Worldbank).

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

As a testament of PEMSEA's commitment to pursuing excellence and providing quality services, it received its ISO 9001:2008 certification last October 2013, adding confidence and credibility to the organization as it continues to champion SDS-SEA.

The registered address of the Center's office is PEMSEA Building, Department of Environment and Natural Resources Compound, Visayas Avenue, Quezon City, Philippines.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). These are the Center's first financial statements prepared in accordance with PFRS. PFRS is based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. PFRS which is issued by the Philippine Financial Reporting Standards Council consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

The Center's December 31, 2013 financial statements were prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). However, the GEF Fiduciary Management Standards requires that the financial statements be prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), IFRS or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies. Accordingly, the Center transitioned from PFRS for SMEs to full PFRS. Such transition did not have any effect on the amounts previously reported in the Center's financial statements.

The accompanying financial statements were approved and authorized for issuance by the Executive Committee on August 27, 2015.

Basis of Measurement

The Center's financial statements have been prepared using the historical cost basis of accounting.

Functional and Presentation Currency

The financial statements are presented in United States Dollar (USD), which is also the Center's functional currency. All financial information has been rounded off to the nearest USD, except when otherwise indicated.

Use of Judgments, Assumptions and Estimates

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the financial statements are described in Note 4 to the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Financial Instruments

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

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

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) investments. Financial liabilities are classified as financial liabilities at FVPL or other liabilities. The classification depends on the purpose for which the investments are acquired and the liabilities are incurred, or whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

As at December 31, 2014 and 2013, the Center has no financial asset or liability at FVPL, HTM investments and AFS investments.

Determination of Fair Value

The fair value of financial instruments that are actively traded in an organized financial market is determined by reference to quoted market bid prices at the close of business on the reporting date. When the current bid and asking prices are not available, the price of the most recent transactions provides evidence of the current fair value as long as there has been no significant change in economic circumstances since the time of the transactions. For all other financial instruments not listed in an active market, fair value is determined using appropriate valuation methodologies which include the use of recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and other acceptable valuation models.

'Day 1' Difference

Where the transactions priced in a non-active market is different from the fair value based on other recent market transactions between knowledgeable willing parties in observable current market transactions in the same instrument or based on a valuation methodology whose variables include only data from observable markets, the Center recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In case where unobservable data is 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.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting date, otherwise these are classified as noncurrent assets.

The Center's cash and receivable are included in this category (Notes 7 and 8).

Cash. Cash includes cash on hand and cash in bank which is stated at face value.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading and are not designated as at FVPL upon inception of the liability. Other financial liabilities are initially recognized at fair value of the consideration received less any directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

The Center's accounts payable and accrued expenses and advances from grantor are classified under this category (Note 11).

Offsetting Financial Instruments

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

Impairment of Financial Assets

The Center assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidences of impairment include experiencing significant financial difficulty, the probability that the borrower or a group of borrowers will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of loss is recognized in profit or loss.

The Center first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, the assets are included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. Impaired receivables are derecognized when they are assessed as uncollectible.

If the amount of impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Center retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Center has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Property and Equipment

Items of property and equipment are initially measured at cost. After initial recognition, all items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Center, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statements of receipts and expenses as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in the statements of receipts and expenses on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of property and equipment are as follows:

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

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

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

Intangible Asset

Intangible asset that is acquired by the Center with finite useful life is measured at cost less accumulated amortization and allowance for impairment losses, if any.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in the statements of receipts and expenses as incurred.

Amortization is recognized in the statements of receipts and expenses on a straight-line basis over the estimated useful life of intangible asset, from the date that the intangible asset is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the intangible asset. The estimated useful life of the Center's computer software is three (3) years.

Gains and losses arising from disposal or retirement of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of receipts and expenses when the asset is derecognized.

Receipts Recognition

Receipts are recognized to the extent that it is probable that the economic benefits will flow to the Center and the amount of receipts can be measured reliably. The following specific recognition criteria must also be met before receipts is recognized:

Grants are recognized in the period received and if all the requirements of the grantor are satisfied. 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 credited to fund balance.

Interest income is recognized as it accrues.

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

Training fee and other income is recognized when earned.

Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and are recognized when incurred.

Short-term Benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits

The Center has a contributory defined benefit retirement plan covering all qualified officers and employees. The Center's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and applicable prior periods, if any, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements on the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income (OCI). The Center determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of receipts and expenses.

The Center recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies, i.e., other than in USD which is the Center's functional currency, are recorded using the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the prevailing rates at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of outstanding monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and expenses.

Provisions

A provision is recognized if, as a result of a past event, the Center has a present legal or constructive obligation that can be estimated reliably, and it is probable that a transfer of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Center does not recognize a provision for future operating losses.

Contingencies

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

Events After the Reporting Date

Post year-end events that provide additional information about the Center's 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.

New or Revised Standards, Amendments to Standards and Interpretations

To be Adopted in the Future

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014. These will be adopted by the Center as these become effective. None of these are expected to have a significant impact on the Center's financial statements.

4. Critical Accounting Estimates, Assumptions and Judgments

Judgments

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

Determining Functional Currency

The Center considers factors including, but not limited to, the currency in which receipts and disbursements from the operating activities are usually made. Based on the economic substance of the underlying circumstances relevant to the Center, the functional currency has been determined to be the USD.

Estimates and Assumptions

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

Estimation of Retirement Benefit Costs and Obligation

The determination of the retirement benefit costs and obligation is dependent on the selection of certain assumptions selected by management and used by the actuary in calculating such amounts.

The Center's retirement benefits liability amounted to \$76,582 as at December 31, 2014. Retirement benefits cost amounted to \$76,242 while employee benefits reserve amounted to \$340 as at December 31, 2014 (Note 13).

5. Financial Risk and Fund Management

Risk Management Structure

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

Financial Risk Management Objectives and Policies

The Center's activities expose it to a variety of financial risks: market risk, which includes foreign exchange risk; credit risk and liquidity risk.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Center's functional currency. The Center's foreign exchange risk exposure arises mainly from 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 as at December 31 are as follows:

	2014	2013
Current Assets		
Cash	P4,230,000	P1,021,380
Receivable	433,421	244,000
	4,663,421	1,265,380
Current Liabilities		
Accounts payable and accrued expenses	4,141,822	388,060
Net foreign currency - denominated assets	P521,599	P877,320
USD Equivalent	\$11,664	\$19,759

The exchange rates as at December 31 are as follows:

	2014	2013
Philippine peso	44.72	44.40
	Increase (Decrease) in Excess of Receipts Over Expenses/Fund balance	
Depreciation (Appreciation) of US\$	2014	2013
3%	\$350	\$593
(3%)	(350)	(593)

Credit Risk

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

The Center's exposure to credit risk relates primarily to cash in bank and receivable. To manage the risks, the Center places its cash deposits in a reputable commercial bank without restrictions as to withdrawal and by monitoring the receivable 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 table below shows the maximum exposure to credit risk as at December 31:

	2014	2013
Cash in bank	\$2,250,255	\$1,655,471
Receivable	18,684	6,228
	\$2,268,939	\$1,661,699

Cash in bank and receivable is neither past due nor impaired and are considered "High grade" since transactions are with a reputable commercial bank and grantor with no history of default. High grade rating applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Center has excellent repayment experience.

Liquidity Risk

Liquidity risk is the risk that the Center will not be able to meet its obligations when they fall due. 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 grouping of financial assets from the end of the reporting period to the contractual maturity date, or if earlier, the expected date the assets will be realized and the maturity profile of the Center's other financial liabilities based on contractual undiscounted payments as at December 31:

	2014		Total
	Less than 1 Year	1 Year and Above	
Loans and Receivables			
Cash	\$2,250,255	\$ -	\$2,250,255
Receivable	18,684	-	18,684
	2,268,939	-	2,268,939
Other Financial Liabilities			
Accounts payable and accrued expenses	268,555	-	268,555
Advances from a grantor	8,927	-	8,927
	277,482	-	277,482
Net Liquidity Position	\$1,991,457	\$ -	\$1,991,457

	2013		Total
	Less than 1 Year	1 Year and Above	
Loans and Receivables			
Cash	\$1,662,195	\$ -	\$1,662,195
Receivable	6,228	-	6,228
	1,668,423	-	1,668,423
Other Financial Liabilities			
Accounts payable and accrued expenses	104,457	-	104,457
Advances from a grantor	-	8,927	8,927
	104,457	8,927	113,384
Net Liquidity Position	\$1,563,966	(\$8,927)	\$1,555,039

The Center expects to settle the above financial liabilities in accordance with their contractual maturity dates.

Fair Value of Financial Instruments

The carrying amounts of financial assets and liabilities presented in the statements of financial position approximate their fair values at the reporting date. The impact of discounting on the fair value calculation is deemed not significant as financial assets and liabilities generally have short-term maturities.

Fund Management

The Center's equity is comprised of fund balance. 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.

6. Restatement of Prior Periods

As a result of reevaluation of management of grant agreements, some unspent funds as at December 31, 2013 from certain grantors that were transferred to fund balance are now recognized as deferred grants to comply with the terms and conditions of the grant agreements.

Summary of Quantitative Impact

Comparatives have been restated and summarized below is the discussion of how the changes noted above have affected the Center's financial position and financial performance as at and for the years ended January 1, 2013 and December 31, 2013.

The impact of the restatement as at January 1, 2013 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Statement of Financial Position			
Deferred grants	\$ -	\$43,885	\$43,885
Fund balance	1,247,523	(43,885)	1,203,638

The impact of the restatement as at December 31, 2013 is as follows:

	As Previously Reported	Effect of Restatement	As Restated
Statement of Financial Position			
Accounts payable and accrued expenses	\$154,698	(\$50,241)	\$104,457
Deferred grants	-	270,249	270,249
Fund balance	1,513,206	(220,008)	1,293,198
Statement of Receipts and Expenses			
Grants	1,911,650	(176,123)	1,735,527

7. Cash

This account consists of:

	2014	2013
Cash on hand	\$1,000	\$6,724
Cash in bank	2,249,255	1,655,471
	\$2,250,255	\$1,662,195

For the years ended December 31, 2014 and 2013, interest income from cash in bank amounted to \$3,201 and \$2,108, respectively.

8. Receivable

This account pertains to disbursements made by the Center for a particular project where funding has not yet been received from UNDP as of December 31, 2014 and 2013.

9. Property and Equipment

The movements in the balances of this account are as follow:

	2014			
	Building Improvements	Computer Equipment	Office Equipment	Total
Cost:				
Balances at January 1, 2014	\$197,840	\$4,090	\$ -	\$201,930
Additions	-	-	6,871	6,871
Balances at December 31, 2014	197,840	4,090	6,871	208,801
Accumulated depreciation:				
Balances at January 1, 2014	197,840	3,634	-	201,474
Depreciation	-	456	517	973
Balances at December 31, 2014	197,840	4,090	517	202,447
Net carrying value	\$ -	\$ -	\$6,354	\$6,354

	2013			
	Building Improvements	Computer Equipment		Total
Cost				
Balances at January 1, 2013/December 31, 2013	\$197,840	\$4,090		\$201,930
Accumulated Depreciation				
Balances at January 1, 2013	197,840	2,271		200,111
Depreciation	-	1,363		1,363
Balances at December 31, 2013	197,840	3,634		201,474
Net Carrying Value	\$ -	\$456		\$456

10. Intangible Asset

The intangible asset of the Center pertains to computer software acquired in 2013 and was placed into use in August 2014. Amortization expense amounted to \$3,976 in 2014.

	2014
Cost	
Balances at January 1, 2013/December 31, 2013	\$7,952
Accumulated Amortization	
Balances at January 1, 2013/December 31, 2013	-
Amortization	3,976
Balances at December 31, 2014	3,976
Net Carrying Value	\$3,976

11. Accounts Payable and Accrued Expenses

	Note	2014	2013
Accounts payable		\$60,558	\$52,486
Accrued expenses		92,439	7,775
Funds held in trust		80,982	44,196
Employee retirement contributions	13	34,576	-
		\$268,555	\$104,457

Accounts payable are noninterest bearing and are normally settled within 30 to 60 days. Accrued expenses include short-term employee benefits such as annual leave and medical benefits.

Funds held in trust pertain to unspent funds from Bali, Indonesia for the terminated projects in 2013.

Employee retirement contributions represent the employees share in funding the retirement benefits which was deducted from employees' salaries and will be transferred to a retirement fund managed by a trustee in the next reporting period.

12. Deferred Grants

Deferred grants represent funds received from the grantors but were unspent as of reporting date and are to be spent in the succeeding periods. The funds are to be used only for specific projects and should be in compliance with the terms and conditions of the grant. 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 grant as at December 31, 2014 and 2013 consist of unspent funds from the following partners.

	2014	2013
Ministry of Oceans & Fisheries, Republic of Korea	\$179,888	\$ -
State Oceanic Administration, People's Republic of China	159,656	162,918
Global Environment Facility	96,892	58,649
United Nations Environment Programme	86,047	-
Worldbank	65,317	-
Coastal Management Center	45,930	-
International Maritime Organization	-	48,682
	\$633,730	\$270,249

13. Retirement Plan

Prior to January 1, 2014, the Facility Center's employees were previously covered by a contract with the UNDP. In 2014, said employees agreed with UNDP to extinguish such contract effective December 31, 2014. 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 Facility 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 a retirement benefit as follows:

- 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.
- 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 is 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 plan.

The current valuation as of December 31, 2014, as prepared by an independent actuary, considered the higher of (a) or (b) above, as applicable, as well as the minimum annual rates defined in the Regulations. Such benefits shall be payable at periodic intervals for life or commuted to a lump sum benefit in accordance with the Regulations. Valuation will be obtained on a periodic basis.

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.

The retirement benefits liability recognized in the statement of financial position as at December 31, 2014 is as follows:

	Retirement Benefits Liability
Included in Profit or Loss	
Current service cost	\$76,600
Total retirement benefit cost under core staff	76,600
Effect of movement in exchange rates	(358)
	76,242
Included in Other Comprehensive Loss	
Actuarial loss on defined benefit obligation arising from experienced adjustments	342
Effect of movement in exchange rates	(2)
	340
Balance at end of year	\$76,582

Principal actuarial assumptions used to determine the retirement benefit cost for the year ended December 31, 2014 are as follows:

Discount rate	4.61%
Future salary growth	3.00%

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

The weighted-average duration of the retirement benefit liability is 15.3 years as at December 31, 2014.

Maturity analysis of the benefit payments is as follows:

	2014				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 2-5 Years	More than 5 Years
Defined benefit obligation	\$76,582	\$21,847	\$ -	\$ -	\$21,847

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit liability by the amounts shown below:

	Increase (Decrease) in Defined Benefit Obligation
Discount rate:	
Increase by .5%	(\$12,613)
Decrease by .5%	14,553
Future salary growth:	
Increase by .5%	7,266
Decrease by .5%	(6,885)

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 be due and payable from the Center to the Fund.

Contributions to the Fund are made by the Center and employees at 15.8% and 7.9%, respectively, of the employees' basic pay. The Center has not made any contributions in 2014. However, all funds contributed by the employees are maintained by the latter together with the Center's payroll account as management is currently evaluating various investment options for the Fund. Total employee contributions, including any interest earned, amount to US\$34,576 as of December 31, 2014, are included in the "Cash", with a corresponding liability recognized under "Accounts payable and accrued expenses" account, in the 2014 statement of financial position since these are earmarked for the retirement benefits of the Center's employees.

There is no specific matching strategy between the plan assets and the plan liabilities as of December 31, 2014.

14. Grants

This account consists of grants from the following partners:

	2014	2013
Global Environment Facility	\$614,630	\$1,377,546
Korea International Cooperation Agency	225,000	31,945
State Oceanic Administration, People's Republic of China	164,883	-
Worldbank	126,654	-
Timor Leste	99,980	99,980
International Maritime Organization	87,880	164,963
Coastal Management Center	29,065	-
Government of Singapore	20,000	-
United Nations Environment Programme	13,610	10,121
Korea Marine Environment Management Organization	-	44,985
Stockholm Environment Institute	-	5,987
	\$1,381,702	\$1,735,527

The grants cover the following projects:

Global Environment Facility (GEF)

GEF has been a major donor of PEMSEA over the past 20 years, providing the necessary financial support to cover the incremental costs of addressing regional environmental issues that are of global significance via implementation of the SDS-SEA.

The fourth phase of the GEF project entitled, GEF/UNDP/PEMSEA Project on Scaling up the Implementation of the SDS-SEA took effect in August 2014 and will be completed in 2019. The project aims to catalyze actions and investments at the regional, national and local levels to rehabilitate and sustain coastal and marine ecosystem services and build a sustainable coastal and ocean-based economy in the East Asian region.

Korea International Cooperation Agency

Funding Agreement Regarding the Implementation of the Yeosu Project

The Organizing Committee, KOICA and PEMSEA for the EAS have mutually agreed to implement the project under the Yeosu Project entitled "PEMSEA-Yeosu Project on Port Safety Health and Environmental Management."

State Oceanic Administration, People's Republic of China

Financial Contribution for the Implementation of the Center's Re-engineering Plan

The SOA of the People's Republic of China agreed to contribute funds to PEMSEA, represented by the Center, in support of the Staff and Operational Costs of the Center's Core Group and PEMSEA Office in line with the Implementation of the Re-Engineering Plan to provide the EAS Partnership Council with advice on how to make the Center more flexible, responsive, efficient and cost-effective, in support of PEMSEA's transformation into an international organization.

Worldbank

Scale Up Partnership Investments for Sustainable Development of Large Marine Ecosystems of East Asia and their Coasts

For the objective of enhancing the capacity and performance of investments in sustainable development of large marine ecosystems and coasts in the East Asia Seas (EAS) region through knowledge and experience sharing, portfolio learning and network, Worldbank extended its support for the benefit of the People's Republic of China, Republic of Indonesia and Socialist Republic of Vietnam.

Timor Leste

Sustainable Development Strategy for the Seas of East Asia (SDS-SEA)

In line with the commitment on the SDS-SEA, the Government of Timor Leste expressed its support to the continuous implementation of the SDS-SEA and announced their provision of financial support to PEMSEA amounting to \$100,000 on an annual basis.

International Maritime Organization

Project on Strengthening Oil Spill Preparedness and Response in a Subregional Sea Area: Environmental Sensitivity Mapping in the Gulf of Thailand

The specific project objective is to develop Gulf of Thailand (GoT) sensitivity maps for planning and response to oil spill incidents covering the coastal and marine resources of the Gulf, existing economic activities along the coast and offshore and gazetted areas, as well as locations of emergency services, spill response equipment and related services.

Coastal Management Center (CMC)

PEMSEA and CMC have been closely collaborating over the past 20 years for the sustainable development of the marine and coastal resources in East Asian region, including joint initiatives on project development and management, marine pollution monitoring, special skills training of participants from national and local governments, publication and dissemination of scientific and technical materials, resource mobilization, and co-organization of a regional Youth Forum at the EAS Congress 2006.

Pursuant to the Letter of Cooperation and Partnership Operating Arrangement signed on December 16, 2006 and Memorandum of Agreement signed on June 14, 2008, PEMSEA and CMC have identified areas for collaboration and will undertake collaborative activities relative to the objectives and targets of the SDS-SEA, consistent with the programs and objectives of both organizations.

Government of Singapore

In line with the sixth East Asian Seas Partnership Council Meeting, the Government of Singapore committed to contribute \$20,000 on annual basis and will explore other ways to contribute to PEMSEA.

United Nations Environment Programme (UNEP)

Project Cooperation Agreement

UNEP and PEMSEA have agreed to cooperate to implement the project entitled "Global foundations for reducing nutrient enrichment and oxygen depletion from land based pollution, in support of Global Nutrient Cycle." With reference to this Agreement, PEMSEA will be responsible for the development of nutrient reduction strategies through application of quantitative source-impact modelling and best practices in Manila Bay Watershed; this agreement is effective until 2015.

Korea Marine Environment Management Organization (KOEM)

Cooperation on the Organization and Conduct of an International Education Program on Marine Environment for High-level Officials from the East Asian Region 2013

KOEM and PEMSEA agreed to collaborate on the proposed activities on the organization and conduct of an international education program on marine environment for high level officials in the EAS Region.

Cooperation on Conducting Research on Monitoring and Analysis of Waters in the East Asian Seas Relating to Climate Change

KOEM and PEMSEA collaborate on the proposed activities on conducting research through monitoring and analysis of waters in the EAS region in relation to climate change, analysis of gaps and needs in ocean monitoring, and identification of collaborative areas for KOEM to work within the EAS region.

Stockholm Environment Institute

Regional Climate Change Adaptation Knowledge Platform for Asia (or Adaptation Platform)

The adaptation platform seeks to facilitate climate change adaptation at local, national, and regional levels and to strengthen adaptive capability of countries in South and South East Asian countries, while bridging existing and emerging networks and knowledge.

15. Project Expenses

This account consists of the following expenses:

	2014	2013
Technical staff	\$452,352	\$281,588
Subcontractors	233,198	190,743
Travel and transportation	151,778	148,017
Training	78,923	32,711
Contracted staff	62,945	77,188
Printing and distribution	56,587	100,708
Consultancy	44,432	254,448
Support staff	12,042	164,536
Overhead	2,518	141,990
	\$1,094,775	\$1,391,929

16. Other Income

This account consists of:

	2014	2013
Proceeds from trust fund	\$84,515	\$ -
Foreign exchange gain -net	1,626	-
Others	14,912	-
	\$101,053	\$ -

On March 10, 2009, a Memorandum of Agreement was signed between PEMSEA and CMC to facilitate the promotion and dissemination of relevant information, products, training, scientific and technical services, country and regional support networks to national and local governments of the region on a sustainable basis. Under this agreement, PEMSEA contributed \$50,000 as an initial capital to set up a Trust Account with CMC, for the purpose of receiving funds from individuals and organizations for products supplied and services rendered by PEMSEA on a not-for-profit basis, including registration and fees collected for the 2009 EAS Congress. The agreement expired in 2013 and accordingly the proceeds from trust account were received in 2014.

17. Related Party Transactions

Compensation and other short-term benefits of key management personnel amounted to \$141,044 and \$172,920 in 2014 and 2013, respectively, and are included under "Project Expenses" account presented in the statements of receipts and expenses (Note 15).

18. Supplementary Information Required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

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, 2014, the Center has no pending tax cases in court nor has received tax assessment notices from the BIR.

19. Supplementary Information Presenting Grants and Expenses per Project (Unaudited)

For the Year Ended December 31, 2014

	Global Environment Facility	International Cooperation Agency	Korea	State Oceanic Administration, People's Republic of China	Timor Leste	United Nations Environment Programme	Coastal Management Center	International Maritime Organization	Singapore	Subtotal Per Project	PEMSEA* Agreement**	Cost Sharing Agreement**	Grand Total
Receipts:													
Grants	\$666,222	\$225,000	\$191,970	\$161,621	\$99,980	\$99,658	\$74,995	\$39,198	\$20,000	\$1,578,644	\$ -	\$325,715	\$1,904,359
Cost recovery	-	-	-	-	-	-	-	-	-	-	\$82,448	-	\$82,448
Training fee	-	-	-	-	-	-	-	-	-	-	28,085	-	28,085
Donation	-	-	-	-	-	-	-	-	-	-	4,010	-	4,010
Interest	-	-	-	-	-	-	-	-	-	-	3,201	-	3,201
Other income	-	-	-	-	-	-	-	-	-	-	101,053	-	101,053
Total receipts	666,222	225,000	191,970	161,621	99,980	99,658	74,995	39,198	20,000	1,578,644	718,797	325,715	2,623,156
Expenses:													
Project expenses	615,406	225,000	130,566	-	41,413	13,547	28,686	59,729	-	1,114,347	-	18,186	1,132,533
Salaries and wages	-	-	-	159,450	-	-	-	-	-	159,450	712,763	219,116	1,091,329
Travel and meeting	-	-	-	5,433	-	-	-	-	-	5,433	14,811	81,995	102,239
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	4,949	-	4,949
Professional fees	-	-	-	-	-	-	-	-	13,533	13,533	15,430	6,418	35,381
Others	28,806	-	-	-	-	63	378	-	-	29,247	4,212	-	33,459
Total expenses	644,212	225,000	130,566	164,883	41,413	13,610	29,064	59,729	13,533	1,322,010	752,165	325,715	2,399,890
Excess (deficiency) of receipts over expenses	\$22,010	\$ -	\$61,404	(\$3,262)	\$58,567	\$86,048	\$45,931	(\$20,531)	\$6,467	\$256,634	(\$33,368)	\$ -	\$223,266

*Represents expenses not charged to a specific project

**Lifted from the 2014 Combined Delivery Report

For the Year Ended December 31, 2013

	Global Environment Facilities	International Maritime Organization	State Oceanic Administration	Timor Leste	Korea Marine Environment Management Organization	Stockholm Environment Institute	International Cooperation Agency	United Nations Environment Programme	Subtotal Per Project	PEMSEA*	Cost Sharing Agreement**	Grand Total
Receipts:												
Grants	\$1,384,135	\$213,645	\$162,918	\$99,980	\$44,985	\$5,987	\$ -	\$ -	\$1,911,650	\$ -	\$554,495	\$2,466,145
Interest	-	-	-	-	-	-	-	-	-	2,108	-	2,108
Donations	-	-	-	-	-	-	-	-	-	1,241	-	1,241
Total receipts	1,384,135	213,645	162,918	99,980	44,985	5,987	-	-	1,911,650	3,349	554,495	2,469,494
Expenses:												
Project expenses	1,124,940	163,075	-	6,655	24,597	2,000	31,209	10,121	1,362,597	29,332	73,647	1,465,576
Salaries and wages	148,345	-	-	-	-	-	-	-	148,345	-	387,635	535,980
Travel and meeting	55,686	-	-	-	-	-	-	-	55,686	-	81,260	136,946
Professional fees	-	-	-	-	-	-	-	-	-	-	10,137	10,137
Depreciation and amortization	1,363	-	-	-	-	-	-	-	1,363	-	-	1,363
Others	45,849	1,888	-	359	-	-	736	-	48,832	3,161	1,816	53,809
Total expense	1,376,183	164,963	-	7,014	24,597	2,000	31,945	10,121	1,616,823	32,493	554,495	2,203,811
Excess of receipts over expenses	\$7,952	\$48,682	\$162,918	\$92,966	\$20,388	\$3,987	(\$31,945)	(\$10,121)	\$294,827	(\$29,144)	\$ -	\$265,683

*Represents expenses not charged to a specific project

**Lifted from the 2013 Combined Delivery Report

Basis of Preparations

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; 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 PFRS.

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 is 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 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.

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 Project Steering Committee.

Cash contributions received by UNDP are as follows:

	2014	2013
State Oceanic Administration of the People's Republic of China	\$177,274	\$ -
Ministry of Marine Affairs and Fisheries of the Republic of Korea	116,827	188,112
Ministry of Land, Infrastructure, and Transportation of Japan	51,382	125,000
	\$345,483	\$313,112

Global Environment Facilities

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

	2014	2013
Twinning Arrangements for River Basin and Coastal Area Management	\$251,726	\$102,466
Scaling up Integrated Coastal Management (ICM) Programs	246,584	352,947
Project Management	66,570	115,983
Intellectual Capacity and Human Resources	37,229	477,775
Public and Private Sector Investment and Financing in Environmental Infrastructure Projects and Services	12,521	19,461
Strategic Partnership Arrangements	-	145,195
Functional Regional Mechanism for SDS-SEA Implementation	-	98,061
Corporate Social Responsibility for Sustainable Development of Coastal and Marine Resources	-	34,967
National Policies and Reforms for Sustainable Coastal and Ocean Governance	-	29,328
	\$614,630	\$1,376,183

Twinning Arrangements for River Basin and Coastal Area Management

This component contains south-south and north-south twinning arrangements established for integrated management of watersheds, estuaries and adjacent coastal seas, promoting knowledge and experience sharing and collaboration for the implementation of management programs in environmental hotspots of the region.

Scaling Up ICM Programs

This component focuses on the implementation of ICM scaled up as an on-the-ground framework for achieving sustainable development of coastal lands and waters in at least 5% of the total coastline of the region.

Project Management

This component involves project management and coordination, financial management, office administration, and human resources management.

Intellectual Capacity and Human Resources

This component emphasizes the use of the region's intellectual capital and human resources strengths, and addressing policy, economic, scientific, technical and social challenges and constraints to integrated management and sustainable use of the marine and coastal environment and resources of the Seas of East Asia.

Public and Private Sector Investment and Financing in Environmental Infrastructure Projects and Services

This component promotes cooperation from public and private sectors in achieving environmental sustainability through the mobilization of investments in pollution reduction facilities and services.

Strategic Partnership Arrangements

This component focuses on the development and implementation of the Strategic Partnership for the SDS-SEA, functioning as a mechanism for GEF, the World Bank, the UNDP, and other international and regional partners to incorporate and coordinate their strategic action plans, programs and projects under the framework of the SDS-SEA, thus promoting greater sustainability and political commitment to the effort.

Functional Regional Mechanism for SDS-SEA Implementation

This component focuses on coordination, evaluation and the implementation of the SDS-SEA and advancement of the regional partnership arrangement through inter-government and multi-sectoral EAS Partnership Council.

Corporate Social Responsibility for Sustainable Development of Coastal and Marine Resources

This component focuses on multinational and national corporations integrating social responsibility into their organizational strategies, programs and practices, and facilitating the replication and scaling up of capacities in sustainable development of marine and coastal resources among local governments and communities of the region.

National Policies and Reforms for Sustainable Coastal and Ocean Governance

This component includes development and implementation of national policies and programs on sustainable coastal and ocean development mainstreamed into social and economic development programs of participating countries.

Under the GEF/UNDP/PEMSEA Project on Scaling up Implementation of the SDS-SEA, the project will focus on three key components, namely:

Component 1 On Partnerships in Coastal and Ocean Governance

This component aims to enable a self-sustaining, country-owned regional mechanism governing the LMEs in the East Asian region, including partnerships with other regional and subregional governance mechanisms; adoption of ocean policy, legal instruments and institutional improvements by national and local governments; and innovative financing mechanisms for the continuing support services required by countries for SDS-SEA implementation.

Component 2 On Healthy and Resilient Marine and Coastal Ecosystems

This component aims to increase areal extent of healthy and resilient habitats through conservation-focused ICM programs; by improving management of over exploited and depleted fisheries; reducing discharge of pollutants from land-based activities and improving water use efficiency and conservation; increasing preparedness and capability of coastal communities to respond to natural and man-made hazards; and use of economic and investment instruments to generate funds to rehabilitate and sustain coastal and marine ecosystem services.

Component 3 On Knowledge Platform for Building an Ocean-based Blue Economy

This component aims to develop a knowledge platform for building a sustainable ocean-based blue economy by catalyzing resource allocation for ICM, CCA/DRR and SAP/NAP implementation at national and subregional/LME levels in the East Asian region, in partnership with the YSLME and WCPFC projects under the GEF/UNDP program framework entitled "Reducing Pollution and Rebuilding Degraded Marine Resources in the East Asian Seas through Implementation of Intergovernmental Agreements and Catalyzed Investments"; the 6 projects under the GEF/World Bank program framework entitled "Applying Knowledge Management to Scale up Partnership Investments for Sustainable Development of Large Marine Ecosystems of East Asia and their Coasts"; GEF IW Learn; and other relevant regional and global KM networks.