PEMSEA RESOURCE FACILITY CENTER

FINANCIAL STATEMENTS
December 31, 2024 and 2023

With Independent Auditors' Report

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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, 2024 and 2023, and the statements of receipts and expenses and other comprehensive 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, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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.

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 PFRS Accounting 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.

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, 2024 and 2023 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 2024 and 2023 Combined Delivery Report. Accordingly, it is inappropriate to and we do not express opinion on the information referred to above.

R.G. MANABAT & CO.

Markent Ronie R. Tampoc

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covering the audit of 2021 to 2025 financial statements
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BIR Accreditation No. 08-001987-151-2025
Issued January 8, 2025; valid until January 8, 2028
PTR No. MKT 10467155
Issued January 2, 2025 at Makati City

April 28, 2025
Makati City, Metro Manila

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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, 2024, on which we have rendered our report thereon dated April 28, 2025.

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.

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April 28, 2025
Makati City, Metro Manila

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2024**	2023
ASSETS			
Current Assets			
Cash	*4, 17*	**$3,695,516**	$3,359,740
Receivables	*5, 17*	**114,133**	26,353
Total Current Assets		**3,809,649**	3,386,093
Noncurrent Assets			
Financial asset at fair value through other comprehensive income (FVOCI)	*6, 17*	**49,703**	52,197
Property and equipment - net	*7*	**17,926**	25,669
Other noncurrent assets	*8, 17*	**42,144**	27,422
Total Noncurrent Assets		**109,773**	105,288
		$3,919,422	$3,491,381
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other liabilities	*9, 17*	**$283,997**	$343,399
Deferred grants	*10*	**1,755,827**	1,381,556
Total Current Liabilities		**2,039,824**	1,724,955
Noncurrent Liabilities			
Defined contribution liability	*11*	**173,909**	179,870
Retirement benefit obligation	*11*	**64,239**	49,146
Total Noncurrent Liabilities		**238,148**	229,016
Total Liabilities		**2,277,972**	1,953,971
Equity			
Fund balance		**1,626,419**	1,515,016
Reserve for remeasurements on retirement benefit obligation	*11*	**35,762**	40,631
Accumulated changes in fair value of financial asset at FVOCI	*6*	**(20,731)**	(18,237)
Total Equity		**1,641,450**	1,537,410
		$3,919,422	$3,491,381

See Notes to the Financial Statements.

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

		Years Ended December 31	
	Note	**2024**	2023
RECEIPTS			
Grants and donations	*12*	**$3,380,711**	$2,967,304
Other income - net	*15*	**285,783**	169,836
		3,666,494	3,137,140
EXPENSES			
Project expenses	*13*	**3,175,759**	2,778,712
General and administrative expenses	*14*	**379,332**	286,203
		3,555,091	3,064,915
Excess of Receipts over Expenses		**111,403**	72,225
Other Comprehensive Loss			
Items that will not be reclassified to receipts and expenses			
Remeasurement loss on retirement benefit obligation	*11*	**(4,869)**	(13,898)
Fair value loss on financial asset at FVOCI	*6*	**(2,494)**	(4,414)
		(7,363)	(18,312)
Total Comprehensive Income for the Year		**$104,040**	$53,913

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF CHANGES IN EQUITY

	Fund Balance	Reserve for Remeasurements on Retirement Benefit Obligation (Note 11)	Accumulated Changes in Fair Value of Financial Asset at FVOCI (Note 6)	Total
				Years Ended December 31
Balance at January 1, 2023	$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
Total Comprehensive Income for the Year				
Excess of receipts over expenses for the year	111,403			111,403
Other comprehensive loss for the year:				
Remeasurement loss on retirement benefit obligation	-	(4,869)		(4,869)
Fair value loss on financial asset at FVOCI	-	-	(2,494)	(2,494)
Total Comprehensive Income	111,403	(4,869)	(2,494)	104,040
Balance at December 31, 2024	**$1,626,419**	**$35,762**	**($20,731)**	**$1,641,450**

See Notes to the Financial Statements.

PEMSEA RESOURCE FACILITY CENTER
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of receipts over expenses		**$111,403**	$72,225
Adjustments for:			
Defined contribution expense	*11*	**173,909**	179,870
Depreciation	*7*	**19,936**	6,979
Retirement benefit expense	*11*	**12,403**	16,829
Loss on derecognition of advances to a supplier	*8, 15*	**7,374**	-
Unrealized foreign exchange loss	*15*	**1,968**	4,502
Interest income	*4, 15*	**(1,765)**	(2,015)
Excess of receipts over expenses before changes in working capital		**325,228**	278,390
Decrease (increase) in receivables		**(87,780)**	16,218
Increase (decrease) in:			
Accrued expenses and other liabilities		**(58,930)**	68,800
Deferred grants		**374,271**	264,594
Cash generated from operations		**552,789**	628,002
Interest received		**1,765**	2,015
Contributions to defined contribution plan	*16*	**(179,870)**	(141,877)
Retirement benefits paid	*11*	**-**	(47,646)
Net cash provided by operating activities		**374,684**	440,494
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	*7*	**(12,193)**	(27,045)
Advances to a supplier	*8*	**-**	(7,374)
Cash used in investing activities		**(12,193)**	(34,419)
Effect of exchange rate changes on cash		**(4,619)**	(3,117)
NET INCREASE IN CASH		**357,872**	402,958
CASH AT BEGINNING OF YEAR			
Cash	*4*	**3,359,740**	2,966,337
Other noncurrent assets	*8*	**20,048**	10,493
		3,379,788	2,976,830
CASH AT END OF YEAR			
Cash	*4*	**3,695,516**	3,359,740
Other noncurrent assets	*8*	**42,144**	20,048
		$3,737,660	$3,379,788

See Notes to the 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 October 2024.

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 (PFRS) Accounting Standards. PFRS Accounting Standards are based on International Financial Reporting Standards (IFRS Accounting Standards) issued by the International Accounting Standards Board (IASB). PFRS Accounting Standards, which are issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC), consist of PFRS, 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 28, 2025.

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 PFRS Accounting Standards 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.

Judgment
In the process of applying the Center's accounting policies, management has made the following judgment, apart from those involving estimations, that has 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.

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 are as follows:

Estimating Impairment on Financial Assets
Expected credit losses (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 2024 and 2023 amounted to nil and $22,336, respectively (see Note 5).

The carrying amount of the Center's receivables as at December 31, 2024 and 2023 amounted to $114,133 and $26,353, respectively (see Note 5).

3. Material Accounting Policies

The accounting policies set out below have been applied consistently by the Center to all years presented in these financial statements. There are no new standards and amendments to standards and interpretations effective starting January 1, 2024 that are applicable or material to the Center's 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, 2024. 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, 2026

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments relate to the date of recognition and derecognition, classification of financial assets, contractually linked instruments and non-recourse features, and disclosures on investments in equity instruments.

Date of recognition and derecognition. The amendments clarified that:

- a financial asset or financial liability is recognized on the date on which the entity becomes party to the contractual provisions of the instrument unless the regular way exemption applies;

- a financial asset is derecognized on the date on which the contractual rights to cash flows expire or the asset is transferred; and

- a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires or the liability otherwise qualifies for derecognition.

However, the amendments provide an exception for the derecognition of financial liabilities where an entity may choose to derecognize a financial liability that is settled using an electronic payment system before the settlement date if, and only if, the entity has initiated the payment instruction that resulted in:

- the entity having no practical ability to withdraw, stop or cancel the payment instruction;

- the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and

- the settlement risk associated with the electronic payment system is insignificant.

Entities may choose to apply the exception on a system-by-system basis.

Classification of financial assets. The amendments related to classification of financial assets introduces an additional test to assess whether the solely payments of principal and interest (SPPI) criterion is met for financial assets with contingent features that are not related directly to a change in basic lending risks or costs.

The amendments clarified that when a contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs, the financial asset has contractual cash flows that are SPPI if, and only if, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.

Additional disclosures are required for all financial assets and financial liabilities that have certain contingent features that are not related directly to a change in basic lending risks or costs and are not measured at fair value through profit or loss (FVTPL).

Contractually linked instruments and non-recourse features. The amendments clarify the key characteristics of contractually linked instruments (CLIs) and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test). For example, it clarifies that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets; that CLIs have non-recourse features, but not all financial assets with non-recourse features are CLIs; and that the underlying pool of instruments of CLIs may include financial assets outside the scope of PFRS 9.

Disclosures on investments in equity instruments. The amendments require additional disclosures for investments in equity instruments that are measured at FVOCI. The entity discloses for each class of investment the fair value gain or loss presented in other comprehensive income (OCI) during the period, showing separately the fair value gain or loss related to investments derecognized during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period. It also discloses any transfers of the cumulative gain or loss within equity during the reporting period related to investments derecognized during that reporting period.

The amendments apply for reporting periods beginning on or after January 1, 2026. Earlier application is permitted. Entities may choose to early-adopt the amendments for the recognition and derecognition of financial assets and financial liabilities separately from the other amendments.

- *Annual Improvements to PFRS Accounting Standards – Volume 11*. This cycle of improvements contains amendments to five standards. The amendments that are relevant to the Center are as follows:

  - Gain or Loss on Derecognition (Amendments to PFRS 7). The amendments replaced the reference to 'inputs that were not based on observable market data' in the obsolete paragraph 27A of PFRS 7, with reference to 'unobservable inputs' in paragraphs 72-73 of PFRS 13, *Fair Value Measurement*.

  - Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7). The amendments:

    - clarified that the Guidance on implementing PFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7;

    - made the wordings on the disclosure of deferred difference between fair value and transaction price in paragraph IG14 of PFRS 7 consistent with the requirements in paragraph 28 of PFRS 7 and with the concepts in PFRS 9 and PFRS 13; and

    - simplified the wordings on credit risk disclosures in paragraph IG20B that the illustration does not include financial assets that are purchased or originated credit impaired.

  The amendments apply for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted.

Effective January 1, 2027

- *PFRS 18, Presentation and Disclosure in Financial Statements* will replace PAS 1, *Presentation of Financial Statements* and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.

  - *A more structured income statement.* PFRS 18 promotes a more structured income statement. It introduces a newly defined ‘operating profit or loss’ and ‘profit or loss before financing and income tax’ subtotals, and a requirement for all income and expenses to be classified into three new distinct categories - operating, investing, and financing - based on a company’s main business activities. PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis. Companies need to choose the presentation method that provides the ‘most useful structured summary’ of those expenses. New disclosures apply if any operating expenses are presented by function.

  - *Management-defined performance measures.* PFRS 18 provides a definition for management-defined performance measures (MPMs) and introduces specific disclosure requirements. MPMs are subtotals of income and expenses that are used in public communications outside the financial statements, communicate management's view of an aspect of the financial performance of the entity as a whole and are not a required subtotal or a common income and expense subtotal listed in PFRS 18. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRS Accounting Standards.

  - *Greater disaggregation of information.* PFRS 18 provides enhanced guidance on how companies group information in the financial statements, including newly defined roles of the primary financial statements and the notes, principles of aggregation and disaggregation based on shared and non-shared characteristics, and specific guidance for labelling and describing items in a way that faithfully represents an item’s characteristics.

  Consequential amendments to PAS 7, *Statement of Cash Flows* requires the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

  PFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. It applies retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Specific reconciliations are required to be disclosed.

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, 2024 and 2023, 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.

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 generally considers contingent events that would change the amount or timing of cash flows.

Classification and Subsequent Measurement - Financial Liabilities
Accrued expenses and other liabilities (excluding employee retirement contributions payable) 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, 2024 and 2023, the Center does not have financial liabilities classified as at FVTPL. 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 receipts and expenses.

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 the statements of receipts and expenses and other comprehensive 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 the statements of receipts and expenses and other comprehensive loss.

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 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) 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.

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.

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

	2024	2023
Cash on hand	**$1,005**	$1,005
Cash in banks	**3,694,511**	3,358,735
	$3,695,516	$3,359,740

Cash in banks earn interest based on the prevailing interest rate. Interest income earned amounted to $1,765 and $2,015 in 2024 and 2023, 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:

	2024	2023
Due from projects	**$63,853**	$5,891
Grant receivables	**49,939**	15,542
Other receivables	**341**	4,920
	$114,133	$26,353

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.

Due from projects are the project expenses advanced by the Center not yet reimbursed.

Other receivables mainly pertain to receivable from officers and employees. In 2023, a receivable from a third-party contractor amounting to $22,336 was written off as the Center assessed that it is no longer collectible and was recognized as part of indirect project expenses (see Note 13).

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 unit investment trust fund (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:

	2024	2023
Fair value at beginning of year	**$52,197**	$56,611
Unrealized loss on fair value	**(2,494)**	(4,414)
Fair value at end of year	**$49,703**	$52,197

The movements in "Accumulated changes in fair value of financial asset at FVOCI" account for the years ended December 31 are as follows:

	2024	2023
At beginning of the year	**($18,237)**	($13,823)
Unrealized loss on fair value	**(2,494)**	(4,414)
At end of year	**($20,731)**	($18,237)

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, 2023					
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
For the year ended December 31, 2024					
Opening net carrying value	-	-	25,669	-	25,669
Additions	-	-	12,193	-	12,193
Depreciation	-	-	(19,936)	-	(19,936)
Closing net carrying value	-	-	17,926	-	17,926
At December 31, 2024					
Cost	$197,840	$4,090	84,314	30,343	316,587
Accumulated depreciation	(197,840)	(4,090)	(66,388)	(30,343)	(298,661)
Net carrying value	**$ -**	**$ -**	**$17,926**	**$ -**	**$17,926**

Depreciation are charged to the following:

	Note	2024	2023
Project expenses	*13*	**$10,587**	$5,430
General and administrative expenses	*14*	**9,349**	1,549
		$19,936	$6,979

8. Other noncurrent assets

Other noncurrent assets at December 31 consist of:

	Note	2024	2023
Employee retirement contributions	*9, 11*	**$42,144**	$20,048
Advances to a supplier		**-**	7,374
		$42,144	$27,422

Employee retirement contributions 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, 2024 and 2023 (see Note 9).

In 2023, the Center paid advances to a supplier representing downpayment related to future purchase of an accounting software amounting to $7,374. In 2024, the Center derecognized said advances as the Center decided not to proceed with the purchase of said accounting software and recorded the loss as part of “Other income - net" (see Note 15).

9. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities as at December 31 consist of:

	Note	**2024**	2023
Accrued expenses:			
Employee benefits		**$111,736**	$230,139
Professional fees		**65,433**	27,598
Funds held in trust		**64,684**	65,614
Employee retirement contributions	*8, 11*	**42,144**	20,048
		$283,997	$343,399

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:

	2024	2023
Ministry of Oceans & Fisheries, Republic of Korea	**$728,192**	$1,005,457
Department of Climate Change, Energy, Environment & Water, Australian Government	**366,068**	-
Global Environment Facility	**235,151**	40,289
State Oceanic Administration, People's Republic of China	**139,172**	131,737
International Maritime Organization	**86,768**	81,938
United Nations Office for Project Services	**82,385**	38,025
Asean Center for Biodiversity	**78,609**	-
Timor Leste	**25,819**	67,468
Department of Agriculture	**12,940**	15,394
Coca-Cola Foundation Philippines, Inc.	**723**	1,248
	$1,755,827	$1,381,556

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 percent of the final average remuneration; ii) the next five years of contributory service, by 1.75 percent of the final average remuneration; iii) the next 25 years of contributory service, by 2 percent of the final average remuneration; and iv) the years of contributory service in excess of 35, by 1 percent of the final average remuneration, subject to a maximum total accumulation rate of 70 percent; 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 percent of the final average remuneration; ii) the years of contributory service in excess of 30, but not exceeding five, by 1 percent of the final average remuneration; and iii) the years of contributory service in excess of 35 by 1 percent of the final average remuneration, subject to a maximum total accumulation rate of 70 percent.

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, 2024. Valuations are obtained on an annual basis.

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

	2024	2023
Present value of defined benefit obligation	**$87,249**	$73,138
Fair value of plan assets	**(23,010)**	(23,992)
	$64,239	$49,146

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

	2024	2023
Beginning of the year	**$73,138**	$88,752
Current service cost	**9,191**	12,428
Interest cost	**4,780**	5,998
Remeasurement loss (gain) arising from:		
Financial assumptions	**1,979**	12,542
Experience adjustment	**1,322**	(241)
Effect of movement in exchange rates	**(3,161)**	1,305
Benefits paid directly by the Center	**-**	(47,646)
End of the year	**$87,249**	$73,138

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

	2024	2023
Beginning of the year	**$23,992**	$23,897
Interest income	**1,568**	1,597
Remeasurement loss on plan assets	**(1,568)**	(1,597)
Effect of movement in exchange rates	**(982)**	95
End of the year	**$23,010**	$23,992

The amounts of retirement benefit expense recognized as part of personnel cost under project expenses for the years ended December 31, 2024 and 2023 in relation to defined benefit plan are as follows:

	2024	2023
Current service cost	**$9,191**	$12,428
Net interest cost	**3,212**	4,401
	$12,403	$16,829

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

	2024	2023
Balance at beginning of the year	**$40,631**	$54,529
Remeasurement gain (loss) arising from:		
Financial assumptions	**(1,979)**	(12,542)
Experience adjustment	**(1,322)**	241
Remeasurement loss on plan assets	**(1,568)**	(1,597)
	(4,869)	(13,898)
Balance at end of the year	**$35,762**	$40,631

The composition of the plan assets as at December 31 follows:

	2024		2023	
Government securities	**$17,258**	**75%**	$18,061	75%
Unitized investment trust funds	**4,372**	**19%**	3,793	16%
Other securities and debt instruments	**1,150**	**5%**	1,639	7%
Cash and cash equivalents	**230**	**1%**	499	2%
	$23,010	**100%**	$23,992	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:

	2024	2023
Discount rate	**6.15%**	6.75%
Future salary growth	**3.00%**	3.00%

Assumptions regarding future mortality rates are in accordance with the 1994 Group Annuity Mortality table.

The weighted-average duration of the retirement benefit obligation is 3.8 years and 4.7 years as at December 31, 2024 and 2023, respectively.

Maturity analysis of the benefit payments is as follows:

	Contractual Cash Flows	**Within One Year**	**Within 2 - 5 Years**	**More than 5 Years**
2024	**$148,754**	**$19,300**	**$55,350**	**$74,104**
2023	$109,074	$1,051	$58,953	$49,070

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, 2024			
Discount rate	+/- 100bps	**($3,478)**	**$3,218**
Future salary increase rate	+/- 100bps	**3,553**	**(3,344)**
As at December 31, 2023			
Discount rate	+/- 100bps	($3,586)	$3,309
Future salary increase rate	+/- 100bps	3,685	(3,456)

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	**2024**	2023
Employee contributions:			
Other noncurrent assets	*8*	**$42,144**	$20,048
Accrued expenses and other liabilities	*9*	**42,144**	20,048
Employer contributions:			
Defined contribution liability		**173,909**	179,870

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, 2024 and 2023 (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:

	Note	2024	2023
Direct project expenses	*13*	**$130,432**	$134,903
Indirect project expenses	*13*	**26,086**	26,980
General and administrative expenses	*14*	**17,391**	17,987
		$173,909	$179,870

12. Grants and Donations

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

	2024	2023
Global Environment Facility	**$1,432,717**	$1,453,311
Ministry of Oceans and Fisheries, Republic of Korea	**1,319,308**	1,011,347
Republic of the Philippines	**270,513**	201,039
Ministry of Land Infrastructure and Transportation, Government of Japan	**101,326**	87,114
Ministry of Natural Resources, The People's Republic of China	**61,077**	65,182
Department of Climate Change, Energy and Water, Australian Government	**50,452**	-
Ministry of Agriculture and Fisheries of Timor-Leste	**41,649**	42,133
International Maritime Organization	**37,545**	42,243
Government of Singapore	**20,000**	20,000
Government of Indonesia	**20,000**	-
Ministry of Natural Resources and Environment, Vietnam	**12,000**	-
Korea Institute of Science and Technology (KIOST)	**11,144**	15,000
Department of Agriculture-PRDP	**2,454**	-
Coca-Cola Foundation Philippines, Inc.	**526**	29,935
	$3,380,711	$2,967,304

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 on Biofouling Management.

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.

Government of Indonesia
Sustainable Development Strategy for the Seas of East Asia (SDS-SEA)
As part of the Cost Sharing Agreement (CSA) between PEMSEA Resource Facility and the donor agency as the instrument for cash contributions to support the Center's secretariat services for the purpose of implementing the SDS-SEA, PEMSEA receives and administers the payment of contributions from the Ministry of Environment and Forests of the Republic of Indonesia, in accordance with its rules and directives.

Ministry of Natural Resources and Environment, Vietnam

In line with the commitment, it made during the 30th EC meeting dated March 28, 2023, the Ministry of Natural Resources and Environment through Vietnam Agency of Seas and Islands (VASI), committed to contribute $12,000 to the Center's operations on an annual basis.

Department of Climate Change, Energy, the Environment and Water (DCCEEW), Australian Government

DCCEEW is the lead agency of the Australian government in response to climate change, sustainable energy use and environment, heritage and water protection. The Australian government entered into an agreement through DCCEEW with PEMSEA to support the Arafura and Timor Seas Ecosystem Action (ATSEA) program in the implementation of the Regional Action Plan (RAP) on abandoned, lost and otherwise discarded fishing gears (ALDFG) as recognized in the endorsed ATSEA Strategic Action Plan (SAP).

Korea Institute of Science and Technology (KIOST)

KIOST, as a global leading institute for ocean science and technology development, recognizes biofouling is a serious threat to the ocean economy through spreading alien aquatic species and causing high fuel consumption of vessels, among others. KIOST is currently conducting research on biofouling management and evaluation methodologies commissioned by the RO Korean government in order to support the government's pre-emptive action towards IMO regulation on biofouling. This agreement relates to specific action relating to the KIOST-PEMSEA joint activities in the biofouling management in the East Asian Seas region.

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.

13. Project Expenses

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

	Note	2024	2023
Direct project expenses			
Personnel cost	*11*	**$1,138,677**	$989,991
Training		**687,863**	489,198
Subcontract		**534,697**	519,123
Consultancy fees		**368,408**	280,966
Travel and meetings		**149,826**	169,388
Other direct costs including depreciation*	*7*	**119,024**	147,857
		2,998,495	2,596,523
Indirect project expenses			
Personnel cost	*11, 16*	**137,363**	122,996
Overhead		**25,421**	21,081
Travel and meetings		**14,480**	12,928
Written-off receivable from a contractor	*5*	**-**	22,336
Depreciation	*7*	**-**	2,848
		177,264	182,189
		$3,175,759	$2,778,712

**Depreciation attributable to direct project expenses amounted to $10,587 and $2,582 in 2024 and 2023, respectively.*

14. General and Administrative Expenses

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

	Note	2024	2023
Office space rental		**$227,958**	$164,485
Personnel cost	*11*	**80,043**	64,641
Janitorial and security services		**23,968**	20,833
Consultancy		**19,427**	18,974
Utilities		**18,587**	15,721
Depreciation	*7*	**9,349**	1,549
		$379,332	$286,203

15. Other Income - net

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

	Note	2024	2023
Training and execution fees		**$298,898**	$171,711
Interest income	*4*	**1,765**	2,015
Foreign exchange loss - net		**(7,506)**	(3,722)
Others	*8*	**(7,374)**	(168)
		$285,783	$169,836

Net foreign exchange loss charged to statements of receipts and expenses and other comprehensive loss for the years ended December 31, 2024 and 2023 amounted to $7,506 and $3,722, of which net unrealized foreign exchange loss amounting to ($1,968) and ($4,502), respectively, are included.

16. Related Party Transactions

Compensation and other short-term benefits of key management personnel amounted to $170,040 and $173,823 in 2024 and 2023, respectively, and is included as part of personnel cost under project expenses account presented in the statements of receipts and expenses and other comprehensive loss (see Note 13).

There are no retirement benefits incurred for key management personnel in 2024 and 2023.

The Center has contributions amounting to $179,870 and $141,877 in 2024 and 2023, 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:

	2024	2023
Current assets		
Cash	**Php10,228,733**	Php11,796,915
Financial asset at FVOCI	**2,874,954**	2,895,497
	13,103,687	14,692,412
Noncurrent asset		
Other noncurrent asset	**2,473,840**	1,112,131
Total assets	**15,577,527**	15,804,543
Current Liabilities		
Accrued expenses and other liabilities	**3,519,253**	2,158,963
Net foreign currency-denominated assets	**Php12,058,274**	Php13,645,580
USD equivalent	**$208,466**	$245,986

The exchange rates of US Dollar to Philippine peso as at December 31 are as follows:

Year	Average Rate	Spot Rate
2024	**Php57.30**	**Php57.84**
2023	Php55.68	Php55.47

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:

	2024	2023
Foreign currency denominated net assets	**Php12,058,274**	Php13,645,580
Reasonably possible change in exchange rates	**0.85**	0.50
Effect on receipts and expenses for the year and equity	**($3,009)**	($2,198)

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, 2024

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	**$3,694,511**	**$ -**	**$3,694,511**	Performing	12-month ECL
Receivables	**114,133**	**-**	**114,133**	Performing	12-month ECL
Other non-current assets	**42,144**	**-**	**42,144**	Performing	12-month ECL
Total	**$3,850,788**	**$ -**	**$3,850,788**		

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.*

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, 2024	**$241,853**	**$ -**	**$241,853**
December 31, 2023	$323,351	$ -	$323,351

**Excluding employee retirement contributions amounting to $42,144 and $20,048 as at December 31, 2024 and 2023, respectively.*

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 $49,703 and $52,197 as at December 31, 2024 and 2023, 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 (RR) 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, 2024, 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, 2024	GEF/ UNDP	ROK	Australia	KIOST	Singapore	Indonesia	Vietnam	IMO	CHINA/ MNR	TIMOR LESTE	Coke Foundation	Sub-total Project	PEMSEA	UNDP Japan Cont	Grand Total
Receipts															
Grant	$1,432,717	$1,319,308	$50,452	$11,144	$20,000	$20,000	$12,000	$37,545	$61,077	$41,649	$526	$3,006,418	$2,454	$101,326	$3,110,198
PEMSEA services	-	-	-	-	-	-	-	-	-	-	-	-	291,524	-	291,524
Interest income from deposits	155	189	-	-	-	-	-	40	-	-	4	388	1,376	-	- 1,764
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,432,872	1,319,497	50,452	11,144	20,000	20,000	12,000	37,585	61,077	41,649	530	3,006,806	295,354	101,326	3,403,486
Expenses															
Project expenses	1,432,717	1,158,924	50,452	11,144	-	-	-	37,545	-	41,649	526	2,732,957	-	-	2,732,957
Office space rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personnel cost	-	122,915	-	-	-	13,776	5,399	-	60,467	-	-	202,557	149,044	49,477	401,078
Professional fees	-	-	-	-	19,427	-	-	-	-	-	-	19,427	-	-	19,427
Consultancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Janitorial and security services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel and meeting	-	32,945	-	-	-	6,186	6,591	-	-	-	-	45,722	8,910	51,849	106,481
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	9,349	-	9,349
Foreign exchange loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- -
Others	-	4,524	-	-	5	38	10	-	610	-	-	5,187	7,379	-	12,566
	1,432,717	1,319,308	50,452	11,144	19,432	20,000	12,000	37,545	61,077	41,649	526	3,005,850	174,682	101,326	3,281,858
Excess of receipts over expenses	$155	$189	$ -	$ -	$568	$ -	$ -	$40	$ -	$ -	$4	$956	$120,672	$ -	$121,628

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	-	-	-	-	-	-	7,574	-	12,928	20,502
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	1,549	-	1,549
Foreign exchange loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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

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 PFRS Accounting Standards.

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:

	2024	2023
The Implementation of the Arafura and Timor Seas Regional and National Strategic Action Programme (ATSEA 2)	**$608,760**	$918,949
Reducing Pollution and Preserving Environmental Flows in the East Asian Seas through the Implementation of the Integrated River Basin Management in ASEAN Countries	**823,957**	534,362
	$1,432,717	$1,453,311

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.