



PHILIPPINES

ANNUAL REPORT 2014

VISION

A world free from all forms of **exploitation** and **discrimination** where everyone has the opportunity to **realise their potential**.

MISSION

Our mission is to **empower people and communities** in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to **achieve large-scale, positive changes** through economic and social programmes that enable women and men to **realise their potential**.

VALUES

Integrity
Innovation
Inclusiveness
Effectiveness

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CHAIRPERSON'S STATEMENT

It gives me great pleasure to present the annual report and the audited financial statements for the year ending 31 December 2014.

After two years of rapid economic growth, Philippines saw a decline in 2014. Though there has been an increase from 13.9 per cent to 15 per cent in the educational expenditure during 1999 to 2011, it is far from the suggested 20 per cent of the national economy. It is still one of the top ten countries with the highest out-of-school population. The quality of education provided is hindered due to economic disparity and the geography of the nation.

To improve the quality and access to kindergarten and elementary school education, BRAC Philippines has established 1,220 learning centres in the Autonomous Region of Muslim Mindanao (ARMM) in association with local NGOs. These learning centres spread across five provinces of ARMM reach out to 38,084 disadvantaged students.

This year, BRAC integrated the essential health care programme in 400 learning centres, aiming to improve hygiene practices among the students. BRAC also provides various capacity-building training to teachers and personnel of government's education department to improve in areas of pedagogy and management.



While these achievements are commendable, a large number of children in ARMM and other parts of Philippines are still out of school, deprived of their right to education. Although, the responsibility lies with the government to ensure education for its citizens, I feel, it is also our moral obligation as a development organisation to support the government in achieving the MDG goal of universal primary education.

I would like to take this opportunity to thank our team in the Philippines who are working towards achieving quality education in the ARMM region. I extend my sincere thanks to the members of the governing body, whose leadership and foresight has continuously been of great value. I would also like to thank the government of Philippines and our development partners for their continued support and acknowledgement of our contribution to aid with the country's growth and development.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

BRAC INTERNATIONAL

GOVERNANCE AND MANAGEMENT

1. GOVERNANCE

1.1 THE LEGAL STATUS OF BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International under the laws of the Netherlands, with its seat in The Hague. All of BRAC International's development entities operate under this umbrella. Development programmes include health, education, agriculture, livelihoods, targeting the ultra poor, human rights and legal services. BRAC International Holdings BV is a wholly owned subsidiary of Stichting BRAC International and was incorporated in 2010. BRAC International's microfinance programmes, social enterprises and investment companies are consolidated under this wing. The social programmes supporting the enterprises currently include seed production, feed mills, training centres and tissue culture lab. BRAC International has introduced programmes in Afghanistan, Haiti, Sri Lanka, Pakistan, Uganda, Tanzania, South Sudan, Sierra Leone, Liberia, the Philippines and Myanmar. In each of these countries, it is legally registered with the relevant authorities.

1.2 GOVERNING BODY

BRAC International is governed by a governing body. The governing body is elected from amongst distinguished individuals with sound reputation in the sector of social development, businesses or professions who have demonstrated their personal commitment to pro-poor causes. These individuals are elected in the governing body to bring their diverse skills, knowledge and experiences to the governance of BRAC International. At present, there are 10 members in the governing body. The governing body usually meets four times a year, in accordance with the rules of Stichting BRAC International. The composition of the present governing body of Stichting BRAC International is as follows:

Members of the governing body

Chairperson:

Sir Fazle Hasan Abed, KCMG

Members:

Dr Mahabub Hossain
Muhammad A (Rume) Ali
Ms Susan Davis
Ms Sylvia Borren
Dr Debapriya Bhattacharya
Ms Shabana Azmi
Mr Shafiq ul Hassan (Quais)
Ms Parveen Mahmud
Ms Irene Zubaida Khan

The composition of the present governing body of BRAC International Holdings BV is as follows:

Chairperson:

Sir Fazle Hasan Abed, KCMG

Members:

Dr Mahabub Hossain
Muhammad A (Rume) Ali
Ms Susan Davis
Ms Sylvia Borren
Orangefield (Netherlands) BV

Details about the roles of the governing body are available in the Deed of Incorporation of Stichting BRAC International and BRAC International Holdings BV.

1.3 FINANCE AND AUDIT COMMITTEE

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

1. Dr Mahabub Hossain, Chair
2. Ms Susan Davis, Member
3. Ms Sylvia Borren, Member
4. Ms Parveen Mahmud, Vice-Chair
5. Mr Faruque Ahmed, Member
6. Mr SN Kairy, Secretary of the Committee

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

- The financial reporting and budgeting processes
- The system of internal controls and risk assessment
- The compliance with legal and regulatory requirements
- The qualifications, independence, and performance of the external auditors
- The qualifications, independence, and performance of the internal audit function

1.4 LOCAL BOARDS

Each country entities have a local board. We have aimed to pursue

microfinance and development activities through separate entities in most of our countries. The local board members are appointed by Stichting BRAC International board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

1.5 ACCOUNTABILITY AND TRANSPARENCY

The internal audit department normally conducts audits at all our cost centres on a sample basis. All departments or units in which irregularities are detected through the course of regular internal audit are then audited. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

External audit of Stichting BRAC International, BRAC International Holdings BV and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards (IFRS) and the laws of relevant countries.

BRAC International strives for excellence and transparency in financial reporting. In Uganda, BRAC has been recognised as the best NGO in the Financial Reporting Awards in both 2011 and 2012. It received the first runner-up award in the same category in 2013 and 2014, for its preparation, disclosure and maintenance of a commendable financial reporting platform.

2. MANAGEMENT

At all levels of BRAC International's management, there is a clear-cut policy regarding the authority of each level of staff. Staff members are equipped and empowered to act as effective managers. This is clearly set out in BRAC International's Human Resources Policies and Procedures (HRPP) and the Table of Authority. The staff is empowered to take decisions at the

relevant levels and areas of management, including recruitment, deployment, capacity building, transfer, leave, financial transactions, purchase and procurement. These are described in detail to staff at the area, regional and country office levels.

The HRPP also contains all policies relating to staff salary, benefits, recruitment and promotion procedures, and payments. Every staff member receives orientation on HRPP. The Stichting board appoints officers, namely the executive director, senior directors, group chief financial officer (CFO), chief people officer (CPO) and finance director to manage affairs from the secretariat in Dhaka. BRAC International's management policies clearly define the authority of each level of staff. The appropriate staff are empowered to take decisions at the area, regional, country levels and the head office. Procedural manuals and policy documents are available to the staff. Day-to-day decisions are taken by area managers, regional coordinators and programme heads as appropriate, while larger policy decisions involve country representatives, executive director, senior directors, group CFO, finance director and CPO, in particular cases, the executive director, the chairperson and the governing body.

2.1 FINANCIAL MANAGEMENT

Matters relating to finance and accounts from branch offices to the country head offices are supervised and controlled by the country finance and accounts department. The branch offices prepare project-wise monthly cash requisitions, which are sent to the area/regional offices. The area/ regional offices check and monitor the accuracy of the requisition and transmit them to the country office. After checking, the country office disburses funds as per the requisitions. The area and branch offices send monthly expenditure statements along with bank statements to the country office's finance and accounts department. The country office then consolidates all the expenditure statements and prepares monthly financial statements and reports to BRAC International's head office (herein after secretariat) and donors, as required. A comprehensive accounting manual and statement of standard operating procedure guides the finance and accounts personnel to prepare the financial statements and reports in accordance with the accounting standards. It also guides them to run the financial activities in a systematic and efficient way. In consultation with different level of stakeholders, the country office prepares project-wise budgets, which are then sent to the secretariat. The secretariat reviews and performs analytical procedures on

the project budgets of its country offices, which are recommended by the finance director and finally approved by the group CFO. The secretariat consolidates all BRAC International country financials and produces the BRAC International budget and consolidated audited financials. The budget and the consolidations are submitted to the BRAC International governing body for approval.

2.2 INFORMATION TECHNOLOGY

The country IT department provides data to the country MIS and finance teams by managing financial and programme-related information. This data is used by country and head office personnel to prepare various financial and managerial reports and to monitor project progress. The IT team based in the secretariat also provides support relating to software update, troubleshooting and Enterprise Resource Planning (ERP) development. Country IT team is reportable to the respective country management and the worldwide operations are centrally administered by the secretariat.

2.3 HUMAN RESOURCE MANAGEMENT

In 2014, the human resources management team continued to improve BRAC International's human resources capacity, visibility, and practices through strategic interventions. The focus was a consolidation of systems and processes and embedding of new initiatives. Based on the human resources value proposition, a number of new initiatives were put in motion to drive organisational change through the following:

Human Resources Policies and Procedures (HRPP) Manuals and Orientation Programme: In 2013, country-specific human resources policies and procedures (HRPP) manuals were developed. To provide all staff with a clear understanding of the new HRPP, virtual training-of-trainers workshops were conducted. An expanded country-wide rollout of these workshops, driven by the BRAC International HR team, was completed in 2014.

Performance Management System (PMS): The new performance management system received significant focus in 2014. From country management to root level, a PMS orientation workshop was given to all staff. Clear guidelines were provided for more focused performance management, to discuss performance-related rewards and help develop low performers through a new performance improvement process.

Human Resources Management Capacity: In 2014, country-level HR

departments were strengthened and reorganised. BRAC South Sudan, BRAC Uganda, BRAC Tanzania, BRAC Myanmar and BRAC Afghanistan have newly recruited senior HR professionals, under which training has been centralised to provide impetus to staff learning and development. BRAC Uganda and BRAC Tanzania have new microfinance dedicated HR personnel to address the unique needs of those programmes.

Job Grading and Salary Scale Review:

A database of job descriptions was developed to allow structured evaluation of each position and salary surveys were conducted in each country with a view to compensation redesign.

Enterprise Resource Planning (ERP): To streamline HR processes, enhance staff data management and provide analytic capacity, an HR module in the new ERP system has been designed and piloted in-house.

Gender Audit: The HR management team at BRAC International embarked on an analysis of gender disaggregated data across countries to assess whether any sort of discrimination existed in recruitment, performance management, or rewards.

Training and Development: A number of new plans have been devised for strategic in-country capacity development with individual development plans set in line with performance appraisals. The first diversity management workshop was rolled out in December 2014 in Dhaka to cover staff transferred overseas as a precursor to a global diversity campaign. To build local capacity, the young professionals (YP) programme was launched in 2013 to fast-track high calibre fresh graduates into management positions across BRAC International. After completion of a six-month managerial and development competency training, 17 YPs were placed in specific roles in their respective countries in June 2014. They are regularly monitored through a three-way feedback process that includes mentor, mentee, and supervisor forms, including discussions with the YP point person at BRAC International.

BRAC International places high priority on training and developing the capacity of its staff. To date, BRAC has training centres in Liberia, Uganda and Afghanistan. In other countries, BRAC hires training facilitation centres near the area offices.

With enhanced recruitment and retention practices, this year saw an overall increase in hiring national staff and reduced staff turnover in the respective countries.



HIGHLIGHTS 2014

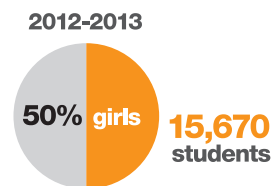
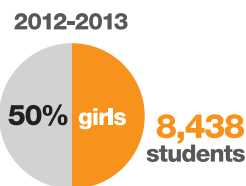
BRAC's education programme has become the largest secular and private education system in the world, reaching seven countries in total. At the pre-primary level, we target underprivileged children to prepare them for mainstream primary school entry. BRAC primary schools are designed to give a second chance at learning to disadvantaged children who have been left out of the formal education system due to extreme poverty, violence, displacement or discrimination. Our non-formal primary schools complement the mainstream school system with innovative teaching methods and materials. At the secondary level, we provide need-based training and student mentoring to improve mainstream education.

1,220 learning centres are established in the five provinces of ARMM benefitting **38,084** disadvantaged children. As part of capacity development, **1,613** teachers, coordinators and organisers, including personnel of DepEd received various capacity-building training.

This year we have piloted seven floating schools in the island provinces of Sulu, Basilan and Tawi-Tawi. The aim is to provide greater access to education for the disadvantaged Badjao(sea gypsies) and Sama children.

GIZ and BRAC scaled up integration of the essential healthcare programme to **400** learning centres. It teaches children to practice brushing their teeth daily with fluoride and wash their hands with soap. This year, two major research studies are being conducted by University of the Philippines Los Banos (UPLB) and the Assessment,

Number of students graduated from BRAC learning centres



Curriculum and Technology Research Centre (ACTRC). They are evaluating the impact of the ADM project in ARMM communities. They are also examining the longitudinal learning achievements of students in ARMM.

Eradicating educational inequality

BRAC Philippines established BRAC learning centres in disadvantaged communities of ARMM through the alternative delivery model (ADM) project. They aim to improve access to and quality of kindergarten and elementary school education. This is done particularly in regions, which lack government schools and access to education.

BRAC partners with 16 local NGOs to establish and operate its learning centres. We follow the Department of Education's kindergarten to grade 12 curriculum. The curriculum and its materials are contextualised to suit the sociocultural character of the learners, including Muslims or those from multi-ethnic background.

BRAC learning centres use comprehensive evaluation procedures. Kindergarten pupils undergo the early childhood development checklist and School Readiness Year-End Assessment (SRèYA). Grade 2 learners undergo the Philippine-Informal Reading Inventory (Phil-IRI) and Grades 3 and 6 learners will take the Language Assessment for Primary Grades (LAPG) and National Achievement Test (NAT), respectively.

BRAC initiated a BRAC Achievement Test (BAT) to directly measure students' achievements in terms of knowledge, skill and understanding of the lessons. BAT is provided to the students of grade 1 and 2 in their native language (Filipino and English). The test is recognised by DepEd and the learners who successfully complete BAT from BRAC learning centres are mainstreamed to public elementary or secondary schools. All BRAC learning centres will be mainstreamed under Enhanced Basic Education Information System (EBEIS). The children will be issued with school identification card and learner's reference numbers (LRN).

Case Story



Rolly: hoping for a better future

I am Rolly Gebson and I am 9 years old. I am the eldest son in my family and I live in Barangay Buton, Parangay, Sulu. My father is a fisherman and cultivates seaweed. He is the only breadwinner of our family. I also help my father fish and farm seaweed.

My family belongs to the Badjao tribe. Badjao or 'sea gypsies,' are sea-faring people. There are sociocultural factors that discourages us to enrol in school, because we are from low-income generating families. We face discrimination, because of our social status. As a result, Badjao children are constantly ridiculed by their classmates.

I have never been to school, but since the launch of BRAC floating learning centre, I was finally given access to education. The centre provides the best learning facility that fits our culture. The floating learning centres are docked on coastlines. I wake up at 5 in the morning and go fishing for 2 hours so that I can be at the centre by 7:30am.

I am now one of the highest achievers at my learning centre. I dream of someday becoming a teacher. This floating learning centre has provided enormous relief and hope for my parents and myself.

SUPPORT PROGRAMMES

Project management unit

The project management unit provides overall policy support to the management of the Alternative Delivery Model (ADM) project and includes the project management committee (PMC). The PMC, chaired by the Secretary of DepEd-ARMM and co-chaired by the portfolio manager of the Australian Embassy, provides policy guidance on project implementation.

School operation unit

The school operation unit assists the local partner NGOs in the establishment and operation of BRAC Learning Centres (BLCs) in selected communities of ARMM. It also coordinates and monitors the NGO's operations, including reporting of progress in their respective learning centres.

Administrative unit

The administrative unit covers three major functions – personnel, procurement and services. This unit manages the recruitment and induction of staff of BRAC Philippines. It also maintains and updates personnel records of staff in compliance with the labour laws of the Philippines. A procurement committee was formed to ensure proper procurement requirements in agreement with the BRAC guidelines.

Human resource department

Since its inception in 2013, BRAC Philippines has rapidly grown its workforce. Under the leadership of a local country head of human resources (HR) and training, the human resources department (HRD) has conducted vigorous recruitment, conducted pre-service orientation trainings, performance management orientation workshops and microfinance management courses. Expatriate staff continue to receive mandatory language and cultural training. BRAC Philippines has developed a country-specific sexual harassment

elimination policy and child protection policy. It is currently developing a country-specific human resources policies and procedures (HRPP) manual with the goal to maximise job satisfaction, enhance transparency and ensure procedural justice for all employees.

Curriculum, training and assessment

This unit ensures that the students of BRAC learning centres receive quality education and are appropriately assessed to meet the standards of DepEd's K to 12 curriculums. It also trains teachers, coordinators, organisers and partner NGO staff on the curriculum, instructional materials and assessments. It also develops appropriate instructional materials for kindergarten and elementary education and student assessment tools.

Management information system

The management information system (MIS) provides vital information for management through the establishment and maintenance of a database. This unit was established with support from experts in Bangladesh for developing software for collection, storage and retrieval of relevant project-based information.

Monitoring and research

The monitoring and research unit provides evidence-based information about the progress of project accomplishments as well as documenting the achievement of BRAC learners. The unit assists two major researches being conducted by the University of the Philippines Los Banos (UPLB) and Assessment, Curriculum and Technology Research Centre (ACTRC) on the impact of ADM project to ARMM communities and the longitudinal learning achievements of students in ARMM, respectively. It also covers the progress of the reporting procedures for the partner NGOs, and field monitoring and documentation of project outcomes and impacts. Currently, 5 staff are working in monitoring unit.

Risk management services

This year had shown a significant progress in advancing the maturity of our organisation's risk management processes. There has been continuous strengthening of the risk management framework at both operational and at strategic levels to identify risks and to put control measures in place to mitigate their impact.

At the operational level, the country risk management committee monitors and improves the embedding and strengthening of risk management culture at the branch level, oversee the management of handling/ commissioning of key risks and the overall management of closure of incidents impacting the programmes activities.

At the strategic level, the finance and audit committee receives bi-annual risk management reports on progress against the framework, emerging risks, performance against the key risks and reporting of the risk register review. Next year, risk management services will continue refinement of the organisational metrics and top risks with dashboards to ease monitoring with primary effort focused on analysis and mitigation of key areas of concern. We will also help to support efforts towards achieving BRAC Philippines strategies and objectives using data to measure progress.

Internal audit department

Internal audit department (IAD) is an independent support programme designed for objective assurance and consulting services to add value and improve BRAC International's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of control and governance processes. Internal audit is a catalyst for improving the effectiveness and efficiency of our programme by providing insight and recommendations based on data analysis. With a commitment to integrity and accountability, internal audit provides value to governing bodies and executive management as an objective source of independent advice. The department also assists management by providing risk-based audit reports for efficiency and effectiveness based on internal the audit charter, the terms of reference for the audit review committee and the internal audit manual approved by the finance and audit committee.

This year, the internal audit manual has been implemented in BRAC Philippines.

In 2015, internal assessment will be done through ongoing monitoring of the performance of internal audit activity from head office and periodic assessments by peer review conformance with the definition of internal auditing, the code of ethics, and the standards.

Compliance services

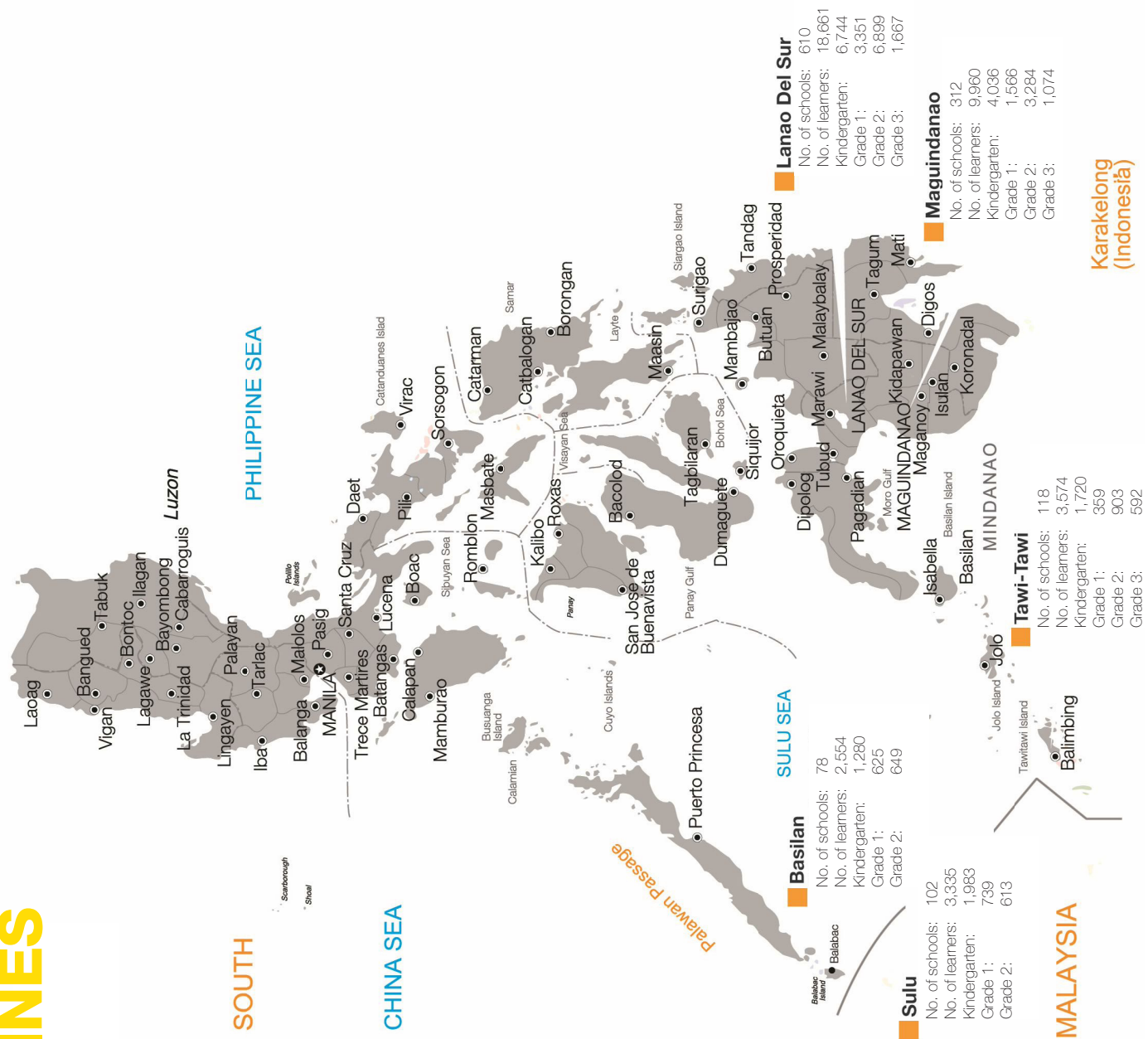
Our integrated compliance services are focused on internal, regulatory and donor compliance. It continues to evolve with a commitment to excellence, and expansion of compliance culture and instilment of a sense of compliance with individual job responsibilities. This year, compliance has been strengthened in two key areas. First, frontline managers of all branches of all programme components have been brought

under the umbrella of internal control questionnaire. Second, all the project proposals made and approved in this year were reviewed and in compliance with the specific projects requirements. Compliance related to regulatory affairs were also reviewed and reported bi-annually.

BRACIN PHILIPPINES

Branch Programmes

Education



BRAC ACROSS THE WORLD

USA

Initiated: 2007

An independent charity to raise profile and funds for BRAC globally

UK

Initiated: 2006

An independent charity to raise profile and funds for BRAC globally

SIERRA LEONE

Initiated: 2008

Programme Focus:
MF, EHC, Ag, P&L, HRLE, ELA and FSN

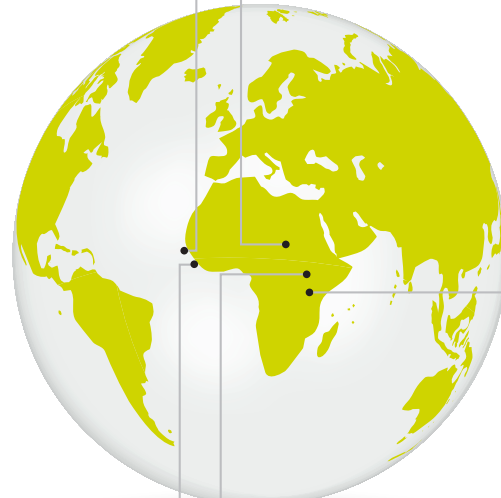
Population reached:
1.1 million

SOUTH SUDAN

Initiated: 2007

Programme Focus:
MF, Ag, BEP, AGI, EHC, MLP, NP, YLP and TUP

Population reached:
1.3 million



HAITI

Initiated: 2010

Programme Focus:
BLBC

NETHERLANDS

Initiated: 2009

BRAC International registered as a charity (Stichting)

LIBERIA

Initiated: 2008

Programme Focus:
MF, SEP, Ag, P&L and EHC

Population reached:
0.56 million

UGANDA

Initiated: 2006

Programme Focus:
MF, SEP, BEP, SP, EHC, Ag, P&L, ELA and KI

Population reached:
4 million

TANZANIA

Initiated: 2006

Programme Focus:
MF, SEP, Ag, P&L, BEP and ELA

Population reached:
2.64 million

AFSP - Agriculture and Food Security Programme Ag - Agriculture Programme AGI - Adolescent Girls Initiative ARCs - Adolescent Reading Centres
DECC - Disaster, Environment and Climate Change EHC - Essential Health Care ELA - Empowerment and Livelihood for Adolescents FSN - Food Security and Nutrition
HRLS - Human Rights and Legal Aid Services IDP - Integrated Development Programme KI - Karamoja Initiative
P&L - Poultry and Livestock RS - Road Safety SEP - Small Enterprise Programme SP - Scholarship Programme

AFGHANISTAN

Initiated: 2002

Programme Focus:
MF, SEP, BEP, ARCs, EHC,
NSP and TUP

Population reached:
4.72 million

PAKISTAN

Initiated: 2007

Programme Focus:
MF, SEP, BEP, TUP, EHC and
Ag

Population reached:
2.77 million



MYANMAR

Initiated: 2013

Programme Focus:
MF

Population reached
2,483 borrowers

PHILIPPINES

Initiated: 2012

Programme Focus:
BEP

Population reached:
38,084 learners



BANGLADESH

Initiated: 1972

Programme Focus:
MF, BEP, HNPP, TUP, IDP, WASH, HRLS, CEP, AFSP, DECC, GJD, RS, MGP
and Enterprises

Population reached:
120 million

BEP - BRAC Education Programme **BLBC** - BRAC Limb and Brace Centre **CEP** - Community Empowerment Programme
GJD - Gender Justice and Diversity **HNPP** - Health, Nutrition and Population Programme **HRLE** - Human Rights and Legal Empowerment
MF - Microfinance **MGP** - Migration Programme **MLP** - Malaria Programme **NP** - Nutrition Programme **NSP** - National Solidarity Programme
TUP - Targeting the Ultra Poor **WASH** - Water, Sanitation and Hygiene **YLP** - Youth Lead Programme

GOVERNANCE

BRAC Philippines

Local Board members

Dr Mahabub Hossain

Mr Faruque Ahmed

Mr SN Kairy

Dr Safiqul Islam

MANAGEMENT

M Nazrul Islam

Country Representative, BRAC Philippines

Ramon C Bobier

Project Management Advisor

Norma T Gomez, PhD

Research & Evaluation Specialist

Bella M Lanestosa

Curriculum Specialist

Muhammed Rezaul Karim

Project Manager

Mohammad HumayunKabir

Country Head of Accounts

Md Parvez Shahariar Talukdar

Country Head of Internal Audit

Jovelyn O Alferez

Manager, Planning & Communications

Aldis James Neville R Moral

Manager, IT & MIS

Christopher A Gamao

Manager, Admin

Janifa C Bangcola

In-charge, Curriculum and Training

Norodin A Samad

In-charge, Monitoring

DEVELOPMENT PARTNERS



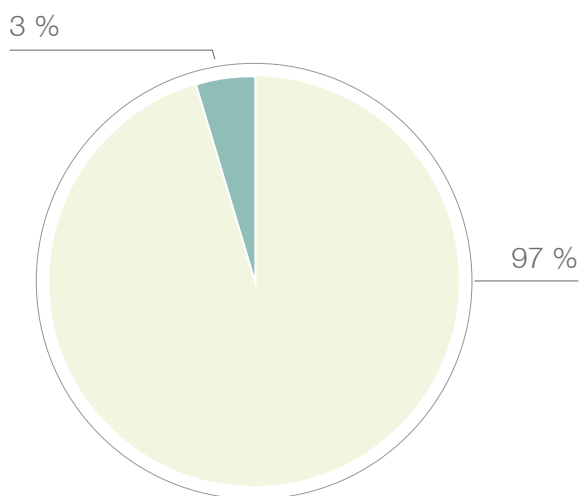
FINANCIALS

BRAC Philippines completed its 3rd year of operation in 2014 by receiving grants amounting to USD 6 million (AUD 6.8 million) against USD 8.25 million (AUD 9 million) in 2013. Out of total expenses, project expenses was USD 6.9 million (USD 7.3 million in 2013) and is 97% (96% in 2013) of the total cost.

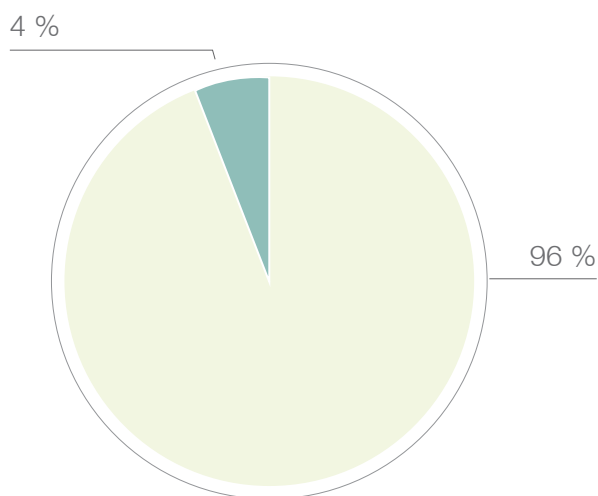
Programme Cost by Nature of Expenses

Expenses	Year 2014		Year 2013	
	USD	%	USD	%
Programme Expenses	6,940,887	97%	7,332,406	96%
Other Expenses	249,280	3%	289,757	4%
Total	7,190,167	100.0%	7,622,163	100.0%

Year 2014



Year 2013



Programme expenses
 Other expenses

Performance Review

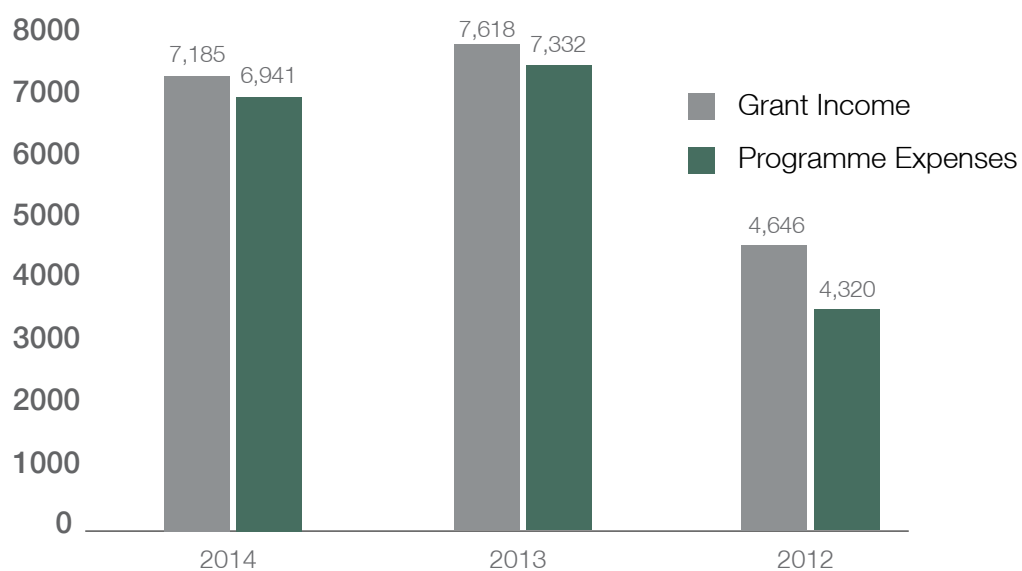
Income Statement	Year 2014	Year 2013	Year 2012
	USD	USD	USD
Grant Income	7,185,235	7,618,483	4,646,100
Other Income	4,932	3,680	2,042
Programme Expenses	6,940,887	7,332,406	4,320,480
Other Expenses	249,280	289,757	327,662

Financial Position

Balance Sheet	Year 2014	Year 2013	Year 2012
	USD	USD	USD
Cash at bank	8,466,983	10,147,817	10,893,734

Annual Income and Expenses

in Thousand USD



STICHTING BRAC INTERNATIONAL, INC.

(Incorporated in Netherlands)

PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS

December 31, 2014 and 2013



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Branches · Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

The Management

Stichting BRAC International, Inc. - Philippine Branch

Report on the Financial Statements

We have audited the accompanying financial statements of the Philippine Branch Office of Stichting BRAC International, Inc. (a nonstock, nonprofit organization), which comprise the statements of assets and liabilities as at December 31, 2014 and 2013, and the statements of receipts and expenses and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Philippine Branch Office of Stichting BRAC International, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 15 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. Manabat & Co.

March 30, 2015
Makati City, Metro Manila

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PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF ASSETS AND LIABILITIES

		December 31	
	Note	2014	2013 (As restated - see Note 14)
ASSETS			
Current Assets			
Cash	4, 5	P377,771,387	P450,705,123
Other current assets	6, 14	49,313,109	25,715,070
Total Current Assets		427,084,496	476,420,193
Noncurrent Assets			
Property and equipment - net	7	9,329,099	11,493,052
Refundable deposits	4, 13	375,850	261,850
Total Noncurrent Assets		9,704,949	11,754,902
		P436,789,445	P488,175,095
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	4, 8	P4,555,345	P2,393,364
Deferred grant income - current portion	9, 14	432,234,100	483,161,045
Total Current Liabilities		436,789,445	485,554,409
Noncurrent Liability			
Deferred grant income - net of current portion	9	-	2,620,686
		P436,789,445	P488,175,095

See Notes to the Financial Statements.



Tanwir Rahman, Director Finance
BRAC & BRAC International

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF RECEIPTS AND EXPENSES

			Years Ended December 31
	Note	2014	2013 (As restated - see Note 14)
RECEIPTS			
Grants	9	P320,583,631	P338,367,325
Interest income	5	220,046	163,431
		320,803,677	338,530,756
PROJECT EXPENSES			
Learning facilitators allowances		87,810,144	46,545,312
School supplies	14	60,675,905	68,123,163
Partner non-government organizations (NGO) employee benefits		33,278,829	21,381,426
Training and orientation		25,012,032	23,215,841
Salaries and employee benefits		20,604,136	16,446,419
Rent	13	17,761,946	25,083,017
Transportation and travel		15,997,708	16,473,673
Office utilities		8,696,364	6,657,534
Partner NGO funding	10	6,768,262	26,817,981
Evaluation activity		6,208,910	9,847,069
Production and development		3,717,686	5,622,100
Community learning center construction		2,754,051	48,623,041
Taxes and licenses		9,572	18,736
Others	10	16,356,941	16,623,020
	10	305,652,486	331,478,332
OTHER NONCASH EXPENSES (INCOME)			
Foreign exchange losses (gains)	4	1,297,727	(7,995,523)
Depreciation	7	2,731,424	2,178,707
		4,029,151	(5,816,816)
OTHER EXPENSES	11	11,122,040	12,869,240
		320,803,677	338,530,756
NET EXCESS OF RECEIPTS OVER EXPENSES		P -	P -

See Notes to the Financial Statements.



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BRAC & BRAC International

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF CASH FLOWS

		Years Ended December 31	
			2013
			(As restated - see Note 14)
	Note	2014	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of receipts over expenses		P -	P -
Adjustments for:			
Depreciation	7	2,731,424	2,178,707
Unrealized foreign exchange losses (gains)		253,700	(7,995,523)
Interest income	5	(220,046)	(163,431)
Excess (deficiency) of receipts over expenses before working capital changes		2,765,078	(5,980,247)
Decrease (increase) in:			
Other current assets	6, 14	(23,598,039)	(25,715,070)
Refundable deposits		(114,000)	(77,850)
Increase (decrease) in:			
Accounts payable and accrued expenses		2,161,981	1,977,357
Deferred grant income	9, 14	(53,547,631)	28,112,675
Cash used from operations		(72,332,611)	(1,683,135)
Interest received		220,046	163,431
Net cash used by operating activities		(72,112,565)	(1,519,704)
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	7	(567,471)	(4,483,597)
EFFECTS OF EXCHANGE RATE CHANGES GAIN (LOSSES) ON CASH		(253,700)	7,995,523
NET INCREASE (DECREASE) IN CASH		(72,933,736)	1,992,222
CASH AT BEGINNING OF YEAR	5	450,705,123	448,712,901
CASH AT END OF YEAR	5	P377,771,387	P450,705,123

See Notes to the Financial Statements.



Tanwir Rahman, Director Finance
BRAC & BRAC International

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

1. Branch Information

Stichting BRAC International, Inc. (the “Head Office”), a foundation registered under the laws of The Netherlands, was granted by the Philippine Securities and Exchange Commission (SEC) a license to transact business in the Philippines (the “Branch”) on January 25, 2012 to manage the implementation of education assistance projects to Mindanao as part of the Australian Agency for International Development (AusAID) program. The Branch implements the “Alternative Delivery Model (ADM) Project” of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) with an objective of improving access to quality pre-school and elementary education, particularly in communities without access to or which have difficulty in accessing government schools.

The Branch’s management and implementation of the ADM Project of the BEAM-ARMM include the following:

Component 1: Curriculum, Materials and Assessment Development

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

Component 2: Community Learning Center Operations

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

Component 3: Capacity Building

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

Component 4: Project Management, Monitoring and Evaluation

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

The Branch, in its letter to International Tax Affairs Division of the Bureau of International Revenue dated May 10, 2013, has requested for confirmation of the tax exemption privileges of the BEAM-ARMM Program pursuant to Section 30 of the Tax Reform Act of 1997 (R.A. 8424). As at December 31, 2014, the Branch has not received confirmation of the said tax exemption.

The registered office of the Branch, which is also its principal place of business, is located at House No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS (contd.)

2. Basis of Preparation

Statement of Compliance

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

The financial statements as at and for the years ended December 31, 2014 and 2013 were approved and authorized for issuance by the Finance Director on March 30, 2015, as designated by the Board of Directors of the Head Office of the Branch on the same date of approval.

Basis of Measurement

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

Functional and Presentation Currency

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

Use of Estimates and Judgments

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, receipts and expenses. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Determining Functional Currency

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

Operating Lease - Branch as Lessee

The Branch has entered into lease agreements as lessee. The Branch had determined that all significant risks and rewards of ownership of the properties leased from third parties are retained by the lessors under operating lease agreements.

Rent expense charged to operations amounted to P17,761,946 and P25,083,017 in 2014 and 2013, respectively (see Note 13).

Estimates and Assumptions

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

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS (contd.)

Estimating Useful Lives of Property and Equipment

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

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

As at December 31, 2014 and 2013, the property and equipment, net of depreciation amounted to P9,329,099 and P11,493,052, respectively (see Note 7).

3. Significant Accounting Policies

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

Financial Instruments

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

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

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

The Branch has no AFS financial assets, HTM investments and financial assets and liabilities at FVPL.

Financial Assets

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities and are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the statements of receipts and expenses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the statements of receipts and expenses. Gains or losses are recognized in profit or loss when loans and receivables are derecognized and impaired.

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

The Branch's cash and refundable deposits as at December 31, 2014 and 2013 are classified as loans and receivables (see Note 4).

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
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NOTES TO FINANCIAL STATEMENTS (contd.)

Financial Liabilities

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Branch's accounts payable and accrued expenses (excluding statutory liabilities to government agencies) are classified under this category.

Derecognition of Financial Assets and Financial Liabilities

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

- the right to receive cash flows from the asset expired;
- the Branch retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Branch has transferred its right to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Branch 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 Branch'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 Branch could be required to repay.

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

Offsetting Financial Instruments

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

Impairment of Financial Assets

The Branch assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Branch first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Branch includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH

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NOTES TO FINANCIAL STATEMENTS (contd.)

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

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

Other Current Assets

Other current assets which consist of learning materials and classroom supplies for distribution to CLCs are valued at the lower of cost and net realizable value (NRV). NRV of books and school supplies pertains to the current replacement cost. Cost, which includes all cost attributable to acquisition, is determined using the first-in, first-out method.

Property and Equipment

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

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

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

	Number of Years
Office furniture and equipment	3 - 5
Transportation equipment	5

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

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

Impairment of Non-financial Assets

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

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS (contd.)

An impairment loss is recognized in the statements of receipts and expenses whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and its value in use.

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

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

Recognition of Grants

Grants received from the AusAID are initially recognized as deferred income and are then recognized as income to the extent of the expenses incurred for the year as set in the conditions associated with the grant. Assets acquired thru the grant are also recognized as deferred income and are recognized as income on a systematic basis over the useful life of the asset or duration of the ADM Project whichever is shorter.

Interest Income

Interest income, presented net of applicable tax withheld by the banks, is recognized when earned.

Expense Recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date these are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Operating Lease

Leases which do not transfer to the Branch substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of receipts and expenses on a straight-line basis over the lease term unless other systematic basis is more representative of the time pattern of the Branch's benefit.

Foreign Currency Transactions

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

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

Provisions

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

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS (contd.)

Contingencies

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

Events After the Reporting Date

Post year-end events that provide additional information about the Branch's statements of assets and liabilities at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

New or Revised Standards, Amendments to Standards and Interpretations

Adopted as of January 1, 2014

A number of new or revised standard, amendments to standards and interpretation are effective as of January 1, 2014 and are required to be adopted by the Branch. While these have been adopted as of January 1, 2014, none of these have a significant impact on the Branch's financial statements.

To be Adopted in the Future

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

4. Financial Risk Management

Objectives and Policies

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

- Credit Risk
- Market Risk

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

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

The Governing Body of the Head Office of the Branch has overall responsibility for the establishment and oversight of the Branch's risk management framework. The Governing Body has established the Audit Committee, which is responsible for developing and monitoring the Branch's risk management policies.

The Audit committee identifies all issues affecting the operations of the Branch and reports regularly to the Governing Body on its activities. The Branch's risk management policies are established to identify and analyze the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities.

Mitigating strategies and procedures are devised to address the risks that inevitably occur so as not to affect the Branch's operations and impact forecasted results.

The Branch, through its training on and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
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NOTES TO FINANCIAL STATEMENTS (contd.)

The Country Representative perform oversight over financial management functions, specifically in the areas of managing credit, liquidity, market and other risks of the Branch. The Country Representative directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Branch.

Credit Risk

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

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

	<i>Note</i>	2014	2013
Cash in banks	5	P377,422,297	P450,280,673
Refundable deposits	13	375,850	261,850
		P377,798,147	P450,542,523

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

	High Grade	Standard Grade	Total
2014			
Cash in banks	P377,422,297	P -	P377,422,297
Refundable deposits	375,850	-	375,850
	P377,798,147	P -	P377,798,147

	High Grade	Standard Grade	Total
2013			
Cash in banks	P450,280,673	P -	P450,280,673
Refundable deposits	261,850	-	261,850
	P450,542,523	P -	P450,542,523

The credit qualities of financial assets were determined as follows:

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

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Branch for the years ended December 31, 2014 and 2013.

Market Risk

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

Foreign Currency Risk

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

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NOTES TO FINANCIAL STATEMENTS (contd.)

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

2014	Current Asset	Current Liability	Net Foreign Currency Exposure	Exchange Rate	PHP Equivalent
Currency					
USD	838,064	50,308	787,756	44.72	P35,228,448
AUD	115	-	115	36.21	4,164
					P35,232,612
2013	Current Asset	Current Liability	Net Foreign Currency Exposure	Exchange Rate	PHP Equivalent
Currency					
USD	1,194,296	-	1,194,296	44.41	P53,038,685
AUD	126	-	126	39.46	4,972
					P53,043,657

The Branch recognized foreign exchange losses of P1,297,727 in 2014 and foreign exchange gains of P7,995,523 in 2013.

Sensitivity Analysis

A 1% strengthening of the Philippine peso against USD and AUD as at December 31, 2014 would have decreased the deferred grant income by P352,327. Similarly, a 6% strengthening of the Philippine peso against USD and AUD as at December 31, 2013 would have decreased the deferred grant income by P3,182,600.

A weakening of the Philippine peso against the USD and AUD by the same percentage as above as at December 31, 2014 and 2013 would have had equal but opposite effect on the basis that all other variables remain constant.

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS (contd.)

5. Cash

This account consists of:

	<i>Note</i>	2014	2013
Cash on hand		P349,090	P424,450
Cash in banks	4	377,422,297	450,280,673
		P377,771,387	P450,705,123

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

Interest income earned from cash in banks in 2014 and 2013 amounted to P220,046 and P163,431, respectively.

6. Other Current Assets

As at December 31, 2014 and 2013, the total learning materials and classroom supplies for distribution to CLCs amounted to P49,313,109 and P25,715,070, respectively.

7. Property and Equipment

The movements and balances of this account are as follows:

	Office Furniture and Equipment	Transportation Equipment	Total
Cost			
January 1, 2013	P2,837,722	P6,972,300	P9,810,022
Additions	1,381,097	3,102,500	4,483,597
December 31, 2013	4,218,819	10,074,800	14,293,619
Additions	567,471	-	567,471
December 31, 2014	4,786,290	10,074,800	14,861,090
Accumulated Depreciation			
January 1, 2013	161,307	460,553	621,860
Depreciation	587,830	1,590,877	2,178,707
December 31, 2013	749,137	2,051,430	2,800,567
Depreciation	716,462	2,014,962	2,731,424
December 31, 2014	1,465,599	4,066,392	5,531,991
Carrying Amount			
December 31, 2013	P3,469,682	P8,023,370	P11,493,052
December 31, 2014	P3,320,691	P6,008,408	P9,329,099

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS (contd.)

8. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2014	2013
Payable to BRAC Bangladesh	12	P1,377,963	P -
Payable to NGO partners		1,377,920	2,076,373
Accrued expenses		1,044,653	81,606
Payroll-related payable		625,098	78,438
Withholding tax payable		129,711	156,947
		P4,555,345	P2,393,364

Payable to BRAC Bangladesh pertains to reimbursements for expenses incurred in providing technical support to the Branch.

Payable to NGO partners is the excess of the costs incurred for projects over the fund provided by the Branch.

Accrued expenses include unbilled technical support from BRAC Bangladesh amounting to P868,745 (see Note 12).

9. Grants Agreement

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

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

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

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

As of December 31, 2014 and 2013, grant received by the Branch from AusAID which has not yet been utilized in the implementation of the ADM Project are as follows:

This account consists of:

Grant Received in Advance	2014	2013
Current	P432,234,100	P483,161,045
Noncurrent	-	2,620,686
	P432,234,100	P485,781,731

In March 2015, the Grant Agreement was extended until June 30, 2017. As part of the Amendment of the Grant Agreement, additional two (2) tranches were included which will be given on August 2015 and August 2016 amounting to AUD6,105,866 for each tranche. As a result of the Amendment, the new total amount of the grant is AUD42,711,732 from the previous amount of AUD30,500,000.

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS (contd.)

10. Project Expenses

Project expenses per cost component as at December 31, 2014 and 2013, respectively, are presented below:

Description	2014	2013
Component 1: Curriculum, Materials and Assessment Development	P3,717,686	P5,622,100
Component 2: Community Learning Center Operations	255,196,734	257,086,838
Component 3: Capacity Building	2,763,404	3,720,188
Component 4: Project Management, Monitoring and Evaluation	37,206,400	38,231,225
	298,884,224	304,660,351
Partner non-government organizations funding expenses	6,768,262	26,817,981
	P305,652,486	P331,478,332

The Branch entered into various agreements with local NGOs. As provided under the terms of the agreements, the NGOs will manage the operation of the CLCs in their designated provinces in ARMM. As at December 31, 2014, the Branch, together with its 16 duly recognized local NGOs, implemented and managed the ADM Project for 1,220 CLCs (1,010 CLCs as at December 31, 2013).

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

As at December 31, 2014 and 2013, the disbursed funds to local partner NGOs which are not yet liquidated are as follows:

Description	2014	2013
Maranao People Development Center, Inc.	P13,621,314	P12,686,134
Community and Family Services International	10,196,871	8,857,844
Kalimudan Sa Ranao Foundation, Inc.	5,108,180	3,248,413
Lanao Young Educators, Civic Alliance for Progress Inc.	3,941,345	4,606,778
Kapagawida Development Services Association, Inc.	3,392,221	3,274,104
Social Services for Grassroots Community Development, Inc.	3,391,686	3,119,622
Tapukan Farmers Multipurpose Cooperative	3,101,009	2,345,313
Notre Dame University	3,001,719	3,247,711
Integrated Resource Development for Tri-People	2,874,448	1,962,121
Muslim Upliftment Foundation of Tawi-Tawi, Inc.	2,004,859	1,941,408
Integrated Learning for Moslems and Highlanders Foundations	1,972,973	1,442,125
Sug Educators Forum Incorporated	1,725,101	1,304,465
Mahardika Institute of Technology, Inc.	1,660,747	1,460,550
Mindanao Autonomous College Foundation Inc.	1,341,459	963,738
Nagdilaab Foundation Inc.	1,285,385	1,185,571
Concerned Alliance of Professional and Students Inc.	1,239,903	1,017,462
	P59,859,220	P52,663,359

Other project expenses during the year include:

	2014	2013
Service charge overhead costs	P11,189,032	P10,630,104
Provincial office administrative expenses	3,108,293	2,907,305
Innovation	1,795,053	2,853,776
Insurance	264,563	231,835
	P16,356,941	P16,623,020

Service charge overhead costs are general and administrative expenses incurred by the Partner NGOs.

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS (contd.)

11. Partnerships with Local Non Government Organizations (NGOs)

This account consists of:

	Note	2014	2013
Technical support	12	P9,568,165	P10,721,721
Security measurement management		810,865	691,244
Outside services		101,628	55,351
Transportation and travel		100,472	221,473
Training		65,642	466,445
Utilities		52,808	94,278
Support services		51,966	311,825
Others		370,494	306,903
		P11,122,040	P12,869,240

12. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

In the implementation of the ADM project, the Branch has transactions with its related parties as at December 31, 2014 and 2013 as follows:

a. Technical support pertains to reimbursements to BRAC Bangladesh for expenses it paid for in providing administration and financial management assistance to the Branch. It also entails sending support personnel to the Branch for the efficient and effective management and implementation of the ADM Project in accordance with the provisions of the Grant Agreement.

Category/Transaction	Ref	Year	Outstanding Balance	
			Amount of the Transaction Due to Related Parties	Terms and Conditions
BRAC Bangladesh				
Head office				
• Technical support	12a	2014	P9,568,165	P2,246,708 30 days; non-interest bearing; unsecured
		2013	10,721,721	-
Total		2014		P2,246,708

b. Compensation and other short-term benefits of key management personnel amounted to P9,124,990 and P6,688,746 as at December 31, 2014 and 2013, respectively.

The Branch has no receivable from related parties as at December 31, 2014 and 2013.

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS (contd.)

13. Lease Commitments

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City with two (2) residential buildings, two (2) stories with an annex one room office and a guard house, with concrete perimeter fence. The lease was renewed for a fixed period of three (3) years beginning March 1, 2015 to February 28, 2018, renewable thereafter upon mutual agreement of both parties.

The Branch also entered into other lease agreements as follows: a) one (1) year renewable lease contract commencing in June 2012 for a two-story apartment at Celdran Village, Iligan City. Lease was renewed on August 1, 2013, for another two (2) years; and b) two (2) years renewable lease expiring in 2015 for the Branch's three (3) new office premises in Davao City, Upi Maguindanao and Zamboanga City. All these lease agreements require refundable deposit.

Refundable deposits as at December 31, 2014 and 2013 amounted to P375,850 and P261,850, respectively.

The future rental payables for these lease agreements are as follows:

	2014	2013
Within one year	P1,558,500	P1,828,935
After one year but not more than five years	2,080,000	488,500
	P3,638,500	P2,317,435

Rent expense amounted to P17,761,946 and P23,083,017 in 2014 and 2013, respectively.

14. Restatement of Prior Year Accounts

Learning materials and classroom supplies amounting to P25,715,070 as of December 31, 2013, previously presented as part of "Project Expenses" in the 2013 Statement of Receipts and Expenses, were on hand and awaiting distribution to CLCs as of the said reporting date. Accordingly, the accounting for such materials and supplies was changed from being considered as expense to being recognized as part of "Other current assets" account in the 2013 statement of assets and liabilities. Previously recognized grant income was also reversed to "Deferred income" in the 2013 financial statements. These changes conform with the 2014 presentation.

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS (contd.)

15. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the notes to financial statements which were prepared in accordance with PFRS. The following is the tax information required by Revenue Regulations No. 15-2010 for the taxable year ended December 31, 2014:

The Branch reported and/or paid the following types of taxes in 2014:

A. Withholding Taxes

Tax on compensation and benefits	P721,141
Final withholding taxes	501,429
	P1,222,570

B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under <i>"Taxes and licenses" account under Project Expenses</i>	
Licenses and permits	P9,572

C. Deficiency Tax Assessments

As at December 31, 2014, the Branch has no deficiency tax assessment.

D. Tax Cases

As at December 31, 2014, the Branch has no pending tax court cases nor has received tax assessment notices from the BIR.

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

Information on the custom duties and tariff fees, excise taxes and documentary stamp taxes are not applicable since no transactions that the Branch would be subject to these taxes.

STICHTING BRAC INTERNATIONAL, INC.

(Incorporated in Netherlands)

PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS

December 31, 2014

(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)



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Branches · Subic · Cebu · Bacolod · Iloilo

March 30, 2015

Stichting BRAC International, Inc. - Philippine Branch
House No. 1 R. Mañara Street
Rosary Heights 10
Cotabato City


Attention: Mr. Tanwir Rahman, Finance Director

Gentlemen:

In reference to your request we are pleased to submit the attached Supplemental Information for the Philippine Branch Office of Stichting BRAC International, Inc. (a nonstock, nonprofit organization) which displays its financial information as of December 31, 2014 and 2013, and for the years then ended translated from its functional currency of Philippine Peso to US dollar using the closing rate of Bankgo Sentral ng Pilipinas as of the reporting date.

Please note the said financial information is intended solely as supplemental information for the use of the Board of Directors of the Head Office and Management of the Philippine Branch Office, and are not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,



Sharon G. Dayoan
Partner

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

**SUPPLEMENTARY INFORMATION TO THE
STATEMENTS OF ASSETS AND LIABILITIES
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)**

			December 31
	Note	2014	2013 (As restated - see Note 14)
ASSETS			
Current Assets			
Cash	4, 5	\$8,466,983	\$10,147,817
Other current assets	6, 14	1,105,254	578,986
Total Current Assets		9,572,237	10,726,803
Noncurrent Assets			
Property and equipment - net	7	209,093	258,770
Refundable deposits	4, 13	8,424	5,896
Total Noncurrent Assets		217,517	264,666
		\$9,789,754	\$10,991,469
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	4, 8	\$102,099	\$53,888
Deferred grant income - current portion	9, 14	9,687,655	10,878,575
Total Current Liabilities		9,789,754	10,932,463
Noncurrent Liability			
Deferred grant income - net of current portion	9	-	59,006
		9,789,754	10,991,469

See Notes to the Financial Statements.



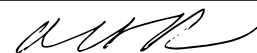
Tanwir Rahman, Director Finance
BRAC & BRAC International

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

**SUPPLEMENTARY INFORMATION TO THE
STATEMENTS OF RECEIPTS AND EXPENSES**
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

Years Ended December 31			
			2013
	Note	2014	(As restated - see Note 14)
RECEIPTS			
Grants	9	\$7,185,235	\$7,618,483
Interest income	5	4,932	3,680
		7,190,167	7,622,163
PROJECT EXPENSES			
Learning facilitators allowances		1,968,087	1,047,987
School supplies	14	1,359,928	1,533,822
Partner non-government organizations (NGO) employee benefits		745,878	481,412
Training and orientation		560,594	522,714
Salaries and employee benefits		461,800	370,298
Rent	13	398,098	564,755
Transportation and travel		358,556	370,912
Office utilities		194,911	149,897
Partner NGO funding	10	151,697	603,818
Evaluation activity		139,160	221,711
Production and development		83,324	126,584
Community learning center construction		61,726	1,094,768
Taxes and licenses		215	422
Others	10	366,608	374,274
	10	6,850,582	7,463,374
OTHER NONCASH EXPENSES (INCOME)			
Foreign exchange losses (gains)	4	29,086	(180,023)
Depreciation	7	61,219	49,055
		90,305	(130,968)
OTHER EXPENSES			
	11	249,280	289,757
		7,190,167	7,622,163
NET EXCESS OF RECEIPTS OVER EXPENSES		\$ -	\$ -

See Notes to the Financial Statements.



Tanwir Rahman, Director Finance
BRAC & BRAC International

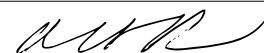
STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

**SUPPLEMENTARY INFORMATION TO THE
STATEMENTS OF CASH FLOWS
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)**

		Years Ended December 31	
			2013
			(As restated - see Note 14)
	Note	2014	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of receipts over expenses		\$ -	\$ -
Adjustments for:			
Depreciation	7	61,219	49,055
Unrealized foreign exchange losses (gains)		5,686	(179,298)
Interest income	5	(4,932)	(3,680)
Excess (deficiency) of receipts over expenses before working capital changes		61,973	(133,923)
Decrease (increase) in:			
Other current assets	6, 14	(526,268)	(578,986)
Refundable deposits		(2,528)	(1,429)
Increase (decrease) in:			
Accounts payable and accrued expenses		48,211	43,788
Deferred grant income	9, 14	(1,249,926)	(173,588)
Cash used from operations		(1,668,538)	(844,138)
Interest received		4,932	3,680
Net cash used by operating activities		(1,663,606)	(840,458)
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	7	(12,719)	(100,950)
EFFECTS OF EXCHANGE RATE CHANGES GAIN (LOSSES) ON CASH		(5,686)	179,298
NET INCREASE (DECREASE) IN CASH		(1,682,011)	(762,110)
CASH AT BEGINNING OF YEAR	5	10,147,817	10,893,734
Adjustment*	7	1,177	16,193
CASH AT END OF YEAR	5	\$8,466,983	\$10,147,817

*Adjustment to translate beginning balance at closing rate as of reporting date.

See Notes to the Financial Statements.



Tanwir Rahman, Director Finance
BRAC & BRAC International

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

**SUPPLEMENTARY INFORMATION TO THE
NOTES TO FINANCIAL STATEMENTS
(WITH AMOUNTS TRANSLATED TO U.S. DOLLARS USING
CLOSING RATE AT REPORTING DATE)**

1. Branch Information

Stichting BRAC International, Inc. (the "Head Office"), a foundation registered under the laws of The Netherlands, was granted by the Philippine Securities and Exchange Commission (SEC) a license to transact business in the Philippines (the "Branch") on January 25, 2012 to manage the implementation of education assistance projects to Mindanao as part of the Australian Agency for International Development (AusAID) program. The Branch implements the "Alternative Delivery Model (ADM) Project" of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) with an objective of improving access to quality pre-school and elementary education, particularly in communities without access to or which have difficulty in accessing government schools.

The Branch's management and implementation of the ADM Project of the BEAM-ARMM include the following:

Component 1: Curriculum, Materials and Assessment Development

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

Component 2: Community Learning Center Operations

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

Component 3: Capacity Building

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

Component 4: Project Management, Monitoring and Evaluation

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

The Branch, in its letter to International Tax Affairs Division of the Bureau of International Revenue dated May 10, 2013, has requested for confirmation of the tax exemption privileges of the BEAM-ARMM Program pursuant to Section 30 of the Tax Reform Act of 1997 (R.A. 8424). As at December 31, 2014, the Branch has not received confirmation of the said tax exemption.

The registered office of the Branch, which is also its principal place of business, is located at House No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City.

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

SUPPLEMENTARY INFORMATION TO THE NOTES TO FINANCIAL STATEMENTS
(WITH AMOUNTS TRANSLATED TO U.S. DOLLARS USING
CLOSING RATE AT REPORTING DATE) (contd.)

2. Basis of Preparation

Statement of Compliance

The financial statements, which are the basis of this supplementary information, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). However, the supplementary information displays financial information from the financial statements which are translated using the closing rate for Philippine peso to U.S. dollar as of reporting date. PFRS is based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consists of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The financial statements as at and for the years ended December 31, 2014 and 2013, which were the basis of this supplementary financial information were approved and authorized for issuance by the Finance Director on March 30, 2015, as designated by the Board of Directors of the Head Office of the Branch on the same date of approval.

Basis of Measurement

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

Functional Currency

The Branch's functional currency is Philippine peso. However, these supplementary information to the financial statements were prepared by translating all financial information to U.S. dollar using the closing rate of Bangko Sentral ng Pilipinas as at December 31, 2014 and 2013 and has been rounded off to the nearest U.S. dollar, except when otherwise indicated. These supplemental information to the financial statements were prepared solely for the use of management.

Use of Estimates and Judgments

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, receipts and expenses. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Determining Functional Currency

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

Operating Lease - Branch as Lessee

The Branch has entered into lease agreements as lessee. The Branch had determined that all significant risks and rewards of ownership of the properties leased from third parties are retained by the lessors under operating lease agreements.

Rent expense charged to operations amounted to \$398,098 and \$564,755 in 2014 and 2013, respectively (see Note 13).

Estimates and Assumptions

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

STICHTING BRAC INTERNATIONAL, INC. PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

SUPPLEMENTARY INFORMATION TO THE NOTES TO FINANCIAL STATEMENTS
(WITH AMOUNTS TRANSLATED TO U.S. DOLLARS USING
CLOSING RATE AT REPORTING DATE) (contd.)

Estimating Useful Lives of Property and Equipment

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

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

As at December 31, 2014 and 2013, the property and equipment, net of depreciation amounted to \$209,093 and \$258,770, respectively (see Note 7).

3. Summary of Significant Accounting Policies

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

Financial Instruments

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

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

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

The Branch has no AFS financial assets, HTM investments and financial assets and liabilities at FVPL.

Financial Assets

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities and are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the statements of receipts and expenses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the statements of receipts and expenses. Gains or losses are recognized in profit or loss when loans and receivables are derecognized and impaired.

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

The Branch's cash and refundable deposits as at December 31, 2014 and 2013 are classified as loans and receivables (see Note 4).

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Financial Liabilities

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Branch's accounts payable and accrued expenses (excluding statutory liabilities to government agencies) are classified under this category.

Derecognition of Financial Assets and Financial Liabilities

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

- the right to receive cash flows from the asset expired;
- the Branch retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Branch has transferred its right to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Branch 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 Branch'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 Branch could be required to repay.

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

Offsetting Financial Instruments

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

Impairment of Financial Assets

The Branch assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Branch first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Branch includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

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Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

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

Other Current Assets

Other current assets which consist of learning materials and classroom supplies for distribution to CLCs are valued at the lower of cost and net realizable value (NRV). NRV of books and school supplies pertains to the current replacement cost. Cost, which includes all cost attributable to acquisition, is determined using the first-in, first-out method.

Property and Equipment

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

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

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

	Number of Years
Office furniture and equipment	3 - 5
Transportation equipment	5

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

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

Impairment of Non-financial Assets

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

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An impairment loss is recognized in the statements of receipts and expenses whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and its value in use.

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

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

Recognition of Grants

Grants received from the AusAID are initially recognized as deferred income and are then recognized as income to the extent of the expenses incurred for the year as set in the conditions associated with the grant. Assets acquired thru the grant are also recognized as deferred income and are recognized as income on a systematic basis over the useful life of the asset or duration of the ADM Project whichever is shorter.

Interest Income

Interest income, presented net of applicable tax withheld by the banks, is recognized when earned.

Expense Recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date these are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Operating Lease

Leases which do not transfer to the Branch substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of receipts and expenses on a straight-line basis over the lease term unless other systematic basis is more representative of the time pattern of the Branch's benefit.

Foreign Currency Transactions

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

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

Provisions

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

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Contingencies

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

Events After the Reporting Date

Post year-end events that provide additional information about the Branch's statements of assets and liabilities at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

New or Revised Standards, Amendments to Standards and Interpretations

Adopted as of January 1, 2014

A number of new or revised standard, amendments to standards and interpretation are effective as of January 1, 2014 and are required to be adopted by the Branch. While these have been adopted as of January 1, 2014, none of these have a significant impact on the Branch's financial statements.

To be Adopted in the Future

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

4. Financial Risk Management

Objectives and Policies

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

- Credit Risk
- Market Risk

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

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

The Governing Body of the Head Office of the Branch has overall responsibility for the establishment and oversight of the Branch's risk management framework. The Governing Body has established the Audit Committee, which is responsible for developing and monitoring the Branch's risk management policies.

The Audit committee identifies all issues affecting the operations of the Branch and reports regularly to the Governing Body on its activities. The Branch's risk management policies are established to identify and analyze the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities.

Mitigating strategies and procedures are devised to address the risks that inevitably occur so as not to affect the Branch's operations and impact forecasted results.

The Branch, through its training on and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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The Country Representative perform oversight over financial management functions, specifically in the areas of managing credit, liquidity, market and other risks of the Branch. The Country Representative directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Branch.

Credit Risk

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

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

	<i>Note</i>	2014	2013
Cash in banks	5	\$8,459,159	\$10,138,260
Refundable deposits	13	8,424	5,896
		\$8,467,583	\$10,144,156

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

		Standard	
2014	High Grade	Grade	Total
Cash in banks	\$8,459,159	\$ -	\$8,459,159
Refundable deposits	8,424	-	8,424
	\$8,467,583	\$ -	\$8,467,583

		Standard	
2013	High Grade	Grade	Total
Cash in banks	\$10,138,260	\$ -	\$10,138,260
Refundable deposits	5,896	-	5,896
	\$10,144,156	\$ -	\$10,144,156

The credit qualities of financial assets were determined as follows:

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

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Branch for the years ended December 31, 2014 and 2013.

Market Risk

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

Foreign Currency Risk

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

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

2014	Current Asset	Current Liability	Net Foreign Currency Exposure
Currency			
USD	838,064	50,308	787,756
AUD	115	-	115
2014	Current Asset	Current Liability	Net Foreign Currency Exposure
Currency			
USD	1,194,296	-	1,194,296
AUD	126	-	126

The Branch recognized foreign exchange losses of \$29,086 in 2014 and foreign exchange gains of \$180,023 in 2013.

Sensitivity Analysis

A 1% strengthening of the Philippine peso against USD and AUD as at December 31, 2014 would have decreased the deferred grant income by P352,327. Similarly, a 6% strengthening of the Philippine peso against USD and AUD as at December 31, 2013 would have decreased the deferred grant income by P3,182,600.

A weakening of the Philippine peso against the USD and AUD by the same percentage as above as at December 31, 2014 and 2013 would have had equal but opposite effect on the basis that all other variables remain constant.

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5. Cash

This account consists of:

	<i>Note</i>	2014	2013
Cash on hand		\$7,824	\$9,557
Cash in banks	4	8,459,159	10,138,260
		\$8,466,983	\$10,147,817

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

Interest income earned from cash in banks in 2014 and 2013 amounted to \$4,932 and \$3,680, respectively.

6. Other Current Assets

As at December 31, 2014 and 2013, the total learning materials and classroom supplies for distribution to CLCs amounted to \$1,105,254 and \$578,986 respectively.

7. Property and Equipment

The movements and balances of this account are as follows:

	Office Furniture and Equipment	Transportation Equipment	Total
Cost			
January 1, 2013	\$63,893	\$156,984	\$220,877
Additions	31,096	69,854	100,950
December 31, 2013	94,989	226,838	321,827
Adjustment*	(433)	(1,032)	(1,465)
January 1, 2014	94,556	225,806	320,362
Additions	12,719	-	12,719
December 31, 2014	107,275	225,806	333,081
Accumulated Depreciation			
January 1, 2013	3,632	10,370	14,002
Depreciation	13,236	35,819	49,055
December 31, 2013	16,868	46,189	63,057
Adjustment*	(78)	(210)	(288)
January 1, 2014	16,790	45,979	62,769
Depreciation	16,058	45,161	61,219
December 31, 2014	32,848	91,140	123,988
Carrying Amount			
December 31, 2013	\$78,121	\$180,649	\$258,770
December 31, 2014	\$74,427	\$134,666	\$209,093

*Adjustment to translate beginning balance at closing rate as of reporting date.

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8. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2014	2013
Payable to BRAC Bangladesh	12	\$30,884	\$ -
Payable to NGO partners		30,883	46,750
Accrued expenses		23,415	1,839
Payroll-related payable		14,010	1,766
Withholding tax payable		2,907	3,534
		\$102,099	\$53,889

Payable to BRAC Bangladesh pertains to reimbursements for expenses incurred in providing technical support to the Branch.

Payable to NGO partners is the excess of the costs incurred for projects over the fund provided by the Branch.

Accrued expenses include unbilled technical support from BRAC Bangladesh amounting to \$19,471 (see Note 12).

9. Grants Agreement

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

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

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

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

As of December 31, 2014 and 2013, grant received by the Branch from AusAID which has not yet been utilized in the implementation of the ADM Project are as follows:

This account consists of:

Grant Received in Advance	2014	2013
Current	\$9,737,421	\$10,878,575
Noncurrent	-	59,006
	\$9,737,421	\$10,937,581

In March 2015, the Grant Agreement was extended until June 30, 2017. As part of the Amendment of the Grant Agreement, additional two (2) tranches were included which will be given on August 2015 and August 2016 amounting to AUD6,105,866 for each tranche. As a result of the Amendment, the new total amount of the grant is AUD42,711,732 from the previous amount of AUD30,500,000.

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10. Project Expenses

Project expenses per cost component as at December 31, 2014 and 2013, respectively, are presented below:

Description	2014	2013
Component 1: Curriculum, Materials and Assessment Development	\$83,324	\$126,584
Component 2: Community Learning Center Operations	5,719,720	5,788,419
Component 3: Capacity Building	61,936	83,762
Component 4: Project Management, Monitoring and Evaluation	833,905	860,791
	6,698,885	6,859,556
Partner non-government organizations funding expenses	151,697	603,818
	\$6,850,582	\$7,463,374

The Branch entered into various agreements with local NGOs. As provided under the terms of the agreements, the NGOs will manage the operation of the CLCs in their designated provinces in ARMM. As at December 31, 2014, the Branch, together with its 16 duly recognized local NGOs, implemented and managed the ADM Project for 1,220 CLCs (1,010 CLCs as at December 31, 2013).

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

As at December 31, 2014 and 2013, the disbursed funds to local partner NGOs which are not yet liquidated are as follows:

Description	2014	2013
Maranao People Development Center, Inc.	\$305,294	\$285,634
Community and Family Services International	228,542	199,438
Kalimudan Sa Ranao Foundation, Inc.	114,490	73,139
Lanao Young Educators, Civic Alliance for Progress Inc.	88,337	103,724
Kapagawida Development Services Association, Inc.	76,030	73,718
Social Services for Grassroots Community Development, Inc.	76,018	70,240
Tapukan Farmers Multipurpose Cooperative	69,503	52,806
Notre Dame University	67,277	73,124
Integrated Resource Development for Tri-People	64,425	44,178
Muslim Upliftment Foundation of Tawi-Tawi, Inc.	44,935	43,712
Integrated Learning for Moslems and Highlanders Foundations	44,220	32,470
Sug Educators Forum Incorporated	38,665	29,371
Mahardika Institute of Technology, Inc.	37,222	32,885
Mindanao Autonomous College Foundation Inc.	30,066	21,699
Nagdilaab Foundation Inc.	28,809	26,694
Concerned Alliance of Professional and Students Inc.	27,790	22,909
	\$1,341,623	\$1,185,741

Other project expenses during the year include:

	2014	2013
Service charge overhead costs	\$250,780	\$239,341
Provincial office administrative expenses	69,666	65,459
Innovation	40,232	64,254
Insurance	5,930	5,220
	\$366,608	\$374,274

Service charge overhead costs are general and administrative expenses incurred by the Partner NGOs.

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11. Partnerships with Local Non Government Organizations (NGOs)

This account consists of:

	Note	2014	2013
Technical support	12	\$214,451	\$241,404
Security measurement management		18,174	15,564
Outside services		2,278	1,246
Transportation and travel		2,252	4,987
Training		1,471	10,502
Utilities		1,184	2,123
Support services		1,165	7,021
Others		8,305	6,910
		\$249,280	\$289,757

12. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

In the implementation of the ADM project, the Branch has transactions with its related parties as at December 31, 2014 and 2013 as follows:

a. Technical support pertains to reimbursements to BRAC Bangladesh for expenses it paid for in providing administration and financial management assistance to the Branch. It also entails sending support personnel to the Branch for the efficient and effective management and implementation of the ADM Project in accordance with the provisions of the Grant Agreement.

Category/Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance	Due to Related Parties	Terms and Conditions
BRAC Bangladesh						
Head office						
• Technical support	12a	2014	\$214,451	\$50,355	30 days; non-interest bearing; unsecured	
		2013	241,404	-		
Total		2014		\$50,355		

b. Compensation and other short-term benefits of key management personnel amounted to \$204,518 and \$149,915 as at December 31, 2014 and 2013, respectively.

The Branch has no receivable from related parties as at December 31, 2014 and 2013.

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13. Lease Commitments

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City with two (2) residential buildings, two (2) stories with an annex one room office and a guard house, with concrete perimeter fence. The lease was renewed for a fixed period of three (3) years beginning March 1, 2015 to February 28, 2018, renewable thereafter upon mutual agreement of both parties.

The Branch also entered into other lease agreements as follows: a) one (1) year renewable lease contract commencing in June 2012 for a two-story apartment at Celdran Village, Iligan City. Lease was renewed on August 1, 2013, for another two (2) years; and b) two (2) years renewable lease expiring in 2015 for the Branch's three (3) new office premises in Davao City, Upi Maguindanao and Zamboanga City. All these lease agreements require refundable deposit.

Refundable deposits as at December 31, 2014 and 2013 amounted to \$8,424 and \$5,896, respectively.

The future rental payables for these lease agreements are as follows:

	2014	2013
Within one year	\$34,931	\$41,179
After one year but not more than five years	46,619	10,999
	\$81,550	\$52,178

Rent expense amounted to \$398,098 and \$564,755 in 2014 and 2013, respectively.

14. Restatement of Prior Year Accounts

Learning materials and classroom supplies amounting to \$578,986 as of December 31, 2013, previously presented as part of "Project Expenses" in the 2013 Statement of Receipts and Expenses, were on hand and awaiting distribution to CLCs as of the said reporting date. Accordingly, the accounting for such materials and supplies was changed from being considered as expense to being recognized as part of "Other current assets" account in the 2013 statement of assets and liabilities. Previously recognized grant income was also reversed to "Deferred income" in the 2013 financial statements. These changes conform with the 2014 presentation.

NOTES

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