

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Foundation, Incorporated is responsible for all information and representations contained in the statements of financial position as at December 31, 2007 and 2006, and the statements of activities, and cash flows for each of the two years in the period ended December 31, 2007, and the summary of significant accounting policies and other explanatory notes. The financial statements have been prepared in accordance with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Foundation's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The President and Chief Financial Officer review the financial statements before such statements are approved and submitted.

SyCip Gorres Velayo & Co., the independent auditors appointed by the Board of Trustees, has audited the financial statements of the Ayala Foundation, Incorporated in accordance with Philippine Standards on Auditing and has expressed their opinion on the fairness of presentation upon completion of such audit, in the attached report.



VICTORIA P. GARCHITORENA
President



WILMA P. ZAPATA
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Ayala Foundation, Incorporated
10th Floor, BPI Main Building
Ayala Avenue corner Paseo de Roxas
Legaspi Village, Makati City

We have audited the accompanying financial statements of Ayala Foundation, Incorporated, which comprise the statements of financial position as at December 31, 2007 and 2006, and the statements of activities and statements of cash flows the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 auditor's 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 auditor considers 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 Ayala Foundation, Incorporated as of December 31, 2007 and 2006, and its financial activities and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-1

Tax Identification No. 102-082-365

PTR No. 0017580, January 3, 2008, Makati City

February 22, 2008

AYALA FOUNDATION, INCORPORATED
(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 12)	₱32,794,846	₱107,728,129
Receivables - net (Notes 5 and 12)	73,467,475	108,616,595
Merchandise inventories	12,518,487	14,389,098
Other current assets (Note 6)	6,193,999	7,602,109
Total Current Assets	124,974,807	238,335,931
Noncurrent Assets		
Property and equipment - net (Note 7)	172,845,910	121,939,253
Available-for-sale investments (Notes 8 and 12)	754,985,719	631,673,492
Pension asset (Note 9)	—	438,180
Total Noncurrent Assets	927,831,629	754,050,925
	₱1,052,806,436	₱992,386,856
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts and other payables (Notes 10 and 12)	₱66,069,247	₱68,814,681
Pension liability (Note 9)	1,928,158	—
Total Liabilities	₱67,997,405	68,814,681
Net Assets		
Unrestricted (Note 11)	151,468,342	134,559,761
Temporarily restricted (Note 11)	269,331,043	299,785,458
Permanently restricted (Note 11)	522,150,995	466,129,278
Unrealized gain on available-for-sale investments (Note 8)	41,858,651	23,097,678
	984,809,031	923,572,175
	₱1,052,806,436	₱992,386,856

See accompanying Notes to Financial Statements.

AYALA FOUNDATION, INCORPORATED
(A Nonstock, Not-for-Profit Organization)
STATEMENTS OF ACTIVITIES

	Unrestricted	Temporarily Restricted (Note 11)	Permanently Restricted (Note 11)	Unrealized Gain on Available-for-Sale Investments (Note 8)	2007 Total	Unrestricted	Temporarily Restricted (Note 11)	Permanently Restricted (Note 11)	Unrealized Gain on Available-for-Sale Investments (Note 8)	2006 Total
Revenue, gains and other supports										
Public support										
Investment	₱64,700	₱210,615,556	₱-	₱-	₱210,680,256	₱81,000	₱253,977,846	₱104,208,199	₱-	₱358,267,045
Project	34,161,417	22,262,042	-	-	56,423,459	22,051,686	14,529,856	-	-	36,581,542
Others	-	3,597,100	-	-	3,597,100	-	2,961,163	-	-	2,961,163
Net assets released from restrictions (Note 11)	37,430	107,559	-	-	144,989	1,794,727	202,203	-	-	1,996,930
	210,001,769	(210,001,769)	-	-	-	203,502,651	(203,502,651)	-	-	-
Expenses and losses	244,265,316	26,580,488	-	-	270,845,804	227,430,064	68,168,417	104,208,199	-	399,806,680
Project (Note 11)	201,341,396	-	-	-	201,341,396	194,710,034	-	-	-	194,710,034
General and administrative (Note 11)	26,015,339	-	-	-	26,015,339	26,105,324	-	-	-	26,105,324
Net loss from other activities (Note 13)	-	1,013,186	-	-	1,013,186	-	2,666,854	-	-	2,666,854
	227,356,735	1,013,186	-	-	228,369,921	220,815,358	2,666,854	-	-	223,482,212
Excess of revenue, gains and other supports over expenses and losses	16,908,581	25,567,302	-	-	42,475,883	6,614,706	65,501,563	104,208,199	-	176,324,468
Endowment fund	-	(56,021,717)	56,021,717	-	-	-	-	-	-	-
Product inventory	-	-	-	-	-	(726,018)	726,018	-	-	-
CHANGES IN NET ASSETS	16,908,581	(30,454,415)	56,021,717	-	42,475,883	5,888,688	66,227,581	104,208,199	-	176,324,468
Net unrealized gain for the year recognized in net assets	-	-	-	18,760,973	18,760,973	-	-	-	22,913,205	22,913,205
NET ASSETS AT BEGINNING OF YEAR	134,559,761	299,785,458	466,129,278	23,097,678	923,572,175	128,671,073	233,557,877	361,921,079	184,473	724,334,502
NET ASSETS AT END OF YEAR	₱151,468,342	₱269,331,043	₱522,150,995	₱41,858,651	₱984,809,031	₱134,559,761	₱299,785,458	₱466,129,278	₱23,097,678	₱923,572,175

See accompanying Notes to Financial Statements.

AYALA FOUNDATION, INCORPORATED
 (A Nonstock, Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	₱42,475,883	₱176,324,468
Adjustments for:		
Depreciation and amortization (Note 7)	7,152,796	6,679,657
Provision for doubtful accounts (Note 11)	–	422,551
Investment income	(56,423,459)	(36,581,542)
Pension expense (Note 9)	2,366,338	1,394,379
Operating income (loss) before changes in working capital	(4,428,442)	148,239,513
Decrease (increase) in:		
Receivables	39,867,254	(51,089,315)
Merchandise inventories	1,870,611	(3,184,369)
Other current assets	1,408,110	(1,897,844)
Increase (decrease) in:		
Accounts and other payables	(2,745,434)	11,816,081
Net cash provided by operations	35,972,099	103,884,066
Interest income received	51,705,325	47,853,271
Net cash provided by operating activities	87,677,424	151,737,337
CASH FLOWS FROM INVESTING ACTIVITIES		
Net additions to available-for-sale investments	(104,551,254)	(524,214,437)
Net additions to property and equipment (Note 7)	(58,059,453)	(6,296,314)
Cash used in investing activities	(162,610,707)	(530,510,751)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(74,933,283)	(378,773,414)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	107,728,129	486,501,543
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱32,794,846	₱107,728,129

See accompanying Notes to Financial Statements.



AYALA FOUNDATION, INCORPORATED
(A Nonstock, Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

1. General Information

Ayala Foundation, Incorporated (the Foundation) was registered with the Securities and Exchange Commission (SEC) on December 28, 1961 as a nonstock, not-for-profit organization primarily for the following purposes:

- a. To function and operate as a private science and research foundation;
- b. To provide financial support or scholarships;
- c. To undertake ventures together with organized rural communities for the transfer of appropriate technologies;
- d. To undertake integrated community organization and development programs;
- e. To encourage the establishment of urban and rural micro, cottage and small enterprises as a means of creating employment among the poor;
- f. To undertake social services; and
- g. To preserve and enhance Philippine arts and culture as a means of developing national pride and patriotism.

As a nonstock, not-for-profit organization intended for scientific purposes, the Foundation's income is exempt from payment of income tax as set forth in Section 30(e) of the National Internal Revenue Code (NIRC) as amended by Executive Order (E.O.) 273. The Foundation has been certified as an entity organized for scientific advancement and that its funds are dedicated to scientific pursuits within the meaning of Section 24 of Republic Act No. 2067, as amended.

The Foundation is registered with the Bureau of Internal Revenue (BIR) as a donee institution in accordance with the provisions of BIR-National Economic and Development Authority Regulations No. 1-81 (as amended) and is entitled to the benefits set forth in Section 29(h) of the NIRC, as amended by E.O. 273. As a registered donee, all donations and contributions to the Foundation are exempt from donor's tax.

The Foundation's registered office address is at 10th Floor, BPI Main Building, Ayala Avenue corner Paseo de Roxas, Legaspi Village, Makati City.

The financial statements of the Foundation for the years ended December 31, 2007 and 2006 were approved and authorized for issue by the Foundation's President and Chief Financial Officer on February 22, 2008.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Foundation have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value, and are presented in Philippine Peso.

Consistent with the requirement of Philippine Accounting Standard (PAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the Foundation applied Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. This Statement establishes standards for general-purpose external financial statements provided by a not-for-profit organization. It specifies that those statements include a statement of financial position, a statement of activities and a statement of cash flows.

The preparation of financial statements in conformity with Philippine Financial Reporting Standards (PFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Foundation's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with PFRS.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Amendments to PFRS and Philippine Interpretation effective in 2007

The Foundation has adopted the following new and amended to PFRS and Philippine Interpretation during the year.

- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1 Amendment - *Presentation of Financial Statements*
- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*

The principal effects of these changes are as follows:

PFRS 7, Financial Instruments: Disclosures, and the complementary amendment to PAS 1, Presentation of Financial Statements: Capital Disclosures (effective for annual periods beginning on or after January 1, 2007)

PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces the disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation* and PAS 30, *Disclosure in the Financial Statements of Banks and Similar Financial Institutions*. It is applicable to all entities that report under PFRS. The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

The Foundation adopted the amendment to the transition provisions of PFRS 7, as approved by the Financial Reporting Standards Council, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Foundation does not need to present comparative information for the disclosures required by paragraphs 31-42 of PFRS 7, unless the disclosure was previously required under PAS 30 or PAS 32. Adoption of PFRS 7 and the amendment to PAS 1 resulted in additional disclosures, which are included throughout the financial statements. These disclosures include presenting the different classes of loans and receivables (see Note 5), rollforward of allowance for impairment losses (see Note 5), credit quality of financial assets (see Note 12) and aging of past due but not impaired financial assets (see Note 12).

Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006)*

The Foundation adopted the Interpretation beginning January 1, 2007, which prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. As the Foundation had no impairment losses previously reversed, the Interpretation did not have any significant impact on the financial statements.

Future Changes in Accounting Policies

The Foundation has not applied the following new and amended PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2007:

- PAS 23 Amendment - *Borrowing Costs (effective for annual periods beginning on or after January 1, 2009)*
This amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The option of immediately expensing borrowing costs will be removed. In accordance with the transitional requirements in the amendment, the Foundation will adopt the amendment as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008)*.
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the awards credits and deferred over the period that the award credits are fulfilled. The Foundation does not expect this Interpretation to have a significant impact on the financial statements as no such scheme currently exists.

- Philippine Interpretation IFRIC 19, *PAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after January 1, 2008).

This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

The Foundation does not expect this Interpretation to have a significant impact on the financial statements.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months from dates of acquisitions or less and that are subject to an insignificant risk of change in value.

Merchandise Inventories

Merchandise inventories consist of books and other items held for sale. Merchandise inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the first-in, first-out method. NRV is the selling price in the ordinary course of business less marketing costs.

Financial Instruments

Date of recognition

The Foundation recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at fair value through profit and loss (FVPL), the initial measurement of financial assets includes transaction costs. The Foundation classifies its financial assets in the following categories: securities at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Day 1 profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Foundation recognizes the difference between the transaction price and fair value (a Day 1 profit) in the statement of activities under the "Investment income" account. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of activities when the inputs become observable or when the instrument is derecognized. For each transaction, the Foundation determines the appropriate method of recognizing the 'Day 1' profit amount.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that 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 investments or securities at FVPL. This accounting policy relates to the statement of financial position caption "Receivables".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. 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 amortization is included in the interest income in the statement of activities. The losses arising from impairment of such loans and receivables are recognized in the statement of activities under "Provision for doubtful account" account.

AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as designated as securities at FVPL, HTM investments, or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS investments include equity investments.

After initial measurement, AFS investments are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded from reported earnings and are reported as "Unrealized gain on available-for-sale financial assets" in the statement of activities.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the reported income. Where the Foundation holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in the statement of activities when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the statement of activities under "Provision for market decline" account.

The Foundation has no securities at FVPL and HTM investments as of December 31, 2007 and 2006.

Short-term and Long-term Debts

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term and long-term debts are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the statement of activities when the liabilities are derecognized or impaired, as well as through the amortization process.

Impairment of Financial Assets

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

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

If, in a subsequent period, 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 the statement of activities, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments. If an AFS investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from fund balances to the statement of activities. Reversals in respect of equity instruments classified as activities are not recognized in the statement of activities. Reversals of impairment losses on debt instruments are reversed through the statement of activities if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of activities.

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 rights to receive cash flows from the asset have expired;
- the Foundation 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 Foundation has transferred its rights 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.

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of activities.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position, 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 gross in the statements of financial position.

Property and Equipment

Parcels of land are carried at market values as of the date of donation. Other property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to expense in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property and equipment:

Leasehold improvements	5-25 years
Office furniture and equipment	3-5 years
Transportation equipment	5 years

Leasehold improvements are amortized over the estimated useful lives of the improvements or the terms of the lease, whichever is shorter.

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Impairment of Non-financial Assets

An assessment is made at each reporting date to determine whether there is any indication of impairment of property and equipment and other long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization), had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Provisions

Provisions are recognized when the Foundation has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions, if any, are reviewed at each reporting date and adjusted to reflect the current best estimate.

Revenue Recognition

Revenue is recognized on the following bases:

- Public support revenue represents contributions received by the Foundation. Unconditional contributions received, including unconditional promises to give cash or other assets, are recognized as revenue in the period received at their fair value. Conditional promises to give are recognized when the conditions are met. Assets received subject to conditions are accounted for as refundable advances until the conditions are met.

- Investment income represents interest income earned on short-term investments. Income is recognized on a time proportion basis computed on the outstanding principal using the applicable rate.

Museum Collections

Artworks, ethnographic, archeological and rare book collections purchased for or donated to the museum are not included in the accompanying financial statements. Gifts of cash or property used for the purchase of the museum collections are classified as public support revenue when acquisitions are made in accordance with the terms of the gifts. The cost of objects purchased or donated is reported as a project expense.

Pension Cost

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailment or settlement.

When plan assets exceed the defined benefit obligation, the net pension asset recognized by the Foundation in respect of the defined benefit retirement plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement liabilities.

Actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Leases

Leases where the lessor retains 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 statement of activities on a straight-line basis.

Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded using the prevailing exchange rates at the time of the transaction. Outstanding foreign currency-denominated monetary assets and liabilities at year-end are translated to Philippine peso at prevailing Philippine Dealing System rate at reporting dates. Foreign exchange gains or losses arising from foreign currency transactions are credited to or charged against changes in net assets.

Contingencies

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

Subsequent Events

Any post year-end events up to the date of the auditors' report that provide additional information about the Foundation's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Any post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. **Management's Use of Judgments and Estimates**

The preparation of the accompanying financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

The following presents a summary of these significant estimates and judgments:

Estimated allowance for doubtful accounts

The Foundation maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Foundation's relationship with the customer, the customer's payment behavior and known market factors. The Foundation reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The allowance for doubtful accounts as of December 31, 2007 and 2006 amounted to ₱6,595,866 and ₱6,709,127, respectively (see Note 5).

The amount and timing of recorded expenses for any period would differ if the Foundation made different judgments or utilized different estimates. An increase in allowance for doubtful accounts would increase the recorded expenses and decrease current assets.

Estimated useful lives of property and equipment

The Foundation estimates the useful lives of its property and equipment based on the period over which the property and equipment are expected to be available for use. The Foundation reviews annually the estimated useful lives of property and equipment based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expense and decrease noncurrent assets. The carrying amount of property and equipment as of December 31, 2007 and 2006 amounted to ₱172,845,910 and ₱121,939,253, respectively (see Note 7).

Asset impairment

The Foundation assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Foundation considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, Foundation is required to make estimates and assumptions that can materially affect the financial statements. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. The Foundation did not recognize an impairment loss on its AFS investment in December 31, 2007, while ₱1,184,955 was recognized in 2006 (see Note 8).

Pension and other employee benefits

The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates. In accordance with PFRS, actual results that differ from the Foundation's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

While the Foundation believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Foundation also estimates other employee benefits obligation and expense. These estimates may vary depending on the future changes in salaries and actual experiences during the year. The net pension liability as of December 31, 2007 amounted to ₱1,928,158 and net pension asset as of December 31, 2006 amounted to ₱438,180 (see Note 9).

4. Cash and Cash Equivalents

This account consists of:

	2007	2006
Cash on hand and in banks	₱23,594,846	₱38,180,029
Cash equivalents	9,200,000	69,548,100
	₱32,794,846	₱107,728,129

Cash in banks earn interests at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Foundation and earn interests at the respective short-term investment rates.

5. Receivables

This account consists of the following:

	2007	2006
Trade		
Products	₱2,255,058	₱2,543,781
Services	12,439,008	5,591,038
Advances	6,376,926	10,355,634
Officers and employees	2,172,867	2,034,440
Others	56,819,482	94,800,829
	80,063,341	115,325,722
Less allowance for doubtful accounts	6,595,866	6,709,127
	₱73,467,475	₱108,616,595

Trade receivables are collectibles from various entities arising from their availment of program services provided by the Foundation.

The analysis of accounts and notes receivables that were past due but not impaired follows:

December 31, 2007

	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired Financial Assets	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Trade								
Products	₱677,061	₱37,502	₱191,436	₱11,135	₱-	₱92,562	₱1,245,362	₱2,255,058
Services	3,525,577	2,386,551	770,260	92,723	-	2,632,978	3,030,919	12,439,008
Advances	56,674	-	-	-	208,731	6,111,521	-	6,376,926
Officers and employees	1,559,483	-	30,000	10,200	-	573,184	-	2,172,867
Others	52,211,585	178,056	4,562	-	-	2,105,694	2,319,585	56,819,482
	₱58,030,380	₱2,602,109	₱996,258	₱114,058	₱208,731	₱11,515,939	₱6,595,866	₱80,063,341

December 31, 2006

	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired Financial Assets	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Trade								
Products	₱904,128	₱131,873	₱53,063	₱49,434	₱–	₱135,545	₱1,269,738	₱2,543,781
Services	988,735	441,335	680,719	104,407	–	344,923	3,030,919	5,591,038
Advances	1,929,359	–	–	–	1,056,839	7,369,436	–	10,355,634
Officers and employees	1,611,348	271,947	82,880	–	–	68,265	–	2,034,440
Others	91,031,192	25,456	–	–	–	1,335,711	2,408,470	94,800,829
	₱96,464,762	₱870,611	₱816,662	₱153,841	₱1,056,839	₱9,253,880	₱6,709,127	₱115,325,722

Movements in the allowance for doubtful accounts are as follows:

2007						
	Products	Services	Advances	Officers and employees	Others	Total
At January 1	₱1,122,465	₱3,156,089	₱–	₱–	₱2,430,573	₱6,709,127
Reversals	24,375	–	–	–	88,886	113,261
At December 31	₱1,098,090	₱3,156,089	₱–	₱–	₱2,341,687	₱6,595,866
Individually impaired	₱1,098,090	₱3,156,089	₱–	₱–	₱2,341,687	₱6,595,866

2006						
	Products	Services	Advances	Officers and employees	Others	Total
At January 1	₱1,043,664	₱3,156,089	₱–	₱–	₱2,086,823	₱6,286,576
Provisions during the year	78,801	–	–	–	343,750	422,551
At December 31	₱1,122,465	₱3,156,089	–	–	₱2,430,573	₱6,709,127
Individually impaired	₱1,122,465	₱3,156,089	₱–	₱–	₱2,430,573	₱6,709,127

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Foundation assesses impairment by individually assessed allowances.

6. Other Current Assets

This account consists of:

	2007	2006
Input tax	P3,331,960	P4,389,150
Deposit to suppliers	2,517,572	1,884,894
Prepaid expenses	344,467	1,328,065
	P6,193,999	P7,602,109

7. Property and Equipment

The movements of this account follow:

	2007				Total
	Land	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	
Cost					
January 1	P93,858,560	P35,780,526	P28,447,454	P2,966,873	P161,053,413
Additions	-	56,140,717	4,063,627	-	60,204,344
Disposals	-	(1,948,649)	(2,815,963)	(340,000)	(5,104,612)
December 31	93,858,560	89,972,594	29,695,118	2,626,873	216,153,145
Accumulated Depreciation and Amortization					
January 1	-	15,893,830	21,066,686	2,153,644	39,114,160
Depreciation and amortization	-	2,462,577	4,446,739	243,480	7,152,796
Disposal	-	-	(2,619,721)	(340,000)	(2,959,721)
December 31	-	18,356,407	22,893,704	2,057,124	43,307,235
Net Book Value	P93,858,560	P71,616,187	P6,801,414	P569,749	P172,845,910

	2006				Total
	Land	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	
Cost					
January 1	P94,689,905	P33,074,674	P24,820,647	P2,171,873	P154,757,099
Additions	-	2,705,852	3,626,807	795,000	7,127,659
Disposals	(831,345)	-	-	-	(831,345)
December 31	93,858,560	35,780,526	28,447,454	2,966,873	161,053,413
Accumulated Depreciation and Amortization					
January 1	-	13,589,438	16,968,871	1,876,194	32,434,503
Depreciation and amortization	-	2,304,392	4,097,815	277,450	6,679,657
December 31	-	15,893,830	21,066,686	2,153,644	39,114,160
Net Book Value	P93,858,560	P19,886,696	P7,380,768	P813,229	P121,939,253

Depreciation and amortization charged against unrestricted net assets amounted to P7,152,796 and 6,679,657 in 2007 and 2006, respectively.

8. Available-for-sale Investments

This account consists of investments in:

	2007	2006
Common trust fund	₱537,172,377	₱493,735,965
Investment in stocks		
Quoted investments	215,004,008	135,121,510
Unquoted	2,809,334	2,816,017
	₱754,985,719	₱631,673,492

The rollforward of unrealized gain on available-for-sale investments is as follows:

	2007	2006
Balance at beginning of year	₱23,097,678	₱184,473
Gain recognized in equity	18,760,973	24,098,160
Gain removed from equity and recognized in reported income	-	(1,184,955)
Balance at end of year	₱41,858,651	₱23,097,678

The unrealized gain from available-for-sale investment amounting to ₱18,760,973 and ₱24,098,160 as of December 31, 2007 and 2006, respectively, was recognized in net assets.

An impairment loss of ₱1,184,955 on AFS investment was recognized by the Foundation in 2006.

9. Retirement Plan

The Foundation has a funded and formal noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are generally based on defined contribution formula with minimum lump-sum guarantee of 1.5 months' basic salary per year of service.

The Foundation's annual contributions to the plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable.

The components of pension expense in the employee benefits and welfare account (see Note 11) in the statements of activities follow:

	2007	2006
Current service cost	₱2,631,015	₱1,964,657
Interest cost on benefit obligation	1,232,842	1,250,833
Expected return on plan assets	(1,450,971)	(1,612,472)
Net actuarial gain	(46,548)	(208,639)
Total pension expense	₱2,366,338	₱1,394,379

The funded status and amounts recognized under pension asset in the statements of financial position for the pension plan as of December 31, 2007 and 2006 follow:

	2007	2006
Plan assets	₱17,893,499	₱20,728,153
Benefit obligations	(21,632,439)	(17,612,029)
Unrecognized actuarial (gain) losses	1,810,782	(2,677,944)
Net pension asset (liability)	(₱1,928,158)	₱438,180

Changes in the present value of the defined benefit obligation follow:

	2007	2006
Balance at January 1	₱17,612,029	₱11,371,211
Current service cost	2,631,015	1,964,657
Interest cost	1,232,842	1,250,833
Actuarial loss	156,553	3,025,328
Balance at December 31	₱21,632,439	₱17,612,029

Changes in the fair value of plan assets are as follows:

	2007	2006
Balance at January 1	₱20,728,153	₱17,916,353
Expected return on plan assets	1,450,971	1,612,472
Actuarial gain (loss)	(4,285,625)	1,199,328
Balance at December 31	₱17,893,499	₱20,728,153

The components of the Foundation's plan assets consist mainly of investments in government securities.

The assumptions used to determine pension benefits for the Foundation for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Discount rate	7.0%	7.0%
Salary increase rate	7.0%	8.0%
Expected rate of return on plan assets	7.0%	9.0%

10. Accounts and Other Payables

This account consists of:

	2007	2006
Trade	₱34,497,716	₱37,650,042
Accrued expenses	27,918,052	14,256,101
Advances and others	2,814,392	15,899,498
Others	839,087	1,009,040
	₱66,069,247	₱68,814,681

Accounts payable and accrued expenses include payables to consignors and suppliers and are normally settled on 30 to 60 day terms.

11. Net Assets

Permanently restricted net assets are those assets that the donor stipulates must be maintained by the Foundation in perpetuity. Permanently restricted net assets increase when Foundation receives contributions for which donor-imposed restrictions limiting the Foundation's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Foundation's meeting certain requirements. Permanently restricted net assets generally come from: (1) contributions, with donor-imposed permanent restrictions; (2) increase or decrease in existing assets that are subject to permanent restrictions by donor or by law (such as unrealized gains, interest income); and (3) reclassification from another net asset class as a result of donor stipulation or by law.

Temporarily restricted net assets refer to those net assets whose use by the Foundation is limited by donors to later periods of time or after specified dates or specified purposes.

Unrestricted net assets are those net assets that are neither temporarily restricted nor permanently restricted. It includes all net assets with uses not restricted by donors, by Board of Trustees or by law.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Details of foundation expenses as of December 31, 2007 and 2006 follow:

Project expenses

	2007	2006
Project implementation		
Education	₱76,041,224	₱69,075,163
Entrepreneurship	4,334,961	161,545
Environment	1,396,175	1,366,038
Special projects	35,725,209	44,398,043
Project Management		
Salaries and wages	28,380,716	26,796,705
Employee benefits and welfare	7,015,179	6,561,091
Monitoring and administrative	25,301,213	23,729,340
Building overhead	23,146,719	22,622,109
	₱201,341,396	₱194,710,034

General and administrative expenses

	2007	2006
Salaries and wages	₱9,618,180	₱8,967,424
Premises, utilities and other equipment-related cost	6,152,703	6,318,716
Employee benefits and welfare (see Note 9)	2,592,440	2,225,659
Professional and service fees	1,173,181	1,285,775
Advocacy and public information services	1,024,718	781,101
Office supplies	862,918	1,066,599
Communication and postage	776,980	732,491
Transportation and travel	305,220	287,381
Meetings and conferences	280,415	247,540
Taxes and licenses	206,941	210,087
Membership dues and fees	177,803	331,246
Provisions for:		
Doubtful accounts	-	422,551
Inventory loss	-	25,586
Others	2,843,840	3,203,168
	₱26,015,339	₱26,105,324

12. Financial Instruments

Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all of the Foundation's financial instruments:

	Carrying Value		Fair Value	
	2007	2006	2007	2006
Financial Assets				
Cash on hand and in banks (see Note 4)	₱23,594,846	₱38,180,029	₱23,594,846	₱38,180,029
Cash equivalents (see Note 4)	9,200,000	69,548,100	9,200,000	69,548,100
	32,794,846	107,728,129	32,794,846	107,728,129
Receivables (see Note 5)				
Trade	14,694,066	8,134,819	14,694,066	8,134,819
Advances	6,376,926	10,355,634	6,376,926	10,355,634
Officers and employees	2,172,867	2,034,440	2,172,867	2,034,440
Others	56,819,482	94,800,829	56,819,482	94,800,829
	80,063,341	115,325,722	80,063,341	115,325,722
Available-for-sale investments (see Note 8)				
Common trust fund	537,172,377	493,735,965	537,172,377	493,735,965
Equity investment				
Quoted debt investments	215,004,008	135,121,510	215,004,008	135,121,510
Unquoted debt investments	2,809,334	2,816,017	2,809,334	2,816,017
	754,985,719	631,673,492	754,985,719	631,673,492
Total	₱867,843,906	₱854,727,343	₱867,843,906	₱854,727,343

	Carrying Value		Fair Value	
	2007	2006	2007	2006
Financial Liabilities (see Note 10)				
Trade	₱34,497,716	₱37,650,042	₱34,497,716	₱37,650,042
Accrued expenses	27,918,052	14,256,101	27,918,052	14,256,101
Advances	2,814,392	15,899,498	2,814,392	15,899,498
Others	839,087	1,009,040	839,087	1,009,040
	66,069,247	68,814,681	66,069,247	68,814,681
Total	₱933,913,153	₱923,542,024	₱933,913,153	₱923,542,024

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses - Carrying amounts approximate fair values due to the relative short-term maturities of these investments and liabilities.

Short-term investments - Fair value is based on quoted prices in the market. Changes in market perception and to underlying cash flows will materially change these estimates.

AFS quoted equity shares - Fair values are based on quoted prices published in markets.

AFS unquoted shares - Carrying amounts (cost less allowance for impairment losses) approximate fair value due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Financial Risk Management Objectives and Policies

The Foundation has various financial instruments such as cash and cash equivalents, receivables, AFS financial assets, accounts and other payables which arise directly from its operations.

The main purpose of the Foundation's financial instruments is to fund its operational and capital expenditures. The main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, liquidity risk and credit risk.

The Foundation's risk management policies are summarized below:

Liquidity risk

The Foundation maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Foundation regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include investments in quoted and unquoted securities.

The table summarizes the maturity profile of the Foundation's financial liabilities as of December 31, 2007 and 2006 based on contractual undiscounted payments.

	2007					Total
	On demand	<1 year	1 to<2years	2 to<3years	3 to<5years	
Trade	₱11,206,292	₱1,321,945	₱21,969,479	₱-	₱-	₱34,497,716
Accrued expenses	27,918,052	-	-	-	-	27,918,052
Advances	1,362,886	339,504	-	-	1,112,002	2,814,392
Others	839,087	-	-	-	-	839,087
	₱41,326,317	₱1,661,449	₱21,969,479	₱-	₱1,112,002	₱66,069,247

	2006					Total
	On demand	<1 year	1 to<2years	2 to<3years	3 to<5years	
Trade	₱14,253,312	₱1,452,570	₱1,789,023	₱20,155,137	₱-	₱37,650,042
Accrued expenses	-	14,256,101	-	-	-	14,256,101
Advances	2,179,274	12,608,222	-	-	1,112,002	15,899,498
Others	1,009,040	-	-	-	-	1,009,040
	₱17,441,626	₱28,316,893	₱1,789,023	₱20,155,137	₱1,112,002	68,814,681

Credit risk

The Foundation's holding of cash and short-term investment exposes the Foundation to credit risk of the counterparty. Credit risk management involves dealing only with institutions for which credit limits have been established. The treasury policy sets credit limits for each counterparty. Given the Foundation's diverse base of counterparties, it is not exposed to large contractions of credit risk.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position.

	2007	2006
Cash and cash equivalents (see Note 4)	₱32,794,846	₱107,728,129
Accounts and notes receivables (see Note 5)	80,063,341	115,325,722
Available-for-sale investments (see Note 8)	754,985,719	631,673,492
	867,843,906	854,727,343
Accounts and other payables (see Note 10)		
Trade	34,497,716	37,650,042
Accrued expenses	27,918,052	14,256,101
Advances	2,814,392	15,899,498
Others	839,087	1,009,040
	66,069,247	68,814,681
Total credit risk exposure	₱801,774,659	₱785,912,662

The table below summarizes the credit quality of the Foundation's neither past due and impaired accounts.

	2007					
	Neither Past Due nor Impaired			Past due but not impaired	Individually impaired	Total
	High Grade	Standards	Substandard			
Trade	₱1,110,893	₱3,091,745	₱-	₱6,215,147	₱4,276,281	₱14,694,066
Advances	56,674	-	-	6,320,252	-	6,376,926
Officers and employees	1,559,483	-	-	613,384	-	2,172,867
Others	51,376,408	39,593	795,584	2,288,312	2,319,585	56,819,482
	₱54,103,458	₱3,131,338	₱795,584	₱15,437,095	₱6,595,866	₱80,063,341

	2006					
	Neither Past Due nor Impaired			Past due but not impaired	Individually impaired	Total
	High Grade	Standards	Substandard			
Trade	₱80,853	₱1,791,168	₱20,842	₱1,941,299	₱4,300,657	₱8,134,819
Advances	1,929,359	-	-	8,426,275	-	10,355,634
Officers and employees	1,611,348	-	-	423,092	-	2,034,440
Others	89,768,042	606,695	656,455	1,361,167	2,408,470	94,800,829
	₱93,389,602	₱2,397,863	₱677,297	₱12,151,833	₱6,709,127	₱115,325,722

13. Other Activities

Statements of revenue and expenses on the Foundation's museum and library operations for the years ended December 31, 2007 and 2006 follow:

	2007	2006
Revenue	₱23,937,669	₱21,048,586
Expenses	24,950,855	23,715,440
Net loss	₱1,013,186	₱2,666,854