Ayala Foundation, Inc.
(A Non-stock, Non-profit Corporation)

Financial Statements
December 31, 2025 and 2024

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Ayala Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ayala Foundation, Inc. (a non-stock, non-profit corporation) (the Foundation), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of activities, statements of changes in net assets and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Foundation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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PTR No. 10765137, January 2, 2026, Makati City

March 9, 2026

AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱406,540,687**	₱527,311,892
Short-term investments (Note 5)	**619,711,227**	57,000,000
Receivables (Note 6)	**54,060,892**	50,580,233
Merchandise inventories - net (Note 7)	**9,832,693**	11,101,071
Financial assets at fair value through profit or loss (Note 11)	**1,051,388,529**	978,933,929
Financial assets at fair value through other comprehensive income (FVOCI) (Note 11)	**–**	102,117,557
Financial assets at amortized cost (Note 11)	**191,500,000**	31,706,909
Other current assets (Note 8)	**27,853,313**	32,744,463
Total Current Assets	**2,360,887,341**	1,791,496,054
Noncurrent Assets		
Financial assets at amortized cost - net of current portion (Note 11)	**813,097,468**	884,607,214
Financial assets at FVOCI - net of current portion (Note 11)	**38,217,273**	29,740,537
Property and equipment (Note 9)	**583,573,675**	501,860,253
Right-of-use asset (Note 18)	**36,999,978**	41,829,913
Software (Note 10)	**3,031,996**	2,756,954
Deferred tax asset (Note 16)	**84,368**	95,846
Total Noncurrent Assets	**1,475,004,758**	1,460,890,717
	₱3,835,892,099	₱3,252,386,771
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts and other payables (Note 12)	**₱168,714,109**	₱112,886,848
Lease liability - current portion (Note 18)	**5,700,459**	6,901,683
Total Current Liabilities	**174,414,568**	119,788,531
Noncurrent Liabilities		
Accounts and other payables - net of current portion (Note 12)	**–**	35,600,000
Lease liability - net of current portion (Note 18)	**35,509,145**	36,839,370
Pension liability - net (Note 13)	**21,671,282**	17,594,453
Total Noncurrent Liabilities	**57,180,427**	90,033,823
Total Liabilities	**231,594,995**	209,822,354
Net Assets (Note 15)		
Unrestricted	**159,260**	72,727,614
Temporarily restricted	**1,237,182,560**	809,101,825
Permanently restricted	**2,356,735,826**	2,145,799,894
Fair value reserve of financial assets at FVOCI (Note 11)	**1,084,203**	4,046,322
Remeasurement gain on defined benefit obligation (Note 15)	**9,135,255**	10,888,762
Total Net Assets	**3,604,297,104**	3,042,564,417
	₱3,835,892,099	₱3,252,386,771

See accompanying Notes to Financial Statements.

AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

	December 31, 2025					
	Unrestricted (Note 15)	**Temporarily Restricted** (Note 15)	**Permanently Restricted** (Note 15)	**Fair Value Reserve of Financial Assets at FVOCI** (Note 11)	**Remeasurement Gain (Loss) on Defined Benefit Obligation** (Note 13)	**Total**
REVENUE, GAINS AND OTHER SUPPORTS:						
Public support (Note 15)	**₱–**	**₱932,832,052**	**₱–**	**₱–**	**₱–**	**₱932,832,052**
Investment and interest (Notes 4, 5, 6 and 11)	**–**	**22,014,859**	**210,935,932**	**–**	**–**	**232,950,791**
Net assets released from restrictions	**482,818,470**	**(482,818,470)**	**–**	**–**	**–**	**–**
Others (Note 6)		**2,229,435**	**–**	**–**	**–**	**2,229,435**
	482,818,470	**474,257,876**	**210,935,932**	**–**	**–**	**1,168,012,278**
EXPENSES AND LOSSES:						
Project (Note 15)	**486,460,204**	**–**	**–**	**–**	**–**	**486,460,204**
General and administrative (Note 15)	**68,926,620**	**–**	**–**		**–**	**68,926,620**
Net loss from other activities (Notes 7, 15 and 19)	**–**	**46,177,141**	**–**	**–**	**–**	**46,177,141**
	555,386,824	**46,177,141**	**–**	**–**	**–**	**601,563,965**
EXCESS (DEFICIT) OF REVENUE, GAINS AND OTHER SUPPORTS OVER EXPENSES AND LOSSES	**(72,568,354)**	**428,080,735**	**210,935,932**	**–**	**–**	**566,448,313**
OTHER COMPREHENSIVE INCOME						
Item that may be reclassified subsequently to profit or loss:						
Fair value reserve of financial assets at FVOCI (Note 11)	**–**	**–**	**–**	**(2,962,119)**	**–**	**(2,962,119)**
Item that will not be reclassified subsequently to profit or loss:						
Remeasurement loss on defined benefit obligation (Note 13)	**–**	**–**	**–**	**–**	**(1,753,507)**	**(1,753,507)**
	–	**–**	**–**	**(2,962,119)**	**(1,753,507)**	**(4,715,626)**
CHANGES IN NET ASSETS	**(72,568,354)**	**428,080,735**	**210,935,932**	**(2,962,119)**	**(1,753,507)**	**561,732,687**
NET ASSETS AT BEGINNING OF YEAR	**72,727,614**	**809,101,825**	**2,145,799,894**	**4,046,322**	**10,888,762**	**3,042,564,417**
NET ASSETS AT END OF YEAR	**₱159,260**	**₱1,237,182,560**	**₱2,356,735,826**	**₱1,084,203**	**₱9,135,255**	**₱3,604,297,104**

AYALA FOUNDATION, INC.

(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

	December 31, 2024					
	Unrestricted (Note 15)	**Temporarily Restricted** (Note 15)	**Permanently Restricted** (Note 15)	**Fair Value Reserve of Financial Assets at FVOCI** (Note 11)	**Remeasurement Gain (Loss) on Defined Benefit Obligation** (Note 13)	**Total**
REVENUE, GAINS AND OTHER SUPPORTS:						
Public support (Note 15)	₱–	₱786,103,458	₱–	₱–	₱-	₱786,103,458
Investment and interest (Notes 4, 5, 6 and 11)	30,000,000	178,334,674	–	–	–	208,334,674
Net assets released from restrictions	505,375,518	(679,900,594)	174,525,076	–	–	–
Others (Note 6)	–	2,631,618	–	–	–	2,631,618
	535,375,518	287,169,156	174,525,076	–	–	997,069,750
EXPENSES AND LOSSES:						
Project (Note 15)	458,991,308	–	–	–	–	458,991,308
General and administrative (Note 15)	88,814,217	–	–	–	–	88,814,217
Net loss from other activities (Notes 7, 15 and 19)	–	20,794,150	–	–	–	20,794,150
	547,805,525	20,794,150	–	–	–	568,599,675
EXCESS (DEFICIT) OF REVENUE, GAINS AND OTHER SUPPORTS OVER EXPENSES AND LOSSES	(12,430,007)	266,375,006	174,525,076	–	–	428,470,075
OTHER COMPREHENSIVE INCOME						
Item that may be reclassified subsequently to profit or loss:						
Fair value reserve of financial assets at FVOCI (Note 11)	–	–	–	4,395,747	–	4,395,747
Item that will not be reclassified subsequently to profit or loss:						
Remeasurement loss on defined benefit obligation (Note 13)	–	–	–	–	4,189,993	4,189,993
	–	–	–	4,395,747	4,189,993	8,585,740
CHANGES IN NET ASSETS	(12,430,007)	266,375,006	174,525,076	4,395,747	4,189,993	437,055,815
NET ASSETS AT BEGINNING OF YEAR	85,157,621	542,726,819	1,971,274,818	(349,425)	6,698,769	2,605,508,602
NET ASSETS AT END OF YEAR	₱72,727,614	₱809,101,825	₱2,145,799,894	₱4,046,322	₱10,888,762	₱3,042,564,417

AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31, 2025					
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Fair Value Reserve of Financial Assets at FVOCI** (Note 11)	**Remeasurement Gain (Loss) on Defined Benefit Obligation** (Note 13)	**Total**
NET ASSETS						
Net assets at beginning of year	**₱72,727,614**	**₱809,101,825**	**₱2,145,799,894**	**₱4,046,322**	**₱10,888,762**	**₱3,042,564,417**
Excess (deficit) of revenue, gains and other supports over expenses and losses	**(72,568,354)**	**428,080,735**	**210,935,932**	**–**	**–**	**566,448,313**
Other comprehensive income						
Net fair value gain on financial assets at FVOCI (Note 11)	**–**	**–**	**–**	**(2,962,119)**	**–**	**(2,962,119)**
Remeasurement loss on defined benefit obligation (Note 13)	**–**	**–**	**–**	**–**	**(1,753,507)**	**(1,753,507)**
Total comprehensive income	**(72,568,354)**	**428,080,735**	**210,935,932**	**(2,962,119)**	**(1,753,507)**	**561,732,687**
Net assets at end of year	**₱159,260**	**₱1,237,182,560**	**₱2,356,735,826**	**₱1,084,203**	**₱9,135,255**	**₱3,604,297,104**

	Year Ended December 31, 2024					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Fair Value Reserve of Financial Assets at FVOCI (Note 11)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 13)	Total
NET ASSETS						
Net assets at beginning of year	₱85,157,621	₱542,726,819	₱1,971,274,818	(₱349,425)	₱6,698,769	₱2,605,508,602
Excess (deficit) of revenue, gains and other supports over expenses and losses	(12,430,007)	266,375,006	174,525,076	–	–	428,470,075
Other comprehensive income						
Net fair value gain on financial assets at FVOCI (Note 11)	–	–	–	4,395,747	–	4,395,747
Remeasurement loss on defined benefit obligation (Note 13)	–	–	–	–	4,189,993	4,189,993
Total comprehensive income	(12,430,007)	266,375,006	174,525,076	4,395,747	4,189,993	437,055,815
Net assets at end of year	₱72,727,614	₱809,101,825	₱2,145,799,894	₱4,046,322	₱10,888,762	₱3,042,564,417

See accompanying Notes to Financial Statements.

AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue, gains and other supports over expenses and losses	**₱566,448,313**	₱428,470,075
Adjustments for:		
Investment and interest income (Notes 4, 5 and 11)	**(232,950,791)**	(208,334,674)
Depreciation and amortization (Notes 9, 10 and 18)	**55,436,830**	53,834,028
Net movement in pension (Note 13)	**2,323,322**	7,414,018
Interest expense (Note 18)	**2,897,525**	2,137,818
Decrease (increase) in:		
Receivables	**(3,855,185)**	(485,592)
Merchandise inventories	**1,268,378**	2,332,562
Other assets	**4,902,628**	300,370
Increase (decrease) in accounts and other payables	**51,108,797**	(20,923,056)
Net cash provided by operating activities	**447,579,817**	264,745,549
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in financial assets (Note 11)	**(514,424,595)**	86,330,143
Additions to property and equipment and software cost (Notes 9, 10 and 20)	**(163,476,895)**	(49,810,417)
Dividends received (Note 11)	**38,092,821**	32,360,182
Investment and interest income received	**76,886,621**	5,138,906
Net cash provided by (used in) investing activities	**(562,922,048)**	74,018,814
CASH FLOWS FROM FINANCING ACTIVITY (Note 20)		
Payment of lease liabilities (Note 18)	**(5,428,974)**	(5,831,952)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(120,771,205)**	332,932,411
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**527,311,892**	194,379,481
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱406,540,687**	₱527,311,892

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. **Organization and Tax Exemption**

Ayala Foundation, Inc. (the Foundation) was registered with the Securities and Exchange Commission (SEC) on December 28, 1961 as a non-stock, non-profit corporation primarily for the following purposes:

a. To provide financial support, within the Philippines and abroad, for the studies of selected students and for the attendance at scientific conferences by qualified and competent scholars;

b. To undertake community development and livelihood projects designed to improve the quality of life of disadvantaged Filipinos;

c. To undertake disaster relief, rehabilitation and other forms of projects and programs to assist victims of natural and man-made calamities and disasters;

d. To encourage, promote, develop, support, assist, finance, establish, operate and/or maintain programs, plans and projects for charitable, religious, scientific and other forms of organizations in furtherance of the purposes and objectives of the Foundation;

e. To undertake ventures that will transfer appropriate technology to urban and rural groups that will give them additional income and allow them to put up profitable enterprises that will benefit themselves and the community;

f. To engage in educational projects, including the granting of scholarships to deserving students, the operation, maintenance and the giving of assistance to educational institutions and the operation, establishment and promotion of training and education programs and other similar projects;

g. To preserve, promote, and enhance arts and culture by establishing, managing, and maintaining museums, libraries, and theaters; supporting artisans and craftsmen; and undertaking activities and initiatives that inspire Filipinos, particularly the youth, to appreciate and embrace arts, culture, and their heritage, including producing shows and presenting performances;

h. To organize, staff and finance research projects which may be established in furtherance of the purposes and objectives of the Foundation;

i. To promote, support and finance the publication of reports prepared under the auspices of the Foundation; and

j. To support the growth and success of athletes by facilitating their physical, educational, professional, social and character development, while cultivating integration within the sports community: and to manage and/or maintain a sports hub to further this purpose.

On March 18, 2025, the Board of Trustees approved to amend its Articles of Incorporation updating the purposes of the Foundation to include producing and presenting shows and performances, managing theaters, and maintaining sports hubs. The SEC approved the Amended Articles of Incorporation on July 3, 2025.

As a non-stock, non-profit corporation, the Foundation falls under Section 30 (E) of the Republic Act No. 8424 entitled, “An Act Amending the National Internal Revenue Code, as Amended, and for Other Purposes”. The receipts from activities conducted in pursuit of the objectives for which the Foundation was established are exempt from income tax. However, any income arising from its real or personal properties, or from activities conducted for profit, regardless of the disposition made of such income, is subject to income tax.

The Foundation is duly accredited by the Philippine Council for NGO Certification, Inc. (PCNC) and is registered and licensed by the Department of Social Welfare and Development (DSWD). The Foundation renewed its registration as a donee institution on September 25, 2025 in accordance with the provisions of Revenue Regulations No. 13-98. Donations received shall entitle the donors to full or limited deduction pursuant to Section 34 (H) (paragraphs 1 or 2) and exemption from donor’s tax pursuant to Section 101 (A) (3) of the National Internal Revenue Code of 1997. The certificate of registration shall be valid until July 2, 2027 unless sooner revoked by the Bureau of Internal Revenue (BIR) or upon withdrawal of the Certificate of Accreditation by PCNC.

The Foundation’s registered office address is 4th Floor, Makati Stock Exchange Building, 6767 Ayala Triangle, Ayala Avenue, Brgy. Bel-Air, Makati City.

The accompanying financial statements were approved and authorized for issue by the Board of Trustees on March 9, 2026.

2. Material Accounting Policies Information

Basis of Preparation

The financial statements of the Foundation have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The accompanying financial statements are presented in Philippine Peso (₱) which is the Foundation’s presentation and functional currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

The Foundation amends the descriptions used for particular line items in the financial statements and for the financial statements themselves consistent with the requirement of Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. 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, statement of changes in fund balances and a statement of cash flows.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amendments effective in 2025. The Foundation has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these amendments did not have an impact on the financial statements of the Foundation.

- Amendments to PAS 21, *Lack of exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Foundation's financial statements.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards—Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*
- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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 (3) months or less from dates of acquisitions and that are subject to an insignificant risk of changes in value.

Financial Instruments

Date of recognition

The Foundation recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. 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 trade date.

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Foundation's business model for managing them. The Foundation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Foundation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Foundation commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVPL)

As of December 31, 2025 and 2024, the Foundation's financial assets pertain to financial assets at amortized cost (debt instruments), financial assets at fair value through OCI (debt instruments) and financial assets at FVPL.

Financial assets at amortized cost (debt instruments)
The Foundation measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Foundation's financial assets at amortized cost include cash and cash equivalents, short-term investments, receivables and investments in corporate bonds.

Financial assets at fair value through OCI (debt instruments)
The Foundation measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of activities and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Foundation's financial assets at fair value through OCI include fixed income government securities.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized in the statements of activities.

The Foundation's financial assets at FVPL include equity securities, real estate investment trusts and pooled funds.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statements of financial position) when:

- The rights to receive cash flows from the asset have expired, or,
- The Foundation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Foundation has transferred substantially all the risks and rewards of the asset, or (b) the Foundation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Foundation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Foundation continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Foundation also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Foundation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Foundation could be required to repay.

Impairment of Financial Assets

The Foundation recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Foundation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Foundation applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Foundation’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on lifetime ECL. The Foundation uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For trade receivables, the Foundation applies a simplified approach in calculating ECLs. Therefore, the Foundation does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Foundation has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Foundation applies the low credit risk simplification. At every reporting date, the Foundation evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In addition, the Foundation considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Foundation’s debt instruments at fair value through OCI comprise solely of quoted bonds that are considered to be low credit risk investments. It is the Foundation’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Foundation considers a financial asset in default when payment reminder letter is sent after it has become past due and contractual payments are not made within the period contained in the letter. However, in certain cases, the Foundation may also consider a financial asset to be in default when internal or external information indicates that the Foundation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Foundation. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Foundation's financial liabilities include accounts and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Foundation that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statements of activities. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Foundation has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to accounts and other payables.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of activities.

c. *Offsetting of financial instruments*
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Merchandise Inventories
Merchandise inventories consist of books and other merchandise 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 estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statements of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in the statements of financial position to the extent of the recoverable amount.

Property and Equipment
Property and equipment except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less 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 of property and equipment commences once the property and equipment are available for use and is computed using the straight-line method over the following estimated useful lives (EUL) of the property and equipment:

	Years
Leasehold and land improvements	5-20
Office furniture and equipment	3-5
Transportation equipment	5

Leasehold improvements are amortized over the EUL of the improvements or the terms of the lease, whichever is shorter.

The EUL and depreciation and amortization methods are reviewed annually based on expected asset utilization 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.

Construction-in-progress is stated at cost. This includes cost of construction of property and equipment and other direct costs. Construction-in-progress is not depreciated until such time the relevant assets are complete and are put into operational use.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until they are no longer used and no further depreciation and amortization is charged against current operations.

Intangible Assets

The Foundation's intangible assets pertain to capitalized software cost.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Foundation.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite. Intangible assets' lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method for an intangible asset is reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the statements of activities allocated to "Project" and "General and administrative" under expenses and losses.

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

Software cost

Costs related to software purchase by the Foundation for use in operations are amortized on a straight-line basis over the EUL of 2-5 years.

Impairment of Non-Financial Assets

The Foundation assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Foundation makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in the statement of activities in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of activities unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining EUL.

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. Where the Foundation expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions, if any, are reviewed at each reporting date and adjusted to reflect the current best estimate.

Restricted Net Assets

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations consisting of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets.

Revenue Recognition

Public support

Public support revenue represents contributions received by the Foundation. Contributions received with restrictions as to when it can be utilized may be initially recognized as a liability of the Foundation and will be recognized as revenue once the restrictions on the contributions has been met.

Investment and interest income

Investment income represents interest income earned on cash and cash equivalents, dividend income and realized and unrealized gains or losses on financial assets at FVPL. Interest income is recognized on a time proportion basis computed on the outstanding principal using the applicable rate. Dividend income is recognized when the right to receive payment is established. Gain or loss on sale of investments is recognized in profit or loss if the Foundation disposes some of its debt instrument classified as financial assets at FVOCI. Gain or loss on sale of investments is computed as the difference between the proceeds of the disposal and its carrying amount.

Expenses

Expenses are recognized in the statements of activities when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the statements of activities:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

Project expenses and general and administrative expenses are recognized as they are incurred.

Museum Collections
Artworks, ethnographic, archeological and rare book collections donated to the museum are not included in the accompanying financial statements because these collections are held for public exhibition, education, or research in furtherance of public service rather than financial gain or aesthetics, the cost or value cannot be reliably measured, and useful lives cannot be determined. 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.

Defined Benefit Plan
Pension cost and net defined benefit liability or asset is calculated annually by independent actuaries using the projected unit credit method.

Pension costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of activities. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on the zero-coupon bond yields to the net defined liability or assets. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of activities.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in the other comprehensive income in the period in which they arise. Remeasurements are not reclassified to statements of activities in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Foundation, nor can they be paid directly to the Foundation. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of the economic benefits available in form of refunds from the plan or reductions in the future contributions to the plan.

The net defined benefit liability or asset recognized in the Foundation's statements of financial position in respect of the defined benefit pension plan is the aggregate of the present value of the defined benefit liability at the reporting date less the fair value of the plan assets. The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating to the terms of the related pension liability.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date, an employee's decision to accept an offer of benefits in exchange for the termination of employment or termination beyond the employee's control.

A liability or expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits or short-term employee benefits.

<u>Leases</u>
The Foundation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Foundation as a lessee
The Foundation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Foundation recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Foundation recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Foundation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets section.

Lease liabilities
At the commencement date of the lease, the Foundation recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Foundation uses a discount rate estimated using risk-free rate plus premium at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases
The Foundation applies to the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of reporting date.

Deferred tax
Deferred income tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all as part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all as part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same authority.

Foreign Currency Transactions
Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transactions. Outstanding foreign currency-denominated monetary assets and liabilities at year-end are translated to Philippine peso at prevailing Bankers Association of the Philippines (BAP) rate at reporting dates. 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.

Events After the Financial Reporting Period
Post year-end events that provide additional information about the Foundation's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

3. Material Accounting Judgments and Estimates

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

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

Definition of default and credit-impaired financial assets
The Foundation's definition of a financial instrument that is in default, is fully aligned with the definition of credit-impaired. It is when it meets one or more of the following criteria:

Quantitative criteria – for trade receivables, the customer receives a payment reminder letter and does not make the payments within the period contained in the letter.

Qualitative criteria
The debtor meets the unlikeliness to pay criteria (which indicates the debtor is in significant financial difficulty), such as when:

a. The debtor is experiencing financial difficulty or is insolvent
b. The debtor is in breach of financial covenant(s)
c. An active market for that financial asset has disappeared because of financial difficulties
d. It is becoming probable that the debtor will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Foundation and are consistent with the definition of default used for internal credit risk management purposes.

Incorporation of forward-looking information
The Foundation incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Foundation considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Foundation's evaluation and assessment and after taking into consideration external actual and forecast information, the Foundation formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Foundation for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Foundation carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Foundation has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Determination of lease term of contracts with renewal and termination options – Foundation as a lessee
The Foundation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Foundation's lease contract include extension and termination options. The Foundation applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Foundation reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

<u>Management's Use of Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Estimating pension obligation and other retirement benefits
The cost of defined benefit pension plans and other retirement benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. Those assumptions are described in Note 13 and include, among others, discount rates, future salary increases, mortality rates and turn-over rates. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, defined benefit liability are

highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting dates.

Net pension liability amounts to ₱21.67 million and ₱17.59 million as of December 31, 2025 and 2024, respectively (see Note 13).

The discount rate used is the single-weighted uniform discount rate using bootstrapped-derived zero rates from BVAL index, which when applied to the same cash flows, results in the same present value as of reporting date. Present values of cash flows as of reporting date was determined using the rates from derived zero yield curve. The mortality rate is based on unisex annuity table and is modified accordingly with estimates of mortality improvements (if any). The turn-over rates used are based on actual data on employee turn-over for the prior year. Future salary increases are derived from the Foundation's estimated long-term yearly salary increase rate. Further details about the assumptions used are provided in Note 13.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded or disclosed in the statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. See Note 17 for the related balances.

4. Cash and Cash Equivalents

	2025	2024
Cash on hand	**436,000**	₱671,800
Cash in banks	**66,901,220**	170,496,349
Cash equivalents	**339,203,467**	356,143,743
	₱406,540,687	₱527,311,892

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 interest at the respective short-term investment rates of 1.75% to 5.70% and 2.00% to 6.35% in 2025 and 2024, respectively.

Interest income earned on cash in banks and cash equivalents amounted to ₱10.69 million and ₱4.58 million in 2025 and 2024, respectively.

5. Short-term Investments

Short-term investments consist of money market placements made for varying periods of more than three (3) months and up to one (1) year and earn interest at the respective short-term investment rates.

The annual interest rates of the short-term investments are as follows:

	2025	2024
Philippine Peso	**5.25%-5.85%**	5.00%-6.35%

Interest income earned on short-term investments amounted to ₱8.95 million and ₱2.15 million in 2025 and 2024, respectively.

6. Receivables

	2025	2024
Accrued interest	**₱45,813,401**	₱46,168,643
Advances to officers and employees	**2,617,572**	2,108,324
Trade	**2,726,305**	1,471,124
Nontrade	**2,321,091**	247,244
Others	**582,523**	584,898
	₱54,060,892	₱50,580,233

Accrued interest pertains to interest receivable from investments in debt securities. These are collectible within one year.

Advances to officers and employees pertain to salary loans and advances made to regular employees of the Foundation for business related expenses and are subject for liquidation. This amount is due for liquidation within one year. As of December 31, 2025 and 2024, interest income earned on advances to employees amounted to ₱0.02 million and ₱0.06 million, respectively.

Trade receivables are collectibles from various entities arising from purchase of products and of program services provided by the Foundation. These are collectible within one year.

Nontrade receivables pertain to collectibles for activities outside the main revenue-generating projects of the Foundation which are noninterest-bearing and are due and demandable.

Other receivables are noninterest-bearing and are due and demandable.

There is no allowance for impairment losses in 2025 and 2024.

7. Merchandise Inventories

	2025	2024
Non-book merchandise	**₱4,110,643**	₱5,680,415
Books	**6,108,255**	5,806,861
	10,218,898	11,487,276
Less write-down and allowance for obsolescence	**386,205**	386,205
	₱9,832,693	₱11,101,071

The rollforward of inventories follows:

	2025	2024
Balance at beginning of the year	**₱11,487,276**	₱13,819,838
Additions during the year	**5,162,970**	4,234,858
Charged to administrative and project expenses	**(598,211)**	(672,472)
Cost of sales	**(5,833,137)**	(5,894,948)
Balance at end of the year	**₱10,218,898**	₱11,487,276

As of December 31, 2025 and 2024, the allowance for inventory obsolescence amounted to ₱0.39 million. No additional provisions were made in 2025 and 2024.

Cost of sales and reversal of write-down were included under “Net loss from other activities” in the statements of activities.

8. Other Current Assets

	2025	2024
Input VAT	**₱15,174,724**	₱18,860,482
Creditable withholding tax	**8,059,016**	7,300,443
Deposits	**4,003,420**	4,633,872
Prepaid expenses	**532,136**	1,865,649
Electronic vouchers	**84,017**	84,017
	₱27,853,313	₱32,744,463

Input VAT is applied against output VAT. The input VAT is recoverable in future periods.

Creditable withholding tax consists of tax withheld by customers and is creditable against any future income tax due from the Foundation.

Deposits pertain to security deposits and advance payments made by the Foundation to suppliers and other entities.

Prepaid expenses include prepayments for space rental and various program expenses.

Electronic vouchers are vouchers or coupons, primarily from donation, that the Foundation may use to pay for various expenses.

9. Property and Equipment

The rollforward analysis of this account follows:

2025

	Land	**Leasehold and Land Improvements**	**Office Furniture and Equipment**	**Construction-in-Progress**	**Total**
Cost					
At January 1	**₱102,869,175**	**₱456,289,046**	**₱134,379,214**	**₱23,879,867**	**₱717,417,302**
Additions	–	–	**8,996,579**	**123,348,780**	**132,345,359**
Disposals	–	–	**(897,323)**	–	**(897,323)**
Transfers	–	**22,208,754**	**2,875,142**	**(25,083,896)**	–
Reclassification	–	–	–	**(2,372,509)**	**(2,372,509)**
At December 31	**102,869,175**	**478,497,800**	**145,353,612**	**119,772,242**	**846,492,829**
Accumulated Depreciation and Amortization					
At January 1	–	**128,503,421**	**87,053,628**	–	**215,557,049**
Depreciation and amortization (Note 15)	–	**30,002,949**	**18,256,479**	–	**48,259,428**
Disposals	–		**(897,323)**	–	**(897,323)**
At December 31	–	**158,506,370**	**104,412,784**	–	**262,919,154**
Net Book Value	**₱102,869,175**	**₱319,991,430**	**₱40,940,828**	**₱119,772,242**	**₱583,573,675**

2024

	Land	Leasehold and Land Improvements	Office Furniture and Equipment	Construction-in-Progress	Total
Cost					
At January 1	₱102,869,175	₱481,119,665	₱113,056,847	₱2,292,599	₱699,338,286
Additions	–	–	23,942,309	23,278,159	47,220,468
Disposals	–	(24,830,619)	(4,310,833)	–	(29,141,452)
Adjustment	–	–	–	–	–
Transfers	–	–	1,690,891	(1,690,891)	–
At December 31	102,869,175	456,289,046	134,379,214	23,879,867	717,417,302
Accumulated Depreciation and Amortization					
At January 1	–	124,101,685	73,659,167	–	197,760,852
Depreciation and amortization (Note 15)	–	29,232,356	17,705,293	–	46,937,649
Disposals	–	(24,830,620)	(4,310,832)	–	(29,141,452)
Transfers and adjustment	–	–	–	–	–
At December 31	–	128,503,421	87,053,628	–	215,557,049
Net Book Value	₱102,869,175	₱327,785,625	₱47,325,586	23,879,867	₱501,860,253

Land amounting to ₱92.65 million, which was donated in 2003, is subject to a leasehold right existing thereon with a third party.

In 2025, the Foundation reclassified software costs amounting to ₱2.37 million initially recorded as part of “Construction-in-Progress” under “Property and equipment” during its development to “Software” in the statements of financial position, following its completion.

Depreciation and amortization charged against unrestricted net assets (included under “Project”, “General and administrative” and “Net loss from other activities” in the statements of activities) amounted to ₱48.26 million and ₱46.94 million in 2025 and 2024, respectively.

Capital expenditures (“Construction-in-progress”) for the establishment of a new contemporary arts museum, construction of the Foundation’s new head office, and improvement of facilities in Ayala Museum amounted to ₱119.77 million and ₱23.88 million as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, remaining unpaid balance for construction-in-progress amounted to ₱4.86 million and nil, respectively, and is included in “Accrued expenses” under “Accounts and other payables” account in Note 12.

As of December 31, 2025 and 2024, property and equipment amounting to ₱75.33 million and ₱171.05 million, respectively, remain unpaid.

The Foundation has no restrictions on its property and equipment and none of these have been pledged as security for its obligations.

10. Software Cost

The rollforward analysis of this account follows:

	2025	2024
Cost		
At January 1	**₱9,264,439**	₱7,523,357
Additions	**250,000**	2,056,757
Disposal	**–**	(315,675)
Reclassification (Note 9)	**2,372,509**	–
At December 31	**11,886,948**	9,264,439
Accumulated Amortization		
At January 1	**6,507,485**	5,683,700
Depreciation	**2,347,467**	1,139,460
Disposal	**–**	(315,675)
At December 31	**8,854,952**	6,507,485
Net Book Value	**₱3,031,996**	₱2,756,954

Amortization charged against unrestricted net assets (included under “Project”, “General and administrative” and “Net loss from other activities” in the statements of activities) amounted to ₱2.35 million and ₱1.14 million in 2025 and 2024, respectively (see Note 15).

11. Financial Assets

	2025	2024
Financial assets at fair value through profit or loss		
Listed equity securities	**₱516,588,856**	₱459,004,560
Equity investments in non-listed companies	**201,001**	197,297
Pooled funds	**534,598,672**	519,732,072
	1,051,388,529	978,933,929
Investments in debt securities at amortized cost	**1,004,597,468**	916,314,123
Financial assets at fair value through other comprehensive income (FVOCI)	**38,217,273**	131,858,094
Total financial assets	**2,094,203,270**	2,027,106,146
Less noncurrent portion of financial assets		
Investments in debt securities at amortized cost	**813,097,468**	884,607,214
Financial assets at fair value through other comprehensive income (FVOCI)	**38,217,273**	29,740,537
	851,314,741	914,347,751
Current portion of financial assets	**₱1,242,888,529**	₱1,112,758,395

The rollforward of net fair value gain (loss) on financial assets at FVOCI follows:

	2025	2024
Balance at beginning of year	**₱4,046,322**	(₱349,425)
Changes in fair value recognized directly in net assets	**(2,962,119)**	4,395,747
Balance at end of year	**₱1,084,203**	₱4,046,322

The breakdown of income from investments, including interest, is as follows:

	2025	2024
Net change in fair value	**₱109,312,928**	₱89,848,310
Dividends	**38,092,821**	32,360,182
Realized gain	**9,032,947**	27,994,862
Interest income on:		
Debt instruments	**38,718,033**	34,129,806
Deposits and trust assets	**12,021,171**	12,734,072
Government securities	**3,043,791**	1,402,720
Others	**3,086,111**	3,080,643
	₱213,307,802	₱201,550,595

12. Accounts and Other Payables

	2025	2024
Deferred grants	**₱71,200,000**	₱71,200,000
Trade payables	**59,365,943**	35,328,173
Accrued expenses	**30,312,080**	22,750,436
Taxes and statutory payables	**3,546,808**	17,447,810
Payable to consignors	**3,223,735**	1,037,084
Others	**1,065,543**	723,345
	168,714,109	148,486,848
Less noncurrent portion	**–**	35,600,000
	₱168,714,109	₱112,886,848

Deferred grants are donations intended for future periods that are advanced by the donors to the Foundation.

Trade payables include payables to suppliers that are noninterest-bearing and are normally settled on 30- to 60-day terms.

Accrued expenses pertain to the unbilled charges by service providers and other vendors.

Taxes and statutory payables include payables to the government that are normally settled within one year.

Payable to consignors pertain to the amount due to consignors for sale of goods consigned to the Foundation.

Other payables are noninterest-bearing and are normally settled within one year.

13. Defined Benefit Plan

The Foundation has funded, noncontributory defined benefit retirement plan covering substantially all of its regular permanent 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 which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are managed by a trustee and subject to the investment objectives and guidelines established by the Foundation and rules and regulations issued by Bangko Sentral ng Pilipinas (BSP) covering assets under trust and fiduciary agreements. The Endowment Committee is responsible for the investment strategy of the plan. The weighted average duration of the defined benefit obligation is 8 years in 2025 and 2024.

Republic Act 7641, *The Retirement Pay Law,* requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of pension expense included in "Personnel costs" under "General and administrative expenses" in the statements of activities follows (see Note 15).

	2025	2024
Current service cost	**₱5,867,781**	₱8,537,422
Net interest expense	**1,073,262**	876,596
Total pension expense	**₱6,941,043**	₱9,414,018

The remeasurement effects recognized in other comprehensive income in the statements of activities follow:

	2025	2024
Actuarial loss (gain) due to experience adjustment	**₱3,334,228**	(₱1,008,117)
Actuarial gain on plan assets excluding amount included in net interest	**(1,580,721)**	(3,181,876)
Net actuarial loss (gain)	**₱1,753,507**	(₱4,189,993)

The amounts recognized under net pension liability in the statements of financial position follow:

	2025	2024
Benefit obligations	**₱65,218,473**	₱58,580,261
Plan assets	**(43,547,191)**	(40,985,808)
Net pension liability	**₱21,671,282**	₱17,594,453

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

	2025	2024
At January 1	**₱58,580,261**	₱82,900,007
Current service cost	**5,867,781**	8,537,422
Interest expense	**3,573,396**	5,056,900
Remeasurement loss (gain) on obligation	**3,334,228**	(1,008,117)
Benefits paid	**(6,137,193)**	(36,905,951)
At December 31	**₱65,218,473**	₱58,580,261

Changes in the fair value of plan assets follow:

	2025	2024
At January 1	**₱40,985,808**	₱68,529,579
Contributions	**4,617,721**	2,000,000
Interest income on plan assets	**2,500,134**	4,180,304
Remeasurement gain on plan assets	**1,580,721**	3,181,876
Benefits paid	**(6,137,193)**	(36,905,951)
At December 31	**₱43,547,191**	₱40,985,808

The fair value of plan assets by each class and by industry type as at the end of the reporting period follows:

	2025	2024
Assets		
Cash	**₱1,315**	₱13,796
Receivables	**148,561**	176,849
Debt instruments:		
Property	**6,504,380**	3,464,623
Pooled funds	**3,936,582**	4,422,112
Holding firms	**2,055,429**	2,992,229
Industrial	**4,476,857**	4,471,492
Government	**–**	1,506,529
Equity instruments:		
Pooled funds	**9,900,786**	14,562,419
Property	**6,144,990**	1,068,000
Holding firms	**3,037,000**	2,052,000
Industrial	**2,140,000**	2,112,000
Money market	**5,228,978**	4,175,763
	43,574,878	41,017,812
Liability		
Trust fee and other payables	**27,687**	32,004
Total value of plan assets	**₱43,547,191**	₱40,985,808

All equity and debt investments held have quoted prices in active markets. The remaining plan assets do not have quoted market prices in active markets.

The plan assets do not have any concentration on risk. The assumptions used to determine pension benefits for the Foundation for the years ended December 31, 2025 and 2024 follows:

	2025	2024
Discount rate	**6.40%**	6.10%
Salary increase rate	**6.00%**	6.00%
Turn-over rate	**0.50 to 100%**	0.50 to 100%
Mortality rate	**0.06 to 0.74%**	0.06 to 0.74%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

Below shows the sensitivity analysis determined based on reasonably possible changes of each significant assumptions stated above, assuming all other assumptions were held constant:

	2025			
	Discount Rate		**Salary Increase Rate**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
Accrued liability	**₱60,099,413**	**₱71,222,983**	**₱70,824,219**	**₱60,337,555**
Current fund assets	**43,547,191**	**43,547,191**	**43,547,191**	**43,547,191**
Unfunded accrued liability	**₱16,552,222**	**₱27,675,792**	**₱27,277,028**	**₱16,790,364**

	2024			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Accrued liability	₱54,083,825	₱63,836,824	₱63,449,424	₱54,327,186
Current fund assets	40,985,808	40,985,808	40,985,808	40,985,808
Unfunded accrued liability	₱13,098,017	₱22,851,016	₱22,463,616	₱13,341,378

The Foundation does not perform any Asset-Liability Matching Study. The overall investment policy and strategy of the retirement plan is based on the suitability assessment, as provided by its trust bank, in compliance with the BSP requirements. It does, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan. The plan assets consist of 38.95% fixed income instruments, 48.70% equity instruments, 12.00% cash and 0.34% others in 2025, and 48.55% fixed income instruments, 48.29% equity instruments, 2.79% cash and 0.36% others in 2024. The Foundation expects to make additional contributions of around ₱5.2 million to its retirement fund in 2026.

The following table shows the maturity profile of the Foundation's defined benefit obligation based on undiscounted benefit payments:

	2025	2024
More than 1 year to 5 years	**₱34,865,898**	₱33,562,924
More than 5 years to 10 years	**36,610,060**	26,784,951
More than 10 years to 15 years	**85,792,541**	53,046,171
More than 15 years and up	**366,557,780**	234,902,312
	₱523,826,279	₱348,296,358

14. 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 or common significant influence which include affiliates. Transactions with related parties are made at normal market prices and settlement occurs in cash. Shown below are the transactions with related parties during the year:

<u>2025</u>

Related Party	**Amount**	**Outstanding Balance**	**Terms and conditions**
Key management personnel:			
Donations and project revenues	**₱26,550**	₱–	Noninterest-bearing; unsecured

2024

Related Party	Amount	Outstanding Balance	Terms and conditions
Key management personnel:			
Donations and project revenues	₱312,193	₱–	Noninterest-bearing; unsecured

Terms and conditions of transactions with related parties
Public support and project revenue transactions include donations received from related parties.

Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2025 and 2024, no allowance for doubtful accounts pertain to receivable from related parties. There were no expenses for doubtful accounts from related party transactions recognized for the years ended December 31, 2025 and 2024.

Compensation of key management personnel by benefit type (included in the "Salaries, wages and employee benefits" and "Personnel costs" under Note 15) follows:

	2025	2024
Short-term employee benefits	**₱21,039,896**	₱48,478,935
Post-employment benefits	**1,074,789**	1,851,726
	₱22,114,685	₱50,330,661

15. **Net Assets**

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 the Board of Trustees or by law.

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

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

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 the 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:
a(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, and interest income); and (3) reclassification from another net asset class as a result of donor stipulation or by law.

Details of the Foundation’s net assets as of December 31 follows:

	2025	2024
Unrestricted	**₱159,260**	₱72,727,614
Temporarily restricted:		
Property and equipment	**508,239,213**	395,644,255
Arts and culture programs	**787,499,032**	220,875,515
Development programs	**136,012,366**	172,567,435
Education programs	**15,431,949**	20,014,620
Temporarily released funds used for operations	**(210,000,000)**	–
	1,237,182,560	809,101,825
Permanently restricted:		
Investment in perpetuity, the income of which is expendable to support education and other programs	**2,356,735,826**	2,145,799,894
Net fair value loss on financial assets at FVOCI (Note 11)	**1,084,203**	4,046,322
Remeasurement gain on defined benefit obligation	**9,135,255**	10,888,762
	₱3,604,297,104	₱3,042,564,417

In 2025, the Foundation re-allocated temporarily restricted net assets amounting to ₱210.00 million to cover program and operating expenses. The funds were received in the current year but are allotted for capital expenditures in subsequent years. The re-allocated funds shall be reinstated from income from the Foundation’s endowment fund and other financial assets.

Details of the Foundation’s expenses follow:

Project Expenses

	2025	2024
Project management:		
Salaries, wages and employee benefits	**₱95,008,108**	₱162,347,130
Overhead costs	**37,460,694**	65,528,766
Depreciation and repairs	**48,301,205**	55,866,285
Project implementation:		
Development programs	**192,527,649**	95,688,961
Arts and culture programs	**48,345,403**	43,777,057
Education programs	**26,848,429**	22,215,358
Other programs	**37,968,716**	13,567,751
	₱486,460,204	₱458,991,308

General and Administrative Expenses

	2025	2024
Personnel costs (Note 13)	**₱30,216,012**	₱45,246,998
Depreciation and amortization (Notes 9 and 10)	**6,928,391**	5,209,459
Professional and service fees	**6,051,031**	7,682,961
Membership and subscription	**5,106,247**	2,982,898
Trainings and seminars	**4,085,666**	5,731,966
Transportation and travel	**3,982,562**	2,316,960
Premises, utilities and maintenance	**3,590,737**	4,583,805

(Forward)

	2025	2024
Advocacy and public information services	**₱2,929,894**	₱7,860,676
Meetings and conferences	**1,865,836**	2,059,559
Interest	**1,796,931**	1,325,451
Communication and postage	**859,019**	1,198,207
Supplies	**403,769**	173,666
Taxes and licenses	**105,007**	168,562
Others	**1,005,518**	2,273,049
	₱68,926,620	₱88,814,217

Others include expenses related to subscriptions, events and project launch, marketing and office services.

Capital management
The primary objectives of the Foundation's capital management policies are to devote its funds to charitable projects, scholarship grants and cultural activities, to afford the financial flexibility to support its operations and to protect and preserve capital to ensure financial sustainability of the Foundation.

The Foundation's source of capital is its total net assets, which is composed of unrestricted, temporarily restricted and permanently restricted net assets, plus the net unrealized gain on financial assets.

	2025	2024
Net Assets		
Unrestricted	**₱159,260**	₱72,727,614
Temporarily restricted	**1,237,182,560**	809,101,825
Permanently restricted	**2,356,735,826**	2,145,799,894
Net fair value gain on financial assets at FVOCI (Note 11)	**1,084,203**	4,046,322
	₱3,595,161,849	₱3,031,675,655

16. **Income Tax**

The reconciliation of statutory income tax to the provision for income tax follows:

	2025	2024
Statutory income tax	**₱141,612,078**	₱107,117,519
Tax effects of:		
Non-taxable income	**(292,003,069)**	(249,267,438)
Non-deductible expenses	**138,846,706**	136,951,381
Change in unrecognized deferred tax assets	**11,544,285**	5,198,538
Provision for income tax	**₱–**	₱–

The Foundation has NOLCO and MCIT that are available for offset against future taxable income or tax payable. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. As of December 31, 2025 and 2024, deferred tax asset recognized for MCIT amounted to ₱84,368 and ₱95,846 respectively.

As of December 31, 2025 and 2024, no deferred tax assets were recognized for NOLCO:

	2025	2024
NOLCO	**₱102,018,317**	₱94,049,812

As of December 31, 2025, NOLCO and MCIT which can be claimed as deduction from the regular taxable income and regular corporate income tax due, respectively, for the next three (3) consecutive taxable years, follow:

Year incurred	Availment Period	NOLCO	Expired	Unapplied
2022	2023-2025	₱28,193,152	₱28,193,152	₱–
2023	2024-2026	9,489,287	–	9,489,287
2024	2025-2027	20,794,150	–	20,794,150
2025	2026-2028	46,177,141	–	46,177,141
		₱104,653,730	₱28,193,152	₱76,460,578

Year incurred	Availment Period	MCIT	Expired	Unapplied
2022	2023-2025	₱11,478	₱11,478	₱–
2024	2025-2027	84,368	–	84,368
		₱95,846	₱11,478	₱84,368

As of December 31, 2025, the Foundation has incurred NOLCO which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year incurred	Availment Period	NOLCO	Expired	Unapplied
2020	2021-2025	₱10,015,484	₱10,015,484	₱–
2021	2022-2026	25,557,739	–	25,557,739
		₱35,573,223	₱10,015,484	₱25,557,739

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the MCIT rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE)” Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

The Foundation has no MCIT in 2025.

17. Financial Instruments

Fair Value Measurement

The following table shows an analysis of the Foundation's financial instruments by level of the fair value hierarchy:

		December 31, 2025		
		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value:				
Fair value through profit or loss				
Listed equity securities	**₱516,588,856**	**₱516,588,856**	**₱–**	**₱–**
Equity investments in non-listed companies	**201,001**	**–**	**–**	**201,001**
Pooled funds	**534,598,672**	**–**	**534,598,672**	**–**
Fair value through OCI	**38,217,273**	**38,217,273**	**–**	**–**
	₱1,089,605,802	**₱554,806,129**	**₱534,598,672**	**₱201,001**

		December 31, 2024		
		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Fair value through profit or loss				
Listed equity securities	₱459,004,560	₱459,004,560	₱–	₱–
Equity investments in non-listed companies	197,297	–	–	197,297
Pooled funds	519,732,072	–	519,732,072	–
Fair value through OCI	131,858,094	131,858,094	–	–
	₱1,110,792,023	₱590,862,654	₱519,732,072	₱197,297

The Foundation uses the following hierarchy for determining and disclosing the fair value of its assets and liabilities by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following methods and assumptions were used to estimate the fair values:

Management assessed that the fair values of cash and cash equivalents, short-term investments, and receivables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Quoted debt and equity investments– Fair values are based on quoted prices published in markets.

Unquoted investments – Fair value of common trust funds are based on the net asset value per share. For other unquoted equity shares and bonds, fair values are based on the latest selling price available.

There were no transfers between fair value categories for assets and liabilities measured at fair value in 2025 and 2024.

Financial Risk Management Objectives and Policies
The Foundation has various financial instruments such as cash and cash equivalents, short-term investments, receivables, and 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 liquidity risk, credit risk and equity price risk.

The Foundation's risk management policies are summarized below:

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

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.

The following table shows the maturity profile of the Foundation's financial assets and liabilities based on contractual undiscounted payments:

	December 31, 2025			
	Within 1 Year	**More than 1 Year**	**No Term**	**Total Gross**
Financial Assets				
Amortized cost				
Cash and cash equivalents	**₱406,540,687**	**₱–**	**₱–**	**₱406,540,687**
Short-term investments	**619,711,227**	**–**	**–**	**619,711,227**
Receivables		**–**	**–**	
Accrued interest	**45,813,401**	**–**	**–**	**45,813,401**
Trade	**2,726,305**	**–**	**–**	**2,726,305**
Nontrade	**2,321,091**	**–**	**–**	**2,321,091**
Others	**582,523**	**–**	**–**	**582,523**
Investments in debt securities	**191,500,000**	**813,097,468**	**–**	**1,004,597,468**
Security deposits	**4,003,420**		**–**	**4,003,420**
	1,273,198,654	**813,097,468**	**–**	**2,086,296,122**
Fair value through profit or loss				
Listed equity securities	**–**	**–**	**516,588,856**	**516,588,856**
Equity investments in non-listed companies	**–**	**–**	**201,001**	**201,001**
Pooled funds	**–**	**–**	**534,598,672**	**534,598,672**
	–	**–**	**1,051,388,529**	**1,051,388,529**
Fair value through OCI	**–**	**38,217,273**	**–**	**38,217,273**
Total Financial Assets	**₱1,273,198,654**	**₱851,314,741**	**₱1,051,388,529**	**₱3,175,901,924**
Other Financial Liabilities				
Accounts and other payables				
Trade	**₱59,365,943**	**₱–**	**₱–**	**₱59,365,943**
Accrued expenses	**30,312,080**	**–**	**–**	**30,312,080**
Payable to consignors	**3,223,735**	**–**	**–**	**3,223,735**
Others	**1,065,543**	**–**	**–**	**1,065,543**
Lease liability	**5,700,459**	**47,158,303**	**–**	**52,858,762**
Total Other Financial Liabilities	**₱99,667,760**	**₱47,158,303**	**₱–**	**₱146,826,063**

	December 31, 2024			
	Within 1 Year	More than 1 Year	No Term	Total Gross
Financial Assets				
Amortized cost				
Cash and cash equivalents	₱527,311,892	₱–	₱–	₱527,311,892
Short-term investments	57,000,000	–	–	57,000,000
Receivables				
Accrued interest	46,168,643	–	–	46,168,643
Trade	1,471,124	–	–	1,471,124
Nontrade	247,244	–	–	247,244
Others	584,898	–	–	584,898
Investments in debt securities	31,706,909	884,607,214	–	916,314,123
Security deposits	4,633,872	–	–	4,633,872
	669,124,582	884,607,214	–	1,553,731,796
Fair value through profit or loss				
Listed equity securities	–	–	740,292,084	740,292,084
Equity investments in non-listed companies	–	–	197,297	197,297
Pooled funds	–	–	238,444,549	238,444,549
	–	–	978,933,930	978,933,930
Fair value through OCI	102,117,557	29,740,537	–	131,858,094
Total Financial Assets	₱771,242,139	₱914,347,751	978,933,930	₱2,664,523,820
Other Financial Liabilities				
ccounts and other payables				
Trade	₱35,328,173	₱–	₱–	₱35,328,173
Accrued expenses	22,750,436	–	–	22,750,436
Payable to consignors	1,037,084	–	–	1,037,084
Others	723,345	–	–	723,345
Lease liability	8,445,072	52,858,763	–	61,303,835
Total Other Financial Liabilities	₱68,284,110	₱52,858,763	₱–	₱121,142,873

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Foundation’s holding of cash and cash equivalents and short-term investments 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 concentrations of credit risk. The maximum exposure to credit risk for the components of the statements of financial position is equal to the carrying values.

The aging analysis of receivables presented per class follows:

	December 31, 2025								
	Neither Past Due nor Impaired	**Past Due but not Impaired**							
		<30 Days	**30-60 Days**	**61-90 Days**	**91-120 Days**	**>120 Days**	**Total**	**Impaired**	**Total**
Accrued interest	**₱45,813,401**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱45,813,401**
Trade	**79,405**	**778,730**	**1,052,174**	–	**32,320**	**783,676**	**2,646,900**	**–**	**2,726,305**
Nontrade	**529,754**	**322,817**	**1,074,180**	**53**	**2,550**	**391,737**	**1,791,337**	**–**	**2,321,091**
Others	**582,523**	–	–	–	–	–	–	**–**	**582,523**
	₱47,005,083	**₱1,101,547**	**₱2,126,354**	**₱53**	**₱34,870**	**₱1,175,413**	**₱4,438,237**	**₱–**	**₱51,443,320**

	December 31, 2024								
	Neither Past Due nor Impaired	Past Due but not Impaired							
		<30 Days	30-60 Days	61-90 Days	91-120 Days	>120 Days	Total	Impaired	Total
Accrued interest	₱46,168,643	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱46,168,643
Trade	189,063	137,788	1,075,760	10,200	18,990	39,323	1,282,061	–	1,471,124
Nontrade	85,500	–	–	–	–	161,744	161,744	–	247,244
Others	584,898	–	–	–	–	–	–	–	584,898
	₱47,028,104	₱137,788	₱1,075,760	₱10,200	₱18,990	₱201,067	₱1,443,805	₱–	₱48,471,909

The table below shows the credit quality of the Foundation's financial assets:

	December 31, 2025						
	Neither Past Due nor Impaired				**Past Due but**	**Individually**	
	High Grade	**Medium Grade**	**Low Grade**	**Total**	**Not Impaired**	**Impaired**	**Total**
Cash in bank and cash equivalents	**₱406,540,687**	**₱–**	**₱–**	**₱406,540,687**	**₱–**	**₱–**	**₱406,540,687**
Short-term investments	**619,711,227**	**–**	**–**	**619,711,227**	**–**	**–**	**619,711,227**
Receivables:							
Accrued interest	**45,813,401**	**–**	**–**	**45,813,401**	**–**	**–**	**45,813,401**
Trade	**76,408**	**2,997**	**–**	**79,405**	**2,646,900**	**–**	**2,726,305**
Nontrade	**529,754**	**–**	**–**	**529,754**	**1,791,337**	**–**	**2,321,091**
Others	**582,523**	**–**	**–**	**582,523**	**–**	**–**	**582,523**
Financial assets:							
Fair value through profit or loss	**1,051,388,529**	**–**	**–**	**1,051,388,529**	**–**	**–**	**1,051,388,529**
Amortized cost	**1,004,597,468**	**–**	**–**	**1,004,597,468**	**–**	**–**	**1,004,597,468**
Fair value through OCI	**38,217,273**	**–**	**–**	**38,217,273**	**–**	**–**	**38,217,273**
Security deposits	**4,003,420**	**–**	**–**	**4,003,420**	**–**	**–**	**4,003,420**
	₱3,171,460,690	**₱2,997**	**₱–**	**₱3,171,463,687**	**₱4,438,237**	**₱–**	**₱3,175,901,924**

	December 31, 2024						
	Neither Past Due nor Impaired				Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Total	Not Impaired	Impaired	Total
Cash and cash equivalents	₱526,640,092	₱–	₱–	₱526,640,092	₱–	₱–	₱526,640,092
Short-term investments	57,000,000	–	–	57,000,000	–	–	57,000,000
Receivables:							
Accrued interest	46,168,643	–	–	46,168,643	–	–	46,168,643
Trade	189,063	–	–	189,063	1,282,061	–	1,471,124
Nontrade	85,500	–	–	85,500	161,744	–	247,244
Others	584,898	–	–	584,898	–	–	584,898
Financial assets:		–	–		–	–	–
Fair value through profit or loss	978,933,929	–	–	978,933,929	–	–	978,933,929
Amortized cost	916,314,123	–	–	916,314,123	–	–	916,314,123
Fair value through OCI	131,858,094	–	–	131,858,094	–	–	131,858,094
Security deposits	4,633,872	–	–	4,633,872	–	–	4,633,872
	₱2,662,408,214	₱–	₱–	₱2,662,408,214	₱1,443,805	₱–	₱2,663,852,019

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and short-term investments– based on the nature of the counterparty. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Receivables – high grade pertains to receivables from Ayala Group of Companies and debtors without past due accounts; medium grade pertains to receivables with past due accounts not exceeding 12 months; and low grade pertains to receivables with past due accounts exceeding 12 months.

Financial assets – high grade pertains to quoted financial assets and unquoted financial assets are unrated.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation's market risk includes equity price risk.

The Foundation's exposure to the risk for change in market value relates primarily to the Foundation's financial assets at fair value through profit or loss and fair value through OCI. The Foundation's financial assets at fair value through profit or loss and fair value through OCI are managed by a trustee bank.

Equity price risk
Financial assets at fair value through profit or loss are acquired at certain prices in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, the country's economic performance, political stability, and domestic inflation rates, these prices change, reflecting how market participants view the developments.

The analysis below is performed for reasonably possible movements in NAVpu with all other variables held constant, showing the impact on excess (deficit) of revenue, gains and other supports over expenses and losses due to changes in fair value of financial assets and liabilities whose fair values are recorded in the statements of activities.

	Impact on Income before Tax Increase (decrease)	
Change in NAVpu	**2025**	2024
+5%	**₱25,829,443**	₱25,986,604
-5%	**(25,829,443)**	(25,986,604)

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Foundation's net assets.

	Impact on Income before Tax Increase (decrease)	
Change in PSEi index	**2025**	2024
+5%	**₱26,729,934**	₱22,950,228
-5%	**(26,729,934)**	(22,950,228)

18. **Leases**

Operating Leases - Foundation as Lessee
On September 1, 2019, the Foundation entered into a five-year lease agreement to lease an office space with an area of approximately 447 square meters and four parking slots at 111 Paseo de Roxas Building, Makati City. On April 1, 2024, the Foundation entered into a ten-year lease agreement to lease an office space with an area of approximately 601 square meters and five parking slots at the Makati Stock Exchange Building in Ayala Triangle, Makati City. The lease agreements provide for a rental fee which is paid on a quarterly basis and subject to varying escalation rates over the lease term.

Future minimum rentals payable under noncancellable operating leases of the Foundation as of December 31, 2025 and 2024 are as follows:

	2025	2024
Within one year	**₱5,700,459**	₱8,445,072
After one year but not more than five years	**25,213,652**	24,284,550
More than five years	**21,944,651**	28,574,213
	₱52,858,762	₱61,303,835

Set out below are the carrying amounts of right-of-use assets recognized and the movements in 2025 and 2024:

	2025	2024
Beginning balance	**₱41,829,913**	₱2,724,974
Addition	**–**	44,861,858
Depreciation	**(4,829,935)**	(5,756,919)
Net book value	**₱36,999,978**	₱41,829,913

The rollforward analysis of lease liabilities follows:

	2025	2024
Beginning balance	**₱43,741,053**	₱2,573,329
Addition	**–**	44,861,858
Interest expense	**2,897,525**	2,137,818
Payments	**(5,428,974)**	(5,831,952)
As at December 31	**41,209,604**	43,741,053
Current lease liabilities	**5,700,459**	6,901,683
Noncurrent lease liabilities	**₱35,509,145**	₱36,839,370

The following are the amounts recognized under "Project Expenses" and "General and Administrative Expenses" in the statements of activities:

	2025	2024
Depreciation expense of right-of-use assets	**₱4,829,935**	₱5,756,919
Interest expense on lease liabilities	**2,897,526**	2,137,818
Total	**₱7,727,461**	₱7,894,737

19. Other Activities

Details of revenue and expenses of the Foundation's museum, library and other revenue-earning community development projects follows:

	2025	2024
Revenue	**₱47,549,514**	₱42,350,793
Expenses	**(93,726,655)**	(63,144,943)
Net loss	**(₱46,177,141)**	(₱20,794,150)

20. Note to Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2025	**Cash Flows**	**Non-cash Changes**	**December 31, 2025**
Lease liabilities	**₱43,741,053**	**(₱5,428,974)**	**₱2,897,525**	**₱41,209,604**

	January 1, 2024	Cash Flows	Non-cash Changes	December 31, 2024
Lease liabilities	₱2,573,329	(₱5,831,952)	₱46,999,676	₱43,741,053

Non-cash changes in lease liabilities pertains to interest expense accretion and additional lease liability arising from the new lease contract (see Note 18).

The Foundation paid nil and ₱0.53 million in 2025 and 2024, respectively, for property and equipment acquired in prior year. As of December 31, 2025 and 2024, property and equipment amounting to ₱75.33 million and ₱171.05 million, respectively, remain unpaid (see Note 9).

21. Supplementary Tax Information Under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Value-added Tax (VAT)

a. Output VAT

The Foundation is a VAT-registered company with Output VAT declaration as follows:

	Net Sales/ Receipts	Output VAT
Taxable sales		
Sale of goods	₱16,117,406	₱1,934,089
Sale of services	25,699,875	3,083,985
	₱41,817,281	₱5,018,074

The Foundation's sale of services are based on actual collections received, and sale of goods include those from consignment, hence, may not be the same as amounts accrued in the statement of activities.

b. Input VAT

The amount of VAT input taxes claimed broken down into:

Beginning of the year	₱18,860,482
Current year's purchases:	
I. Goods for resale/manufacture or further processing	–
II. Goods other than for resale or manufacture	50,015
III. Capital goods subject to amortization	–
IV. Capital goods not subject to amortization	–
V. Services lodged under cost of goods sold	–
VI. Services lodged under other accounts	1,282,301
Claims for tax credit/refund and other adjustments	(5,018,074)
Balance at the end of the year	₱15,174,724

c. Excise tax

The Foundation did not enter into any transaction subject to excise tax.

d. All other local and national taxes

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Project' and 'General and administrative' accounts both in the Foundation's statement of activities.

Details consist of the following:

	Project Expenses	General and Administrative Expenses	Total
Real estate taxes	₱473,498	₱–	₱473,498
License and permits fees	200,623	4,043	204,666
	₱674,121	₱4,043	₱678,164

e. Withholding taxes

Withholding taxes on compensation and benefits	₱17,187,332
Expanded withholding taxes	9,919,673
Final withholding taxes	2,867,196
Withholding VAT	1,376,254
	₱31,350,455

f. Tax Assessments and Cases

The Foundation has no tax assessments and cases pending before the Bureau of Internal Revenue (BIR) as of December 31, 2025. Likewise, the Foundation has no other pending tax cases outside the administration of the BIR as of December 31, 2025.