WE RECOMMIT OURSELVES TO THESE: TO ENVISION A FUTURE THAT EMBRACES ALL FILIPINOS, TO EMPOWER OUR COMMUNITY PARTNERS TO SHAPE THEIR OWN FUTURE, AND TO EXCEL IN PROGRAMS THAT WILL LIVE ON BEYOND US.
MISSION

To improve the quality of life of the Filipino by contributing to the eradication of poverty in all its forms.

VISION

To be the leading foundation committed to:
- Developing servant-leaders;
- Developing social technologies to empower and uplift lives;
- Facilitating universal access to knowledge and learning;
- Creating alliances and social consortia to manage projects;
- Instilling pride in being a Filipino with a strong commitment to national development.
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This year marked Ayala Foundation’s 50th anniversary. Indeed, this was a glorious milestone for one of the pioneering corporate foundations in the Philippines. Without a doubt, 2011 gave us the perfect opportunity to look back on our achievements and our partnerships, and to look forward to fulfilling our plans for the coming years.

It was back in 1961 when Col. Joseph McMicking and Mrs. Mercedes Zobel-McMicking founded Ayala Foundation. Filipinas Foundation, as it was then known, grew and evolved with time, but its commitment to making a contribution to pushing the frontiers of knowledge and abolishing poverty in the Philippines has remained steadfast.

We at Ayala Foundation cannot take sole credit for our five decades of success. All of you—our partners, benefactors, donors, supporters, and project beneficiaries—have made it possible for our initiatives to bear fruit. With your help, we continue expanding our reach in hopes of implementing projects with greater impact.

Through the Ayala Young Leaders’ Congress (AYLC), we continue to express our great faith in the Filipino youth, our nation’s future. On its 13th year, the AYLC carried the theme: Leadership: Serving, Transforming, Sustaining. AYLC 2011 attracted 81 delegates representing 44 colleges and universities across the country—all of them pledging to bring about positive and lasting change to Filipino society, and we can only be too grateful for their promise to help lead our nation to a brighter, more progressive future.

Inspired by the success of AYLC, and in hopes of developing a critical mass
of bright and upright young leaders across the land, we at Ayala Foundation launched a new youth development program called Leadership Communities (LeadCom). Through LeadCom, we are tapping colleges, universities, and communities all over the country. We are hopeful that from these schools and communities will emerge our country’s future change-makers and visionaries.

I am also very grateful for your continuing support of the Ayala Museum, one of the leading advocates of Philippine history, art, and culture. Through various creative, relevant, and engaging exhibitions and events, the museum attracted close to 79,000 visitors.

In time for our 50th anniversary celebration, we launched Philippine Ancestral Gold, the companion publication for the Gold of Ancestors: Precolonial Treasures in the Philippines exhibition. Gold of Ancestors, as well as the companion publication, provides convincing, tangible, and compelling evidence of the richness of our precolonial culture.

The expertise of early Filipino goldsmiths displayed in the book and exhibit, as well as the many ways in which gold was used in the daily lives of our ancestors, offers living proof of where we have been and what we can achieve as a people and as a nation. This is something all Filipinos should be proud of.

Ayala Museum also hosted 19 exhibitions featuring various art mediums and themes. Revolution Revisited: A Photography Exhibition by Kim Komenich in Commemoration of the 25th Anniversary of the EDSA People Power and the The Last Journey of Ninoy, both launched in February, were just two of these.

Meanwhile, this year’s DesignTalks featured acclaimed Filipino talents in emerging creative industries such as graphic design, set production, photography, videography, and fashion. The event featured internationally celebrated designers including Lucille Tenazas, Loy Arcenas, AJ Dimarucot, Jason Magbanua, Brian Tenorio, and the tandem of Garovs Garovillo and Ryan Vergara.

The efforts of the Filipinas Heritage Library, now celebrating its 15th year, were also commendable. FHL showed its commitment to establishing itself as “a library without walls,” through projects such as Filipiniana Online, an online resource featuring rare texts and images from the FHL collection, and OurLibrary, a project that seeks to develop community libraries in different parts of the country.

With the help of key partners such as Chevron Geothermal Philippines, the Ayala Multi-Purpose Cooperative, and international pop superstar Apl.de.Ap, OurLibrary (formerly MyLibrary) established libraries in Tiwi, Albay; Ligao City, Albay; San Pascual, Batangas; the Center of Excellence in Public Elementary Education in Tondo; Holy Angel University, Angeles City, Pampanga; and Sapang Bato National High School, Angeles City, Pampanga.

A project very close to my heart is the Iraya-Mangyan Program in Puerto Galera, Mindoro Oriental. In the past year, several Iraya-Mangyan families were able to move into their new homes in Sitio Talipanan, also in Puerto Galera. AFI also continued providing health and nutrition services, educational support, and skills and livelihood training for our Iraya-Mangyan brothers and sisters. This same level of commitment to community development could also be seen in such community-based projects as the Buklod Bahayan Daycare Center in Cavite, and our participation in the multi-agency disaster-preparedness program, Project Noah’s Ark.

Allow me to express my deepest thanks for your ceaseless and wholehearted support of Ayala Foundation. I am convinced that if Col. Joseph McMicking and Mrs. Mercedes Zobel-McMicking could see the foundation today, they would take note of how much it has evolved, how its reach has widened, and how it has remained faithful to their vision of helping the nation achieve long-term and sustained development.

Again, thank you for celebrating with us this important year in Ayala Foundation history. It is my sincerest hope that you would continue to partner with us in 2012, in the next 50 years, and even beyond.

Without a doubt, 2011 gave us the perfect opportunity to look back on our achievements and our partnerships, and to look forward to fulfilling our plans for the coming years.
Dear stakeholders,

On March 23, 2011, Ayala Foundation celebrated its 50th anniversary. This milestone served as a perfect time for all of us to look back on, and celebrate, our achievements over the past five decades. We celebrate as well the partnerships we have forged with government agencies, funding institutions, business organizations, civil society groups, and numerous individuals whose support has been an integral component of our continued success. These strategic partnerships give us the strength and the confidence to keep innovating, piloting, and scaling up programs that address the long-term development needs of the country and the people.

Indeed, 2011 became a yearlong celebration of milestones. One important milestone was the turnover of the Gearing up Internet Literacy and Access for Students (GILAS) in November to the Department of Education, to be mainstreamed into the public high school system. GILAS was a social consortium, a multi-stakeholder initiative that sought to connect to the Internet all of the country’s public high schools. Over its six years of operations, a total of 3,349 schools, or 47 percent of the total, were connected to the Internet.

The success and impact of this project are unmistakable. The turnover indicated the DepEd’s full appreciation of what GILAS has done. GILAS piloted the project and harnessed a host of partners to scale it up to nationwide coverage. DepEd pledged to build on the legacy that GILAS started, noting the strong spirit of partnership among the members of the consortium, in which even business competitors worked together for a worthy cause.

Text2Teach also made significant strides in its efforts to enrich the learning experience in public elementary schools in the country. Using mobile technology to deliver educational materials in English, Math, and Science, Text2Teach was introduced to another 337 public elementary schools, bringing the total to 542 schools, toward the completion of its third phase. An agreement for the implementation of the project’s fourth phase was signed by AFI, Nokia, DepEd, Globe Telecom, and Pearson Foundation. Under the memorandum of agreement, the Text2Teach team will review and update its existing materials, upgrade the technology being used, and reach out to 850 more schools.

The schools managed by the Center of Excellence in Public Elementary Education (CENTEX) in Manila and Batangas continued to prove that many children from underprivileged families can compete with the best students in the country, if given the opportunity of a good education. For school years 2009–2010 and 2010–2011, CENTEX Manila students had a mean percentage score of 77.35 in the National Achievement Test—the highest in the DepEd Division of Manila.

Even as we celebrated the achievements of the past 50 years, we continued to look for better ways to solve the problems of poverty in strategic, scalable, and sustainable ways.

With the support of JP Morgan Chase & Co. and the STEPS Dance Studio, as well as violinist Coke Bolipata, CENTEX students explored their talents in music, dance, and sports, often surprising themselves and their patrons with the level of their performances.

During a review of the foundation’s portfolio of educational programs, it was becoming clear that there was a need to ensure that these programs continue after we leave the community. The answer was the program, Enabling Education Communities (EEC), an initiative to encourage and empower the various sectors of a given community to take an active role in improving the reach and quality of the education of their children— in short to make community leaders and members realize that they are stakeholders in the educational system of their town or city. During the year, EEC was piloted in five sites—Tiwi and Ligao City, Albay; Malaybalay City, Bukidnon; Camiguin; and Sibalom, Antique. Its initial success has caught the attention of the DepEd as well as funding agencies, and may eventually be mainstreamed and scaled up, like GILAS.

In yet another significant partnership with DepEd, Ayala Foundation took on the challenge of being the secretariat of The Entire Nation Moves (TEN Moves!), a fund-raising initiative for the construction or rehabilitation of 10,000 classrooms in the country. As of December, TEN Moves! has raised ₱3.3 million.

Another milestone in 2011 was the signing of a three-year contract with the United States Agency for International Development (USAID) for the implementation of a project called Strengthening the Capacity of Civil Society Organizations in the Philippines (SCCSOP). Coming at the heels of the successful implementation of another USAID-funded project (Education Quality and Access for Learning and Livelihood Skills or EQuALLS, implemented in the Philippines by Education and Livelihood Skills Alliance, of which AFI was program manager), SCCSOP aims to train the leaders of 120 local civil society organizations toward achieving sustainability and accountability, and in building their capacity for raising and monitoring funds. AFI bested NGOs from the Philippines and from the US to win the contract.

Meanwhile, the Philippine Development Foundation (PhilDev), formerly Ayala Foundation USA, strengthened its efforts in championing science and technology innovation and entrepreneurship as a driver for economic development in the Philippines. Together with its partners, PhilDev launched a Superfund for Science...
and Technology Scholarships, which aims to raise ₱5 billion in five years for the college education of deserving yet underprivileged Filipino students taking up science and technology courses.

Ayala Foundation continued its partnership with Ayala Land, Ayala Property Management Corporation, and 262 buildings in the Makati Central Business District for its Solid Waste Management program. The program successfully diverted 1,852 tons of recyclables, worth ₱16.46 million, from being thrown into sanitary landfills. AFI also worked closely with the rest of the Ayala group of companies in completing Sustain+Ability, Ayala Corporation’s second conglomerate-wide sustainability report, which had a grade level of B following the standards of the Global Reporting Initiative.

For its part, the Ayala Technology Business Incubator (TBI) continued to support promising start-up companies. During the year, Ayala TBI became accredited with the Philippine network of Innovation and Technology Support Offices (ITSO), which provides patent information for many start-up companies and inventors.

Overall, 2011 was another busy year for Ayala Foundation. Even as we celebrated the achievements of the past 50 years, we continued to look for better ways to solve the problems of poverty in strategic, scalable, and sustainable ways. As in the past, our achievements for 2011 would not have been possible without the partnerships that have been carefully built and nurtured in the true spirit of a shared vision. With the support, advice, and encouragement of our partners, Ayala Foundation is now one of the most dynamic, strategic, and pioneering development institutions in the Philippines.

On a personal note, please allow me to say that 22 of my most productive and fulfilling years have been spent with Ayala Foundation and the Ayala group. As I retire from my official functions as AFI president, I can say that all the memories I have made through day-to-day encounters with you, our stakeholders and supporters, shall be treasured and never forgotten.

I am truly grateful for the time, expertise, resources, and even friendship that you shared with me and the rest of AFI over the years. I am particularly and deeply thankful to our chairman, Jaime Zobel de Ayala, and our vice chairmen, Jaime Augusto and Fernando Zobel de Ayala, for their trust and confidence in me, as well as for their unwavering support of the foundation.

It is my pleasure to introduce to you my successor, Maria Lourdes Heras-de Leon, who will take the lead in moving the foundation closer to its vision of a poverty-free Philippines. I am confident that you will support her with the same zeal and dedication that you have shown me.

Again, from the bottom of my heart, maraming salamat po! Mabuhay and God bless you!

Victoria P. Garchitorena
Ayala Foundation, Inc.
2011 was a banner year for Ayala Foundation, as it celebrated several milestones in its long history of contributing to the eradication of poverty in its myriad forms.

50 Years of AFI

The most significant of these milestones was the celebration of AFI’s 50th anniversary. Founded as Filipinas Foundation Inc. in 1961, AFI was the brainchild of Colonel Joseph McMicking and Doña Mercedes Zobel-McMicking. Initially envisioned as a foundation that pushed “the frontiers of knowledge and [abolished] poverty and privation in whatever form” through science and technology, AFI went on to become one of the leading corporate foundations in the country, reaching out to well over five million Filipinos from over 5,000 schools and communities in virtually all geographic regions in the country. Today, AFI implements projects in fields as diverse as education, technology and entrepreneurship, environment and sustainability, community development, diaspora philanthropy, and arts, history, and culture.

The anniversary celebration took “Envision, Empower, Excel” as its theme. This was the foundation’s way of looking back on its rich history and pioneering spirit in corporate social responsibility. Partners, beneficiaries, supporters, and friends took part in the celebrations, serving as living proof of AFI’s commitment to partnership building.

The special anniversary event, held at the Hotel InterContinental Manila, also served as a venue for AFI to introduce two new projects—Enabling Education Communities, its latest educational and community-development initiative, and Philippine Ancestral Gold, a book to accompany the Ayala Museum’s popular Gold of Ancestors exhibition.

50 Years of AFI

• Ayala Foundation celebrated its 50th founding anniversary—with the theme, “Envision, Empower, Excel”—on March 23 at the Hotel InterContinental.
• During the anniversary celebrations, AFI launched Enabling Education Communities (EEC), an initiative that seeks to mobilize and engage community stakeholders to improve the quality of public education in their respective communities.
• Philippine Ancestral Gold, a scholarly publication and exhibition catalog for the Ayala Museum’s Gold of Ancestors exhibition, was also launched at the anniversary event.
• AFI also celebrated the 15th anniversary of the Filipinas Heritage Library, and the 10th anniversary of CENTEX Batangas.
Enabling Education Communities

LAUNCHED IN MARCH, ENABLING Education Communities (EEC) is an initiative that seeks to strengthen the capacity of local government units (LGUs) and local Department of Education (DepEd) offices in mobilizing and engaging various community-based education stakeholders. Through community action, these stakeholders will be able to contribute to improving the quality of education in their area. AFI facilitates a process whereby key community stakeholders study and assess together the educational challenges they face, formulate a shared vision, and come up with courses of action. The following groups are identified as EEC stakeholders: local government officials, education officials, business and civic groups, nongovernmental organizations working within the community, state and private colleges and universities, parents, young people in the community, school children, and other interest groups. An education community can be at the level of the province, city, municipality, or district.

During the year, EEC was brought to five pilot sites—Tiwi and Ligao City in Albay; Malaybalay City, Bukidnon; Camiguin; and Sibalom, Antique. Preparatory activities for the project included the following: consulting with and getting the commitments of key stakeholders (especially LGUs and the local DepEd), identifying education stakeholders in the community, and gathering and analyzing community education data. After doing these, the education leaders in each pilot area organized a community education summit attended by representatives from various sectors of the community, such as representatives from provincial, city, or municipal council; local government agencies; local DepEd; school heads and teachers from public and private schools, colleges, and universities; youth and student associations; media, indigenous communities; and local business, religious, nongovernmental, and people’s organizations. In the education summit, the challenges faced by the local public schools were presented to the community. At the end of the summit, the community members made initial commitments on how they could contribute to the improvement of the state of education in the area.

After the education summit, a multi-stakeholder core group of 60 members was formed in each site. Their task was to strengthen their links as a group, and to formulate a mission and vision statement for their respective education communities. They also went through a planning session, where they analyzed the data available to them, prioritized education problems and issues, and crafted three-year and one-year plans detailing how the community as a whole intended to address the educational challenges it faced.

Enabling Education Communities
- EEC was introduced to five pilot sites—Tiwi and Ligao City in Albay; Malaybalay City, Bukidnon; Camiguin; and Sibalom, Antique.
- Following the EEC project framework, each community is currently developing ways to address the challenges the local educational system faces.
Gearing up Internet Literacy and Access for Students

IN NOVEMBER, AFI MARKED ANOTHER important milestone in its history—as well as in the history of education in the country—with the official handover of Gearing up Internet Literacy and Access for Students (GILAS) to the Department of Education.

In the official turnover ceremony, Jaime Augusto Zobel de Ayala, AFI co-vice chairman and co-chairman of the GILAS consortium, said that the achievements of GILAS were the result of “broad-based and robust partnerships.”

The handover to the DepEd makes GILAS the first private-sector-initiated project to become officially streamlined and scaled up by the national government.

During the year, a total of 309 public high schools were connected to the Internet by the GILAS consortium. This brought the total number of GILAS-connected schools to 3,349, representing 47 percent of the total number of public schools in the country in 2011.

Training programs for teachers and principals were also an important component of GILAS. During the year, 1,886 teachers from 365 public high schools received training in Internet literacy, network administration and computer maintenance, and local resource mobilization. Also, 547 school administrators from 254 schools received training in information and communication technology (ICT) leadership and sustainability. During the program’s run from 2005 to 2011, GILAS successfully provided ICT training for 14,446 teachers from 3,392 schools.

GILAS also successfully raised cash and in-kind donations worth over ₱33.45 million. Fifty-one percent of these came from the private sector, while the government sector’s contribution amounted to 43 percent. The remaining 6.7 percent came from Filipino-American donors, who had cours ed their contributions through the Philippine Development Foundation (PhilDev). Between 2005 and 2011, as much as ₱367.9 million was mobilized for the GILAS project—50 percent from private companies and individuals, 33 percent from the public sector, and 17 percent from Filipino-Americans donors who had cours ed their donations through PhilDev.

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Gearing up Internet Literacy and Access for Students

• The GILAS consortium officially turned over the project to the Department of Education—the first private-sector initiative of its kind to be mainstreamed into the national educational system.

• Between 2005 and 2011, GILAS connected 3,349 public high schools to the Internet. This number represents 47 percent of the total number of public high schools in the country.

• Over the years, GILAS mobilized as much as ₱367.9 million to implement the project.
**PUBLIC SCHOOLS CONNECTED BY GILAS 2000-2011**

- **CONNECTED SCHOOLS**: 47%
- **SCHOOLS STILL TO BE CONNECTED**: 53%

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**FUNDS RAISED BY GILAS 2009-2011**

- **2009**: 19,680,999
- **2010**: 11,616,920
- **2011**: 14,310,500
- **2005-2011**: 120,364,129

**FUNDS RAISED BY GILAS 2005-2011**

- **2005**: 11,616,920
- **2006**: 24,112,499
- **2007**: 16,895,485
- **2008**: 64,002,639
- **2009**: 183,545,961
- **2010**: 120,364,129
- **2011**: 14,310,500

**TOTAL SCHOOLS**: 7,159
Philippine Ancestral Gold

Also launched during the anniversary celebrations was *Philippine Ancestral Gold*, a book and companion catalog for the Ayala Museum’s highly popular Gold of Ancestors: Precolonal Treasures in the Philippines exhibition.

Co-authored and edited by Dr. Florina Capistrano-Baker, curator of the Gold of Ancestors exhibition and former Ayala Museum director, the book situates in historical context the museum’s collection of over 1,000 gold objects, the bulk of which are adornments and implements created by highly skilled craftsmen for elite individuals in precolonal Philippine society.

Dr. John Miksic, associate professor at the National University of Singapore (NUS), and John Guy, curator of South and Southeast Asian Art at the Metropolitan Museum of Art in New York, are co-authors.

*Philippine Ancestral Gold* was published by AFI in cooperation with NUS Press and was also launched at the Institute of Fine Arts in New York City in November. Its Singapore launch is scheduled for February 2012 at the Asian Civilisations Museum.

The Entire Nation Moves

AFI also became the project lead for *The Entire Nation Moves! (TEN Moves)*, a multi-stakeholder initiative that aims to raise funds for the construction of 10,000 public school classrooms in different parts of the country.

According to the project proponents, if at least 2 million Filipinos donate P10 daily over a period of 10 months, TEN Moves would raise a total of P6 billion for the construction of the classrooms. Managed by AFI on behalf of the 57-75 Education Reform Movement, TEN Moves was first announced at the League of Corporate Foundations’ CSR Expo in July, and was launched to the public on October 14.

As of December, TEN Moves raised P3,296,710 in donations and pledges from 1,022 individuals from different parts of the country and from Filipinos based overseas. TEN Moves also spent its first few months setting up secure, reliable, and convenient donation channels; ensuring a fool-proof control system; and partnering with companies, universities, and other organizations that can reach large numbers of people. A nationwide information campaign was launched using different forms of media, with the help of Ogilvy & Mather Philippines, Globaltronics Inc.’s electronic billboards, and Ayala cinemas.

TEN Moves will run until October 10, 2012.

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**Philippine Ancestral Gold**
- Edited and co-authored by Dr. Florina Capistrano-Baker. *Philippine Ancestral Gold* takes a close look at some aspects of Philippine life and culture before the arrival of the Spaniards.
- The book was launched in two locations—in Manila in March, and in New York in November. Its Singapore launch is scheduled for February 2012.

**The Entire Nation Moves! (TEN Moves)**
- TEN Moves was launched in October.
- A multi-stakeholder initiative, TEN Moves aims to raise funds for the construction of 10,000 public school classrooms in different parts of the country.
- If at least 2 million Filipinos donate P10 daily over a period of 10 months, TEN Moves would raise a total of P6 billion for the construction of the classrooms.
- As of December, TEN Moves raised a total of P3.3 million.
Aside from Gilas, EEC, and LeadCom, AFI marked another milestone with the signing of a contract with the United States Agency for International Development (USAID) for the implementation of the project, “Strengthening the Capacity of Civil Society Organizations in the Philippines.” The project seeks to build the capacities of 120 selected civil-society organizations, so they can serve their target communities better through sustainable solutions, improved accountability, and the ability to compete for and manage donor resources.

Covering three years, the project will be implemented by AFI and its consortium partners, which include the Association of Foundations, Caucus of Development NGOs (CODE-NGO), National College of Public Administration and Governance (NCPAG), Philippine Business for Social Progress (PBSP), and the Philippine Council for NGO Certification (PCNC).

Strengthening the Capacity of Civil Society Organizations in the Philippines

Ayala Young Leaders Congress and Leadership Communities

On its 13th year, the Ayala Young Leaders Congress once again gathered some of the country’s most promising youth leaders in a four-day conference held in February in Alfonso, Cavite. Out of 700 aspirants, only 81 student leaders passed the rigorous standards for participation in the Ayala group’s flagship youth leadership program.

Carrying the theme, “Leadership: Serving, Transforming, Sustaining,” AYLC 2011 had Jose Rene Almendras, secretary of the Department of Energy and former president of Manila Water Company, as its keynote speaker.

Aside from the annual AYLC, AFI also sought to strengthen the presence of its youth leadership program in various parts of the country. This is why AFI chose to bring the AYLC brand of servant leadership to various schools and communities through a new program called Leadership Communities (LeadCom).

Through LeadCom, AFI and the rest of the Ayala group entered into a partnership with various colleges and universities in different parts of the country, so they could establish their own local AYLC and build a network for community-based young servant leaders. Prior to its launch in November, LeadCom was piloted in Catanduanes and Oriental Mindoro.

Working with five to 10 partner colleges and universities in a chosen province, the program’s goal over a 12-month period is to form a community and network among these schools to champion youth leadership development and to equip them with the skills and competencies to develop servant leaders on a regular and sustained basis. Each leadership community should have a core group composed of representatives from the participating schools. Under AFI’s guidance, the partner schools organized a three-day AYLC-type leadership camp for college students.

In the camp, the participants learned various skills that inspired them to become better leaders and change agents in their respective schools and communities.

For 2012, AFI hopes to bring LeadCom to 12 new sites in different parts of the country.

Strengthening the Capacity of Civil Society Organizations in the Philippines (SCCSOP)

- AFI signed a three-year contract with the United States Agency for International Development for the implementation of SCCSOP.
- SCCSOP seeks to build the capacities of 120 selected civil society organizations, so they can serve their target communities better through sustainable solutions, improved accountability, and the ability to compete for and manage donor resources.

Ayala Young Leaders Congress and Leadership Communities

- AFI held the 13th National AYLC in February. In attendance were 81 of the most promising student leaders in the country.
- AFI launched Leadership Communities (LeadCom), the foundation’s effort to bring AYLC’s brand of servant leadership to different parts of the country.
- LeadCom was piloted in Catanduanes and Oriental Mindoro. AFI hopes to bring LeadCom to 12 new sites in 2012.
Sustained Growth

By nurturing existing partnerships and establishing new ones, AFI successfully brought a number of its existing projects to greater heights, successfully meeting if not exceeding targets. A number of projects were also scaled up, as they entered the next phase of implementation and operations.
Text2Teach, a program that uses mobile technology to deliver educational materials in English, Math, and Science for public elementary schools, was all set to complete its third phase in 2011. As of December the program reached 337 out of its 350 target schools, serving over 54,000 students and over 1,500 teachers.

Just as significant was the start of the project’s fourth phase, which followed the signing of an agreement between AFI, Nokia, the Department of Education, Globe Telecom, and Pearson Foundation in June. Text2Teach’s fourth phase hopes to step up the program, by reviewing and updating its existing materials, upgrading old technology, and reaching out to 850 new schools.

Launched in 2003, the first phase of the project delivered educational materials to 81 public schools in Metro Manila, Batangas, Laguna, Cotabato City, Oriental Mindoro, Antique, and Cagayan de Oro. The second phase, meanwhile, reached 124 public schools in Region XII and the Autonomous Region of Muslim Mindanao.

The third phase of Text2Teach involved monitoring and evaluation, as conducted by a team of researchers. The researchers looked at the National Achievement Test (NAT) scores of students in Text2Teach-enabled schools, and found improved student performance following the introduction of the project. The researchers also found improved test scores during post-viewing evaluation activities, better retention of knowledge for all subject matter covered in the program, increased student engagement in post-viewing discussions, and overall improvement in class behavior. In addition, local communities showed positive attitude toward the use of this teaching technology, which helped bridge the learning gap between public and private schools.

Text2Teach also gained international exposure through knowledge sharing with organizations such as the United Nations Children’s Fund (UNICEF), the United Nations Educational, Scientific, and Cultural Organization (UNESCO), the British Council, and EZ Vidya (India). In December, UNESCO commissioned AFI to do a research paper on the program and other mobile-learning programs in Asia.

Mario Deriquito, AFI senior director for education and leadership development, was also invited by UNESCO to be a speaker in the first UNESCO Mobile Learning Week (MLW) in Paris, France. MLW seeks to explore ways whereby mobile technology can be better used in education with the help of enabling national policies and creative programs to build teachers’ capacities.

At A Glance

- Text2Teach is nearing the completion of its third phase. As of December, Text2Teach reached 337 out of its 350 target schools, serving over 54,000 students and over 1,500 teachers.
- The project’s third phase involved monitoring and evaluation, which revealed improved National Achievement Test (NAT) scores for schools reached by Text2Teach.
- In June AFI, Nokia, DepEd, and Pearson Foundation launched the fourth phase of Text2Teach.
- Text2Teach’s fourth phase requires the review and updating of existing materials, an upgrade for old technology, and to bring the project to 850 new schools.
FHL, together with the Philippine Development Foundation, partnered with the international recording artist Apl.de.Ap to establish the libraries in Sapang Bato and Holy Angel University. These libraries were inaugurated in March. Meanwhile, the CENTEX library was made possible by the support of the officers and members of the Ayala Multi-Purpose Cooperative, and was launched in September.

Another OurLibrary project is currently under development in Ligao City, Albay. In April, the Ligao City government held the ground-breaking ceremony for the rehabilitation of a heritage structure from the 1930s. This building is envisioned to house the Ligao City Heritage Museum and Library. While waiting for the completion of the building, FHL provided training for the city’s librarians and volunteers.

AFI also worked closely with various partners for its flagship advocacy program, OurLibrary (formerly MyLibrary). In the Philippines, there are an estimated 1,000 libraries servicing 95 million Filipinos. OurLibrary seeks to address the lack of libraries, as well as to provide more Filipinos across the country the opportunity to read and have access to books.

FHL’s campaign to develop community libraries across the country and to promote a culture of reading led to the completion of three libraries—a public high school library at Sapang Bato National High School in Angeles, Pampanga; a music library and recording studio at Holy Angel University, also in Angeles, Pampanga; and a grade school and community library at the Center of Excellence in Public Elementary Education in Tondo, Manila.

THE PURSUIT OF SUSTAINABILITY also allowed AFI to continue, even strengthen, its environmental initiatives through AFI’s Green Resources for Environmental Education and Networking (AFI GREEN).

AFI’s Solid Waste Management (SWM) program, implemented with Ayala-managed properties and various buildings in the Makati Central Business District (MCBD), continued to grow in 2011. Two hundred sixty-two buildings, approximately 70 percent of MCBD buildings, are now implementing the SWM program. As a result, as much as 1,852 tons of recyclables was recovered from these buildings—up 4 percent from 2010, when 1,784 tons of recyclables was collected. Taking into account the increase in the amount of recyclables collected and fluctuations in the prices of recyclable items, the estimated value of the recyclables collected in MCBD buildings was ₱16.46 million—22-percent higher than 2010, when the collected recyclables had an estimated worth of ₱12.84 million.

AFI’s SWM program was featured in several national conferences—the Seventh Blessed John Paul II Catechesis and Youth Ministry Conference, the League of Corporate Foundations’ CSR Conference, the Department of Labor and Employment and the International Labor Organization Green Jobs Conference, and the Solid Waste Management Association of the Philippines annual conference. AFI...
GREEN also conducted SWM orientation seminars for 22 groups, with a combined total of 1,778 participants.

On its fifth year, the Recyclables Fair (RF), organized with the support of the Ayala Malls Group of Ayala Land Inc., continued to grow steadily. A total of 88 RFs were held in various Ayala malls and other Ayala-managed properties. These RFs collected 131.21 tons of recyclables value at Php 1.42 million. A mini-green festival, where the products and programs of partner organizations were featured, was also held in celebration of the RF’s fifth anniversary. Certificates of Tree Donation were awarded to active RF partners. The indigenous tree seedlings came from the Trees4Life Tubong Pinoy Movement of the Earth Day Network Philippines.

AFI also partnered with Globe Telecom, Nokia Philippines, and the Philippine Tarsier Foundation (PTF) for “I-rEcover, I-rEcyle,” a cell-phone take back program. Drop-off bins were deployed in 12 Ayala malls and Globe Business Centers nationwide. Nokia recycled the cell phone units and accessories, and donated Php 100 to the PTF for every cell phone unit collected.

AFI, together with the Philippine Plastic Industry Association and Ayala Malls, put up collection bins where shoppers could drop off clean grocery bags for recycling. The Polystyrene Packaging Council of the Philippines also partnered with AFI and the Makati Commercial Estate Association (MACEA) to revive the collection of polystyrene waste materials.

By yearend, AFI partnered with the Solid Waste Management Association of the Philippines (SWAPP) for a study on the effects of banning the use of plastic bags by some local government units.

In addition, AFI released the results of the SWM review. During the review, stakeholders from the private sector, government, and civil society gathered for a four-part lecture series. The lectures addressed ways by which SWM efforts could identify gaps to improve the implementation of the Solid Waste Management Act in the country.

Various steps were also taken to expand the foundation’s presence in addressing environmental and sustainability issues, particularly in such areas as clean air, clean water, and energy efficiency. For its clean air program, AFI gathered baseline data on air quality in Makati City. This was done through smoke emission testing in three public utility jeepney (PUJ) routes with terminal stations at car parks managed by the Ayala Property Management Corporation. Training sessions on eco-driving and preventive maintenance were conducted for participating jeepney drivers, in partnership with Isuzu Motors and Philippine Automotive Depot Inc.

The foundation also played an active role in developing the Science and Technology Research and Development Roadmap to address water pollution in the country. This was done in cooperation with the Department of Science and Technology’s technical working group. AFI also co-organized the first International Sustainable Sanitation Lecture on water recycling and reuse with the Center of Advanced Philippine Studies.

A founding member of the Philippine Green Building Council (PhilGBC), AFI participated in the development and launch of the Building for Ecologically Responsive Design Excellence (BERDE), a green rating system for Philippine buildings.

Meanwhile, AFI participated in a series of meetings with the goal of setting up the Sustainable Energy Network, composed of advocacy groups, service providers, and the academy. In addition, AFI teamed up with the International Finance Corporation and European Chamber of Commerce in the Philippines to organize a roundtable discussion on the Energy Smart Program, which aims to encourage the business sector to promote, support, and implement energy efficiency programs.

From 1993 to 2011, AFI’s environment program successfully contributed to the effective implementation and institutionalization of SWM practices in at least 300 buildings in the MCBD. Between 2001 and 2011, the program collected at least 16,000 tons of recyclables, worth at least Php 80 million.

After several years of continued growth, Ayala Foundation’s Environment Program is scheduled for completion in May 2012. AFI’s environmental initiatives will continue to be implemented by partners and other stakeholders.

**AFI GREEN**

- AFI GREEN brought the Solid Waste Management program to 262 buildings in the Makati Central Business District.
- As much as 1,852 tons of recyclables, worth Php 16.46 million, was gathered at the MCBD.
- The Recyclables Fair was held 88 times during the year. These RFs collected a total of 131.21 tons of recyclables worth Php 1.42 million.
- For its clean air program, AFI gathered baseline data on air quality in Makati City by conducting smoke emission testing in three public utility jeepney (PUJ) routes.
- AFI participated in the development and launch of the Building for Ecologically Responsive Design Excellence (BERDE), a rating system based on Philippine settings.
AYALA FOUNDATION REMAINED AN active member of Our Lighthouse Alliance, a consortium of 15 organizations behind Project Noah’s Ark, which, in turn, is an initiative that advocates disaster preparedness. Initially funded by AFI, Project Noah’s Ark was piloted in Malanday, Marikina City—one of the hardest-hit communities in the onslaught of typhoon Ondoy in 2009.

In 2011 Project Noah’s Ark was also implemented in another high-risk area, barangay Guitnang Bayan I, in San Mateo, Rizal. Similar to what had been done in Malanday, Project Noah’s Ark also set up a barangay risk-reduction and management council in Guitnang Bayan I. This committee was composed of barangay officials, who would take the leadership role in preparing the community for any possible disaster. The project also successfully retrofitted two schools (Malanday Elementary School and San Mateo National High School) to become evacuation centers. Each school now has four clusters of four-door toilets, three communal kitchens, three stoves, cooking utensils, food trays, and eating utensils.

Just as important was the disaster-preparedness training given to key individuals in both barangays. Aside from providing training in such areas as local risk mapping, developing criteria for evacuation, and flood drill planning, the barangays also learned to set up a system that integrated various aspects of disaster preparedness, including warning/advisory, communications, evacuation, security, relief, and medical assistance.

THE SPIRIT OF PARTNERSHIP AND COOPERATION GUIDED AFI AND THE REST of the Ayala group of companies in publishing, Sustain+Ability, the conglomerate’s second sustainability report.

The second sustainability report represented progress in the Ayala group’s commitment to sustainability reporting. Covering the years 2009 and 2010, Sustain+Ability reported on 30 performance indicators, covered eight companies, and had a grade level of B (self-reported), following the standards set by the Global Reporting Initiative (GRI). In comparison, the first report, entitled Pioneering for a Sustainable Future and published in 2008, took a look at 11 performance indicators and had a grade level of C.

Among the highlights of the report were the Tubig Para sa Barangay program of the Manila Water Company; BPI Globe BanKO, initiated by the Bank of the Philippine Islands, Globe Telecom, and Ayala Corporation; Ayala Land’s efforts to develop environmentally sound communities; and Globe Telecom’s Bridging Communities program, among others.

In this report, the Ayala group declared its sustainability priorities. “We seek to manage our environmental impact through adaptation measures and, in time, reduce our environmental footprint in relative terms,” the Ayala group declared in the report. “We also seek to engage with groups and communities that lie beyond our traditional service networks, such as overseas Filipinos, communities at the base of the economic pyramid, and micro-entrepreneurs.... We seek to utilize corporate social responsibility to extend our reach and to create greater impact.”
Even with the expansion of existing projects and the introduction of new ones, AFI continued its programs in education, technology and entrepreneurship, environment and sustainability, community development, diaspora philanthropy, and art, history, and culture. During the year, AFI spent a total of P281.79 million to implement its various projects.
# Ayala Foundation Project Spending 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (P)</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Ayala Museum</td>
<td>62,651,063.99</td>
<td>22%</td>
</tr>
<tr>
<td>Filipinas Heritage Library</td>
<td>30,222,021.94</td>
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<tr>
<td>Education and Leadership Development</td>
<td>71,203,552.04</td>
<td>25%</td>
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<tr>
<td>Environment and Sustainability</td>
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<tr>
<td>Entrepreneurship</td>
<td>5,509,718.38</td>
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<tr>
<td>Community Development</td>
<td>47,497,660.85</td>
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<tr>
<td>CENTEX</td>
<td>17,583,377.65</td>
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<tr>
<td>Executive Offices</td>
<td>24,811,991.89</td>
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<tr>
<td>Finance and Corporate Services</td>
<td>17,674,283.90</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>281,791,702.00</strong></td>
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</tr>
</tbody>
</table>

**Note:** The percentages add up to 100% and are rounded off to one decimal place.
THE BUKLOD BAHYAN DAYCARE Center in Silang, Cavite, continued to provide quality preschool education, as well as nutritional support, for the children of community members. Established in 1996, the daycare center is part of AFI’s commitment to assisting the community in its various needs.

For school year 2010–2011, the students enrolled at the daycare center continued to receive high-quality academic, physical, psychosocial, and spiritual support so they could be prepared for primary education.

AFI continued working closely with the Buklod Bahayan Homeowners Association in managing the daycare center, so the daycare center could continue addressing the needs of the preschool children in the community. •
THE AYALA MUSEUM REMAINS ONE of the country’s top private institutions for art and culture. During the year, its exhibitions and programs attracted a total of 78,671 visitors, largely composed of students. Although this was 18-percent lower than the visitorship data logged in 2010, museum membership grew by 30 percent.

Aside from its permanent exhibitions, the museum also hosted a number of important shows. One such show was Revolution Revisited: A Photography Exhibition by Kim Komenich in Commemoration of the 25th Anniversary of EDSA People Power. It opened in February, with President Benigno Aquino III in attendance. After being exhibited at the Ayala Museum, Revolution Revisited was brought to various Ayala malls in Makati, Taguig, Quezon City, Pampanga, and Cebu City, and to various campuses in Bacolod (Museo Negrense de La Salle), Cebu City (University of San Carlos), and Mandaue City (Sacred Heart School-Ateneo de Cebu). Revolution Revisited will travel to other provincial sites in 2012.

An exhibit on the life of Ninoy and Cory Aquino was also presented in cooperation with the Ninoy and Cory Aquino Foundation. The exhibit—featuring photos, documents, and other memorabilia from the Aquino Museum in Tarlac—was mounted at the museum's second-floor glass lane, and could be seen from the pedestrian walkway leading to Ayala Center.

Other important exhibitions held at the Ayala Museum were Images of Nation: Abstracting Joya, a retrospective of works by National Artist Jose Joya; Looking In, a retrospective of works by Araceli Limcaco-Dans; Zobel-D’Bayan, new works by Jaime Zobel de Ayala and Igan D’Bayan; and Ang INK: 20 Taon, a retrospective of the works of the members of Ang Ilustrador ng Kabataan.

The Ayala Museum also partnered with several institutions for other major exhibitions. In cooperation with the Australian Embassy and Asialink, the museum hosted Face to Face: Portraiture and the Self, which featured photographs that explored how new media and technology affect perception, particularly of the “self.” In May, the museum and Goethe Institut presented Unwetter/Thunderstorm, an all-video exhibition on climate change, featuring videographers from different parts of the world. In cooperation with the Spanish Embassy, the museum mounted El Guernica: Deconstrucción, which featured Spanish and Filipino artists and their interpretation of the famous Pablo Picasso mural. Lastly, the exhibit Manga Realities: Exploring the Art of Japanese Comics Today, a celebration of the art of the Japanese manga, was presented in August in cooperation with the Japan Foundation.

The Ayala Museum’s educational programs were also well received. The educational series, History Comes Alive (with historian Ambeth Ocampo) and DesignTalks (with world-renowned Filipino designers), drew in crowds totaling 1,435 and 873, respectively.

The artists featured in DesignTalks were Lucille Tenazas, Loy Arcenas, the tandem of Garovs Garovillo and Ryan Vergara of Everywhere We Shoot, AJ Dimarucot, Jason Magbanua, and Brian Tenorio.

Lectures were also held in connection with the book *Philippine Ancestral Gold*, featuring Dr. Florina Capistrano-Baker; the exhibit Revolution Revisited, with photojournalist Kim Komenich; and the Joya and Dans retrospectives.

The museum also served as a venue for numerous musical performances. These included the Philippine International Jazz and Arts Festival Presents Aya Korem and Adam Ben Amitai, Alliance Francaise’s Eric Legnini Trio, the Spanish Embassy’s Colina Serrano Quartet, and the museum’s own Music Masters Series’ first presentation Aima Labra-Makk: Virtuosi Klaviermusik co-organized by SATB Artists and Managers. The museum also held Jam for Japan, a benefit concert for the March earthquake and tsunami victims.

Lastly, the Museum Shop enjoyed an increase in sales amounting to almost 38 million, up 30 percent from 2010.

**Ayala Museum**

- The museum held 19 new exhibitions during the year.
- A total of 78,671 visitors came to view and participate in the museum’s various exhibitions and programs.
- Two of the museum’s major educational program series, History Comes Alive and DesignTalks, drew in crowds that reached 1,435 and 873, respectively.
- The museum also forged and strengthened partnerships so it could continue presenting high-quality programs and exhibitions. Its partnerships with various international agencies brought about such exhibitions as Unwetter/Thunderstorm (Goethe Institut), Face to Face: Portraiture and the Self (Australian Embassy), El Guernica: Deconstrucción (Spanish Embassy), and Manga Realities (Japan Foundation).
AYALA MUSEUM VISITORSHIP

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Adult</td>
<td>16,528</td>
<td>14,338</td>
<td>16,394</td>
</tr>
<tr>
<td>Resident Child/Student/Senior Citizen</td>
<td>34,338</td>
<td>52,121</td>
<td>38,524</td>
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<tr>
<td>Non-resident Adult</td>
<td>5,968</td>
<td>5,856</td>
<td>5,983</td>
</tr>
<tr>
<td>Non-resident Child/Student/Senior Citizen</td>
<td>2,476</td>
<td>2,284</td>
<td>2,486</td>
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<tr>
<td>Public School</td>
<td>6,309</td>
<td>11,270</td>
<td>4,212</td>
</tr>
<tr>
<td>Complimentary</td>
<td>4,671</td>
<td>7,851</td>
<td>8,643</td>
</tr>
<tr>
<td>Educational Programs</td>
<td>—</td>
<td>1,798</td>
<td>2,429</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>70,290</strong></td>
<td><strong>95,518</strong></td>
<td><strong>78,671</strong></td>
</tr>
</tbody>
</table>
TO CELEBRATE ITS 15TH YEAR, THE Filipinas Heritage Library (FHL) stepped up its efforts to go beyond the walls of its building and reach out to a much wider public. Aside from helping develop community libraries across the country through the OurLibrary program, FHL also started making some of its holdings available on the Internet, for the benefit of researchers anywhere in the world.

A part of the library’s collection of over 2,000 rare books and other materials will soon be available via Filipiniana Online (online.library.filipinaslibrary.org.ph). At present, only a few pages of these materials may be accessed. Researchers who wish to see the full versions of the materials will be requested to subscribe to Filipiniana Online.

Also now available via Filipiniana Online is the FHL Online English–Filipino Dictionary. Containing close to 30,000 entries, the online dictionary offers the following features for free: the definition of a word and its Filipino equivalent and sample sentences drawn from Philippine culture and history. Enhanced features of the dictionary—sample sentences and pictures from Retrato, the library’s collection of vintage photographs—will soon be available to Filipiniana Online subscribers.

Aside from enhancing its online presence, FHL also entered into a number of partnerships that offered a big boost to its advocacies. For instance, Ayala Land Inc. partnered with FHL for an outdoor exhibit in commemoration of the 113th anniversary of Philippine Independence. Dubbed Colors of Freedom, the exhibition, held at the Ayala Triangle Gardens, told the story of the evolution of the Philippine flag. The centerpiece of the exhibition was a stylized, three-dimensional representation of the Philippine flag. Colors of Freedom was also exhibited in Nuvali.

FHL also co-organized the second Manila International Literary Festival, held in November at the Ayala Museum. Spearheaded by the National Book Development Board, the literary festival carried the theme, “The Great Philippine Book Café” and featured lectures and discussions with local and international publishers, literary agents, editors, and writers. Resil Mojares, a highly respected literary scholar and essayist, keynoted the event. Also present at the event were two internationally acclaimed, Pulitzer-winning novelists—Edward P. Jones, author of *The Known World*, and Junot Diaz, author of *The Brief Wondrous Life of Oscar Wao*.

FHL also organized a number of events that promoted reading and literature through book sales, storytelling sessions,
lectures, and musical and literary performances. The biggest of these was the First Libros Festival, supported by some of the country’s top publishers.

The Bank of the Philippine Islands also partnered with the library for the Herencia Lectures, which sought to address the lack of art education projects and training programs for teachers of art in the country. The Herencia Lectures were brought to two sites (Makati and Cebu) in 2011. The lecture series was based on BPI’s book on art, *Herencia: A Legacy of Art and Progress.*

In partnership with the Manila Chamber Orchestra Foundation, FHL organized Himig/Diwa, a mini-concert featuring classical and pop performers. Himig/Diwa was held for the benefit of the library’s OurLibrary project.

While efforts to expand its reach intensified during the year, FHL also maintained the quality of its regular library operations through new acquisitions, publications, and workshops. The library became the home of the books donated by the family of Pedro Ortiz Armengol, writer, historian, and former Spanish ambassador to the Philippines. The books that comprise the Armengol collection are mostly books from and about the Philippines, which Armengol accumulated over the years as a respected historian and diplomat.

In terms of visitorship, the library continued to attract a steady number of members, researchers, and tourists. A total of 2,081 visitors came to the library during the year, representing a slight increase (18 percent) from visitorship data logged in 2010.

The library continued holding writing and photography workshops during the year. A total of 12 writing workshops and 30 photography workshops were conducted.

Lastly, the Filipinas Heritage Library continued to serve as the editorial and production office of *Ayala Now,* the official newsletter of the Ayala group of companies. During the year, Ayala Now published two special issues—the January–February issue focused on the 50th anniversary of Ayala Foundation, while the May–June issue featured the 160th anniversary of the Bank of the Philippine Islands.
AFI ALSO ENHANCED ITS educational, health, livelihood, and housing programs for the Iraya-Mangyans of Puerto Galera, Oriental Mindoro. Several Iraya-Mangyan families had the opportunity to move into their new homes, the construction of which was facilitated by AFI. In addition to regular scholarships, daycare services, and feeding programs, AFI also started implementing a basic literacy program and alternative learning system for the benefit of an initial 65 Iraya-Mangyans, with support from the Philippines-Canada Community Assistance Program (PACAP). In addition, 60 Iraya-Mangyan adults underwent skills training in basic masonry, soap making, and dressmaking.

It was in 1991 when AFI and the Sisters of Charity of St. Anne started a feeding program for the Mangyans, and a daycare program for their young children. The Talipanan Elementary School was also built that year. Now, more than 20 Mangyans who spent their elementary years in Talipanan have graduated from college or vocational education courses, with the help of AFI. Rebecca Presentacion, Talipanan Elementary School principal, recognizes the importance of instilling self-esteem in the children. The school holds regular Friday activities in which the students can perform in front of their schoolmates. Students are also encouraged to participate in extracurricular activities like drama, sports, and dance, or join inter-school competitions. AFI seeks to instill in the Iraya-Mangyans not only a sense of pride in their identity and culture, but also to foster a culture of empowerment and excellence through the fulfillment of basic needs, education, and skills development.

**Iraya-Mangyan**

- Several Iraya-Mangyan families had the opportunity to move into their new homes, the construction of which was facilitated by AFI.
- AFI started implementing a basic literacy program and alternative learning system for the benefit of an initial 65 Iraya-Mangyans.
- Sixty Iraya Mangyan adults underwent skills training in basic masonry, soap making, and dressmaking.
THE AYALA TECHNOLOGY BUSINESS Incubator (Ayala TBI), Ayala Foundation’s technology and entrepreneurship arm, continued providing much-needed technical assistance for the country’s new breed of techno-entrepreneurs. In partnership with premier learning institutions in the Philippines and venture capitalists, intellectual property experts, and science and technology resource persons, Ayala TBI assisted 25 start-up companies in two of its incubation facilities (UP–Ayala Land TechnoHub and UP Science and Technology Park South, both located in the UP Diliman campus). Of these locators, Peace Tech successfully “graduated” from the incubator and moved to its own office.

Aside from hosting start-ups in such fields as business process outsourcing, e-learning, and software development, among others, Ayala TBI also organized regular technology forums such as the Kape +Teknolohiya and Innovation Forums. A total of 10 forums, attended by 450 entrepreneurs and students, were held during the year. Through these forums, Ayala TBI facilitated lively discussions and interactions between budding “techno-preneurs” and people from within the industry, some of whom were potential investors. These forums served as a venue to showcase new products, applications, and potential ventures. It also held a TechBootCamp, where 12 teams worked on applications for health technologies, particularly in the field of telehealth.

Ayala TBI also became part of the Philippine network of Innovation and Technology Support Offices (ITSO). An ITSO is also known as a patent library, which seeks to “strengthen local institutional capacity to access patent information and use the patent system.” Ayala TBI’s ITSO will soon offer patentability search, which reviews prior inventions in the relevant technical field to determine if they fulfill the requirements of novelty and inventiveness. As an ITSO, AFI will also provide services for infringement or freedom-to-operate search and analysis. This service will help researchers determine if a particular technology, be it an apparatus, product, or process, would likely infringe upon any patents owned by others.

Aside from these activities, Ayala TBI helped the Philippine Development Foundation in developing the program for its forum on innovation held in June. Also, AFI’s technology and entrepreneurship group expanded its network of mentors (called masterMINDS) for young and promising techno-preneurs. A team of new graduates being mentored by the group won the Intel Technology Innovation Challenge held in September in Bangalore, India.
THE CENTER OF EXCELLENCE IN Public Elementary Education (CENTEX) continued to provide quality education for its students in its Manila and Batangas schools.

For school year 2010–2011, a total of 508 students (from kindergarten to sixth grade) were enrolled at CENTEX Manila. Of these, 66 graduated from grade school. CENTEX Batangas, meanwhile, had a total student population of 470, 70 of whom graduated from grade school. Over the years, CENTEX’s commitment to academic excellence has produced students, some of whom are now in college, who showed a lot of promise. One important proof of the quality of education at CENTEX is the high passing score of students in the National Achievement Test (NAT) administered by the Department of Education. For instance, CENTEX Manila students had a mean percentage score of 77.35 in the NAT—the highest in the Division of Manila of the DepEd—for school years 2009–2010 and 2010–2011.

Aside from maintaining its standards of academic instruction, CENTEX also continued implementing programs that nurtured students’ talent in music, dance, and sports through the CENTEX Enhancement Program. In partnership with JP Morgan Chase (JPMC), 24 students received violin and cello lessons from renowned Filipino violinist Alfonso “Coke” Bolipata, along with the Pundaquit Virtuosi string ensemble. Also in partnership with JPMC, CENTEX had its After Hours Sports Program, which focused on ball games and racquet sports. A mini-sports festival was held to formally launch the program, with over a hundred JPMC employees in attendance. Lastly, Steps Dance Studio provided 24 students the opportunity to develop their talent in ballet, jazz, and modern dance. The workshop culminated in a recital with other Steps Dance Studio students at the Main Theater of the Cultural Center of the Philippines last May.

CENTEX also encouraged the continued development of its own teachers, as well as teachers from other public schools, through various training programs, including the JPMC CENTEX Teacher Training Institutes. Eighty teachers from CENTEX Manila and Batangas, as well as from the Food for Hungry Minds School, participated in the annual teacher training seminar held in October.
at Miriam College. The training carried the theme, “The Questioning Mind, the Understanding Heart.” Modules were on development of critical thinking skills through classroom assessment, and on the core values of integrity and excellence.

The JPMC–CENTEX Teacher Training Institutes, meanwhile, provided training for 100 teachers from six districts in the city of Manila. The training modules focused on values clarification and integration of the DepEd core values of integrity, excellence, and accountability; classroom management; out-of-the-box teaching methodology; and actual demonstration lessons by CENTEX Master Teachers.

During the summer, 10 CENTEX teachers and 50 public school teachers from the districts of Tondo and Bauan received training in cooperative learning strategies and information technology, courtesy of IBM Philippines. In July, Maria Victoria Lagoutte, an English teacher at the American University of Paris, conducted a creative writing workshop for teachers from CENTEX Manila and Batangas.

Three CENTEX teachers participated in the E-Teacher Scholarship Program of the United States Department of State Education Bureau. There were other training programs in which CENTEX teachers took part to enhance their skills, particularly in teaching “Singapore Math” and in developing creative minds.

CENTEX also remains committed to providing assistance for the education of its alumni. As of school year 2010–2011, CENTEX, through its Dreamcatcher program, supported 159 scholars at its partner schools—Santa Isabel College, UST Education High School, and St. Bridget College in Alitagtag, Batangas.

One important event during the year was the celebration of CENTEX Batangas’s 10th anniversary, featuring the school’s first batch of kindergarten students, their parents, teachers, and benefactors. Ayala Foundation Co-Vice Chairman Fernando Zobel de Ayala, Kit Zobel, and DepEd Secretary Armin Luistro attended the event, held at the Batangas Provincial Capitol Auditorium. Also present was Batangas Governor Vilma Santos-Recto.

Students also had the chance to hone their talent in sports (in partnership with JP Morgan Chase), dance (in partnership with STEPS Dance Studio), and music.
A YEAR AFTER BEING TURNED OVER to the program’s natural stakeholders (the Filipino American community), the Philippine Development Foundation (PhilDev) continued its efforts in building “an ecosystem of science and technology–based entrepreneurship and innovation for social and economic development in the Philippines.” One of its first initiatives to achieve this goal was the establishment of a Superfund for Science and Engineering Scholarship.

PhilDev also hosted two separate forums in Manila and in New York to discuss the importance of innovation and competitiveness for Filipinos to succeed in the global market.

The Manila forum, which carried the theme “Innovation and Entrepreneurship for a Globally Competitive Philippines”, was held in June at the Hotel InterContinental. The forum served as a venue for discussions on how innovation and entrepreneurship could help the country achieve its full economic potential.

The New York forum, meanwhile, was held in November at the Asia Society and Museum, and carried the theme, “Accessing Global Markets through Science and Technology: Innovations in Education Summit.” Experts from the science and technology sector, the Philippine government, and the academe all graced the event. Panel discussions tackled such questions as: Why should science and technology be prioritized in a developing country? Can technology deliver on the promise of education for all? Which innovations should our schools prioritize?

The summit was followed by a gala concert entitled PhilDev Celebrates Broadway: Suites by Sondheim. Lea Salonga, TV Carpio of the Spiderman musical, and Adam Jacobs of Lion King led 60 Filipino-American artists in paying homage to the music of critically acclaimed composer and lyricist Stephen Sondheim, the man behind Broadway hits such as West Side Story and Sweeney Todd. •

At A Glance

- PhilDev hosted two separate forums in Manila and in New York to discuss the importance of innovation and competitiveness for Filipinos to succeed in the global market.
- A Superfund for Science and Engineering was introduced as a way to support “science and technology–based entrepreneurship and innovation for social and economic development in the Philippines.”
JAIME ZOBEL DE AYALA
CHAIRMAN

FERNANDO ZOBEL DE AYALA
CO-VICE CHAIRMAN

VICTORIA GARCHITORENA
PRESIDENT

MARIÀ LOURDES HERAS-DE LEON
EXECUTIVE VICE PRESIDENT

EDUCATION AND LEADERSHIP DEVELOPMENT

MARIO DERIQUITO
SENIOR DIRECTOR

GINA ESTIPONA
ARCHIMEDES VELASCO
SENIOR MANAGERS

DINO REY ABELLANOSA
TITA AQUINO
JULIE BERGANIA
MARIA SERRA ROSARIO CATANGAY
JOSEPH ANTHONY QUESADA
MANAGERS

JOYSEN ACCAD
KATHLEEN EMILIE ARAÑA
MARY ROSE ERIKA BAJAR
ELISABETH BAUMGART
PAUL MICHAEL CASTILLO
CRYSTAL EUNICE DE LA CRUZ
IRENE DE MECAES JR.
ERIKA DIMAGUILA
REYNALDO ELIO
JOHN CHRISTOPHER PAUL GULAY
SARAH LAZARO
RODIELYN MAÑALAC
MARY GRACE PARUNGAO
PEPITO RABAGO
DYAN AIMEE RODRIGUEZ
HANNAH VINA TRAVIÑA
MELISSA YAMSON
MARICAR YULO
STAFF

CENTER OF EXCELLENCE IN PUBLIC ELEMENTARY EDUCATION

RAMON MIRANDA
DIRECTOR

MARIA MIA FARRAH FALCÍS
MARICAR FERNANDO
JESSIEREE ANNE MATTENZO
CHRISTINE JOY SARIGUMBA
JOSIE VIAÑA
STAFF

AYALA MUSEUM

KENNETH ESQUERRA
SENIOR MANAGER

MA. BERNADETTE SAMSON
APRILLE TIJAM
JUDY VILLACRUZ
MANAGERS

MIGUEL CARLOS ACOSTA
MARCEAUX SARAH BACLIG
MARIA LORETA BUSTO
ROLAND CRUZ
MARIE JULIENNE ENTE
LUCKY ESTEBAN
PAULA NIKOLA FERNANDEZ
JO ANN GANDO
MARIANELA ANDREA MINA
CARLA MARGARITA MUÑOZ
ROSALINDA NAVERA
CLOREUSE ALIA NILO
ANTONIO PAR
MARIA DE LAS NIEVES PEDRAJA
ELENA ROBLES
PABLO RUIZ
ARNOld TORRECAMPO
STAFF

ENVIRONMENT AND SUSTAINABILITY

ADELIA LICOS
MANAGER

MARICAR DE CHAVEZ
KRISTINE DE LA CRUZ
STAFF

COMMUNITY DEVELOPMENT

TITO GONZALO RIVERA
SENIOR MANAGER

MARIA PAZ BAYLON
MARIA ALEA EVANGELISTA
STAFF

FILIPINAS HERITAGE LIBRARY

MARIA ANTONIO ORTIGAS
DIRECTOR

SUZANNE YUPANGCO
DEPUTY DIRECTOR

GRACIELA CAYTON
CECILIA CRUZ
JIN PAUL DE GUZMAN
MANAGERS

JHOANNE ABBUKAKAR
JENNIFER BASCOGUIN
ALEZZA MARIE BUENVIAJE
FAYE JOHANNA CURA
GILBERT DE JESUS
ROSEMARIE FIGUERRES
MICAELA ANGELICA GONZALES
MARIA CECILIA INGUSAN-AYSON
ARNALDO LEGASPI
JAIME MARTINEZ
JANUARY SALVADOR
MARJORIE VILAFLORES
STAFF

STRENGTHENING THE CAPACITY OF CIVIL SOCIETY ORGANIZATIONS IN THE PHILIPPINES

MA. SOCORRO CAMACHO
CHIEF OF PARTY

TITO GONZALO RIVERA
SENIOR MANAGER

RHANDY ROWAN
MANAGER

CANDICE ELAINE BISMONT
VALENTINA GANGL
STAFF

ENTREPRENEURSHIP

MERCEDES BARCELON
SENIOR MANAGER

ANN CARL BAILEY
DENNIS MATEO
STAFF

FINANCE AND CORPORATE SERVICES

WILMA ZAPATA
SENIOR DIRECTOR AND CHIEF FINANCIAL OFFICER

LEONARDO LIM
SENIOR MANAGER

JOSE BARCELONA
CHIEF INFORMATION OFFICER

ERWIN GOPEZ
ARACELI OSAN
MANAGERS

CHRISTIAN MARTIN ANDRADA
ARWIN AYSON
MAUREEN BAÑAGA
TERESITA CAILO
ROYELYNNE JESSA KRIS COLOBONG
IAN ROSE CUNANAN
FRANCIS ESTOLANO
IMELDA FATALLA
KRISTEL ANN GALVEZ
JOCELYN HERNANDEZ
MARK ANTHONY MARIANO
RONNIE MARQUEZ
NIÑO CARLO NEVADO
ESCOLASTICA NONOG
RENIE PENSOTES
MARÍA CINDY PUYOAON
JOAN PAULA RUIZ
KATHRINE SISON
MONET VILLANUEVA
STAFF

RESOURCES DEVELOPMENT

MARIO DERIQUITO
SENIOR DIRECTOR

CHIARA CRUZA
CECILIA PALMA
MANAGERS

SHARON PARAISO
MA. CARMELA ANA SAAVEDRA
STAFF

OFFICE OF THE PRESIDENT

SARAH SEVILLA
EXECUTIVE ASSISTANT

AYALA FOUNDATION INC.
MANAGEMENT AND STAFF

(EAS OF DECEMBER 2011)
GERARDO C. ABLAZA JR.
BOARD MEMBER

ARTHUR R. TAN
BOARD MEMBER

AURELIO R. MONTINOLA III
BOARD MEMBER

ERNEST LAURENCE L. CU
BOARD MEMBER

ANTONINO T. AQUINO
BOARD MEMBER
Dear stakeholders,

Since 1961, Ayala Foundation has helped transform the lives of the people it serves. It has also shown that it can transform itself as an organization, when there is a clear need for it. After all, an organization like AFI, whose existence lies in serving and building the nation, cannot change only for the sake of its own survival or longevity. Change must be driven by a cause much bigger than the organization.

Because it can adapt to ever-evolving social and economic conditions, AFI, over a period of 50 years, has introduced and sustained innovative programs that address various facets of poverty, and has stayed influential in the private sector’s efforts to contribute to social development. Also, AFI has been an active supporter of public sector initiatives. Because of these efforts, many of AFI’s innovations have become best practices in the fields of strategic philanthropy, corporate social responsibility, and consortium building, among others.

Without a doubt credit should go to the men, women, and communities who have all contributed to the success of these undertakings. In the past 20 years, under the chairmanship of Jaime Zobel de Ayala and the presidency of Victoria Garchitorena, AFI has experienced unprecedented growth: its operations expanded, its partnerships multiplied, and its projects achieved greater reach and impact.

Joining AFI has opened up for me a process of continued learning. Every day I gain new insights into the organization, our partners and donors, and the people and communities we serve. The groundwork that has been laid by the people who came before me is solid. I am hoping that you, our stakeholders, will continue to join AFI’s efforts to make a change in the lives of Filipinos.

At present, the country continues to face large-scale poverty. Many of the country’s poorest families—the people who belong to the base of the socioeconomic pyramid—still have limited access to the most basic of necessities, and feel deprived of the right to participate in social, economic, and cultural activities.

Also, many of the models for social development are giving way to new paradigms. The boundaries between business goals and development goals are blurring—the nonprofit sector is adopting strategic business models and operation plans traditionally associated with the business sector, while corporations have started aligning their economic goals with the needs of the communities in which they operate.

As the Ayala group continues to integrate its business objectives with the development goals of its partner communities—a principle known as “creating shared value”—AFI sees the need to occupy a strategic position in bridging business goals and community development needs. AFI must also continue serving as a catalyst for social and economic inclusion for people living at the base of the socioeconomic pyramid.

Being guided by the principle of creating shared value and value-chain inclusion can help each of us—partner, donor, beneficiary, or supporter from both the public and private sectors—appreciate what it truly means to be a “stakeholder.” To be a stakeholder means that each of us, without exception, is accountable for the success or failure of our undertakings. Also, to see ourselves as stakeholders means that our roles extend beyond being donors, beneficiaries, partners, or supporters—we are active agents of progress and development. Just as important, we have to ensure the sustainability and impact of our programs and initiatives.
We at AFI are celebrating our 51st year in 2012, and we look to the future with continued hope and enthusiasm.

As we affirm our commitment to helping address the continuing challenges of poverty, I would like to pose this question and invitation to you—how can we create shared value together?

Maria Lourdes Heras-de Leon
Incoming President
Ayala Foundation, Inc.
REPORT OF INDEPENDENT AUDITORS
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Foundation, Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Trustees reviews and approves the financial statements and submits the same to the members.

Sycip Gorres Velayo & Co., the independent auditors appointed by the members, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such examination.

JAIME ZOBEL DE AYALA
Chairman

MARIA LOURDES HERAS – DE LEON
President

WILMA P. ZAPATA
Chief Financial Officer

Signed this 19th day of March 2012
INDEPENDENT AUDITORS’ REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ayala Foundation, Inc. (a non-stock, non-profit corporation), which comprise the statements of financial position as at December 31, 2011 and 2010, and the statements of activities, statements of changes in fund balances and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ayala Foundation, Inc. as at December 31, 2011 and 2010, and the statements of activities and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 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 19-2011 and 15-2010 in Notes 14 and 15 to the financial statements, respectively, 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.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2 (Group A),
February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

March 19, 2012
AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

**STATEMENTS OF FINANCIAL POSITION**

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes 4 and 12)</td>
<td>P=362,443,496</td>
<td>P=130,605,151</td>
<td></td>
</tr>
<tr>
<td>Receivables (Notes 5 and 12)</td>
<td>20,508,891</td>
<td>21,569,385</td>
<td></td>
</tr>
<tr>
<td>Merchandise inventories</td>
<td>16,447,334</td>
<td>16,417,710</td>
<td></td>
</tr>
<tr>
<td>Other current assets (Note 6)</td>
<td>5,115,445</td>
<td>6,793,803</td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>404,515,166</td>
<td>175,386,049</td>
<td></td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash equivalents (Note 11)</td>
<td>68,900,000</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Property and equipment (Note 7)</td>
<td>161,230,907</td>
<td>169,430,034</td>
<td></td>
</tr>
<tr>
<td>Available-for-sale financial assets (Notes 8 and 12)</td>
<td>1,060,853,530</td>
<td>1,168,621,910</td>
<td></td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>1,290,984,437</td>
<td>1,338,051,944</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables (Notes 9 and 12)</td>
<td>P=82,542,789</td>
<td>P=109,621,401</td>
<td></td>
</tr>
<tr>
<td><strong>Noncurrent Liability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension liability (Note 10)</td>
<td>3,290,425</td>
<td>7,254,815</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>85,833,214</td>
<td>116,876,216</td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets (Note 11)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>125,317,762</td>
<td>115,723,246</td>
<td></td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>445,941,291</td>
<td>651,560,581</td>
<td></td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>954,809,584</td>
<td>541,383,373</td>
<td></td>
</tr>
<tr>
<td>Unrealized gains on available-for-sale financial assets (Note 8)</td>
<td>83,597,752</td>
<td>87,894,577</td>
<td></td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>1,609,666,389</td>
<td>1,396,561,777</td>
<td></td>
</tr>
<tr>
<td><strong>P=1,695,499,603</strong></td>
<td><strong>P=1,513,437,993</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying Notes to Financial Statements.
AYALA FOUNDATION, INC.  
(A Non-Stock, Non-Profit Corporation)  

STATEMENTS OF ACTIVITIES

<table>
<thead>
<tr>
<th>Years End December 31</th>
<th>2011 Total</th>
<th>2010 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, gains and other supports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public support</td>
<td>$0</td>
<td>$247,576,924</td>
</tr>
<tr>
<td>Investment</td>
<td>$70,783,074</td>
<td>$23,594,358</td>
</tr>
<tr>
<td>Others</td>
<td>$–</td>
<td>$306,390</td>
</tr>
<tr>
<td>Total</td>
<td>$263,974,753</td>
<td>$83,631,216</td>
</tr>
</tbody>
</table>

Expenses and losses

| Project (Note 11) | $219,826,032 | $223,121,488 | $– | $223,121,488 |
| General and administrative (Note 11) | $34,554,205 | $30,190,330 | $– | $30,190,330 |
| Net loss from other activities (Note 13) | $9,828,923 | $9,256,102 | $– | $9,256,102 |
| Total | $254,380,237 | $264,209,160 | $253,311,818 | $262,567,920 |

Excess of revenue, gains and other supports over expenses and losses (expenses over revenue)

| Fund allocation (disbursements) | $9,594,516 | $221,166,703 | $– | $221,166,703 |
| Other comprehensive income (Note 8) | $– | $19,232,378 | $– | $19,232,378 |
| Total | $9,594,516 | $240,399,081 | $– | $240,399,081 |

CHANGES IN NET ASSETS OF YEAR

| Net assets at beginning of year | $115,723,246 | $651,560,581 | 541,383,373 | $87,894,577 | $541,383,373 | $1,055,667,516 |
| Net assets at end of year | $125,317,762 | $445,941,291 | 954,809,584 | $83,597,752 | $1,609,666,389 | $1,396,561,777 |

See accompanying Notes to Financial Statements.
### AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

**STATEMENTS OF CHANGES IN FUND BALANCES**

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>Unrealized Gain on AFS Financial Assets</th>
<th>2011 Total</th>
<th>2010 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Permanently Restricted</td>
</tr>
<tr>
<td><strong>FUND BALANCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>P115,723,246</td>
<td>P651,560,581</td>
<td>P541,383,373</td>
</tr>
<tr>
<td>Excess of revenue, gains and other supports over expenses and losses (expenses over revenue)</td>
<td>9,594,516</td>
<td>73,802,293</td>
<td>135,000,000</td>
</tr>
<tr>
<td>Fund allocation (disbursements)</td>
<td>–</td>
<td>(279,421,583)</td>
<td>278,426,211</td>
</tr>
<tr>
<td>Net unrealized gains (losses) for the year recognized in net assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>P125,317,762</td>
<td>P445,941,291</td>
<td>P954,809,584</td>
</tr>
</tbody>
</table>

See accompanying Notes to Financial Statements.
AYALA FOUNDATION, INC.
(A Non-Stock, Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>PhP 213,104,612</td>
<td>PhP 340,894,261</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 7 and 11)</td>
<td>PhP 14,443,096</td>
<td>PhP 14,285,722</td>
</tr>
<tr>
<td>Provision for doubtful accounts (Notes 5 and 11)</td>
<td>PhP 3,606,873</td>
<td>–</td>
</tr>
<tr>
<td>Investment income</td>
<td>PhP (94,377,432)</td>
<td>(PhP 59,691,573)</td>
</tr>
<tr>
<td>Net decrease (increase) of unrealized gains on AFS financial assets (Note 8)</td>
<td>PhP 4,296,825</td>
<td>(PhP 89,712,176)</td>
</tr>
<tr>
<td>Changes in net assets before changes in working capital</td>
<td>PhP 141,073,974</td>
<td>PhP 205,776,234</td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(PhP 2,542,656)</td>
<td>(PhP 375,735)</td>
</tr>
<tr>
<td>Merchandise inventories</td>
<td>(PhP 29,624)</td>
<td>(PhP 2,709,257)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>PhP 1,678,358</td>
<td>(PhP 2,535,456)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables</td>
<td>PhP (27,078,612)</td>
<td>PhP 10,660,453</td>
</tr>
<tr>
<td>Pension liability</td>
<td>(PhP 3,964,390)</td>
<td>PhP 5,066,156</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>PhP 109,137,050</td>
<td>PhP 215,882,395</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** |               |               |
| Net disposals (additions):       |               |               |
| AFS financial assets             | PhP 103,471,555 | (PhP 184,422,523) |
| Property and equipment (Note 7)  | (PhP 6,243,969) | (PhP 10,348,673) |
| Increase in restricted cash equivalents (Note 11) | PhP (68,900,000) | –             |
| Investment income received       | PhP 94,373,709 | PhP 64,066,720  |
| Net cash provided by (used in) investing activities | PhP 122,701,295 | (PhP 130,704,476) |

**NET INCREASE IN CASH AND CASH EQUIVALENTS**
PhP 231,838,345

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**
PhP 130,605,151

**CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)**
PhP 362,443,496

See accompanying Notes to Financial Statements.
AYALA FOUNDATION, INC.  
(A Non-Stock, Non-Profit Corporation)  

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 or scholarships;

b. To undertake ventures together with organized rural communities for the transfer of appropriate technologies;

c. To undertake integrated community organization and development programs;

d. To encourage the establishment of urban and rural micro, cottage and small enterprises as a means of creating employment among the poor;

e. To undertake social services; and

f. To preserve and enhance Philippine arts and culture as a means of developing national pride and patriotism.

On February 15, 2010, the Foundation amended its Articles of Incorporation: (a) extending the term for which the Foundation is to exist for another fifty (50) years from December 28, 2011 and (b) to declassify the Foundation as a science and research foundation.

As a non-stock, non-profit corporation intended for charitable and cultural purposes, the Foundation’s income is exempt from payment of income tax as set forth in Section 30(e) of the National Internal Revenue Code (NIRC) as amended by Executive Order (E.O.) 273. The Foundation has been certified as an entity organized for scientific advancement and that its funds are dedicated to scientific pursuits within the meaning of Section 24 of Republic Act No. 2067, as amended.

The Foundation is duly accredited by the Philippine Council for Non-Government Organization Certification (PCNC) and renewed its registration as a donee institution on August 6, 2010 in accordance with the provisions of Revenue Regulation 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 01, 2015 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 at 10th Floor, BPI Main Building, Ayala Avenue corner Paseo de Roxas, Legaspi Village, Makati City.
The financial statements of the Foundation for the years ended December 31, 2011 and 2010 were approved and authorized for issue by the Foundation’s President and Chief Financial Officer on March 19, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation
The financial statements of the Foundation have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. The accompanying financial statements are presented in Philippine Peso (P) which is the Foundation’s presentation and functional currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

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

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Interpretations of International Reporting Interpretations Committee (IFRIC) and amendments to existing standards which became effective on January 1, 2011. Except as otherwise indicated, the adoption of the new and amended Standards and Interpretations did not have a significant impact on the Foundation’s financial statements.

- **PAS 24 (Amended), Related Party Disclosures**
The amendment clarified the definition of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

- **PAS 32, Financial Instruments: Presentation (Amendment) - Classification of Rights Issues**
The amendment altered the definition of a financial liability in order to classify rights issues and certain options or warrants as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, or to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency.
• Philippine Interpretation IFRIC 14 (Amendment), Prepayments of a Minimum Funding Requirement
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

• Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments
The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Foundation, unless otherwise indicated.

• PFRS 3, Business Combinations
The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity’s net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments’ proportionate share of the acquiree’s identifiable net assets. The amendments to PFRS 3 are effective for annual periods beginning on or after 1 July 2011.

• PFRS 7, Financial Instruments: Disclosures
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Foundation reflects the revised disclosure requirements in Note 12.

• PAS 1, Presentation of Financial Statements
This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the consolidated financial statements.

• PAS 27, Consolidated and Separate Financial Statements
This amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, The Effect of Changes in Foreign Exchange Rates, PAS 28, Investments in Associates and PAS 31, Interests in Joint Ventures apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

• Philippine Interpretation IFRIC 13, Customer Loyalty Programmes
This clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.
The Foundation expects no significant impact from the adoption of these amendments on its financial position or performance.

Future Changes in Accounting Policies
The Foundation will adopt the following standards and interpretations described below when these become effective. Except as otherwise indicated, the Foundation does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective 2012

- **PAS 12, Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets**
  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.

- **PFRS 7, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements**
  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Foundation’s financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognized assets.

Effective 2013

- **PFRS 10, Consolidated Financial Statements**
  PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - Special Purpose Entities. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- **PAS 1, Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)**
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Foundation’s financial position or performance.
• **PAS 19, Employee Benefits (Amendment)**
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The Foundation is currently assessing the impact of the amendment to PAS 19.

• **PFRS 7, Financial Instruments: Disclosures -Offsetting Financial Assets and Financial Liabilities**
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or ‘similar agreement’, irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (c) from the amounts in (d) above.

• **PFRS 11, Joint Arrangements**
  PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary contributions by venturers. This Standard eliminates proportionate consolidation of jointly controlled entities, instead, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under PFRS 11, and the accounting for those arrangements will generally be consistent with today’s accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses.

• **PFRS 12, Disclosures of Interests with Other Entities**
  This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PFRS 10, 11 and 12 are effective for annual periods beginning on or after January 1, 2013. These new standards may be early adopted but must be adopted as a package, that is, all as of the same date. The standards shall be applied on a modified retrospective basis.
• **PFRS 13, Fair Value Measurement**
  This standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under PFRS when fair value is required or permitted by PFRS. This standard was intended to reduce complexity, improve consistency in application when measuring fair value and enhance disclosures. PFRS 13 is effective for annual periods beginning on or after January 1, 2013 and should be applied prospectively.

• **Revised PAS 27, Separate Financial Statements**
  This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard provides the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements and requires an entity preparing separate financial statements to account for those investments at cost or in accordance with PFRS 9. This Standard is issued concurrently with PFRS 10 and together, the two PFRSs will supersede PAS 27 (as amended in 2008). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

• **Revised PAS 28, Investment in Associates and Joint Ventures**
  This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard prescribes the accounting for investments in associates and joint ventures. Equity method is defined in the revised standard as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor’s share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee. The revised standard is to be applied by all entities that are investors with joint control of, or significant influence or owns 20% to 50% interest over, an investee. This Standard supersedes PAS 28 (as revised in 2003). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

**Effective 2014**

• **PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities**
  This amendment to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Foundation, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

**Effective 2015**

• **PFRS 9, Financial Instruments: Classification and Measurement**
  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting, impairment and derecognition of financial assets will be addressed with the completion of this project expected on the first half of 2012.
The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Foundation’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Foundation will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.


Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

Restricted Cash Equivalents
Restricted cash equivalents represent investments in cash equivalents which are permanently restricted unless expressly authorized otherwise in writing by the donors. The principal will be kept intact by the Foundation, upon instruction of the donor, only the interest earned can be utilized to support the initiatives and projects of the Foundation.

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

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

The financial assets of the Foundation are of the nature of loans and receivables and AFS
financial assets, while its financial liabilities are of the nature of other financial liabilities.

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

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

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

**Loans and receivables**
Loans and receivables are nonderivative financial assets with fixed or determinable payments and
fixed maturities that are not quoted in an active market. They are not entered into with the
intention of immediate or short-term resale and are not designated as AFS financial assets or
financial assets at FVPL. This accounting policy relates to the statement of financial position
captions “Cash and cash equivalents,” “Receivables” and “Restricted cash equivalents.”

After initial measurement, the loans and receivables are subsequently measured at amortized cost
using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is
calculated by taking into account any discount or premium on acquisition and fees that are an
integral part of the EIR. The amortization is included in the “Investment income” account in the
statement of activities. The losses arising from impairment of such loans and receivables are
recognized in the statement of activities.

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

AFS financial assets are those nonderivative financial assets which are designated as such or do not qualify to be classified in any of the other three categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include equity investments.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as “Unrealized gains on AFS financial assets” account in the statement of activities.

When the security is disposed of, the cumulative gain or loss previously recognized in the statement of activities under the “Revenue, gains and other supports” account. Where the Foundation holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as investment income using the EIR. Dividends earned on holding AFS financial assets are recognized in the statement of activities when the right to receive payment is established. The losses arising from impairment of such investments are recognized under “Unrealized gain (loss) on available-for-sale financial asset” account in the statement of activities.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

**Other financial liabilities**

Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Foundation’s accounts and other payables and other obligations that meet the above definition.

**Impairment of Financial Assets**

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

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal
payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Loans and receivables*

For loans and receivables carried at amortized cost, the Foundation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Foundation determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses on assets that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of activities. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in statement of activities, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Foundation to reduce any differences between loss estimates and actual loss experience.

*AFS financial assets*

For AFS financial assets, the Foundation assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statements of activities - is removed from the “Unrealized gain (loss) AFS financial assets”
account and recognized as an expense. Impairment losses on equity investments are not reversed through revenue. Increases in fair value after impairment are recognized directly under “Unrealized gain on AFS financial assets” account in the statements of activities.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of “Investment income account” in the statements of activities. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statements of activities, the impairment loss is reversed through the statements of activities.

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.
Merchandise Inventories
Merchandise inventories consist of books and other items held for sale. Merchandise inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the first-in, first-out method. NRV is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

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 of the property and equipment:

<table>
<thead>
<tr>
<th>Description</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>5-25</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>3-5</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>5</td>
</tr>
</tbody>
</table>

Leasehold improvements are amortized over the estimated useful life (EUL) of the improvements or the terms of the lease, whichever is shorter.

The useful lives and depreciation and amortization method 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.

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.

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, 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 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 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
Revenue is recognized on the following bases:

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

Investment Income
Investment income represents interest income earned on cash equivalents and AFS financial assets and realized gains or losses on sale of investments. Income is recognized on a time proportion basis computed on the outstanding principal using the applicable rate.
Project
Project revenue account represents income generated from the sale of books and catalogues, paper products, and other shop items such as home decors and giftwares, and desk accessories. The account consists of revenues arising from space rentals from various events held at the Ayala Museum and Filipinas Heritage Library.

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

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

The liability recognized in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at reporting date. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liability.

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

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of activities on a straight-line basis.

Foreign Currency Transactions
Transactions denominated in foreign currencies are recorded using the 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 Philippine Dealing System 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 Date
Post year-end events that provide additional information about the Foundation’s position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

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

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:

Impairment of AFS financial assets
The Foundation treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. The Foundation treats ‘significant’ generally as 20% or more and ‘prolonged’ as greater than 6 months for quoted equity securities. In addition, the Foundation evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Management’s Use of Estimates
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 within the next financial year are discussed below:

Estimating allowance for impairment losses
The Foundation maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Foundation is required to obtain the present value of estimated cash flows using the receivable’s original EIR. Impairment loss is determined as the difference between the receivables’ carrying balance and the
computed present value. The collective assessment would require the Foundation to group its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The carrying values of receivables amounted to ₱20.51 million and ₱21.57 million as of December 31, 2011 and 2010, respectively (see Note 5).

**Estimating allowance for inventory loss**
The Foundation estimates its allowance for inventory loss based on periodic specific identification. The Foundation provides 100% for previous year calendar, 10% for books and catalogs and 50% allowance for inventory loss for other specifically identified as obsolete inventories. Merchandise inventories of the Foundation, net of allowance for inventory loss as of December 31, 2011 and 2010, amounted to ₱16.45 million and ₱16.42 million, respectively. Allowance for inventory loss amounted to ₱0.76 million as of December 31, 2011 and 2010.

**Estimating useful lives of property and equipment**
The Foundation estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

As of December 31, 2011 and 2010, the carrying values of property and equipment amounted to ₱161.23 million and ₱169.43 million, respectively (see Note 7).

**Evaluation of asset impairment**
The Foundation reviews property and equipment and other noncurrent assets for impairment. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets’ market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As described in the accounting policy, the Foundation estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Foundation is required to make estimates and assumptions that may affect property and equipment and other noncurrent assets. The Foundation believes that the carrying amounts of its assets approximate the recoverable amounts and, as such, no impairment loss was recognized for the years ended December 31, 2011 and 2010.
Estimating pension obligation and other retirement benefits
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 10 and include, among others, discount rates and salary increase rates. Actual results that differ from assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Foundation believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations. As of December 31, 2011 and 2010 the pension liability amounted to ₱3.29 million and ₱7.25 million, respectively (see Note 10).

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded and 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 12 for the related balances.

4. Cash and Cash Equivalents
This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks</td>
<td>₱39,778,496</td>
<td>₱50,280,153</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>₱322,665,000</td>
<td>₱80,324,998</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₱362,443,496</td>
<td>₱130,605,151</td>
</tr>
</tbody>
</table>

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 3.75% and 3.35% to 3.70% in 2011 and 2010, respectively.

As of December 31, 2011 and 2010, interest earned on cash in banks and cash equivalents amounted to ₱10.42 million and ₱4.96 million, respectively.
5. **Receivables**

This account consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>₱8,814,993</td>
<td>₱6,129,677</td>
</tr>
<tr>
<td>Products</td>
<td>3,788,949</td>
<td>4,805,326</td>
</tr>
<tr>
<td>Advances</td>
<td>6,943,799</td>
<td>7,831,338</td>
</tr>
<tr>
<td>Advances to officers and employees</td>
<td>1,665,387</td>
<td>1,877,687</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>64,124</td>
<td>60,401</td>
</tr>
<tr>
<td>Others</td>
<td>5,600,033</td>
<td>6,526,557</td>
</tr>
<tr>
<td>Less allowance for impairment losses</td>
<td>6,368,394</td>
<td>5,661,601</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱20,508,891</strong></td>
<td><strong>₱21,569,385</strong></td>
</tr>
</tbody>
</table>

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

Advances pertain to Foundation’s cash advance for retirement and social credit which are collectible within one year.

Advances to officers and employees pertain to loans of employees and advances made by regular employees of the company for business related expenses and are subject for liquidation. This amount is collectible within one year.

Other receivables pertains to amounts collectible from entities other than those related to the projects of the foundation which are noninterest bearing and are due and demandable.

Receivables amounting to ₱6.37 million and ₱5.66 million as of December 31, 2011 and 2010, respectively, were individually impaired and fully provided for. Movements in the allowance for impairment losses follow:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱5,661,601</td>
<td>₱5,661,601</td>
</tr>
<tr>
<td>Provisions during the year</td>
<td>3,606,873</td>
<td>–</td>
</tr>
<tr>
<td>Written off during the year</td>
<td>(2,900,080)</td>
<td>–</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱6,368,394</td>
<td>₱5,661,601</td>
</tr>
</tbody>
</table>

6. **Other Current Assets**

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input tax</td>
<td>₱2,645,345</td>
<td>₱804,262</td>
</tr>
<tr>
<td>Deposits to suppliers</td>
<td>2,213,925</td>
<td>5,293,764</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>256,175</td>
<td>695,777</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱5,115,445</strong></td>
<td><strong>₱6,793,803</strong></td>
</tr>
</tbody>
</table>
Deposits to suppliers pertain to advance payments made by the Foundation to suppliers and other entities.

Prepaid expenses include prepayments for suppliers, insurance, rent, subscription fees, repairs and maintenance and others.

7. Property and Equipment

The rollforward analysis of this account follows:

<table>
<thead>
<tr>
<th></th>
<th>2011 Total</th>
<th>2010 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Office</td>
<td>Office</td>
</tr>
<tr>
<td></td>
<td>Land</td>
<td>Leasehold</td>
</tr>
<tr>
<td></td>
<td>Improvements</td>
<td>Investment</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At January 1</td>
<td>₱99,218,375</td>
<td>₱72,675,218</td>
</tr>
<tr>
<td>Additions</td>
<td>₱842,046</td>
<td>₱5,401,923</td>
</tr>
<tr>
<td>At December 31</td>
<td>₱99,218,375</td>
<td>₱73,517,264</td>
</tr>
<tr>
<td>Accumulated Depreciation and Amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At January 1</td>
<td>₱81,874,041</td>
<td>₱52,858,186</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>₱11,114,197</td>
<td>₱264,350</td>
</tr>
<tr>
<td>At December 31</td>
<td>₱96,317,137</td>
<td>₱63,972,383</td>
</tr>
<tr>
<td>Net Book Value at December 31</td>
<td>₱99,218,375</td>
<td>₱43,578,258</td>
</tr>
</tbody>
</table>

Depreciation and amortization charged against unrestricted net assets amounted to ₱14.44 million and ₱14.29 million in 2011 and 2010, respectively.

Land amounting to ₱92.65 million, which was donated in 2003, is subject to a leasehold right existing thereon with a third party.
8. Available-for-sale Financial Assets

This account consists of investments in:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common trust fund</td>
<td>₱932,000,930</td>
<td>₱849,208,670</td>
</tr>
<tr>
<td>Shares of stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted securities</td>
<td>126,765,018</td>
<td>317,324,955</td>
</tr>
<tr>
<td>Unquoted securities</td>
<td>2,087,582</td>
<td>2,088,285</td>
</tr>
<tr>
<td></td>
<td>₱1,060,853,530</td>
<td>₱1,168,621,910</td>
</tr>
</tbody>
</table>

The rollforward of unrealized gains on AFS financial assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>₱87,894,577</td>
<td>(₽1,817,599)</td>
</tr>
<tr>
<td>Unrealized gains recognized directly in net assets</td>
<td>33,946,515</td>
<td>89,712,176</td>
</tr>
<tr>
<td>Realized gains transferred to income</td>
<td>(38,243,340)</td>
<td></td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>₱83,597,752</td>
<td>₱87,894,577</td>
</tr>
</tbody>
</table>

9. Accounts and Other Payables

This account consists of:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>₱51,323,070</td>
<td>₱76,559,090</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>23,301,224</td>
<td>25,558,855</td>
</tr>
<tr>
<td>Advances</td>
<td>5,951,215</td>
<td>6,622,415</td>
</tr>
<tr>
<td>Others</td>
<td>1,967,280</td>
<td>881,041</td>
</tr>
<tr>
<td></td>
<td>₱82,542,789</td>
<td>₱109,621,401</td>
</tr>
</tbody>
</table>

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

Advances pertain to unbilled purchases of goods which are normally payable within one year.

Other payables are non-interest bearing and are normally settled within one year.
10. *Employee Benefits*

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

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

The components of pension expense included in employee benefits and welfare under “General and administrative expenses” in the statements of activities are as follows (see Note 11):

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>₱4,474,767</td>
<td>₱4,199,167</td>
</tr>
<tr>
<td>Interest cost on benefit obligation</td>
<td>2,761,022</td>
<td>2,234,988</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(1,748,764)</td>
<td>(1,461,692)</td>
</tr>
<tr>
<td>Recognized actuarial loss</td>
<td>–</td>
<td>93,693</td>
</tr>
<tr>
<td>Total pension expense</td>
<td>₱5,487,025</td>
<td>₱5,066,156</td>
</tr>
</tbody>
</table>

The funded status and amounts recognized under pension liability in the statements of financial position for the pension plan as of December 31, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligations</td>
<td>₱41,697,676</td>
<td>₱31,735,889</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(34,253,108)</td>
<td>(24,982,336)</td>
</tr>
<tr>
<td>Unrecognized actuarial gains (losses)</td>
<td>7,444,568</td>
<td>6,753,553</td>
</tr>
<tr>
<td>(4,154,143)</td>
<td></td>
<td>501,262</td>
</tr>
<tr>
<td>Liability recognized in the statements of financial position</td>
<td>₱3,290,425</td>
<td>₱7,254,815</td>
</tr>
</tbody>
</table>

Changes in the present value of the defined benefit obligation are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1</td>
<td>₱31,735,889</td>
<td>₱27,090,768</td>
</tr>
<tr>
<td>Current service cost</td>
<td>4,474,767</td>
<td>4,199,167</td>
</tr>
<tr>
<td>Interest cost on benefit obligation</td>
<td>2,761,022</td>
<td>2,234,988</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(1,986,579)</td>
<td>–</td>
</tr>
<tr>
<td>Actuarial loss (gain)</td>
<td>4,712,577</td>
<td>(1,789,034)</td>
</tr>
<tr>
<td>Balance at December 31</td>
<td>₱41,697,676</td>
<td>₱31,735,889</td>
</tr>
</tbody>
</table>
Changes in the fair value of plan assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1</td>
<td>₱24,982,336</td>
<td>₱20,881,334</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>1,748,764</td>
<td>1,461,692</td>
</tr>
<tr>
<td>Contributions</td>
<td>9,451,414</td>
<td>–</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(1,986,579)</td>
<td>2,639,310</td>
</tr>
<tr>
<td>Actuarial gain</td>
<td>57,173</td>
<td>–</td>
</tr>
<tr>
<td>Balance at December 31</td>
<td>₱34,253,108</td>
<td>₱24,982,336</td>
</tr>
</tbody>
</table>

The Foundation expects to make additional contributions of ₱5.88 million to its retirement fund in 2012.

The components of the Foundation’s plan assets consist mainly of investments in government securities. The allocations of the fair value of plan assets follow:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>80.70%</td>
<td>79.60%</td>
</tr>
<tr>
<td>Equities</td>
<td>19.30%</td>
<td>20.40%</td>
</tr>
</tbody>
</table>

The assumptions used to determine pension benefits for the Foundation for the years ended December 31, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>7.10%</td>
<td>8.70%</td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>7.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Expected rate of return on plan assets</td>
<td>7.00</td>
<td>7.00</td>
</tr>
</tbody>
</table>

Amounts for the current and the previous periods follow:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation</td>
<td>₱41,697,676</td>
<td>₱31,735,889</td>
<td>₱27,090,768</td>
<td>₱20,877,668</td>
<td>₱17,893,499</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(34,253,108)</td>
<td>(24,982,336)</td>
<td>(20,881,334)</td>
<td>(16,867,990)</td>
<td>(21,632,439)</td>
</tr>
<tr>
<td>Deficit (surplus)</td>
<td>₱7,444,568</td>
<td>₱6,753,553</td>
<td>₱6,209,434</td>
<td>₱4,009,678</td>
<td>(₱3,738,940)</td>
</tr>
</tbody>
</table>

Experience adjustments on plan assets and obligation are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain (loss) on experience adjustments on plan liabilities</td>
<td>₱1,339,268</td>
<td>₱294,644</td>
<td>₱5,013,633</td>
<td>(₱2,618,367)</td>
</tr>
<tr>
<td>Gain (loss) on experience adjustments on plan assets</td>
<td>(6,051,845)</td>
<td>2,639,310</td>
<td>213,673</td>
<td>(2,278,054)</td>
</tr>
</tbody>
</table>

Compensation of key management personnel by benefit type (included in the “Salaries and benefits” account) in the Foundation expenses (see Note 11) follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term employee benefits</td>
<td>₱7,233,222</td>
<td>₱5,973,254</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>658,922</td>
<td>611,127</td>
</tr>
<tr>
<td></td>
<td>₱7,892,144</td>
<td>₱6,584,381</td>
</tr>
</tbody>
</table>
11. Net Assets

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

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

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

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

Details of the Foundation’s net assets as of December 31, 2011 and 2010 follow:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted</strong></td>
<td><strong>P=125,317,762</strong></td>
<td><strong>P=115,723,246</strong></td>
</tr>
<tr>
<td><strong>Temporarily restricted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education programs</td>
<td>82,201,745</td>
<td>69,673,502</td>
</tr>
<tr>
<td>Entrepreneurship programs</td>
<td>12,192,162</td>
<td>7,009,859</td>
</tr>
<tr>
<td>Environment &amp; sustainability programs</td>
<td>13,167,552</td>
<td>8,825,555</td>
</tr>
<tr>
<td>Programs for community development</td>
<td>27,947,216</td>
<td>31,440,190</td>
</tr>
<tr>
<td>Plant, property and equipment</td>
<td>161,230,907</td>
<td>166,905,191</td>
</tr>
<tr>
<td>Support to administrative units</td>
<td>134,233,775</td>
<td>85,394,194</td>
</tr>
<tr>
<td>Any activities of the organization subject to donor approval</td>
<td>14,967,934</td>
<td>282,312,090</td>
</tr>
<tr>
<td></td>
<td><strong>445,941,291</strong></td>
<td><strong>651,560,581</strong></td>
</tr>
<tr>
<td><strong>Permanently restricted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in perpetuity, the income of which is expendable to support education programs</td>
<td><strong>P=567,476,211</strong></td>
<td><strong>P=154,050,000</strong></td>
</tr>
<tr>
<td>Endowment requiring income to be added to original gift to build up the fund</td>
<td>387,333,373</td>
<td>387,333,373</td>
</tr>
<tr>
<td></td>
<td><strong>954,809,584</strong></td>
<td><strong>541,383,373</strong></td>
</tr>
<tr>
<td>Unrealized gains on AFS financial assets</td>
<td>83,597,752</td>
<td>87,894,577</td>
</tr>
<tr>
<td></td>
<td><strong>P=1,609,666,389</strong></td>
<td><strong>P=1,396,561,777</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2011, permanently restricted net assets includes cash equivalents amounting to P=68.90 million representing investments in money markets for period up to three months and earn interest at the short-term investment rate of 3.75%. The principal will be kept intact by the Foundation, upon instruction of the donor, only the interest earned can be utilized to support the initiatives and projects of the Foundation.
Details of the Foundation’s expenses as of December 31, 2011 and 2010 follow:

**Project Expenses**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project implementation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>₱71,901,820</td>
<td>₱70,801,063</td>
</tr>
<tr>
<td>Special projects</td>
<td>62,030,452</td>
<td>64,343,359</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>1,901,051</td>
<td>2,020,501</td>
</tr>
<tr>
<td>Environment</td>
<td>905,401</td>
<td>541,840</td>
</tr>
<tr>
<td>Project management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>34,173,140</td>
<td>32,156,531</td>
</tr>
<tr>
<td>Monitoring and</td>
<td>15,625,192</td>
<td>14,592,192</td>
</tr>
<tr>
<td>administrative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits and</td>
<td>7,992,603</td>
<td>10,809,355</td>
</tr>
<tr>
<td>welfare (Note 10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building overhead</td>
<td>25,296,373</td>
<td>27,856,647</td>
</tr>
<tr>
<td></td>
<td>₱219,826,032</td>
<td>₱223,121,488</td>
</tr>
</tbody>
</table>

**General and Administrative Expenses**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>₱14,089,669</td>
<td>₱13,335,620</td>
</tr>
<tr>
<td>(Note 10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premises, utilities</td>
<td>4,452,224</td>
<td>3,587,732</td>
</tr>
<tr>
<td>and other equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>related cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advocacy and public</td>
<td>3,677,402</td>
<td>1,311,845</td>
</tr>
<tr>
<td>information services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for doubtful</td>
<td>3,606,873</td>
<td>–</td>
</tr>
<tr>
<td>accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits and</td>
<td>3,287,810</td>
<td>4,676,060</td>
</tr>
<tr>
<td>welfare (Note 10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional and service fees</td>
<td>1,457,896</td>
<td>2,329,802</td>
</tr>
<tr>
<td>Depreciation and</td>
<td>1,218,585</td>
<td>1,175,617</td>
</tr>
<tr>
<td>amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication and</td>
<td>1,019,678</td>
<td>1,019,384</td>
</tr>
<tr>
<td>postage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>660,008</td>
<td>193,121</td>
</tr>
<tr>
<td>Office supplies</td>
<td>566,459</td>
<td>593,581</td>
</tr>
<tr>
<td>Meetings and conferences</td>
<td>243,408</td>
<td>339,756</td>
</tr>
<tr>
<td>Membership dues and</td>
<td>156,575</td>
<td>650,678</td>
</tr>
<tr>
<td>fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation and</td>
<td>104,403</td>
<td>349,649</td>
</tr>
<tr>
<td>travel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>13,215</td>
<td>627,485</td>
</tr>
<tr>
<td></td>
<td>₱34,554,205</td>
<td>₱30,190,330</td>
</tr>
</tbody>
</table>

**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 maximize the funds available.

The Foundation’s source of capital is its total net assets, which is composed of unrestricted, temporarily restricted and permanently restricted net assets, less net unrealized gain on AFS financial assets.
12. Financial Instruments

Fair Value Information
The table below sets forth the carrying values and estimated fair values of the Foundation’s financial assets and liabilities as of December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>₱125,317,762</td>
<td>₱115,723,246</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>445,941,291</td>
<td>651,560,581</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>954,809,584</td>
<td>541,383,373</td>
</tr>
<tr>
<td>Unrealized gains on AFS financial assets (Note 8)</td>
<td>83,597,752</td>
<td>87,894,577</td>
</tr>
<tr>
<td>Total Net Assets</td>
<td>₱1,609,666,389</td>
<td>₱1,396,561,777</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loans and receivables</th>
<th>2011 Carrying Value</th>
<th>2011 Fair Value</th>
<th>2010 Carrying Value</th>
<th>2010 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 4)</td>
<td>₱362,443,496</td>
<td>₱362,443,496</td>
<td>₱130,605,151</td>
<td>₱130,605,151</td>
</tr>
<tr>
<td>Receivables (Note 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>12,603,942</td>
<td>12,603,942</td>
<td>10,935,003</td>
<td>10,935,003</td>
</tr>
<tr>
<td>Advances</td>
<td>6,943,799</td>
<td>6,943,799</td>
<td>7,831,338</td>
<td>7,831,338</td>
</tr>
<tr>
<td>Advances to officers and employees</td>
<td>1,665,387</td>
<td>1,665,387</td>
<td>1,877,687</td>
<td>1,877,687</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>64,124</td>
<td>64,124</td>
<td>60,401</td>
<td>60,401</td>
</tr>
<tr>
<td>Others</td>
<td>5,600,033</td>
<td>5,600,033</td>
<td>6,526,557</td>
<td>6,526,557</td>
</tr>
<tr>
<td>Total loans and receivables</td>
<td>458,220,781</td>
<td>458,220,781</td>
<td>157,836,137</td>
<td>157,836,137</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AFS financial assets (Note 8)</th>
<th>2011 Carrying Value</th>
<th>2011 Fair Value</th>
<th>2010 Carrying Value</th>
<th>2010 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common trust fund</td>
<td>932,000,930</td>
<td>932,000,930</td>
<td>849,208,670</td>
<td>849,208,670</td>
</tr>
<tr>
<td>Shares of stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted securities</td>
<td>126,765,018</td>
<td>126,765,018</td>
<td>317,324,955</td>
<td>317,324,955</td>
</tr>
<tr>
<td>Unquoted securities</td>
<td>2,087,582</td>
<td>2,087,582</td>
<td>2,088,285</td>
<td>2,088,285</td>
</tr>
<tr>
<td>Total AFS financial assets</td>
<td>1,060,853,530</td>
<td>1,060,853,530</td>
<td>1,168,621,910</td>
<td>1,168,621,910</td>
</tr>
</tbody>
</table>

| Total financial assets      | ₱1,519,074,311      | ₱1,326,458,047  |

<table>
<thead>
<tr>
<th>Other financial liabilities</th>
<th>2011 Carrying Value</th>
<th>2011 Fair Value</th>
<th>2010 Carrying Value</th>
<th>2010 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>₱51,323,070</td>
<td>₱51,323,070</td>
<td>₱76,559,090</td>
<td>₱76,559,090</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>23,301,224</td>
<td>23,301,224</td>
<td>25,558,855</td>
<td>25,558,855</td>
</tr>
<tr>
<td>Advances</td>
<td>5,951,215</td>
<td>5,951,215</td>
<td>6,622,415</td>
<td>6,622,415</td>
</tr>
<tr>
<td>Others</td>
<td>1,967,280</td>
<td>1,967,280</td>
<td>881,041</td>
<td>881,041</td>
</tr>
<tr>
<td>Total other financial liabilities</td>
<td>₱82,542,789</td>
<td>₱82,542,789</td>
<td>₱109,621,401</td>
<td>₱109,621,401</td>
</tr>
</tbody>
</table>

The methods and assumptions used by the Foundation in estimating the fair value of each class of financial instruments are as follows:

Loans and receivables and other financial liabilities - Carrying amounts approximate fair values due to the relative short-term nature of these investments and liabilities.

AFS quoted financial assets - Fair values are based on quoted prices published in markets.

AFS unquoted financial assets - Fair values are based on estimates of future cash flows and the discount rates necessary for the unquoted equities.
Fair Value Hierarchy
As at December 31, 2011, the Foundation held the following financial instruments measured at fair value.

The Foundation uses the following hierarchy for determining and disclosing the fair value of the financial instruments 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

### Assets Measured at Fair Value

<table>
<thead>
<tr>
<th>AFS financial assets (Note 8)</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Fair Value as of December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common trust fund</td>
<td>P932,000,930</td>
<td>–</td>
<td>–</td>
<td>P932,000,930</td>
</tr>
<tr>
<td>Shares of stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted securities</td>
<td>126,765,018</td>
<td>–</td>
<td>–</td>
<td>126,765,018</td>
</tr>
<tr>
<td>Unquoted securities</td>
<td>–</td>
<td>2,087,582</td>
<td>–</td>
<td>2,087,582</td>
</tr>
<tr>
<td><strong>Total AFS financial assets</strong></td>
<td>P1,058,765,948</td>
<td>P2,087,582</td>
<td>–</td>
<td>P1,060,853,530</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AFS financial assets (Note 8)</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Fair Value as of December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common trust fund</td>
<td>P849,208,670</td>
<td>–</td>
<td>–</td>
<td>P849,208,670</td>
</tr>
<tr>
<td>Shares of stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted securities</td>
<td>317,324,955</td>
<td>–</td>
<td>–</td>
<td>317,324,955</td>
</tr>
<tr>
<td>Unquoted securities</td>
<td>–</td>
<td>2,088,285</td>
<td>–</td>
<td>2,088,285</td>
</tr>
<tr>
<td><strong>Total AFS financial assets</strong></td>
<td>P1,166,533,625</td>
<td>P2,088,285</td>
<td>–</td>
<td>P1,168,621,910</td>
</tr>
</tbody>
</table>

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

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

The Foundation’s risk management policies are summarized below:

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

As of December 31, 2011 and 2010 the carrying amounts of accounts and other payables will be settled within one year.
The following table shows the maturity profile of the Foundation’s financial assets and liabilities based on contractual undiscounted payments:

<table>
<thead>
<tr>
<th>2011</th>
<th>Within 1 Year</th>
<th>I-5 years</th>
<th>More than 5 years</th>
<th>Total Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 4)</td>
<td>₱362,443,496</td>
<td>–</td>
<td>–</td>
<td>₱362,443,496</td>
</tr>
<tr>
<td>Receivables (Note 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>12,603,942</td>
<td>–</td>
<td>–</td>
<td>12,603,942</td>
</tr>
<tr>
<td>Advances</td>
<td>6,943,799</td>
<td>–</td>
<td>–</td>
<td>6,943,799</td>
</tr>
<tr>
<td>Advances to officers and employees</td>
<td>1,665,387</td>
<td>–</td>
<td>–</td>
<td>1,665,387</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>₱64,124</td>
<td>–</td>
<td>–</td>
<td>₱64,124</td>
</tr>
<tr>
<td>Others</td>
<td>5,600,033</td>
<td>–</td>
<td>–</td>
<td>5,600,033</td>
</tr>
<tr>
<td>Restricted cash equivalents (Note 11)</td>
<td>68,900,000</td>
<td>–</td>
<td>–</td>
<td>68,900,000</td>
</tr>
<tr>
<td>Total loans and receivables</td>
<td>458,220,781</td>
<td>–</td>
<td>–</td>
<td>458,220,781</td>
</tr>
<tr>
<td>AFS financial assets (Note 8)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common trust fund</td>
<td>14,873,408</td>
<td>266,462,203</td>
<td>420,424,629</td>
<td>701,760,240</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>₱473,094,189</td>
<td>₱266,462,203</td>
<td>₱420,424,629</td>
<td>₱1,159,981,021</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables (Note 9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>₱51,323,070</td>
<td>–</td>
<td>–</td>
<td>₱51,323,070</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>23,301,224</td>
<td>–</td>
<td>–</td>
<td>23,301,224</td>
</tr>
<tr>
<td>Advances</td>
<td>5,951,215</td>
<td>–</td>
<td>–</td>
<td>5,951,215</td>
</tr>
<tr>
<td>Others</td>
<td>1,967,280</td>
<td>–</td>
<td>–</td>
<td>1,967,280</td>
</tr>
<tr>
<td>Total other financial liabilities</td>
<td>₱82,542,789</td>
<td>–</td>
<td>–</td>
<td>₱82,542,789</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2010</th>
<th>Within 1 Year</th>
<th>I-5 years</th>
<th>More than 5 years</th>
<th>Total Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 4)</td>
<td>₱130,605,151</td>
<td>–</td>
<td>–</td>
<td>₱130,605,151</td>
</tr>
<tr>
<td>Receivables (Note 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>10,935,003</td>
<td>–</td>
<td>–</td>
<td>10,935,003</td>
</tr>
<tr>
<td>Advances</td>
<td>7,831,338</td>
<td>–</td>
<td>–</td>
<td>7,831,338</td>
</tr>
<tr>
<td>Advances to officers and employees</td>
<td>1,877,687</td>
<td>–</td>
<td>–</td>
<td>1,877,687</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>60,401</td>
<td>–</td>
<td>–</td>
<td>60,401</td>
</tr>
<tr>
<td>Others</td>
<td>6,526,557</td>
<td>–</td>
<td>–</td>
<td>6,526,557</td>
</tr>
<tr>
<td>Total loans and receivables</td>
<td>157,836,137</td>
<td>–</td>
<td>–</td>
<td>157,836,137</td>
</tr>
<tr>
<td>AFS financial assets (Note 8)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common trust fund</td>
<td>–</td>
<td>348,356,527</td>
<td>382,189,349</td>
<td>730,545,876</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>₱157,836,137</td>
<td>₱348,356,527</td>
<td>₱382,189,349</td>
<td>₱888,382,013</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and other payables (Note 9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>₱76,559,090</td>
<td>–</td>
<td>–</td>
<td>₱76,559,090</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>25,558,855</td>
<td>–</td>
<td>–</td>
<td>25,558,855</td>
</tr>
<tr>
<td>Advances</td>
<td>6,622,415</td>
<td>–</td>
<td>–</td>
<td>6,622,415</td>
</tr>
<tr>
<td>Others</td>
<td>881,041</td>
<td>–</td>
<td>–</td>
<td>881,041</td>
</tr>
<tr>
<td>Total other financial liabilities</td>
<td>₱109,621,401</td>
<td>–</td>
<td>–</td>
<td>₱109,621,401</td>
</tr>
</tbody>
</table>

Credit risk
The Foundation’s holding of cash and cash equivalents 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 table below shows the maximum exposure to credit risk for the components of the statements of financial position:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (excluding Cash on hand)</td>
<td>₱362,145,336</td>
<td>₱130,310,501</td>
</tr>
<tr>
<td>Receivables (Note 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>12,603,942</td>
<td>10,935,003</td>
</tr>
<tr>
<td>Advances</td>
<td>6,943,799</td>
<td>7,831,338</td>
</tr>
<tr>
<td>Advances to officers and employees</td>
<td>₱1,665,387</td>
<td>₱1,877,687</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>64,124</td>
<td>60,401</td>
</tr>
<tr>
<td>Others</td>
<td>5,600,033</td>
<td>6,526,557</td>
</tr>
<tr>
<td>Restricted cash equivalents (Note 11)</td>
<td>68,900,000</td>
<td></td>
</tr>
<tr>
<td>AFS financial assets (Note 8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common trust fund</td>
<td>932,000,930</td>
<td>849,208,670</td>
</tr>
<tr>
<td>Shares of stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted securities</td>
<td>126,765,018</td>
<td>317,324,955</td>
</tr>
<tr>
<td>Unquoted securities</td>
<td>2,087,582</td>
<td>2,088,285</td>
</tr>
<tr>
<td></td>
<td>₱1,518,776,151</td>
<td>₱1,326,163,397</td>
</tr>
</tbody>
</table>

The carrying amounts of financial assets represents its maximum exposure to credit risk except for other receivables with financial effect of collateral amounting to ₱0.51 million and ₱nil and total net exposure of ₱5.09 million and ₱6.53 million as of December 31, 2011 and 2010, respectively.

Market Risk
The Foundation’s exposure to the risk for change in market value relates primarily to the Foundation’s AFS financial assets. The Foundation’s AFS financial assets are managed by a trustee bank.

Price Risk
The Foundation’s price risk exposure relates to its AFS securities where values will fluctuate as a result of changes in market prices.

Such investment securities are subject to price risk due to changes in market values arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The following table demonstrates the sensitivity to a reasonably possible change in the market prices, with all variables held constant, of the Foundation’s equity on December 31, 2011 and 2010.

<table>
<thead>
<tr>
<th>Increase (decrease)</th>
<th>Effect on net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>5%</td>
<td>₱53,042,677</td>
</tr>
<tr>
<td>(5%)</td>
<td>(53,042,677)</td>
</tr>
</tbody>
</table>
As of December 31, 2011 and 2010, the aging analysis of past due but not impaired trade receivables presented per class, are as follows:

### 2011

<table>
<thead>
<tr>
<th>Class</th>
<th>Neither Past Due nor Impaired</th>
<th>&lt;30 days</th>
<th>30-60 Days</th>
<th>61-90 Days</th>
<th>91-120 Days</th>
<th>&gt;120 Days</th>
<th>Total</th>
<th>Individually Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>₱922,864</td>
<td>₱366,536</td>
<td>₱69,481</td>
<td>₱186,446</td>
<td>₱-</td>
<td>₱3,248,832</td>
<td>₱3,871,295</td>
<td>₱4,020,834</td>
<td>₱8,814,993</td>
</tr>
<tr>
<td>Products</td>
<td>₱1,035,019</td>
<td>₱452,787</td>
<td>₱36,999</td>
<td>₱-</td>
<td>₱-</td>
<td>₱1,418,603</td>
<td>₱1,908,389</td>
<td>₱845,541</td>
<td>₱3,788,949</td>
</tr>
<tr>
<td>Advances</td>
<td>₱6,943,799</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱6,943,799</td>
<td>₱-</td>
<td>₱6,943,799</td>
</tr>
<tr>
<td>Advances to officers and employees</td>
<td>₱1,665,387</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱41,070</td>
<td>₱41,070</td>
<td>₱-</td>
<td>₱1,604,477</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>₱23,054</td>
<td>₱722,914</td>
<td>₱282,395</td>
<td>₱143,409</td>
<td>₱250,640</td>
<td>₱2,077,164</td>
<td>₱3,476,522</td>
<td>₱1,502,019</td>
<td>₱5,600,033</td>
</tr>
<tr>
<td>Others</td>
<td>₱621,492</td>
<td>₱922,864</td>
<td>₱366,536</td>
<td>₱69,481</td>
<td>₱186,446</td>
<td>₱3,248,832</td>
<td>₱3,871,295</td>
<td>₱4,020,834</td>
<td>₱8,814,993</td>
</tr>
</tbody>
</table>

### 2010

<table>
<thead>
<tr>
<th>Class</th>
<th>Neither Past Due nor Impaired</th>
<th>&lt;30 days</th>
<th>30-60 Days</th>
<th>61-90 Days</th>
<th>91-120 Days</th>
<th>&gt;120 Days</th>
<th>Total</th>
<th>Individually Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>₱1,714,220</td>
<td>₱210,003</td>
<td>₱341,130</td>
<td>₱500</td>
<td>₱1,478,287</td>
<td>₱2,029,920</td>
<td>₱2,385,537</td>
<td>₱6,129,677</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>₱406,342</td>
<td>₱96,368</td>
<td>₱666,292</td>
<td>₱4,795</td>
<td>₱11,180</td>
<td>₱2,522,258</td>
<td>₱3,300,893</td>
<td>₱1,098,091</td>
<td>₱4,805,326</td>
</tr>
<tr>
<td>Products</td>
<td>₱7,831,338</td>
<td>₱-</td>
<td>₱4,509</td>
<td>₱11,180</td>
<td>₱2,522,258</td>
<td>₱3,300,893</td>
<td>₱1,098,091</td>
<td>₱4,805,326</td>
<td></td>
</tr>
<tr>
<td>Advances</td>
<td>₱1,818,174</td>
<td>₱14,092</td>
<td>₱39,950</td>
<td>₱-</td>
<td>₱5,471</td>
<td>₱59,513</td>
<td>₱59,513</td>
<td>₱1,877,687</td>
<td></td>
</tr>
<tr>
<td>Advances to officers and employees</td>
<td>₱60,401</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱-</td>
<td>₱60,401</td>
<td></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>₱2,377,599</td>
<td>₱63,530</td>
<td>₱56,807</td>
<td>₱54,066</td>
<td>₱53,904</td>
<td>₱1,742,678</td>
<td>₱1,970,985</td>
<td>₱2,177,973</td>
<td>₱6,526,557</td>
</tr>
<tr>
<td>Others</td>
<td>₱14,208,074</td>
<td>₱383,993</td>
<td>₱1,104,179</td>
<td>₱59,361</td>
<td>₱65,084</td>
<td>₱5,748,694</td>
<td>₱7,361,311</td>
<td>₱5,661,601</td>
<td>₱27,230,986</td>
</tr>
</tbody>
</table>
The table below shows the credit quality of the Foundation’s financial assets as of December 31, 2011 and 2010:

### 2011

<table>
<thead>
<tr>
<th></th>
<th>Neither Past Due nor Impaired</th>
<th></th>
<th></th>
<th>Past due but not impaired</th>
<th>Individually impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High Grade</td>
<td>Medium Grade</td>
<td>Low Grade</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>P362,443,496</td>
<td></td>
<td></td>
<td>P362,443,496</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>847,211</td>
<td>1,036,356</td>
<td>74,316</td>
<td>1,957,883</td>
<td>5,779,684</td>
<td>12,603,942</td>
</tr>
<tr>
<td>Advances</td>
<td>6,943,799</td>
<td></td>
<td></td>
<td>6,943,799</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances to officers and employees</td>
<td>1,665,387</td>
<td></td>
<td></td>
<td>1,665,387</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>23,054</td>
<td></td>
<td></td>
<td>23,054</td>
<td>41,070</td>
<td>64,124</td>
</tr>
<tr>
<td>Others</td>
<td>47,365</td>
<td>456,866</td>
<td>117,261</td>
<td>621,492</td>
<td>3,476,522</td>
<td>1,502,019</td>
</tr>
<tr>
<td>Restricted cash equivalents</td>
<td>68,900,000</td>
<td></td>
<td></td>
<td>68,900,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common trust fund</td>
<td>932,000,930</td>
<td></td>
<td></td>
<td>932,000,930</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares of stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted securities</td>
<td>126,765,018</td>
<td></td>
<td></td>
<td>126,765,018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted securities</td>
<td>2,087,582</td>
<td></td>
<td></td>
<td>2,087,582</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P1,501,723,842</strong></td>
<td><strong>P1,493,222</strong></td>
<td><strong>P191,577</strong></td>
<td><strong>P1,503,408,641</strong></td>
<td><strong>P9,297,276</strong></td>
<td><strong>P1,519,074,311</strong></td>
</tr>
</tbody>
</table>

### 2010

<table>
<thead>
<tr>
<th></th>
<th>Neither Past Due nor Impaired</th>
<th></th>
<th></th>
<th>Past due but not impaired</th>
<th>Individually impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High Grade</td>
<td>Medium Grade</td>
<td>Low Grade</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>P130,605,151</td>
<td></td>
<td></td>
<td>P130,605,151</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>287,857</td>
<td>1,563,080</td>
<td>269,625</td>
<td>2,120,562</td>
<td>5,330,813</td>
<td>3,483,628</td>
</tr>
<tr>
<td>Advances</td>
<td>7,831,338</td>
<td></td>
<td></td>
<td>7,831,338</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances to officers and employees</td>
<td>1,376,045</td>
<td></td>
<td></td>
<td>1,376,045</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>60,401</td>
<td></td>
<td></td>
<td>60,401</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>285,042</td>
<td>673,254</td>
<td>1,419,303</td>
<td>2,377,599</td>
<td>1,970,985</td>
<td>2,177,973</td>
</tr>
<tr>
<td>Restricted cash equivalents</td>
<td>849,208,670</td>
<td></td>
<td></td>
<td>849,208,670</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFS financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common trust fund</td>
<td>849,208,670</td>
<td></td>
<td></td>
<td>849,208,670</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares of stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted securities</td>
<td>317,324,955</td>
<td></td>
<td></td>
<td>317,324,955</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted securities</td>
<td>2,088,285</td>
<td></td>
<td></td>
<td>2,088,285</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P1,309,067,744</strong></td>
<td><strong>P2,563,787</strong></td>
<td><strong>P1,803,604</strong></td>
<td><strong>P1,313,435,135</strong></td>
<td><strong>P7,361,311</strong></td>
<td><strong>P5,661,601</strong></td>
</tr>
</tbody>
</table>

P1,326,458,047
The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - based on the nature of the counterparty and the Foundation’s internal rating system.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

Restricted cash equivalents - based on the nature of the counterparty and the Foundation’s internal rating system.

AFS financial assets - the quoted and unquoted financial assets are unrated.

*Foreign exchange risk*

The Foundation’s foreign exchange risk results primarily from movements of the Philippine Peso against the United States Dollar.

The Foundation’s foreign currency-denominated financial instruments are included in cash and cash equivalents amounting to US$ 0.19 million in 2011 and US$ 0.73 million in 2010. The Philippine peso values of these instruments amounted to P8.46 million and P31.83 million in 2011 and 2010, respectively.

In translating the foreign currency-denominated monetary assets into peso amounts, the exchange rate used was P43.84:$1 and P43.84:$1, based on the Philippine Peso - U.S. dollar exchange rate as of December 31, 2011 and 2010, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar rate, with all variables held constant, of the Foundation’s profit before tax (due to changes in the fair value of monetary assets) as of December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th>Effect on net assets</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$ appreciates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.0</td>
<td>P193,082</td>
<td>P726,124</td>
</tr>
<tr>
<td>(1.0)</td>
<td>(193,082)</td>
<td>(726,124)</td>
</tr>
</tbody>
</table>

13. **Other Activities**

Statements of revenue and expenses on the Foundation’s museum and library operations for the years ended December 31, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>P17,582,542</td>
<td>P18,874,926</td>
</tr>
<tr>
<td>Expenses</td>
<td>27,411,465</td>
<td>28,131,028</td>
</tr>
<tr>
<td>Net loss</td>
<td>P9,828,923</td>
<td>P9,256,102</td>
</tr>
</tbody>
</table>
14. Supplementary Information Required Under Revenue Regulations (RR) 19-2011

Below is the additional information required by RR No. 19-2011. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

a. Taxable net revenue in 2011 amounted to P=17,582,542.


c. Other taxable income not subject to final tax in 2011 amounted to Pnil.

d. Itemized deductions in 2011 consists of:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>P=1,347,976</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,097,115</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>916,616</td>
</tr>
<tr>
<td>Communication, light and water</td>
<td>837,348</td>
</tr>
<tr>
<td>Logistics and distribution</td>
<td>657,745</td>
</tr>
<tr>
<td>Outside services</td>
<td>161,948</td>
</tr>
<tr>
<td>Supplies</td>
<td>124,078</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>117,117</td>
</tr>
<tr>
<td>Insurance</td>
<td>47,691</td>
</tr>
<tr>
<td>Transportation and travel</td>
<td>6,497</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>100,636</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>P5,414,767</strong></td>
</tr>
</tbody>
</table>

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

RR No. 15-2010 are promulgated to amend certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying tax returns. In addition to the disclosures mandated under PFRS, RR No. 15-2010 requires disclosures regarding information on taxes, duties and license fees paid or accrued during the taxable year.

The Foundation also reported and/or paid the following types of taxes for 2011:

Value Added Tax (VAT)
The NIRC of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Foundation’s sales from other activities are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. RA No. 9337 increased the value added tax (VAT) rate from 10.0% to 12.0%, effective February 1, 2006.
a. **Output VAT**

<table>
<thead>
<tr>
<th>Taxable Sales:</th>
<th>Net Sales/Receipts</th>
<th>Output VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of goods</td>
<td>₱1,549,190</td>
<td>₱185,903</td>
</tr>
<tr>
<td>Sales of services</td>
<td>4,480,632</td>
<td>537,676</td>
</tr>
<tr>
<td>Leasing income</td>
<td>13,090,093</td>
<td>1,570,811</td>
</tr>
<tr>
<td>Others</td>
<td>20,822</td>
<td>2,499</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₱19,140,737</strong></td>
<td><strong>₱2,296,889</strong></td>
</tr>
</tbody>
</table>

b. **Input VAT**

- Balance at January 1: ₱373,654
- Current year’s domestic purchases/payments for:
  - Services lodged under other accounts: 3,074,530
  - Goods other than for resale or manufacture: 1,494,049
  - Capital goods not subject to amortization: 4,942,233
- Claims for tax credit/refund and other adjustments: 2,296,888
- Balance at December 31: ₱2,645,345

c. **Importations**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total landed cost of imports</td>
<td>₱436,900</td>
</tr>
<tr>
<td>Customs duties</td>
<td>54,059</td>
</tr>
<tr>
<td>Others</td>
<td>500</td>
</tr>
<tr>
<td><strong>Balance at December 31</strong></td>
<td>₱491,459</td>
</tr>
</tbody>
</table>

d. **Excise Tax**

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

e. **Documentary stamp tax**

- The Foundation did not enter into any transaction which requires payment of any documentary stamp taxes.

f. **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 Expenses’ and ‘General and administrative expenses’ accounts both in the Foundation’s statement of activities:
Details consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>Project Expenses</th>
<th>General and Administrative Expenses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate taxes</td>
<td>₱1,551,575</td>
<td>₱578,533</td>
<td>₱2,130,108</td>
</tr>
<tr>
<td>License and permits fees</td>
<td>12,399</td>
<td>33,756</td>
<td>46,155</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>81,921</td>
<td>81,921</td>
</tr>
<tr>
<td></td>
<td>₱1,563,974</td>
<td>₱694,210</td>
<td>₱2,258,184</td>
</tr>
</tbody>
</table>

The Foundation’s sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the statement of activities.

g. **Withholding Taxes**

- Withholding taxes on compensation and benefits ₱10,912,175
- Expanded withholding taxes 3,192,643

- **Total** ₱14,104,818

h. **Tax assessments**

As of December 31, 2011 and 2010, the Foundation has not received any final assessment notice from the BIR.
Ayala Foundation wishes to thank the partners, donors, benefactors, and supporters who helped ensure the success of its undertakings in 2011.
Acknowledgements

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Vincent Abella
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The front cover carries a line from a speech delivered by Victoria Garchitorena, outgoing president of Ayala Foundation, during AFI’s 50th anniversary celebration. As one of the country’s pioneering corporate foundations, AFI affirms its commitment to providing strategic, sustainable, and scalable programs that seek to address the perennial problem of poverty.

We at AFI believe in interventions that are inclusive and forward-looking. This is why tree-planting serves as a potent symbol for our initiatives. Each new tree offers hope and comfort at present. With proper attention and nurturing, each tree will grow robust, shady, and fruitful—offering lasting benefits in the years to come.