

***International Institute
of Rural
Reconstruction***
(A Nonprofit, Nonstock
Organization)

Financial Statements

As at and for the year ended December 31, 2020

**(With comparative figures as at and for the year ended
December 31, 2019)**



Independent Auditor's Report

To the Board of Trustees of
International Institute of Rural Reconstruction
(A Nonprofit, Nonstock Organization)
State of Delaware
United States of America

Report on the Financial Statements

We have audited the accompanying financial statements of International Institute of Rural Reconstruction (the "Institute") which comprise the statement of financial position as at December 31, 2020, statement of activities and changes in net assets and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 our 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, we consider internal control relevant to the Institute'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 Institute's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of International Institute of Rural Reconstruction as at December 31, 2020, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Isla Lipana & Co.

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Other Matter

The financial statements as at and for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on September 3, 2020.

Isla Lipana & Co.

Makati City, Philippines
October 20, 2021



Isla Lipana & Co.

Independent Auditor's Report

To the Board of Trustees of
International Institute of Rural Reconstruction
(A Nonprofit, Nonstock Organization)
State of Delaware
United States of America

We have audited the accompanying financial statements of International Institute of Rural Reconstruction (the "Institute") which comprise the statement of assets, liabilities and net assets as at December 31, 2020, and the related statements of activities and changes in net assets, and cash flows for the year then ended. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule on Statement of Activities - Operating Basis (the "Schedule") to accompany the financial statements of the Institute is the responsibility of the Institute's management. The Schedule presented is not part of the basic financial statements. The Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Makati City, Philippines
October 20, 2021

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International Institute of Rural Reconstruction
(A Nonprofit, Nonstock Organization)

Statement of Assets, Liabilities and Net Assets
As at December 31, 2020
(With comparative figures as at December 31, 2019)
(All amounts in U.S. Dollar)

	Notes	2020	2019
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	1,445,558	1,393,239
Investments	3	778,638	766,401
Contribution receivables	4	1,919,947	1,769,817
Other receivables	5	190,538	104,007
Prepayments and other current assets		25,716	53,310
Total current assets		4,360,397	4,086,774
Non-current assets			
Non-current portion of contribution receivables	4	291,034	709,017
Property and equipment, net	6	169,819	226,309
Retirement benefit asset, net	8	73,335	59,161
Other non-current assets		32,032	37,682
Total non-current assets		566,220	1,032,169
Total assets		4,926,617	5,118,943
<u>LIABILITIES AND NET ASSETS</u>			
Current liability			
Account payables and other current liabilities	7	966,494	723,082
Non-current liability			
Other liabilities		2,637	2,637
Total liabilities		969,131	725,719
Net assets			
Without donor restrictions	9	869,206	1,329,447
With donor restrictions	9	3,088,280	3,063,777
Total net assets		3,957,486	4,393,224
Total liabilities and net assets		4,926,617	5,118,943

The notes on pages 1 to 17 are an integral part of these financial statements.

International Institute of Rural Reconstruction
(A Nonprofit, Nonstock Organization)

Statement of Activities and Changes in Net Assets
For the year ended December 31, 2020
(With comparative figures as at December 31, 2019)
(All amounts in U.S. Dollar)

	2020			2019			
	Note	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating activities							
Operating revenues							
Contributions/Grants:							
Foundations		-	2,113,536	2,113,536	-	1,755,764	1,755,764
Government		159,001	224,056	383,057	-	241,168	241,168
Corporation		303,641	101,907	405,548	29,555	200,409	229,964
Individual		57,597	25,972	83,569	168,562	30,376	198,938
Use of campus facilities		111,954	-	111,954	644,802	-	644,802
Training courses, study missions and technical assistance		100,366	-	100,366	388,837	-	388,837
Workshops		-	-	-	28,411	-	28,411
Publication sales		-	-	-	3,901	-	3,901
Others		75,840	-	75,840	67,809	-	67,809
Total operating revenues before releases		808,399	2,465,471	3,273,870	1,331,877	2,227,717	3,559,594
Net assets released from restrictions -							
Satisfaction of program activities		2,440,968	(2,440,968)	-	3,070,591	(3,070,591)	-
		3,249,367	24,503	3,273,870	4,402,468	(842,874)	3,559,594
Operating expenses							
	11						
Learning community		2,872,975	-	2,872,975	3,656,815	-	3,656,815
Applied learning		494,538	-	494,538	730,477	-	730,477
Management and general		394,980	-	394,980	506,123	-	506,123
Fund raising		98,739	-	98,739	126,529	-	126,529
Total operating expenses		3,861,232	-	3,861,232	5,019,944	-	5,019,944
Change in net assets from operating activities		(611,865)	24,503	(587,362)	(617,476)	(842,874)	(1,460,350)

The notes on pages 1 to 17 are integral part of these financial statements.

	Notes	2020			2019		
		Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Non-operating activities							
Interest income	2	564	-	564	24,312	-	24,312
Translation and exchange gain (loss)		34,691	-	34,691	(72,408)	-	(72,408)
Others	3	116,369	-	116,369	152,970	-	152,970
Change in net assets from non-operating activities		151,624	-	151,624	104,874	-	104,874
Change in net assets		(460,241)	24,503	(435,738)	(512,602)	(842,874)	(1,355,476)
Net assets, beginning of the year		1,329,447	3,063,777	4,393,224	1,842,049	3,906,651	5,748,700
Net assets, end of the year		869,206	3,088,280	3,957,486	1,329,447	3,063,777	4,393,224

The notes on pages 1 to 17 are integral part of these separate financial statements.

International Institute of Rural Reconstruction
(A Nonprofit, Nonstock Organization)

Statement of Cash Flows
For the year ended December 31, 2020
(With comparative figures as at December 31, 2019)
(All amounts in U.S. Dollar)

	Notes	2020	2019
Cash flows from operating activities			
Change in net assets		(435,738)	(1,355,476)
Adjustments for:			
Depreciation and amortization	6	57,052	66,784
Gain on disposal of property and equipment		(16,423)	-
Effect of foreign exchange rate changes translation		5,485	16,588
Gain on changes in market value on investments	3	(65,170)	(149,851)
Interest and dividend income	3	(15,502)	(14,422)
Net movement in retirement benefit asset	8	11,515	(27,822)
Adjusted net assets before working capital changes		(458,781)	(1,464,199)
Decrease (increase):			
Contribution receivables		245,508	1,127,179
Other receivables		(85,032)	1,618
Prepayments and other current assets		27,594	(27,920)
Increase (decrease):			
Accounts payable and other current liabilities		245,885	(160,571)
Other liabilities		-	576
Net cash used in operating activities		(24,826)	(523,317)
Cash flows from investing activities			
Net withdrawal of investments	3	75,618	61,424
Proceeds from disposals of property and equipment	6	16,423	-
Additions to:			
Property and equipment	6	(6,893)	(98,569)
Investments	3	(7,183)	-
Other non-current assets		5,650	5,024
Net cash provided by (used in) in investing activities		83,615	(32,121)
Net increase (decrease) in cash and cash equivalents for the year		58,789	(555,438)
Cash and cash equivalents at beginning of the year		1,393,239	1,949,858
Effects of foreign exchange rate changes on cash and cash equivalents		(6,470)	(1,181)
Cash and cash equivalents at end of the year	2	1,445,558	1,393,239

The notes on pages 1 to 17 are an integral part of these financial statements

International Institute of Rural Reconstruction
(A Nonprofit, Nonstock Organization)

Notes to the Financial Statements

As at and for the year ended December 31, 2020

(With comparative figures as at December 31, 2019)

(All amounts are in U.S Dollar, unless otherwise stated)

Note 1 - General information

The International Institute of Rural Reconstruction ('the Institute') is a nonprofit, nonstock organization formed in 1960 under the laws of the State of Delaware, United States of America (U.S.A.). The Institute's headquarters is located in the Philippines. The Institute has regional centers in Asia (Philippines) and Africa (Kenya) and offices in Addis Ababa, Ethiopia; Kampala, Uganda; Juba, South Sudan and New York, U.S.A.

The Institute is a tax-exempt organization under Section 501 (c) (3) of the United States Internal Revenue Code. The Institute is a recognized public charity. Contributions to the Institute qualify for the maximum allowable charitable deduction in the U.S.A.

The Institute is a global learning, training and capacity development organization which, with its predecessor organizations, has more than 80 years of experience and commitment to rural development. The Institute's program service has two main functional categories (described in Note 11), i.e. learning community program and applied learning program. Resource generation is focused on unrestricted contributions, restricted grants, earned revenue through trainings, workshops, study programs, customized courses, technical assistance, use of campus facilities, publication sales and investment return on endowment funds.

The financial statements have been approved and authorized for issuance by the Board of Trustees (BOT) on October 20, 2021.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2020	2019
Cash in banks	605,936	586,607
Cash on hand	19,576	17,937
Short-term placements	820,046	788,695
	<u>1,445,558</u>	<u>1,393,239</u>

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents consist of investments in money market funds.

Cash and cash equivalents include restricted cash in banks and short-term placements amounting to US\$829,363 (2019 - US\$1,174,047), which pertains to amounts given by various donors for the implementation of program services.

Interest income earned from cash and cash equivalents for the years ended December 31, 2020 and 2019 amounted to US\$564 and US\$24,312, respectively.

Note 3 - Investments

Investments as at December 31 consist of:

	2020			
	Equity stocks	Short-term	Long-term	Total
		Money market placements	U.S. treasury notes	
Costs at January 1, 2020	188,094	40,022	100,000	328,116
Gain on changes in market value at January 1, 2020	447,412	(2,934)	(6,193)	438,285
Market values at January 1, 2020	635,506	37,088	93,807	766,401
Interest and dividends	12,983	2,519	-	15,502
Additions	7,183	-	-	7,183
Withdrawals	(73,267)	(2,351)	-	(75,618)
Gain (Loss) due to change in market values	58,636	44,265	(37,731)	65,170
Market values at December 31,2020	641,041	81,521	56,076	778,638

	2019			
	Equity stocks	Short-term	Long-term	Total
		Money market placements	U.S. treasury notes	
Costs at January 1, 2019	268,053	28,520	78,000	374,573
Gain on changes in market value at January 1, 2019	265,727	5,819	17,433	288,979
Market values at January 1, 2019	533,780	34,339	95,433	663,552
Interest and dividends	11,679	2,743	-	14,422
Withdrawals	(58,300)	-	(3,124)	(61,424)
Gain due to change in market values	148,347	6	1,498	149,851
Market values at December 31,2019	635,506	37,088	93,807	766,401

Gains due to change in market values and interest and dividends during the year are shown as "Others" in the statements of activities and changes in net assets.

As at December 31, 2020 and 2019, the Institute's investments in equity stocks, money market placements and U.S. Treasury Notes are classified as Level I, with fair values based on readily available determinable market prices. There were no changes in valuation techniques that resulted in transfer in or out of an investment's assigned level within the hierarchy.

Note 4 - Contribution receivables

Contribution receivables are covered by signed grant agreements. Realization of the pledges is expected in the following periods as at December 31:

	2020	2019
In one year or less	1,919,947	1,769,817
Between two and five years	291,034	709,017
	2,210,981	2,478,834

Note 5 - Other receivables

Other receivables as at December 31 consist of:

	2020	2019
Trade receivables	155,162	65,071
Advances to officers and employees	35,376	38,936
	190,538	104,007

Trade receivables consist of grants arising from technical assistance, study programs and training courses.

Advances to officers and employees are cash given in advance for the purposes of carrying the Institute's technical assistance, study programs, training courses and other projects.

Note 6 - Property and equipment, net

Details of property and equipment and its movement as at and for the years ended December 31 are as follows:

	Leasehold improvements	Buildings	Furniture and office equipment	Transportation equipment	Other equipment	Total
Cost						
At January 1, 2019	43,366	606,229	807,718	574,854	189,337	2,221,504
Additions	32,247	-	18,211	46,040	2,071	98,569
Cumulative translation adjustments	1,696	20,983	6,871	8,263	7,636	45,449
At December 31, 2019	77,309	627,212	832,800	629,157	199,044	2,365,522
Additions	-	-	6,893	-	-	6,893
Disposals	-	-	-	(65,500)	-	(65,500)
Cumulative translation adjustments	5,199	36,585	18,548	5,855	(4,431)	61,756
At December 31, 2020	82,508	663,797	858,241	569,512	194,613	2,368,671
Accumulated depreciation and amortization						
At January 1, 2019	42,693	593,373	726,324	470,014	174,415	2,006,819
Depreciation and amortization	838	4,366	25,466	31,109	5,005	66,784
Cumulative translation adjustments	2,570	20,026	26,499	10,711	5,804	65,610
At December 31, 2019	46,101	617,765	778,289	511,834	185,224	2,139,213
Depreciation and amortization	4,514	4,553	30,655	15,237	2,093	57,052
Disposals	-	-	-	(65,500)	-	(65,500)
Cumulative translation adjustments	549	36,447	8,570	24,397	(1,876)	68,087
At December 31, 2020	51,164	658,765	817,514	485,968	185,441	2,198,852
Carrying amounts						
At December 31, 2019	31,208	9,447	54,511	117,323	13,820	226,309
At December 31, 2020	31,344	5,032	40,727	83,544	9,172	169,819

The Institute donated its land in Cavite to the Philippine Rural Reconstruction Movement, Inc. (PRRM) in 1975. Excluded from this donation were buildings and other improvements on such land. In the same year, PRRM and the Institute entered into a lease agreement on the land in Cavite for a period of 25 years, renewable for another 25 years upon mutual agreement of the parties concerned. The annual rental under the lease contract was US\$286 until May 25, 2000.

On May 23, 2000, the Institute and PRRM executed a contract to confirm their agreement to share the Cavite campus for rural reconstruction work. The contract permits the Institute to use its portion of the campus without rent through May 25, 2025 and may be extended for another 25 years upon mutual agreement of the parties concerned. The fair value of the rent amounted to \$12,015 in 2020 (2019 - \$11,510).

Management believes that there is no indication of impairment on its property and equipment as at December 31, 2020 and 2019.

Fully depreciated property and equipment that are still in use as at December 31, 2020 amounted to \$43,883,055 (2019 - \$41,427,762).

Note 7 - Account payables and other current liabilities

Account payables and other current liabilities as at December 31 consist of:

	2020	2019
Account payables	453,124	165,956
Fund set aside for field partners	243,120	489,895
Statutory payables	230,888	66,341
Others	39,362	890
	966,494	723,082

Accounts payable are normally due to suppliers and service providers and are non-interest-bearing and are generally on 30 to 60 days' term.

Funds set aside for field partners are payables relating to field program expenses and are expected to be settled within 30 to 360 days from the end of the reporting period.

Statutory payables represent liabilities from withholding taxes, social security premiums and other liabilities to governments.

Other payables comprise mainly of the obligations relating to employee benefits and other funds that are expected to be settled within one year from the end of the reporting period.

Note 8 - Retirement benefits

The Institute has a defined benefit retirement plan for its employees in the Philippines and a defined contribution retirement plan covering its employees in the U.S.A. and Africa Regional Center.

Retirement Plan for Philippines

The Institute has a funded noncontributory retirement plan covering all regular employees in the Philippines except for certain staff members covered by other plans. A local bank, appointed as trustee, administers the Plan. The Institute's policy is to fund accrued retirement costs.

Effective July 1, 2000, the Institute amended the Plan to change the benefit formula to a cash balance formula from the existing benefit calculation based upon years of service and final pay. The benefits accrued as at June 30, 2000 under the old formula were credited to each employee's personal retirement account (PRA). A fixed percentage of the employee's monthly salary (at the time earned) beginning July 1, 2000 is also being credited to the employee's PRA.

Normal retirement date is upon attainment by a member of age 60 while early retirement is at age 50, with at least 10 years of service. Upon retirement, an employee receives in one lump sum the amount credited to his/her PRA or the legally mandated minimum retirement benefit, whichever is higher. In case of voluntary resignation, the employee is entitled to receive the amount standing to his/her credit upon the member attaining the age of 50 or after having completed at least 10 years of continuous service. A member who resigns from the employment of the Institute before completing 10 years of continuous service shall be entitled to receive one-half of the amount standing to his/her credit upon resignation and the balance of such amount standing to his/her credit upon attaining the age of 50. Alternatively, he/she may request for his/her fund balance to be transferred to another qualified plan. The fund is required to be under trusteeship to comply with the Philippine requirement for tax qualification. No part of the amount of the fund may be used for or diverted to any purpose other than for the benefit of the members and their beneficiaries.

Details of the Plan's status as at December 31, 2020 and 2019 are as follows:

	2020	2019
Retirement benefit obligation	424,459	342,258
Fair value of plan assets	(497,794)	(401,419)
Retirement benefit asset	(73,335)	(59,161)

Components of retirement benefit expense for the years ended December 31 are as follows:

	2020	2019
Current service cost	68,477	38,416
Interest cost	3,234	27,152
Expected return on plan assets	(3,080)	(29,907)
Amortization of transition obligation	(6,854)	-
Amortization of actuarial gain	-	(5,583)
	61,777	30,078

Retirement benefit expense is presented as part of Staff cost under "Operating expenses" account in the statements of activities (see Note 11).

Changes in the retirement benefit obligation for the years ended December 31 are as follows:

	2020	2019
Beginning balance	342,258	299,240
Current service cost	68,477	38,416
Interest cost	3,234	27,152
Actuarial gains	(11,471)	(25,650)
Translation adjustment	21,961	10,967
Benefits paid	-	(7,867)
Ending balance	424,459	342,258

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

	2020	2019
Beginning balance	401,419	332,188
Expected return on plan assets	3,080	29,907
Contributions	68,477	38,416
Actuarial gains	(871)	(3,801)
Translation adjustment	25,689	12,576
Benefits paid	-	(7,867)
Ending balance	497,794	401,419

The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate	3.68%	4.85%
Return on plan assets rate	0.70%	0.70%
Salary increase rate	2.50%	2.50%

The Plan is funded by contributions of the Institute to a trust fund managed by a Philippine bank. The Plan assets of the Institute include Philippine peso and U S. dollar-denominated investments. The market value of the Plan assets is determined by the fund trustee.

Notwithstanding any other provisions of the trust agreement, the fund trustee shall use its best efforts to maintain allocation of the investment of the provident fund as established by the Institute's retirement committee and approved by the Institute's BOT. Funds delivered to the trustee in Philippine pesos shall be invested in Philippine peso-denominated investments. Funds delivered to the trustee in U. S. dollars shall be invested in U.S. dollar-denominated investments.

Retirement Plan for Other Countries

Retirement benefit expense for the defined contribution retirement plan amounted to \$21,066 in 2020 (2019 - \$63,353). The accruals related to this expense are recognized as part of statutory payables amounting to \$12,130 as at December 31, 2020 (2019 - nil) (Note 7).

Note 9 - Net assets

Net assets with donor restrictions as at December 31 consist of the following:

	2020	2019
Subject to expenditures for specified purpose:		
<i>Learning community program</i>		
International Development Research Center (IDRC)	576,614	189,520
International Center for Tropical Agriculture (CIAT)	259,356	107,390
Asian Development Bank (ADB)	288,310	351,326
United Nations Food & Agriculture Organization (FAO)	250,413	101,114
The World Food Programme (WFP)	173,683	-
International Organization for Migration (IOM)	147,198	-
Alliance for Green Revolution in Africa (AGRA)	140,500	-
European Civil Protection and Humanitarian Aid Operations (ECHO) and Terre des Hommes (TDH) Italy	108,621	-
United Nations Children's Fund (UNICEF)	105,560	-
Consultative Group for International Agricultural Research (CGIAR)	76,000	-
Centenary Rural Development Bank Ltd	75,136	-
United nations Entity for Gender Equality and The Empowerment of Women Ethiopia Addis Ababa (UNWomen)	70,192	-
Technical Centre for Agricultural and Rural Cooperation (CTA)	38,059	106,328
Forest Foundation Philippines (FFP)	-	242,250
The World Food Programme (WFP)	-	34,464
Ministry of Finance, Economic Planning and Development (MoFPED) - Uganda	-	631,918
VODP2 Consultancy Agricultural Extension	-	23,359
Family Health International Solutions LLC (FHI)	-	266,764
United Nations Office for Project Services (UNOPS)	-	60,000
WSP Giving Girls 2nd Chance	-	107,000
CM191027.SUCRA	-	45,251
KE19005.COMDRR.ARCHE.NOVA	-	30,692
	2,309,642	2,297,376
<i>Endowment funds</i>		
The Alice Yen Fund	518,363	514,627
The Reader's Digest Endowment for Publications	101,058	101,692
The Employee's Welfare Fund	65,442	56,238
The Mr. & Mrs. Yen Mei Tang Memorial Fund	64,421	64,661
The Jimmy Yen Go to the People Fund	29,354	29,183
	778,638	766,401
	3,088,280	3,063,777

The net assets comprising of funds without donor restrictions as at December 31, 2020 and 2019 amounts to US\$869,206 and US\$1,329,447, respectively.

Endowment funds

Earnings and appreciation of endowment funds were included as part of without donor restrictions net assets.

Earnings and appreciation on The Alice Yen Fund may be used for purposes that honor the memory of Alice Yen and her contributions to rural reconstruction and those that relate to education, training, research programs of the Institute and professional development of its staff.

Earnings on The Reader's Digest Endowment for Publications may be used for publication expenses.

Earnings and appreciation on The Employees' Welfare Fund may be used for any purpose that tends to give a sense of security to the Institute's staff members.

Earnings and appreciation on The Mr. & Mrs. Yen Mei Tang Memorial Fund may be used for purposes that honor the memory of Mr. and Mrs. Yen Mei Tang and meet any of the following conditions:

- a. Send promising Institute staff members, holding bachelor's degrees, to study for master's at the University of the Philippines.
- b. Enable promising young staff members to attend short-term courses or to receive training in subjects related to the Institute's mission and language, computer science or to other subjects relating to their work for the Institute.
- c. Provide grants to finance on-site study of successful rural reconstruction efforts.
- d. Finance expenditures on facilities and equipment that improve staff effectiveness.
- e. Finance publications of the Institute staff members related to rural reconstruction.

In 2003, the Institute transferred the Rural Reconstruction Endowment Fund amounting to US\$50,128 to an endowment trust, which is a separate entity. The endowment trust is organized exclusively for the benefit of the Institute and shall operate as a supporting organization of the Institute in accordance with Section 509 (a)(3) of the U.S. Internal Revenue Code. The Institute has no control over the trust. The earnings of the fund will be for the benefit of the Institute only upon the determination of the distributable amount by the trustees of the endowment trust. Any earnings not distributed shall be accumulated to the principal. The value of the endowment trust as at December 31, 2020 and 2019 amounted to US\$83,377 and US\$80,271, respectively.

Changes in the endowment net assets with donor restrictions for the years ended December 31 follow:

	2020	2019
Endowment net assets, beginning of year	766,401	663,552
Investment return, net	15,502	84,881
Contributions	7,183	28,520
Amount appropriated for expenditure	(75,618)	(84,881)
Changes in the market value	65,170	74,329
Endowment of assets, end of year	778,638	766,401

Note 10 - Commitments and contingencies

The Institute leases various office spaces for its operations. The terms of these leases range from one to three years. Total rent expense amounted to \$72,274 and \$59,445 in 2020 and 2019, respectively, and is shown as part of "Rental and maintenance" under "Operating expenses" account in the statements of activities (see Note 11).

Note 11 - Operating expenses

Operating expenses for the years ended December 31 are as follow:

		2020						
		Program services			Supporting services			Total
	Notes	Learning community	Applied learning	Subtotal	Management and general	Fund raising	Subtotal	
Staff costs	8	1,160,913	235,606	1,396,519	197,908	49,477	247,385	1,643,904
Contractual services		759,407	165,986	925,393	120,324	30,081	150,405	1,075,798
Travel		334,591	7,178	341,769	(569)	(142)	(711)	341,058
Rental and maintenance	10	239,987	38,882	278,869	46,009	11,502	57,511	336,380
Supplies and materials		141,318	2,524	143,842	3,212	802	4,014	147,856
Depreciation and amortization	6	19,968	14,263	34,231	18,257	4,564	22,821	57,052
Communications		25,218	5,363	30,581	5,727	1,431	7,158	37,739
Printing and publications		14,234	357	14,591	260	65	325	14,916
Others		177,339	24,379	201,718	3,852	959	4,811	206,529
		2,872,975	494,538	3,367,513	394,980	98,739	493,719	3,861,232

		2019						
		Program services			Supporting services			Total
	Notes	Learning community	Applied learning	Subtotal	Management and general	Fund raising	Subtotal	
Staff costs	8	1,384,992	193,181	1,578,173	229,430	57,358	286,788	1,864,961
Travel		707,945	62,368	770,313	61,215	15,304	76,519	846,832
Contractual services		424,167	319,206	743,373	61,146	15,286	76,432	819,805
Field program expenses		811,506	-	811,506	-	-	-	811,506
Rental and maintenance	10	99,938	72,799	172,737	91,372	22,843	114,215	286,952
Supplies and materials		118,728	15,237	133,965	6,720	1,680	8,400	142,365
Depreciation and amortization	6	23,374	16,696	40,070	21,371	5,343	26,714	66,784
Communication		29,111	7,968	37,079	10,059	2,515	12,574	49,653
Printing and publications		31,961	1,541	33,502	1,868	467	2,335	35,837
Others		25,093	41,481	66,574	22,942	5,733	28,675	95,249
		3,656,815	730,477	4,387,292	506,123	126,529	632,652	5,019,944

The foregoing expenses incurred by the Institute are classified by functional category of program and supporting services. The functional categories included under program services are described as follows:

a. Learning Community Program

This program aims to: (1) enable people and their communities to effect meaningful change in their lives through research and learning process; and (2) generate knowledge about participatory human development through practical experience. Capacity building of people and their institutions is achieved at the community level through this program.

b. Applied Learning Program

This program aims to contribute to the global body of knowledge on organizational and program effectiveness and good governance through practical trainings, workshops, conferences, technical assistance, study programs and publications. The focus is to transform field experience into a unique, informed, evolving and on-site learning through interaction between community members and development practitioners engaged at national, regional and global levels.

Note 12 - Liquidity

The Institute's financial assets available within one year of the financial reporting date for general expenditure are as follows:

	Notes	2020	2019
Cash and cash equivalents	2	616,195	219,192
Investments	3	778,638	766,401
Contribution receivables	4	1,919,947	1,769,817
Other receivables	5	190,538	104,007
Total assets		3,505,318	2,859,417

The Institute's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions for the implementation of program services.

The Institute's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

As part of the Institute's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 13 - Financial risk management objectives and policies

The Institute's principal financial instruments consist mainly of cash and cash equivalents, investments, contribution and other receivables, accounts payable and other current liabilities (excluding statutory payables). The main purpose of these financial instruments is to maintain security and liquidity. Subject to that objective, the Institute seeks a reasonable return on its investments given their risk profile. The Institute is restricted to invest in instruments of a limited class of issuers, particularly government or government-guaranteed obligations, money market mutual funds and corporate obligations.

Concentration of risks

Custodial Credit Risk. Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

Interest Rate Risk. Disclosure of the maturities of investments is required when the fair market value is adversely affected by changes in interest rates. Investments are intended to be held for an undefined period.

Foreign Currency Risk. Foreign exchange risk is the risk that the value of the Institute's financial instrument will fluctuate due to changes in foreign exchange rates. The Institute has recognized in the statements of activities net foreign exchange gain of US\$34,691 in 2020 (2019 - US\$72,408 loss).

The Institute's foreign currency-denominated monetary assets and liabilities as at December 31 and their functional currency equivalent follow:

	2020									
	Original currency									Functional currency
	PHP	ETB	KES	UGX	KHR	SSP	EUR	GBP	MMK	
Financial assets:										
Cash and cash equivalents	4,562,037	1,599,504	3,772,751	24,352,124	635,548	4,165	10,233	408	2,057,574	191,695
Contribution receivables	5,360,696	3,588,123	(3,486,714)	1,392,941,033	(27,786,460)	-	(82,001)	(32,210)	-	403,226
Other receivables	2,736,983	238,618	(531,609)	463,693,533	-	-	-	-	4,027,157	182,472
Financial liabilities										
Accounts payable and other current liabilities	(6,465,420)	(794,937)	1,272,050	(601,437,156)	-	-	(800)	-	-	(302,639)
Net foreign currency - denominated financial assets	6,194,296	4,631,307	1,026,478	1,279,549,534	(27,150,912)	4,165	(72,567)	(31,802)	6,084,731	474,754
	2019									
	Original currency									Functional currency
	PHP	ETB	KES	UGX	KHR	SSP	EUR	GBP	MMK	
Financial assets:										
Cash and cash equivalents	4,647,175	1,066,014	4,255,578	24,949,103	655,677	24,224	30,947	408	2,306	209,677
Contribution receivables	4,030,429	5,373,086	202,103	1,637,513,388	-	-	-	-	-	701,953
Other receivables	3,325,832	275,884	48,132	27,360,675	-	-	-	-	-	82,173
Financial liabilities										
Accounts payable and other current liabilities	(4,395,394)	(858,563)	(328,971)	(231,490,376)	-	-	-	-	-	(180,633)
Net foreign currency - denominated financial assets	7,608,042	5,856,421	4,176,842	1,458,332,790	655,677	24,224	30,947	408	2,306	813,170

In the revaluation of its foreign currency-denominated financial assets and liabilities, the Institute used the following exchange rates as at December 31:

	2020	2019
Philippine peso (PHP)	48.02	50.82
Kenyan shillings (KES)	109.15	100.33
Euro (EUR)	0.82	0.90
Ethiopian birr (ETB)	39.32	31.65
Ugandan shillings (UGX)	3,657.48	3,631.94
United Kingdom pounds (GBP)	0.82	0.77
Sudanese pound (SSP)	155	130.26
Cambodian riel (KHR)	4,045.50	4,005.11
Myanmar kyats (MMK)	1,327.81	1,468.96
Zimbabwean dollar (ZWD)	81.79	-

The following table demonstrates the sensitivity to a reasonable possible change in U.S. dollar exchange rate, with all variables held constant, of the Institute's excess of revenue, gains and other support over expenses as at December 31:

	PHP	ETB	KES	UGX	KHR	SSP	EUR	GBP	MMK
<i>December 31, 2020</i>									
Increase by 10%	86,366	36,979	31,423	6,053	143	24	11,365	507	1,409
Decrease by 10%	105,559	45,197	38,405	7,398	175	30	13,890	619	1,722
<i>December 31, 2019</i>									
Increase by 10%	(13,610)	(16,822)	3,785	(36,503)	(15)	(17)	(3,126)	(48)	-
Decrease by 10%	16,634	20,560	44,614	44,614	18	21	3,821	59	-

Note 14 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

14.1 Basis of preparation

The financial statements of the Institute have been presented on the accrual basis in accordance with accounting principles generally accepted in the U.S.A. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide").

14.2 Financial statement presentation

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute and changes therein are classified as follows:

- Net assets without donor restrictions

Net assets that are not subject to any donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The Institute's Board of Trustees (BOT) may designate assets without restrictions for specific operational purposes from time to time.

- Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time.

Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

14.3 Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses when incurred and measurable, regardless of when the related cash flows take place. Non-exchange transactions, in which the Institute receives value without directly giving equal value in exchange, include grants and private donations. On an accrual basis, revenue from these transactions is recognized in the year in which all criteria are satisfied, if measurable and probable of collection.

14.4 Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, bank charges, and other activities considered to be of a more unusual or nonrecurring nature.

14.5 Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S.A. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, expenses, or other changes in net assets during the year. Actual results could differ from these estimates.

14.6 Cash and cash equivalents

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

14.7 Investments

Investments are reported at fair value based on quoted market prices. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees. The average cost method is primarily used to determine the basis for computing realized gains or losses.

14.8 Contributions and other receivables

Contributions and other receivables are recognized initially at fair value. After initial measurement, contributions and other receivables are carried at amortized cost using the effective interest rate method, less any allowance for impairment. Unconditional promise to give in future periods are initially recorded at estimated fair value determined using the discounted present value of expected cash flows and subsequently amortized over the expected payment period, net of allowance for impairment. The discount rates are determined at the time the unconditional promise to give is initially received.

The allowance is established by charges to the statement of activities in the form of provision for doubtful accounts. The allowance for uncollectible contributions receivable is based upon the Institute's analysis of past collection experience, pledge activity and other judgmental factors.

14.9 Property and equipment

Property and equipment are recorded at cost and depreciated or amortized on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the shorter of the remaining lease term or the useful life of the improvement. Contributed items are recorded at fair value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as with donor restrictions. In the absence of such stipulation, contributions of equipment are recorded as without donor restrictions.

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

Leasehold improvements	10 to 25 years or the term of the lease, whichever period is shorter
Buildings	10 to 25 years
Furniture and office equipment	3 to 5 years
Transportation equipment	5 to 8 years
Other equipment	5 to 10 years

14.10 Revenue and expense recognition

Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenue in the year they are received or promised, whichever is earlier. An unconditional promise to give is recognized when a promise is made or received, provided there is sufficient evidence in the form of verifiable documentation. Donor-restricted contributions whose restrictions are met or have expired in the same reporting year are classified as without donor restrictions support.

Contributions and grants received intended for projects to be undertaken in future years are accounted for as with donor restrictions net assets.

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in under the without donor restrictions net assets unless their use is restricted by explicit donor stipulation.

Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Revenue from other services, such as training, workshops, study programs, customized courses and technical assistance, are recognized when services have been rendered and collection is reasonably

Revenue from use of campus facilities is recognized based on actual occupancy and when collection is reasonably assured.

Revenues from sale of books and other published materials are recognized when the significant risks and rewards of ownership of the published materials have passed to the buyer and the amount of revenues can be reliably measured.

Expenses are generally reported as decreases in without donor restrictions net assets. Expirations of donor-imposed stipulations or of the BOT designations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets.

14.11 Functional allocation of expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

	Method of allocation
Staff costs	Time and effort
Contractual services	Time and effort
Rental and maintenance	Square footage or utilization
Travel	Time and effort
Supplies and materials	Time and effort
Communications	Time and effort
Printing and publications	Full time equivalent
Others	Time and effort

14.12 Retirement benefits

The Institute's retirement benefit expense is based on the defined benefit retirement plan for employees in the Philippines and defined contribution retirement plan for employees in the U.S.A. and Africa Regional Center. Defined benefit retirement plan includes the service cost determined under the projected unit credit method. This method reflects benefits earned by the employees to the date of the valuation taking into consideration the employees' projected salaries. Under the defined contribution retirement plan, the Institute's obligation for each reporting period is determined by the amounts to be contributed for that reporting period.

14.13 Translation of Philippine and Other Regional Centers' Financial Statements

Financial statements of the Institute's Philippine and other Regional Centers are translated in accordance with ASC No. 830, Foreign Currency Matters. Under this method, assets and liabilities, expressed in Philippine pesos (PHP), Kenyan shillings (KES), Ugandan shillings (UGX), Ethiopian birr (ETB), Sudanese pound (SSP), United Kingdom pound (GBP), Cambodian riel (KHR), Myanmar kyats (MMK), and Zimbabwean dollar (ZWD), have been translated into U. S. dollar amounts at the closing exchange rates at the financial position date, while revenues and expenses have been translated at the average exchange rate of each center for the year. Other changes in fund balances are translated at the rate in effect in the year the transactions were originally recorded.

14.14 Functional and reporting currency

The functional and reporting currency of the Institute is the U.S. dollar. All values are rounded to the nearest dollar unit, unless otherwise indicated.

14.15 Fair value of financial instruments

Fair value is defined as the amount at which asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The inputs are prioritized according to the valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs), and the lowest priority to measurements involving insignificant unobservable inputs (Level 3 inputs).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.

Level 2: Inputs other than quoted prices Included in Level I that are either directly or indirectly observable for the assets or liabilities.

Level 3: Inputs are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair values of cash and cash equivalents, contribution receivables, other receivables, and accounts payable and other current liabilities approximate their carrying values due to the relatively short-term maturity of these financial instruments.

14.16 Events after the reporting date

The outbreak of novel coronavirus (COVID-19) continues to spread throughout countries across the world. The World Health Organization declared the outbreak a "public health emergency of international concern" (PHEIC), affecting many people's lives and their ways of living. Countries across the world has imposed stringent social distancing measures and community quarantines. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The restrictive measures resulted in the shutdown of the Institute's offices' program and support services from March to May 2020 which greatly affected the utilization of the grants as well as level of revenue earned from other sources during the year. The restrictive measures were generally becoming less stringent towards the end of 2020 based on the government mandates and directives. From July to December 2020, the Institute's offices slowly started to conduct its line-up of programs.

Given the dynamic nature of these circumstances, management is in close monitoring of the impact of COVID-19 on its 2021 operations through developing different scenarios with forecast that will require managerial decision if the specific situation will arise, such as cost-cutting measures, deferring activities to other periods, pre-arrangement and negotiations with funders of revised timeline and mode of grant activities. The Institute's general plan on the worst-case scenario is to operate within its available funds wherein its operations will not be exposed to substantial obligations.

As at date of approval of financial statements, the Institute believes that there are no asset impairment indicators, the liquidity risk is low and have therefore no reason to assume that the situation warrants disclosure of a specific material going concern uncertainty for the Institute in preparing the December 31, 2020 financial statements. However, it is currently uncertain what the magnitude of the impact will be and the effect on the next financial year. This will depend, among others, on the continuing spread of the virus and how long the restrictive measures taken by the government will last. As COVID-19 continues to evolve, management has been implementing measures to mitigate and reduce the negative impact of the pandemic on the Institute's activities.

International Institute of Rural Reconstruction
(A Nonprofit, Nonstock Organization)

Statement of Activities - Operating Basis
For the year ended December 31, 2020
(With comparative figures as at December 31, 2019)
(All amounts in U.S. Dollar)

	December 31, 2020			December 31, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues						
Grants/contributions:						
Foundations	-	2,036,408	2,036,408	-	2,364,369	2,364,369
Corporation	303,641	101,907	405,548	29,555	107,923	137,478
Government	159,001	224,056	383,057	-	708,121	708,121
Individuals	57,597	25,972	83,569	168,562	30,376	198,938
Total grants/contributions	520,239	2,388,343	2,908,582	198,117	3,210,789	3,408,906
Earned income						
Use of campus facilities	111,954	-	111,954	644,802	-	644,802
Trainings, courses, study missions, technical assistance	100,366	-	100,366	388,837	-	388,837
Workshops	-	-	-	28,411	-	28,411
Publication sales	-	-	-	3,901	-	3,901
Total earned income	212,320	-	212,320	1,065,951	-	1,065,951
Others - net	76,404	-	76,404	92,121	-	92,121
Satisfactions of program restrictions	2,440,968	(2,440,968)	-	3,070,591	(3,070,591)	-
Total operating revenues	3,249,931	(52,625)	3,197,306	4,426,780	140,198	4,566,978
Operating expenses						
Staff costs	1,643,904	-	1,643,904	1,864,961	-	1,864,961
Contractual services	1,075,798	-	1,075,798	819,805	-	819,805
Travel	341,058	-	341,058	846,832	-	846,832
Rental and maintenance	336,380	-	336,380	286,952	-	286,952
Supplies and materials	147,856	-	147,856	142,365	-	142,365
Communications	37,739	-	37,739	49,653	-	49,653
Printing and publications	14,916	-	14,916	35,837	-	35,837
Field program expenses	-	-	-	811,506	-	811,506
Others	206,529	-	206,529	95,249	-	95,249
Total operating expenses	3,804,180	-	3,804,180	4,953,160	-	4,953,160

	December 31, 2020			December 31, 2019			
	Notes	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating deficit		(554,249)	(52,625)	(606,874)	(526,380)	140,198	(386,182)
Adjustments to operating revenues and expenses							
Grants for future and prior periods		-	77,128	77,128	-	(983,072)	(983,072)
Translation and exchange gain (loss)	13	34,691	-	34,691	(72,408)	-	(72,408)
Investment transactions	3	116,369	-	116,369	152,970	-	152,970
Depreciation expense	6	(57,052)	-	(57,052)	(66,784)	-	(66,784)
Deficiency of revenues, gains and other support over expenses		(460,241)	24,503	(435,738)	(512,602)	(842,874)	(1,355,476)