

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

Financial Statements

As at and for the years ended December 31, 2022 and 2021



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 statements of financial position as at December 31, 2022 and 2021, statements of activities and changes in net assets and statements of cash flows for the years 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.



Isla Lipana & Co.

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International Institute of Rural Reconstruction
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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, 2022 and 2021, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Isla Lipana & Co.

Makati City, Philippines
March 27, 2024

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

Statements of Assets, Liabilities and Net Assets
As at December 31, 2022 and 2021
(All amounts in U.S. Dollar)

	Notes	2022	2021
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	2,092,956	1,860,603
Investments	3, 9	586,838	683,102
Contribution receivables	4	3,308,028	2,182,684
Other receivables	5	235,396	156,495
Prepayments and other current assets		16,338	22,574
Total current assets		6,239,556	4,905,458
Non-current assets			
Non-current portion of contribution receivables	4	1,686,852	4,324,273
Property and equipment, net	6	120,841	80,604
Retirement benefit asset, net	8	81,823	76,467
Other non-current assets		58,470	26,382
Total non-current assets		1,947,986	4,507,726
Total assets		8,187,542	9,413,184
<u>LIABILITIES AND NET ASSETS</u>			
Current liability			
Account payables and other current liabilities	7	2,915,900	771,150
Non-current liability			
Other liabilities		2,404	2,628
Total liabilities		2,918,304	773,778
Net assets			
Without donor restrictions	9	1,439,904	1,307,816
With donor restrictions	9	3,829,334	7,331,590
Total net assets		5,269,238	8,639,406
Total liabilities and net assets		8,187,542	9,413,184

The notes on pages 1 to 16 are an integral part of these financial statements.

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

Statements of Activities and Changes in Net Assets
For the years ended December 31, 2022 and 2021
(All amounts in U.S. Dollar)

	Notes	2022			2021		
		Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating activities							
Operating revenues							
Contributions/Grants:							
Foundations		25,881	1,737,449	1,763,330	209,000	1,839,344	2,048,344
Government		14,996	127,796	142,792	-	4,683,835	4,683,835
Corporation		136,049	67,781	203,830	68,972	46,758	115,730
Individual		115,617	-	115,617	275,419	-	275,419
Training courses, study missions and technical assistance		181,426	-	181,426	166,556	-	166,556
Use of campus facilities		132,649	-	132,649	118,855	-	118,855
Workshops		5,000	-	5,000	-	-	-
Publication sales		-	-	-	175	-	175
Others		198,336	-	198,336	247,208	-	247,208
Total operating revenues before releases		809,954	1,933,026	2,742,980	1,086,185	6,569,937	7,656,122
Net assets released from restrictions -							
Satisfaction of program activities		5,435,282	(5,435,282)	-	2,326,627	(2,326,627)	-
Total operating revenues after releases		6,245,236	(3,502,256)	2,742,980	3,412,812	4,243,310	7,656,122
Operating expenses	11						
Learning community		5,151,741	-	5,151,741	2,238,793	-	2,238,793
Applied learning		111,856	-	111,856	309,451	-	309,451
Management and general		529,810	-	529,810	244,117	-	244,117
Fund raising		58,867	-	58,867	49,612	-	49,612
Total operating expenses		5,852,274	-	5,852,274	2,841,973	-	2,841,973
Change in net assets from operating activities		392,962	(3,502,256)	(3,109,294)	570,839	4,243,310	4,814,149
Non-operating activities							
Interest income	3, 9	10,209	-	10,209	10,835	-	10,835
Translation and exchange loss		(164,610)	-	(164,610)	(240,055)	-	(240,055)
Loss due to change in market values of investments	3, 9	(106,473)	-	(106,473)	96,991	-	96,991
Change in net assets from non-operating activities		(260,874)	-	(260,874)	(132,229)	-	(132,229)
Change in net assets		132,088	(3,502,256)	(3,370,168)	438,610	4,243,310	4,681,920
Net assets, beginning of the year		1,307,816	7,331,590	8,639,406	869,206	3,088,280	3,957,486
Net assets, end of the year		1,439,904	3,829,334	5,269,238	1,307,816	7,331,590	8,639,406

The notes on pages 1 to 16 are an integral part of these separate financial statements.

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

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in U.S. Dollar)

	Notes	2022	2021
Cash flows from operating activities			
Change in net assets		(3,370,168)	4,681,920
Adjustments for:			
Depreciation and amortization	6	31,756	46,283
Effect of foreign exchange rate changes translation		164,610	265,913
Loss (Gain) on changes in market value on investments	3, 9	106,473	(96,991)
Interest and dividend income	3	(10,209)	(10,835)
Net movement in retirement benefit asset	8	(35,873)	(15,639)
Adjusted net assets before working capital changes		(3,113,411)	4,870,651
Decrease (increase):			
Contribution receivables		1,392,644	(4,142,970)
Other receivables		(146,335)	35,375
Prepayments and other current assets		6,236	3,142
Increase (decrease):			
Accounts payable and other current liabilities		2,248,553	(192,123)
Other liabilities		(224)	(9)
Net cash provided by operating activities		387,463	574,066
Cash flows from investing activities			
Net withdrawal of investments	3	-	203,362
Additions to:			
Property and equipment	6	(94,384)	(362,038)
Other non-current assets		(32,089)	5,650
Net cash used in investing activities		(126,473)	(153,026)
Effects of foreign exchange rate changes on cash and cash equivalents			
		(28,637)	(5,995)
Net increase in cash and cash equivalents for the year			
		232,353	415,045
Cash and cash equivalents at beginning of the year		1,860,603	1,445,558
Cash and cash equivalents at end of the year	2	2,092,956	1,860,603

The notes on pages 1 to 16 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 years ended December 31, 2022

(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 unrest situation in Myanmar pushes the Institute to temporarily put on hold its operations in the said country since the said situation affects the banking, local and international travel of the Institute's staff and the overall implementation of project activities. The Institute is closely monitoring the situation and will resume operations once feasible.

The financial statements have been approved and authorized for issuance by the Board of Trustees (BOT) on March 27, 2024.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2022	2021
Cash in banks	1,522,280	921,525
Cash on hand	2,957	512,807
Short-term placements	567,719	426,271
	2,092,956	1,860,603

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents consists of investments to money market funds, exchange-traded & closed-end funds, mutual funds and stocks; these investments depend on market values and do not bear any maturity.

Cash and cash equivalents include restricted cash in banks and short-term placements amounting to US\$1,272,186 (2021 - US\$886,337), 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, 2022 and 2021 amounted to US\$285 and US\$7, respectively.

Note 3 - Investments

Investments as at December 31 consist of

	2022			Total
	Equity stocks	Short-term Money market placements	Long-term U.S. treasury notes	
Costs at January 1, 2022	399,009	-	-	399,009
Gain on changes in market value at January 1, 2022	147,299	80,718	56,076	284,093
Market values at January 1, 2022	546,308	80,718	56,076	683,102
Interest and dividends	10,209	-	-	10,209
Loss due to change in market values	(106,473)	-	-	(106,473)
Market values at December 31,2022	450,044	80,718	56,076	586,838

	2021			Total
	Equity stocks	Short-term Money market placements	Long-term U.S. treasury notes	
Costs at January 1, 2021	390,804	-	54,000	444,804
Gain on changes in market value at January 1, 2020	250,237	81,521	2,076	333,834
Market value at January 1, 2021	641,041	81,521	56,076	778,638
Interest and dividends	10,789	46	-	10,835
Withdrawals	(203,362)	-	-	(203,362)
Gain due to change in market value	97,840	(849)	-	96,991
Market value at December 31,2021	546,308	80,718	56,076	683,102

The above investments comprise the endowment funds as disclosed in Note 9.

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

As at December 31, 2022 and 2021, 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:

	2022	2021
In one year or less	3,308,028	2,182,684
Between one and five years	1,686,852	4,324,273
	4,994,880	6,506,957

Note 5 - Other receivables

Other receivables as at December 31 consist of:

	2022	2021
Trade receivables	185,574	102,011
Advances to officers and employees	49,822	54,484
	235,396	156,495

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 December 31, 2020	82,508	663,797	858,241	569,512	194,613	2,368,671
Additions	-	-	356,019	6,019	-	362,038
Disposals	-	-	-	(26,120)	-	(26,120)
Cumulative translation adjustments	(5,164)	(36,630)	(394,318)	(48,303)	(7,641)	(492,056)
At December 31, 2021	77,344	627,167	819,942	501,108	186,972	2,212,533
Additions	4,559	6,067	42,397	38,820	2,541	94,384
Cumulative translation adjustments	(6,109)	(55,006)	(54,471)	(25,473)	(3,492)	(144,551)
At December 31, 2022	75,794	578,228	807,868	514,455	186,021	2,162,366
Accumulated depreciation and amortization						
At December 31, 2020	51,164	658,765	817,514	485,968	185,441	2,198,852
Depreciation and amortization	3,566	3,557	20,105	17,040	2,015	46,283
Disposals	-	-	-	(26,120)	-	(26,120)
Cumulative translation adjustments	(2,832)	(35,155)	(50,582)	9,048	(7,565)	(87,086)
At December 31, 2021	51,898	627,167	787,037	485,936	179,891	2,131,929
Depreciation and amortization	3,213	1,795	20,288	4,698	1,762	31,756
Cumulative translation adjustments	(4,828)	(56,842)	(13,521)	(35,496)	(11,473)	(122,160)
At December 31, 2022	50,283	572,120	793,804	455,138	170,180	2,041,525
Carrying amounts						
At December 31, 2022	25,511	6,108	14,064	59,317	15,841	120,841
At December 31, 2021	25,446	-	32,905	15,172	7,081	80,604

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 \$10,936 in 2022 (2021 - \$12,097).

Management believes that there is no indication of impairment on its property and equipment as at December 31, 2022 and 2021.

Fully depreciated property and equipment that are still in use as at December 31, 2022 amounted to \$1,545,711 (2021- \$1,493,076).

Note 7 - Account payables and other current liabilities

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

	2022	2021
Fund set aside for field partners	2,371,946	151,806
Account payables	394,077	430,442
Statutory payables	122,959	162,055
Others	26,918	26,847
	2,915,900	771,150

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 are as follows:

	2022	2021
Retirement benefit obligation	252,142	281,301
Fair value of plan assets	(333,965)	(357,768)
Retirement benefit asset	(81,823)	(76,467)

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

	2022	2021
Current service cost	21,487	27,955
Interest cost	12,626	15,078
Expected return on plan assets	12,978	(3,606)
Amortization of transition obligation	(7,192)	(5,771)
	39,899	33,656

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:

	2022	2021
Beginning balance	281,301	424,459
Current service cost	21,487	27,955
Interest cost	12,626	15,078
Benefits paid	(18,762)	(148,624)
Actuarial gains	(20,294)	(12,478)
Translation adjustment	(24,216)	(25,089)
Ending balance	252,142	281,301

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

	2022	2021
Beginning balance	357,768	497,794
Actual return on plan assets	18,531	3,890
Contributions	-	27,849
Benefits paid	(18,762)	(148,624)
Actuarial loss	6,945	2,052
Translation adjustment	(30,517)	(25,193)
Ending balance	333,965	357,768

The principal actuarial assumptions used were as follows:

	2022	2021
Discount rate	7.18%	5.03%
Return on plan assets rate	0.43%	3.70%
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 \$53,481 in 2022 (2021 - \$30,523). The accruals related to this expense are recorded in statutory payables amounting to \$53,481 as at December 31, 2022 (2021 - \$46,732) in Note 7.

Note 9 - Net assets

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

	2022	2021
Subject to expenditures for specified purpose		
<i>Learning community program</i>		
Ministry of Agriculture, Animal Industries and Fisheries (MAAIF), Uganda	1,832,798	3,144,056
Ministry of Water and Environment (MWE), Uganda	506,542	1,330,637
International Development Research Center (IDRC)	323,446	-
Asian Development Bank (ADB)	195,828	-
Darwin Initiative	190,360	564,105
International Center for Tropical Agriculture (CIAT)	148,916	164,623
United Nations Food & Agriculture Organisation (FAO)	44,606	28,600
Asian Development Bank (ADB)	-	423,889
The United Nations Environment Programme (UNEP)	-	191,742
Swiss Agency Development Cooperation (SDC)	-	156,816
United Nations Development Programme (UNDP)	-	153,641
Asian Venture Philanthropy Network Pooled Fund (AVPN)	-	133,756
German Agency for International Cooperation (GIZ)	-	100,442
Individual project funders	-	62,435
Department of Agriculture (DA), Philippines	-	62,031
Swedish International Development Cooperation Agency	-	37,806
Banyan Tree Foundation (BTF)	-	29,245
Give2Asia	-	17,955
Metrobank Foundation, Philippines	-	11,500
Centenary Rural Development Bank Ltd	-	11,458
VARACCO	-	8,403
Johns Hopkins University (JHU)	-	7,174
Humane Society International (HSI)	-	4,465
Participatory Ecological Land Use Management (PELUM), Uganda	-	3,709
	3,242,496	6,648,488
<i>Endowment Funds</i>		
The Alice Yen Senior Fellowship Fund	452,715	526,987
The Employees' Welfare Fund	57,352	66,762
The Mr. & Mrs. Yen Mei Tang Memorial Fund	49,820	57,970
The Jimmy Yen Go to the People Fund	26,946	31,378
The Reader's Digest Endowment for Publications	5	5
	586,838	683,102
	3,829,334	7,331,590

The net assets comprising of funds without donor restrictions as at December 31, 2022 and 2021 amounts to \$1,439,904 and \$1,307,816, 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. In 2020, the donor authorized the temporary release of funds to the Institute for operating purposes, subject to restoration on a reasonable time.

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, 2022 and 2021 amounted to US\$83,271 and US\$96,960, respectively.

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

	2022	2021
Endowment net assets, beginning of year	683,102	778,638
Investment return, net	10,209	10,835
Changes in the market value	(106,473)	96,991
Amount appropriated for expenditure	-	(203,362)
Endowment of assets, end of year	586,838	683,102

Note 10 - Commitments and contingencies

The Institute leases various office spaces for its operations. The terms of these leases range from one (1) to three (3) years. Total rent expense amounted to \$46,472 and \$56,257 in 2022 and 2021, 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:

		2022						
		Program services			Supporting services			Total
	Notes	Learning community	Applied learning	Subtotal	Management and general	Fund raising	Subtotal	
Travel		1,901,368	30,305	1,931,673	34,105	3,789	37,894	1,969,567
Contractual services		1,658,893	12,221	1,671,114	149,358	16,595	165,953	1,837,067
Staff costs	8	1,235,731	54,835	1,290,566	221,018	24,558	245,576	1,536,142
Rental and maintenance		141,208	3,220	144,428	96,647	10,738	107,385	251,813
Supplies and materials		108,469	3,094	111,563	-	-	-	111,563
Depreciation and amortization	6	-	-	-	28,580	3,176	31,756	31,756
Printing and publications		33,220	226	33,446	102	11	113	33,559
Communications		24,548	228	24,776	-	-	-	24,776
Others		48,304	7,727	56,031	-	-	-	56,031
		5,151,741	111,856	5,263,597	529,810	58,867	588,677	5,852,274

		2021						
		Program services			Supporting services			Total
	Notes	Learning community	Applied learning	Subtotal	Management and general	Fund raising	Subtotal	
Staff costs	8	1,108,760	115,511	1,224,271	71,671	16,126	87,797	1,312,068
Contractual services		503,353	116,304	619,657	60,444	13,600	74,044	693,701
Rental and maintenance		268,233	36,428	304,661	48,023	10,805	58,828	363,489
Travel		215,990	16,969	232,959	-	-	-	232,959
Depreciation and amortization	6	-	-	-	42,118	4,165	46,283	46,283
Supplies and materials		88,622	6,403	95,025	474	106	580	95,605
Communications		23,957	3,859	27,816	3,910	879	4,789	32,605
Printing and publications		18,580	3,114	21,694	96	21	117	21,811
Others		11,298	10,863	22,161	17,381	3,910	21,291	43,452
		2,238,793	309,451	2,548,244	244,117	49,612	293,729	2,841,973

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	2022	2021
Cash and cash equivalents	2	820,770	974,266
Investments	3	586,838	683,102
Contribution receivables	4	3,308,028	2,182,684
Other receivables	5	235,396	156,495
Total assets		4,951,032	3,996,547

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, corporate obligations and certain index securities.

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 loss of US\$164,610 in 2022 (2021 - US\$240,055).

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

2022										
	Original currency									Functional currency
	PHP	ETB	KES	UGX	KHR	SSP	EUR	GBP	MMK	
Financial assets:										
Cash and cash equivalents	8,091,011	1,395,145	876,111	937,636,576	625,065	6,046	118	457	37,674	431,571
Contribution receivables	605,932	(10,030,761)	(4,906,536)	10,683,535,379	(27,786,460)	-	(145,933)	(32,210)	-	4,799,963
Other receivables	3,002,170	99,652	(479,643)	437,822,313	-	11,926,555	2,100	-	(132,554,449)	178,699
Financial liabilities:										
Accounts payable and other current liabilities	(6,092,130)	(2,366,149)	1,101,635	(6,377,588,886)	-	-	(800)	-	6,450,000	(3,091,802)
Net foreign currency - denominated financial assets (liabilities)	5,606,983	(10,902,113)	(3,408,433)	5,681,405,382	(27,161,395)	11,932,601	(144,515)	(31,753)	(126,066,775)	2,318,431
2021										
	Original currency									Functional currency
	PHP	ETB	KES	UGX	KHR	SSP	EUR	GBP	MMK	
Financial assets:										
Cash and cash equivalents	4,144,915	221,132	488,942	37,360,101	615,154	18,566	-	-	76,862	100,971
Contribution receivables	2,222,852	(1,548,897)	(4,906,536)	16,610,120,120	(27,786,460)	-	(145,933)	(32,210)	-	4,467,474
Other receivables	1,638,528	117,964	(295,147)	208,069,071	-	-	2,100	-	2,027,587	82,524
Financial liabilities:										
Accounts payable and other current liabilities	(13,894,738)	(1,555,155)	1,267,715	(236,486,420)	-	-	(800)	-	4,450,000	(343,422)
Net foreign currency - denominated financial assets (liabilities)	(5,888,443)	(2,764,956)	(3,445,026)	16,619,062,872	(27,171,306)	18,566	(144,633)	(32,210)	6,554,449	4,307,547

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

	2022	2021
Philippines peso (PHP)	55.73	51.00
Kenyan shillings (KES)	123.41	113.15
Euro (EUR)	0.93	0.88
Ethiopian birr (ETB)	53.56	49.15
Ugandan shillings (UGX)	3,715.16	3,545.59
United Kingdom pound (GBP)	0.83	0.74
Sudanese pound (SSP)	671.04	130.26
Cambodian riel (KHR)	4,118.50	4,053.20
Myanmar kyats (MMK)	2,100.00	1,770.00

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, 2022</i>									
Increase by 10%	131,986	23,679	6,454	229,437	138	8	115	502	16
Decrease by 10%	161,317	28,941	7,888	280,424	169	10	140	614	20
<i>December 31, 2021</i>									
Increase by 10%	73,887	4,090	3,312	9,579	138	130	115	502	39
Decrease by 10%	90,306	4,999	4,048	11,708	169	158	140	613	48

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) and Myanmar kyats (MMK) 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

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

The Institute evaluated events subsequent to December 31, 2022 through March 27, 2024. It was determined that there were no subsequent events or transactions that were material in the financial statements at December 31, 2022.

Note 15 - Other matters

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 program and support services of the Institute's offices from March 2020 through part of 2022 for some countries, which greatly affected the utilization of the grants as well as level of revenue earned from other sources during this period of time. Nonetheless, in 2021, the Institute's offices slowly started to conduct its line-up of programs. In 2022, the situation significantly improved due to the decline in infections and the removal of mobility restrictions in the second half of the said year. While the pandemic still poses some risks and uncertainties, the Institute, however, continues to adapt and comply with various government's restriction measures and requirements and is expecting to absorb some conceivable financial impact due to volatile economic conditions.

The WHO has from time to time warned against the emergence of new variants. Given the dynamic nature of these circumstances, management is closely monitoring the impact of COVID-19 on its operations through developing different scenarios that will require managerial decisions if specific situations arise, such as in regard to 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 in 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 we have therefore no reason to assume that the situation warrants disclosure of a specific material going concern uncertainty for the Institute in preparing its December 31, 2022 and 2021 financial statements.

International Institute of Rural Reconstruction

(A Nonprofit, Nonstock Organization)

Statement of Activities - Operating Basis

For the years ended December 31, 2022

(All amounts in U.S. Dollar)

	December 31, 2022			December 31, 2021			
	Notes	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues							
Grants/contributions:							
Foundations		25,881	1,970,687	1,996,568	209,000	1,720,561	1,929,561
Government		14,996	3,063,818	3,078,814	-	289,019	289,019
Individuals		115,617	26,050	141,667	275,419	-	275,419
Corporation		136,049	74,771	210,820	68,972	129,350	198,322
Total grants/contributions		292,543	5,135,326	5,427,869	553,391	2,138,930	2,692,321
Earned income							
Use of campus facilities		132,649	-	132,649	118,855	-	118,855
Trainings, courses, study missions, technical assistance		181,426	-	181,426	166,556	-	166,556
Workshops		5,000	-	5,000	-	-	-
Publication sales		-	-	-	175	-	175
Total earned income		319,075	-	319,075	285,586	-	285,586
Others - net		208,545	-	208,545	258,043	-	258,043
Satisfactions of program restrictions		5,435,282	(5,435,282)	-	2,326,627	(2,326,627)	-
Total operating revenues		6,255,445	(299,956)	5,955,489	3,423,647	(187,697)	3,235,950
Operating expenses							
Travel		1,969,567	-	1,969,567	232,959	-	232,959
Contractual services		1,837,067	-	1,837,067	693,701	-	693,701
Staff costs		1,536,142	-	1,536,142	1,312,068	-	1,312,068
Rental and maintenance		251,813	-	251,813	363,489	-	363,489
Supplies and materials		111,563	-	111,563	95,605	-	95,605
Printing and publications		33,559	-	33,559	21,811	-	21,811
Communications		24,776	-	24,776	32,605	-	32,605
Others		56,031	-	56,031	43,452	-	43,452
Total operating expenses		5,820,518	-	5,820,518	2,795,690	-	2,795,690
Operating excess (deficit)		434,927	(299,956)	134,971	627,957	(187,697)	440,260
Adjustments to operating revenues and expenses							
Grants for future and prior periods			(3,202,300)	(3,202,300)	-	4,431,007	4,431,007
Translation and exchange loss	13	(164,610)	-	(164,610)	(240,055)	-	(240,055)
Investment transactions	3	(106,473)	-	(106,473)	96,991	-	96,991
Depreciation expense	6, 11	(31,756)	-	(31,756)	(46,283)	-	(46,283)
Excess (Deficiency) of revenues, gains and other support over expenses		132,088	(3,502,256)	(3,370,168)	438,610	4,243,310	4,681,920