

Institute of Rural Reconstruction

(A Nonprofit, Nonstock
Organization)

Financial Statements

As at and for the years ended December 31, 2023 and 2022



pwc



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

Opinion

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, 2023 and 2022, statements of activities and changes in net assets and statements of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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To the Board of Trustees of
International Institute of Rural Reconstruction
(A Nonprofit, Nonstock Organization)
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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with ISA, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Isla dipana & Co.

Makati City, Philippines
April 10, 2025

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

Statements of Assets, Liabilities and Net Assets
As at December 31, 2023 and 2022
(All amounts in U.S. Dollar)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	2	9,128,341	2,092,956
Investments	3, 9	698,123	586,838
Contribution receivables	4	1,521,833	3,308,028
Other receivables	5	49,209	235,396
Prepayments and other current assets		82,036	16,338
Total current assets		11,479,542	6,239,556
Non-current assets			
Non-current portion of contribution receivables	4	3,434,829	1,686,852
Property and equipment, net	6	172,126	120,841
Retirement benefit asset, net	8	85,214	81,823
Other non-current assets		58,471	58,470
Total non-current assets		3,750,640	1,947,986
Total assets		15,230,182	8,187,542
Liabilities and Net Assets			
Current liability			
Account payables and other current liabilities	7	2,072,914	2,915,900
Non-current liability			
Other liabilities		1,264	2,404
Total liabilities		2,074,178	2,918,304
Net assets			
Without donor restrictions	9	2,008,456	1,439,904
With donor restrictions	9	11,147,548	3,829,334
Total net assets		13,156,004	5,269,238
Total liabilities and net assets		15,230,182	8,187,542

The notes on pages 1 to 15 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, 2023 and 2022
(All amounts in U.S. Dollar)

		2023			2022		
	Notes	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating activities							
Operating revenues							
Contributions/Grants:							
Foundations		32,500	10,333,181	10,365,681	25,881	1,737,449	1,763,330
Government		-	318,049	318,049	14,996	127,796	142,792
Corporation		22,306	78,785	101,091	136,049	67,781	203,830
Individual		195,247	13,000	208,247	115,617	-	115,617
Training courses, study missions and technical assistance		152,638	-	152,638	181,426	-	181,426
Use of campus facilities		218,176	-	218,176	132,649	-	132,649
Workshops		-	-	-	5,000	-	5,000
Others		243,731	-	243,731	198,336	-	198,336
Total operating revenues before releases		864,598	10,743,015	11,607,613	809,954	1,933,026	2,742,980
Net assets released from restrictions							
Satisfaction of program activities		3,424,801	(3,424,801)	-	5,435,282	(5,435,282)	-
Total operating revenues after releases		4,289,399	7,318,214	11,607,613	6,245,236	(3,502,256)	2,742,980
Operating expenses	11						
Learning community		3,357,105	-	3,357,105	5,151,741	-	5,151,741
Applied learning		139,912	-	139,912	111,856	-	111,856
Management and general		329,501	-	329,501	529,810	-	529,810
Fund raising		28,650	-	28,650	58,867	-	58,867
Total operating expenses		3,855,168	-	3,855,168	5,852,274	-	5,852,274
Change in net assets from operating activities		434,231	7,318,214	7,752,445	392,962	(3,502,256)	(3,109,294)
Non-operating activities							
Interest income	3, 9	13,242	-	13,242	10,209	-	10,209
Translation and exchange gain (loss)		23,036	-	23,036	(164,610)	-	(164,610)
Gain (Loss) due to change in market values of investments	3, 9	98,043	-	98,043	(106,473)	-	(106,473)
Change in net assets from non-operating activities		134,321	-	134,321	(260,874)	-	(260,874)
Change in net assets		568,552	7,318,214	7,886,766	132,088	(3,502,256)	(3,370,168)
Net assets, beginning of the year		1,439,904	3,829,334	5,269,238	1,307,816	7,331,590	8,639,406
Net assets, end of the year		2,008,456	11,147,548	13,156,004	1,439,904	3,829,334	5,269,238

The notes on pages 1 to 15 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, 2023 and 2022
(All amounts in U.S. Dollar)

	Notes	2023	2022
Cash flows from operating activities			
Change in net assets		7,886,766	(3,370,168)
Adjustments for:			
Depreciation and amortization	6	46,946	31,756
Net movement in retirement benefit asset	8	(1,919)	(35,873)
Interest and dividend income	3	(13,242)	(10,209)
Effect of foreign exchange rate changes translation		(23,036)	164,610
(Gain) Loss on changes in market value on investments	3, 9	(98,043)	106,473
Adjusted net assets before working capital changes		7,797,472	(3,114,411)
Decrease (increase):			
Contribution receivables		(33,943)	1,392,644
Other receivables		245,476	(146,335)
Prepayments and other current assets		(65,698)	6,236
Increase (decrease):			
Accounts payable and other current liabilities		(799,926)	2,248,553
Other liabilities		(1,140)	(224)
Net cash provided by operating activities		7,142,241	387,463
Cash flows from investing activities			
Additions to:			
Property and equipment	6	(106,707)	(94,384)
Other non-current assets		-	(32,089)
Net cash used in investing activities		(106,707)	(126,473)
Effects of foreign exchange rate changes on cash and cash equivalents		(149)	(28,637)
Net increase in cash and cash equivalents for the year		7,035,385	232,353
Cash and cash equivalents at beginning of the year		2,092,956	1,860,603
Cash and cash equivalents at end of the year	2	9,128,341	2,092,956

The notes on pages 1 to 15 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, 2023 and 2022

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

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 legal headquarters is in New York, USA while the operational 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; and Juba, South Sudan.

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 April 10, 2025.

2 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2023	2022
Cash in banks	1,704,266	1,522,280
Cash on hand	3,777	2,957
Short-term placements	7,420,298	567,719
	9,128,341	2,092,956

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents consist of investments to money market funds, exchange-traded and 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\$7,935,723 (2022 - US\$1,272,186), 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, 2023 and 2022 amounted to US\$672 and US\$285, respectively.

3 Investments

Investments as at December 31 consist of

2023				
		Short-term	Long-term	
	Equity stocks	Money market placements	U.S. treasury notes	Total
Costs at January 1, 2023	408,759	-	-	408,759
Gain on changes in market value at January 1, 2023	41,285	80,718	56,076	178,079
Market values at January 1, 2023	450,044	80,718	56,076	586,838
Interest and dividends	13,242	-	-	13,242
Loss due to change in market values	98,043	-	-	98,043
Market values at December 31, 2023	561,329	80,718	56,076	698,123

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

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, 2023 and 2022, 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.

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:

	2023	2022
In one year or less	1,521,833	3,308,028
Between one and five years	3,434,829	1,686,852
	4,956,662	4,994,880

5 Other receivables

Other receivables as at December 31 consist of:

	2023	2022
Trade receivables	17,299	185,574
Advances to officers and employees	31,910	49,822
	49,209	235,396

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.

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, 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
Disposals	-	-	-	-	-	-
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
Additions	-	4,757	62,272	23,049	16,629	106,707
Disposals	-	-	(9,038)	(27,603)	-	(36,641)
Cumulative translation Adjustments	448	3,747	2,403	1,342	(12,808)	(4,868)
At December 31, 2023	76,242	586,732	863,505	511,243	189,842	2,227,564
Accumulated depreciation and amortization						
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
Disposals	-	-	-	-	-	-
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
Depreciation and amortization	3,968	2,369	26,325	9,530	4,754	46,946
Disposals	-	-	(9,038)	(27,603)	-	(36,641)
Cumulative translation adjustments	313	3,390	(1,227)	1,332	(200)	3,608
At December 31, 2023	54,564	577,879	809,864	438,397	174,734	2,055,438
Carrying amounts						
At December 31, 2023	21,678	8,853	53,641	72,846	15,108	172,126
At December 31, 2022	25,511	6,108	14,064	59,317	15,841	120,841

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 \$10,715 in 2023 (2022 - \$10,936).

Management believes that there is no indication of impairment on its property and equipment as at December 31, 2023 and 2022.

Fully depreciated property and equipment that are still in use as at December 31, 2023 amounted to \$1,798,958 (2022 - \$1,545,711).

7 Account payables and other current liabilities

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

	2023	2022
Fund set aside for field partners	1,420,928	2,371,946
Account payables	442,106	394,077
Statutory payables	186,252	122,959
Others	23,628	26,918
	2,072,914	2,915,900

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.

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

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.

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:

	2023	2022
Retirement benefit obligation	273,346	252,142
Fair value of plan assets	(358,560)	(333,965)
Retirement benefit asset	(85,214)	(81,823)

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

	2023	2022
Current service cost	23,931	21,487
Interest cost	12,834	12,626
Expected return on plan assets	1,254	12,978
Amortization of transition obligation	(7,311)	(7,192)
	30,708	39,899

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:

	2023	2022
Beginning balance	252,142	281,301
Current service cost	23,931	21,487
Interest cost	12,834	12,626
Benefits paid	(14,033)	(18,762)
Actuarial loss	(3,099)	(20,294)
Translation adjustment	1,571	(24,216)
Ending balance	273,346	252,142

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

	2023	2022
Beginning balance	333,965	357,768
Actual return on plan assets	12,834	18,531
Contributions	23,857	-
Benefits paid	(14,033)	(18,762)
Actuarial loss	(130)	6,945
Translation adjustment	2,067	(30,517)
Ending balance	358,560	333,965

The principal actuarial assumptions used were as follows:

	2023	2022
Discount rate	6.09%	7.18%
Return on plan assets rate	0.03%	0.43%
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 \$62,957 in 2023 (2022 - \$53,481). The accruals related to this expense are recorded in statutory payables amounting to \$62,957 as at December 31, 2023 (2022 - \$53,481) in Note 7.

9 Net assets

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

	2023	2022
Subject to expenditures for specified purpose		
<i>Learning community program</i>		
Mastercard Foundation (MCF)	6,998,403	-
International Development Research Center (IDRC)	1,387,753	323,446
Ministry of Agriculture, Animal Industries and Fisheries (MAAIF), Uganda	524,382	1,832,798
United Nations Development Programme (UNDP)	336,840	-
International Rice Research Institute (IRRI)	311,794	-
Ministry of Water and Environment (MWE), Uganda	207,899	506,542
Africa Enterprise Challenge Fund (AECF)	141,717	-
U.S. Agency for International Development (USAID)	121,142	-
Asian Development Bank (ADB)	80,462	195,828
Wildlife Conservation Society (WCS)	69,638	-
Darwin Initiative	66,896	190,360
International Center for Living Aquatic Resources Management (ICLARM)	48,166	-
Biodiversity International	34,997	-
Save the Children Fund	33,064	-
German Agency for International Cooperation (GIZ)	31,636	-
World Vegetable Center (WVC)	27,892	-
International Center for Tropical Agriculture (CIAT)	14,539	148,916
Metrobank Foundation, Philippines	8,018	-
United Nations Food & Agriculture Organisation (FAO)	4,187	44,606
	10,449,425	3,242,496
<i>Endowment Funds</i>		
The Alice Yen Senior Fellowship Fund	538,658	452,715
The Employees' Welfare Fund	68,242	57,352
The Mr. & Mrs. Yen Mei Tang Memorial Fund	59,251	49,820
The Jimmy Yen Go to the People Fund	31,967	26,946
The Reader's Digest Endowment for Publications	5	5
	698,123	586,838
	11,147,548	3,829,334

The net assets comprising of funds without donor restrictions as at December 31, 2023 and 2022 amounts to \$2,008,456 and \$1,439,904, 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, 2023 and 2022 amounted to US\$98,779 and US\$83,271, respectively.

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

	2023	2022
Endowment net assets, beginning of year	586,838	683,102
Investment return, net	13,242	10,209
Changes in the market value	98,043	(106,473)
Endowment of assets, end of year	698,123	586,838

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 \$91,807 and \$46,472 in 2023 and 2022, respectively, and is shown as part of "Rental and maintenance" under "Operating expenses" account in the statements of activities (see Note 11).

11 Operating expenses

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

2023								
	Notes	Program services			Supporting services		Subtotal	Total
		Learning community	Applied learning	Subtotal	Management and general	Fund raising		
Staff costs	8	1,301,095	15,709	1,316,804	155,670	14,371	170,041	1,486,845
Contractual services		796,272	64,884	861,156	-	-	-	861,156
Rental and maintenance		491,311	10,291	501,602	86,197	7,956	94,153	595,755
Travel		429,179	34,267	463,446	18,667	1,723	20,390	483,836
Supplies and materials		108,247	8,673	116,920	-	-	-	116,920
Printing and publications		77,898	2,571	80,469	1,249	115	1,364	81,833
Depreciation and amortization	6	12,253	1,361	13,614	30,515	2,817	33,332	46,946
Communications		18,023	950	18,973	8,546	789	9,335	28,308
Others		122,827	1,206	124,033	28,657	879	29,536	153,569
		3,357,105	139,912	3,497,017	329,501	28,650	358,151	3,855,168

2022								
	Notes	Program services			Supporting services		Subtotal	Total
		Learning community	Applied learning	Subtotal	Management and general	Fund raising		
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

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.

12 Liquidity

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

	Notes	2023	2022
Cash and cash equivalents	2	1,192,618	820,770
Investments	3	698,123	586,838
Contribution receivables	4	1,521,833	3,308,028
Other receivables	5	49,209	235,396
Total assets		3,461,783	4,951,032

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.

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 gain of US\$23,036 (loss of US\$164,610 in 2023).

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

2023										
	Original currency									Functional currency
	PHP	ETB	KES	UGX	KHR	SSP	EUR	GBP	MMK	
Financial assets:										
Cash and cash equivalents	6,383,600	308,835	325,861	50,697,321	633,333	84,785	115	431	-	172,991
Contribution receivables	(128,657)	(28,377,932)	(4,906,536)	8,045,115,467	(27,786,460)	-	(145,933)	(32,210)	-	4,569,398
Other receivables	1,118,077	93,408	(685,317)	44,229,818	-	11,926,555	2,100	-	(191,754,529)	51,431
Financial liabilities:										
Accounts payable and other current liabilities	(22,045,082)	(3,752,971)	(2,496,091)	(4,228,150,597)	-	-	(800)	-	6,450,000	(2,243,963)
Net foreign currency - denominated financial assets (liabilities)	(14,672,062)	(31,728,660)	(7,762,083)	3,911,892,009	(27,153,127)	12,011,340	(144,518)	(31,779)	(185,304,529)	2,549,857
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

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

	2023	2022
Philippines peso (PHP)	55.40	55.73
Kenyan shillings (KES)	156.74	123.41
Euro (EUR)	0.91	0.93
Ethiopian birr (ETB)	55.99	53.56
Ugandan shillings (UGX)	3,846.15	3,715.16
United Kingdom pound (GBP)	0.79	0.83
Sudanese pound (SSP)	155.00	671.04
Cambodian riel (KHR)	4,166.67	4,118.50
Myanmar kyats (MMK)	2,083.33	2,100.00

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, 2023</i>									
Increase by 10%	104,749	5,014	1,890	11,983	138	497	115	499	-
Decrease by 10%	128,026	6,129	2,310	14,646	169	608	141	610	-
<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

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, 2023 through April 10, 2025. It was determined that there were no subsequent events or transactions that were material in the financial statements at December 31, 2023.

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. In 2023, the threat of COVID-19 was no longer a concern, and the Institute's operations fully returned to normal, aligning with the recovery seen across organizations worldwide. Field activities, training programs, and community engagements resumed at full capacity, free from pandemic-related restrictions. However, insecurities in South Sudan posed some challenges, slightly impacting operations in the country. Despite this, the Institute successfully secured significant funding, ensuring the continued implementation of its programs and initiatives.

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, 2023 and 2022 financial statements.

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

Statement of Activities - Operating Basis
For the years ended December 31, 2023 and 2022
(All amounts in U.S. Dollar)

	December 31, 2023				December 31, 2022			
	Notes	Without donor restrictions	With donor restrictions	Total	Notes	Without donor restrictions	With donor restrictions	
Operating revenues								
Grants/contributions:								
Foundations		32,500	2,246,781	2,279,281		25,881	1,970,687	1,996,568
Government		-	976,046	976,046		14,996	3,063,818	3,078,814
Individuals		195,247	13,000	208,247		115,617	26,050	141,667
Corporation		22,306	82,978	105,284		136,049	74,771	210,820
Total grants/contributions		250,053	3,318,805	3,568,858		292,543	5,135,326	5,427,869
Earned income								
Use of campus facilities		218,176	-	218,176		132,649	-	132,649
Trainings, courses, study missions, technical assistance		152,638	-	152,638		181,426	-	181,426
Workshops		-	-	-		5,000	-	5,000
Publication sales		-	-	-		-	-	-
Total earned income		370,814	-	370,814		319,075	-	319,075
Others - net		256,973	-	256,973		208,545	-	208,545
Satisfactions of program restrictions		3,424,801	(3,424,801)	-		5,435,282	(5,435,282)	-
Total operating revenues		4,302,641	(105,996)	4,196,645		6,255,445	(299,956)	5,955,489
Operating expenses								
Staff costs		1,486,845	-	1,486,845		1,536,142	-	1,536,142
Contractual services		861,156	-	861,156		1,837,067	-	1,837,067
Rental and maintenance		595,755	-	595,755		251,813	-	251,813
Travel		483,836	-	483,836		1,969,567	-	1,969,567
Supplies and materials		116,920	-	116,920		111,563	-	111,563
Printing and publications		81,833	-	81,833		33,559	-	33,559
Communications		28,308	-	28,308		24,776	-	24,776
Others		153,569	-	153,569		56,031	-	56,031
Total operating expenses		3,808,222	-	3,808,222		5,820,518	-	5,820,518
Operating excess (deficit)		494,419	(105,996)	388,423		434,927	(299,956)	134,971
Adjustments to operating revenues and expenses								
Grants for future and prior periods		-	7,424,210	7,424,210			(3,202,300)	(3,202,300)
Translation and exchange gain (loss)	13	23,036	-	23,036	13	(164,610)	-	(164,610)
Investment transactions	3	98,043	-	98,043	3	(106,473)	-	(106,473)
Depreciation expense	6, 11	(46,946)	-	(46,946)	6, 11	(31,756)	-	(31,756)
Excess (Deficiency) of revenues, gains and other support over expenses		568,552	7,318,214	7,886,766		132,088	(3,502,256)	(3,370,168)