



Isla Lipana & Co.

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

**Financial Statements**

**As at and for the years ended December 31, 2024 and 2023**





Isla Lipana & Co.

## Independent Auditor's Report

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

### Report on the Audited Financial Statements

#### 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, 2024 and 2023, statements of activities and changes in net assets and statements of cash flows for the years then ended, including the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as at December 31, 2024 and 2023, statements of activities and changes in net assets 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institute, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits, which include relevant ethical requirements in the United States of America and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas,  
1226 Makati City, Philippines  
+63 (2) 8845 2728

## **Responsibilities of Management and Those Charged With Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 of financial statements are available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and ISAs 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.

To the Board of Trustees of  
International Institute of Rural Reconstruction  
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In performing an audit in accordance with GAAS and ISAs, 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 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 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, Philippine  
January 13, 2026

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

Statements of Assets, Liabilities and Net Assets  
As at December 31, 2024 and 2023  
(All amounts in U.S. Dollar)

	Notes	2024	2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	2,949,309	8,583,194
Investments	3, 9	1,311,400	1,243,270
Contribution receivables	4	1,050,709	1,521,833
Other receivables	5	150,197	49,209
Prepayments and other current assets		45,523	82,036
Total current assets		5,507,138	11,479,542
<b>Non-current assets</b>			
Non-current portion of contribution receivables	4	1,703,588	3,434,829
Property and equipment, net	6	1,009,402	172,126
Retirement benefit asset, net	8	73,677	85,214
Other non-current assets		58,471	58,471
Total non-current assets		2,845,138	3,750,640
<b>Total assets</b>		<b>8,352,276</b>	<b>15,230,182</b>
<b>Liabilities and Net Assets</b>			
<b>Current liability</b>			
Account payables and other current liabilities	7	1,437,490	2,072,914
<b>Non-current liability</b>			
Other liabilities		1,210	1,264
Total liabilities		1,438,700	2,074,178
<b>Net assets</b>			
Without donor restrictions	9	1,542,849	1,463,309
With donor restrictions	9	5,370,727	11,692,695
Total net assets		6,913,576	13,156,004
<b>Total liabilities and net assets</b>		<b>8,352,276</b>	<b>15,230,182</b>

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, 2024 and 2023  
(All amounts in U.S. Dollar)

	Notes	2024			2023		
		Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Operating activities</b>							
<b>Operating revenues</b>							
Contributions/Grants:							
Corporation		584,140	-	584,140	22,306	78,785	101,091
Foundations		16,000	1,041,516	1,057,516	32,500	10,333,181	10,365,681
Government		-	135,029	135,029	-	318,049	318,049
Individual		97,604	30,000	127,604	195,247	13,000	208,247
Use of campus facilities		287,448	-	287,448	218,176	-	218,176
Training courses, study missions and technical assistance		156,268	-	156,268	152,638	-	152,638
Others		89,163	-	89,163	160,433	-	160,433
Total operating revenues before releases		1,230,623	1,206,545	2,437,168	781,300	10,743,015	11,524,315
Net assets released from restrictions -							
Satisfaction of program activities		7,528,513	(7,528,513)	-	2,879,654	(2,879,654)	-
Total operating revenues after releases		8,759,136	(6,321,968)	2,437,168	3,660,954	7,863,361	11,524,315
<b>Operating expenses</b>	11						
Learning community		7,894,775	-	7,894,775	3,357,105	-	3,357,105
Management and general		697,120	-	697,120	329,501	-	329,501
Applied learning		232,151	-	232,151	139,912	-	139,912
Fund raising		76,144	-	76,144	28,650	-	28,650
Total operating expenses		8,900,190	-	8,900,190	3,855,168	-	3,855,168
<b>Change in net assets from operating activities</b>		(141,054)	(6,321,968)	(6,463,022)	(194,214)	7,863,361	7,669,147
<b>Non-operating activities</b>							
Gain due to change in market values of investments	3, 9	181,206	-	181,206	170,570	-	170,570
Interest income from investments	3, 9	27,903	-	27,903	24,012	-	24,012
Translation and exchange gain	13	11,485	-	11,485	23,037	-	23,037
Change in net assets from non-operating activities		220,594	-	220,594	217,619	-	217,619
<b>Change in net assets</b>		79,540	(6,321,968)	(6,242,428)	23,405	7,863,361	7,886,766
<b>Net assets, beginning of the year</b>		1,463,309	11,692,695	13,156,004	1,439,904	3,829,334	5,269,238
<b>Net assets, end of the year</b>		1,542,849	5,370,727	6,913,576	1,463,309	11,692,695	13,156,004

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, 2024 and 2023  
(All amounts in U.S. Dollar)

	Notes	2024	2023
<b>Cash flows from operating activities</b>			
Change in net assets		(6,242,428)	7,886,766
Adjustments for:			
Depreciation and amortization	6	84,984	46,946
Net movement in retirement benefit asset	8	11,569	(1,919)
Effect of foreign exchange rate changes translation		(11,485)	(23,037)
Interest and dividend income	2, 3	(28,349)	(24,684)
Gain on changes in market value on investments	3, 9	(181,206)	(170,570)
Adjusted change in net assets before working capital changes		(6,366,915)	7,713,502
Decrease (Increase):			
Contribution receivables		2,246,588	(33,943)
Other receivables		(84,999)	245,476
Prepayments and other current assets		36,513	(65,698)
Increase (Decrease):			
Accounts payable and other current liabilities		(661,889)	(799,925)
Other liabilities		(54)	(1,140)
Cash (absorbed by) generated from operations		(4,830,756)	7,058,272
Interest income from cash in bank	2	446	672
Net cash (used in) provided by operating activities		(4,830,310)	7,058,944
<b>Cash flows from investing activities</b>			
Withdrawals of investments	3	347,172	405,540
Additions to investments	3	(206,191)	(299,671)
Additions to property and equipment	6	(849,512)	(106,707)
Net cash used in investing activities		(708,531)	(838)
<b>Effects of foreign exchange rate changes on cash and cash equivalents</b>		(95,044)	(149)
<b>Net (decrease) increase in cash and cash equivalents for the year</b>		(5,633,885)	7,057,957
Cash and cash equivalents at beginning of the year		8,583,194	1,525,237
<b>Cash and cash equivalents at end of the year</b>	2	2,949,309	8,583,194

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, 2024 and 2023

(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 January 13, 2026.

**2 Cash and cash equivalents**

Cash and cash equivalents as at December 31 consist of:

	2024	2023
Cash in banks	1,454,132	1,523,763
Cash on hand	2,589	3,777
Short-term placements	1,492,588	7,055,654
	2,949,309	8,583,194

Cash in banks earn interest at the prevailing bank deposit rates.

Cash and cash equivalents include restricted cash in banks and short-term placements amounting to US\$2,188,678 (2023 - US\$7,755,220), 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, 2024 and 2023 amounted to US\$446 and US\$672, respectively.

### 3 Investments

Investments as at December 31 consist of

2024				
		Short-term	Long-term	
	Equity stocks	Money market placements	U.S. treasury notes	Total
Costs at January 1, 2024	859,808	-	-	859,808
Gain on changes in market value at January 1, 2024	246,670	80,718	56,076	383,464
Market values at January 1, 2024	1,106,478	80,718	56,076	1,243,272
Interest and dividends	27,903	-	-	27,903
Additions	206,191	-	-	206,191
Withdrawals	(347,172)	-	-	(347,172)
Gain due to change in market values	181,206	-	-	181,206
Market values at December 31, 2024	1,174,606	80,718	56,076	1,311,400

  

2023				
		Short-term	Long-term	
	Equity stocks	Money market placements	U.S. treasury notes	Total
Costs at January 1, 2023	971,589	-	-	971,589
Gain on changes in market value at January 1, 2023	46,174	80,718	56,076	182,968
Market values at January 1, 2023	1,017,763	80,718	56,076	1,154,557
Interest and dividends	24,012	-	-	24,012
Additions	299,671	-	-	299,671
Withdrawals	(405,540)	-	-	(405,540)
Gain due to change in market values	170,570	-	-	170,570
Market values at December 31, 2023	1,106,476	80,718	56,076	1,243,270

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, 2024 and 2023, the Institute's investments in equity stocks, money market placements and U.S. Treasury Notes are classified as Level 1, 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:

	2024	2023
In one year or less	1,050,709	1,521,833
Between one and five years	1,703,588	3,434,829
	2,754,297	4,956,662

## 5 Other receivables

Other receivables as at December 31 consist of:

	2024	2023
Advances to officers and employees	87,876	31,910
Trade receivables	62,321	17,299
	150,197	49,209

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
<b>Cost</b>						
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	2,402	1,342	(12,808)	(4,869)
At December 31, 2023	76,242	586,732	863,504	511,243	189,842	2,227,563
Additions	-	-	162,802	672,983	13,727	849,512
Disposals	-	-	(2,680)	-	-	(2,680)
Cumulative translation adjustments	(3,216)	(24,754)	(25,794)	(13,464)	(11,763)	(78,991)
At December 31, 2024	73,026	561,978	997,832	1,170,762	191,806	2,995,404
<b>Accumulated depreciation and amortization</b>						
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	(1,228)	1,332	(200)	3,607
At December 31, 2023	54,564	577,879	809,863	438,397	174,734	2,055,437
Depreciation and amortization	3,816	2,184	36,635	39,633	2,716	84,984
Disposals	-	-	(2,415)	-	(265)	(2,680)
Cumulative translation adjustments	(2,301)	(24,380)	(28,369)	(91,853)	(4,836)	(151,739)
At December 31, 2024	56,079	555,683	815,714	386,177	172,349	1,986,002
<b>Carrying amounts</b>						
At December 31, 2024	16,947	6,295	182,118	784,585	19,457	1,009,402
At December 31, 2023	21,678	8,853	53,641	72,846	15,108	172,126

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.

Depreciation and amortization is included under operating expenses in the statement of activities. See Note 11.

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 \$10,305 in 2024 (2023 - \$10,715).

Management believes that there is no indication of impairment on its property and equipment as at December 31, 2024 and 2023.

Fully depreciated property and equipment that are still in use as at December 31, 2024 amounted to \$1,820,826 (2023 - \$1,798,958).

## **7 Account payables and other current liabilities**

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

	2024	2023
Account payables	698,685	442,106
Fund set aside for field partners	639,499	1,420,928
Statutory payables	74,132	186,252
Others	25,174	23,628
	<u>1,437,490</u>	<u>2,072,914</u>

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:

	2024	2023
Retirement benefit obligation	296,752	273,346
Fair value of plan assets	(370,429)	(358,560)
Retirement benefit asset	(73,677)	(85,214)

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

	2024	2023
Current service cost	25,281	23,931
Interest cost	15,512	12,834
Expected return on plan assets	115	1,254
Amortization of transition obligation	(9,205)	(7,311)
	31,703	30,708

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:

	2024	2023
Beginning balance	273,346	252,142
Current service cost	25,281	23,931
Interest cost	15,512	12,834
Benefits paid	(1,303)	(14,033)
Actuarial gain	(4,552)	(3,099)
Translation adjustment	(11,532)	1,571
Ending balance	296,752	273,346

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

	2024	2023
Beginning balance	358,560	333,965
Actual return on plan assets	88	12,834
Contributions	24,999	23,857
Benefits paid	(1,303)	(14,033)
Actuarial gain (loss)	3,211	(130)
Translation adjustment	(15,126)	2,067
Ending balance	370,429	358,560

The principal actuarial assumptions used were as follows:

	2024	2023
Discount rate	6.11%	6.09%
Return on plan assets rate	3.22%	0.03%
Salary increase rate	1.00%	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 \$276,488 in 2024 (2023 - \$62,957). This is presented as part of Staff cost under "Operating expenses" account in the statements of activities (see Note 11). The accruals related to this expense are recorded in accounts payables amounting to \$276,488 as at December 31, 2024 in Note 7 (2023 - \$62,957).

## 9 Net assets

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

	2024	2023
Subject to expenditures for specified purpose		
<i>Learning community program</i>		
Mastercard Foundation (MCF)	1,492,588	6,998,403
International Development Research Center (IDRC)	460,847	1,387,753
Ministry of Water and Environment (MWE), Uganda	861,995	207,899
United Nations Food & Agriculture Organisation (FAO)	424,074	4,187
Asian Development Bank (ADB)	320,652	80,462
United Nations Development Programme (UNDP)	266,074	336,840
Swiss Agency for Development and Cooperation (SDC)	233,097	-
Ministry of Agriculture, Animal Industries and Fisheries (MAAIF), Uganda	-	524,382
International Rice Research Institute (IRRI)	-	311,794
Africa Enterprise Challenge Fund (AECF)	-	141,717
U.S. Agency for International Development (USAID)	-	121,142
Wildlife Conservation Society (WCS)	-	69,638
Darwin Initiative	-	66,896
International Center for Living Aquatic Resources Management (ICLARM)	-	48,166
Bioversity 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
Metrobank Foundation, Philippines	-	8,018
	4,059,327	10,449,425
<i>Endowment Funds</i>		
The Alice Yen Senior Fellowship Fund	497,391	538,658
The Employees' Welfare Fund	62,660	68,242
The Mr. & Mrs. Yen Mei Tang Memorial Fund	54,708	59,251
The Jimmy Yen Go to the People Fund	37,702	31,967
The Reader's Digest Endowment for Publications	5	5
	652,466	698,123
<i>Investment Income Accounts</i>		
Investment Account Alice Yen	451,936	348,761
Temporarily Restricted	166,001	180,503
Investment Account Welfare	35,778	15,835
Investment Account Mei Tang	5,214	43
Investment Account Readers	5	5
	658,934	545,147
	5,370,727	11,692,695

The net assets comprising of funds without donor restrictions as at December 31, 2024 and 2023 amounts to US\$1,542,849 and US\$1,463,309, respectively.

Changes in the market value of investment income account for the years ended December 31, 2024 and 2023 amounts to US\$84,292 and US\$72,527.

### *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, 2024 and 2023 amounted to US\$116,531 and US\$98,779, respectively.

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

	2024	2023
Endowment net assets, beginning of year	698,123	586,838
Investment return, net	14,810	13,242
Amount appropriated for expenditures	(157,381)	-
Changes in the market value	96,914	98,043
Endowment of assets, end of year	652,466	698,123

## 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 \$190,672 and \$91,807 in 2024 and 2023, 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:

2024								
	Notes	Program services			Supporting services		Total	
		Learning community	Applied learning	Subtotal	Management and general	Fund raising	Subtotal	
Contractual services		4,613,729	96,485	4,710,214	175,528	21,940	197,468	4,907,682
Staff costs	8	1,695,981	82,048	1,778,029	290,486	32,871	323,357	2,101,386
Travel		722,542	25,935	748,477	69,358	6,402	75,760	824,237
Rental and maintenance		276,489	5,553	282,042	101,926	9,409	111,335	393,377
Supplies and materials		229,630	15,308	244,938	-	-	-	244,938
Printing and publications		124,150	598	124,748	2,174	201	2,375	127,123
Depreciation and amortization	6	22,181	2,464	24,645	55,240	5,099	60,339	84,984
Communications		13,138	549	13,687	2,408	222	2,630	16,317
Others		196,935	3,211	200,146	-	-	-	200,146
		7,894,775	232,151	8,126,926	697,120	76,144	773,264	8,900,190
2023								
	Notes	Program services			Supporting services		Total	
		Learning community	Applied learning	Subtotal	Management and general	Fund raising	Subtotal	
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

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	2024	2023
Cash and cash equivalents*	2	760,631	827,974
Investments	3	1,311,400	1,243,270
Contribution receivables	4	1,050,709	1,521,833
Other receivables	5	150,197	49,209
<b>Total assets</b>		<b>3,272,937</b>	<b>3,642,286</b>

\* Excluding restricted cash amounting to US\$2,188,678 (2023 - US\$7,755,220).

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\$11,485 in 2024 (2023 - US\$23,037).

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

2024										
	Original currency									Functional currency
	PHP	ETB	KES	UGX	KHR	SSP	EUR	GBP	MMK	
Financial assets:										
Cash and cash equivalents	6,447,648	9,011,735	25,684	10,744,445	-	19,870	20	2	-	185,397
Contribution receivables	(180,184)	(32,246,455)	(4,906,536)	4,093,701,865	(27,786,460)	-	(145,933)	(32,210)	-	2,294,243
Other receivables	2,157,997	89,609	(677,817)	60,506,768	595,172	11,926,555	2,100	-	(150,009,970)	155,089
Financial liabilities:										
Accounts payable and other current liabilities	(29,133,551)	8,962,776	(680,927)	(2,572,344,744)	-	-	(800)	-	(8,786,154)	(520,981)
Net foreign currency - denominated financial assets (liabilities)	(20,708,090)	(14,182,335)	(6,239,596)	1,592,608,334	(27,191,288)	11,946,425	(144,613)	(32,208)	(158,796,124)	2,113,748
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

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

	2024	2023
Philippines peso (PHP)	57.84	55.40
Kenyan shillings (KES)	130.38	156.74
Euro (EUR)	0.96	0.91
Ethiopian birr (ETB)	127.55	55.99
Ugandan shillings (UGX)	3,703.70	3,846.15
United Kingdom pound (GBP)	0.80	0.79
Sudanese pound (SSP)	129.87	155.00
Cambodian riel (KHR)	4,166.67	4,166.67
Myanmar kyats (MMK)	2,127.66	2,083.33

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
<i>December 31, 2024</i>								
Increase by 10%	101,336	64,229	179	2,637	-	139	19	2
Decrease by 10%	123,856	78,502	219	3,223	-	170	23	3
<i>December 31, 2023</i>								
Increase by 10%	104,749	5,014	1,890	11,983	138	497	115	499
Decrease by 10%	128,027	6,129	2,310	14,646	169	608	141	610

## 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 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 Reclassification**

Investments amounting US\$545,147 for the year ended December 31, 2023 which was previously presented under 'Cash and cash equivalents' (Note 2) was reclassified to 'Investments' under equity stocks (Note 3) in the statement of assets, liabilities and net assets to conform with the current year presentation.

This reclassification did not affect the 2023 statement of cash flows and previously reported change in net assets in the statement of activities and changes in net assets.

#### **14.17 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, 2024 through January 13, 2026. It was determined that there were no material subsequent events or transactions that would impact the financial statements as at and for the year ended December 31, 2024.

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

Statement of Activities - Operating Basis  
For the years ended December 31, 2024 and 2023  
(All amounts in U.S. Dollar)

	December 31, 2024				December 31, 2023			
	Notes	Without donor restrictions	With donor restrictions	Total	Notes	Without donor restrictions	With donor restrictions	Total
<b>Operating revenues</b>								
Grants/contributions:								
Foundations		16,000	6,744,000	6,760,000		32,500	2,246,781	2,279,281
Government		-	907,120	907,120		-	976,046	976,046
Individuals		97,604	30,000	127,604		195,247	13,000	208,247
Corporation		584,140	138,727	722,867		22,306	82,978	105,284
<b>Total grants/contributions</b>		697,744	7,819,847	8,517,591		250,053	3,318,805	3,568,858
Earned revenues								
Use of campus facilities		287,448	-	287,448		218,176	-	218,176
Trainings, courses, study missions, technical assistance		156,268	-	156,268		152,638	-	152,638
<b>Total earned revenues</b>		443,716	-	443,716		370,814	-	370,814
<b>Others - net</b>		117,066	-	117,066		184,445	-	184,445
<b>Satisfactions of program restrictions</b>		7,528,513	(7,528,513)	-		2,879,654	(2,879,654)	-
<b>Total operating revenues</b>		8,787,039	291,334	9,078,373		3,684,966	439,151	4,124,117
<b>Operating expenses</b>								
Contractual services		4,907,682	-	4,907,682		861,156	-	861,156
Staff costs		2,101,386	-	2,101,386		1,486,845	-	1,486,845
Travel		824,237	-	824,237		483,836	-	483,836
Rental and maintenances		393,377	-	393,377		595,755	-	595,755
Supplies and materials		244,938	-	244,938		116,920	-	116,920
Printing and publications		127,123	-	127,123		81,833	-	81,833
Communications		16,317	-	16,317		28,308	-	28,308
Others		200,146	-	200,146		153,569	-	153,569
<b>Total operating expenses</b>		8,815,206	-	8,815,206		3,808,222	-	3,808,222
<b>Operating excess (deficit)</b>		(28,167)	291,334	263,167		(123,256)	439,151	315,895
<b>Adjustments to operating revenues and expenses</b>								
Grants for future and prior periods		-	(6,613,302)	(6,613,302)		-	7,424,210	7,424,210
Translation and exchange gain	13	11,485	-	11,485	13	23,037	-	23,037
Investment transactions	3	181,206	-	181,206	3	170,570	-	170,570
Depreciation expense	6,11	(84,984)	-	(84,984)	6, 11	(46,946)	-	(46,946)
<b>(Deficiency) Excess of revenues, gains and other support over expenses</b>		79,540	(6,321,968)	(6,242,428)		23,405	7,863,361	7,886,766