TROPICAL DISEASE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

(In Philippine Peso)

(with comparative figures as of July 31, 2008)

ASSETS	Unrestricted funds	Restricted funds	July 31, 2009	July 31, 2008
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 5)	72,577,599	1,133,710,127	**1,206,287,726**	789,679,382
Financial assets (Notes 2 and 6)	2,250	-	**2,250**	3,261,636
Advances and receivables (Notes 2 and 7)	8,134,799	199,414,660	**207,549,459**	10,222,295
Total Current Assets	80,714,648	1,333,124,787	**1,413,839,435**	803,163,313
NON-CURRENT ASSETS				
Property and equipment, Net (Notes 2, 3 and 8)	105,304,433	-	**105,304,433**	105,379,850
Refundable deposits (Notes 2 and 9)	1,739,491	1,937,249	**3,676,740**	3,351,275
Total Non-Current Assets	107,043,924	1,937,249	**108,981,173**	108,731,125
TOTAL ASSETS	**187,758,572**	**1,335,062,036**	**1,522,820,608**	911,894,438
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Trade and other payables (Notes 2 and 10)	19,751,178	28,661,799	**48,412,977**	22,361,561
Loans payable (Notes 2 and 11)	11,662,919	-	**11,662,919**	15,000,000
Total Current Liabilities	31,414,097	28,661,799	**60,075,896**	37,361,561
NON-CURRENT LIABILITIES				
Funds held in trust (Notes 2 and 12)	-	1,303,967,632	**1,303,967,632**	756,560,204
FUND BALANCES				
Members' Contribution (Note 13)	70,000	-	**70,000**	70,000
General funds (Note 2 and 13)	156,274,475	2,432,605	**158,707,080**	117,902,673
Total Fund Balances	156,344,475	2,432,605	**158,777,080**	117,972,673
TOTAL LIABILITIES AND FUND BALANCES	**187,758,572**	**1,335,062,036**	**1,522,820,608**	911,894,438

See Notes to Financial Statements

TROPICAL DISEASE FOUNDATION, INC.

STATEMENTS OF INCOME AND EXPENSES

(In Philippine Peso)

(with comparative figures for the period ended July 31, 2008)

		Restricted				
For the Periods Ended July 31,	Unrestricted	Global Fund	CDC	Total	**2009**	2008
INCOME (Notes 2 and 15)	136,190,460	89,108,123	5,641,439	94,749,562	**230,940,022**	149,148,271
OTHER INCOME (Notes 2 and 16)	1,065,171	-	-	-	**1,065,171**	-
TOTAL INCOME	137,255,631	89,108,123	5,641,439	94,749,562	**232,005,193**	149,148,271
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 2 and 17)	81,580,271	89,108,123	5,849,498	94,957,621	**176,537,892**	93,982,360
EXCESS OF INCOME OVER EXPENSES FROM OPERATIONS	55,675,360	-	(208,059)	(208,059)	**55,467,301**	55,165,911
FINANCE INCOME (COSTS), Net (Notes 2 and 18)	(830,904)	-	208,059	208,059	**(622,845)**	(1,051,915)
EXCESS OF INCOME OVER EXPENSES	54,844,456	-	-	-	**54,844,456**	54,113,996

See Notes to Financial Statements

TROPICAL DISEASE FOUNDATION, INC.

STATEMENTS OF CHANGES IN FUND BALANCE

(In Philippine Peso)

(with comparative figures for the period ended July 31, 2008)

	Members' Contribution (Note 2 and 13)	Fund balance Restricted (Notes 2 and 13)	Unrestricted (Note 2 and 13)	Total
BALANCES AS OF JULY 31, 2007	**70,000**	**4,098,353**	**59,690,324**	**63,858,677**
Donation received for the period	-	65,927,722	-	**65,927,722**
Expenses incurred for the period	-	(67,593,470)	-	**(67,593,470)**
Excess of income over expenses	-	-	55,779,744	**55,779,744**
BALANCES AS OF JULY 31, 2008	**70,000**	**2,432,605**	**115,470,068**	**117,972,673**
Prior period adjustment (Note 19)	-	-	(14,040,049)	**(14,040,049)**
As restated balance	70,000	2,432,605	101,430,019	**103,932,624**
Donation received for the period	-	94,957,621	-	**94,957,621**
Expenses incurred for the period	-	(94,957,621)	-	**(94,957,621)**
Excess of income over expenses	-	-	54,844,456	**54,844,456**
BALANCES AS OF JULY 31, 2009	**70,000**	**2,432,605**	**156,274,475**	**158,777,080**

See Notes to Financial Statements

TROPICAL DISEASE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

(In Philippine Peso)

(with comparative figures for the period ended July 31, 2008)

For the Periods Ended July 31,	**2009**	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of income over expenses	**54,844,456**	54,113,996
Adjustments for:		
Prior period adjustment (Note 19)	**(14,040,049)**	-
Depreciation (Notes 2, 3 and 8)	**6,995,418**	5,470,769
Unrealized foreign exchange (gain)/loss, Net	**(377,877)**	247,234
Donation of land	**-**	(32,373,000)
Operating income before working capital changes	**47,421,949**	27,458,999
Changes in assets and liabilities:		
Financial assets (Notes 2 and 6)	**3,259,386**	-
Advances and receivables (Notes 2 and 7)	**(197,327,163)**	(4,781,037)
Refundable deposits (Notes 2 and 9)	**(325,465)**	(1,993,131)
Trade and other payables (Notes 2 and 10)	**26,051,415**	6,240,549
Funds held in trust (Notes 2 and 12)	**547,407,428**	448,942,823
Net Cash from Operating Activities	**426,487,550**	475,868,203
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Notes 2, 3 and 8)	**(6,920,001)**	(48,436,364)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from bank loan	**-**	13,000,000
Payment of loan	**(3,337,081)**	-
Net Cash from Operating Activities	**(3,337,081)**	13,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**416,230,468**	440,431,839
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**377,877**	(159,402)
CASH AND CASH EQUIVALENTS, BEGINNING (Notes 2 and 5)	**789,679,382**	349,406,945
CASH AND CASH EQUIVALENTS, ENDING (Notes 2 and 5)	**1,206,287,726**	789,679,382

See Notes to Financial Statements

TROPICAL DISEASE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
July 31, 2009

(with comparative figures for the period ended July 31, 2008)

NOTE 1 – GENERAL INFORMATION

TROPICAL DISEASE FOUNDATION, INC., was registered with the Philippine Securities and Exchange Commission (SEC) on November 5, 1984 as a non-stock, non-profit corporation committed to undertake biological research and provide training and service in the control and management of tropical and infectious diseases, including therapeutic and preventive measures.

As a non-stock, non-profit corporation, the Foundation is exempt from payment of income tax with respect to receipts received in accordance with the provision of Section 30 (e) of RA No. 8424 entitled "An Act Amending the National Internal Revenue Code, As Amended, and For Other Purposes". The income from activities conducted in pursuit of the objectives for which the Foundation was established is exempt from tax. However, any income on any of its properties, real or personal, or from any activity conducted for profit, regardless of the disposition of such income, is subject to tax. Also, the Foundation is an accredited donee institution by the Philippine Council for NGO Certification. As such, its donors are entitled to full or limited deduction and exemption from donors tax. The Philippine Council for NGO Certification accreditation expired last April 20, 2009.

The Foundation's registered office is at Philippine Institute of Tuberculosis Bldg., Amorsolo corner Urban Avenue, Pio del Pilar, Makati City.

The financial statements of the Foundation as of and for the period ended July 31, 2009 were authorized for issue by the Audit Committee, appointed by the Board of Trustees, on February 09, 2012.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis, except for the revaluation of certain investments and property, plant and equipment. The measurement bases are more fully described in the accounting policies that follow.

The financial statements are prepared in Philippine pesos, the Foundation's functional currency, and all values represent absolute amounts except when otherwise indicated.

2.2 Statement of compliance

The financial statements of the Foundation have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

2.3 Adoption of new, amendments and interpretations to accounting standards

a) New and revised standards effective in 2009 that are relevant and adopted by the Foundation

The Foundation adopted PAS 1 (Revised 2007) effective for periods beginning on or after January 1, 2009.

PAS 1 (Revised 2007), *Presentation of Financial Statements* requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The adoption of this revised standard has not resulted in a significant change to the presentation of the Foundation's financial statements.

b) Standards, amendments and interpretations effective in 2009 but not yet adopted by the Foundation

The following are standards, amendments and interpretation to published standards mandatory for accounting periods beginning on or after January 1, 2009 but not early adopted by the Foundation.

PFRS 7 (Amendment)	Financial Instruments: Disclosures
PAS 20 (Amendment)	Accounting for Government Grants and Disclosures of Government Assistance
PAS 39 (Amendment)	Financial instruments: Recognition and Measurement

The above mentioned standards are explained in summary as follows;

PFRS 7 (Amendment), *Financial instruments: Disclosures*. The amendments require additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorized into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these essential for an understanding of the timing of cash flows. This amendment had no significant effect on the financial statements

PAS 20 (Amendment), *Accounting for Government Grants and Disclosures of Government Assistance*. The amendment deals with loans granted with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as a government grant. This amendment had no impact on the Company's financial statements.

PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement*. The definition of financial asset or liability at fair value through profit or loss as it related to items that are held for trading was changed. It clarifies the financial asset or liability that is part of portfolio of financial instruments managed together with evidence of an actual recent pattern of short term profit taking is included in such a portfolio on initial recognition. This amendment had no significant effect on the financial statements

c) Standards and interpretations effective in 2009 but not relevant to the Foundation's operations

The following standards and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2009 or later periods, but not relevant to the Foundation's operations.

PFRS 1 (Amendment)	First-time adoption of PFRS and PAS 27, Consolidated and Separate Financial Statements
PFRS 2 (Amendment)	Share-based Payment
PFRS 5 (Amendment)	Non-current Assets Held-for-sale and Discounted Operations
PFRS 8 (Amendment)	Operating Segments
PAS 23 (Revised)	Borrowing Costs
PAS 27 (Amendment)	Consolidated and Separate Financial Statements
PAS 28 (Amendment)	Investments in Associates
PAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
PAS 31 (Amendment)	Interest in Joint Ventures
PAS 38 (Amendment)	Intangible Assets
PAS 40 (Amendment)	Investment Property

PAS 41 (Amendment)	Agriculture
Philippine IFRIC 13	Customer Loyalty Programmes
Philippine Interpretation IFRIC 14	Prepayments of a Minimum Funding Requirements
Philippine IFRIC 16	Hedges of a New Investment in a Foreign Operation
Philippine Interpretation IFRIC 18	Transfer of Assets from Customer

PFRS 1 (Amendment),*First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.* This amendment allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements). This amendment is not relevant to the Foundation's operations

PFRS 2 (Amendments),*Share-based Payment - Vesting Condition and Cancellations.* The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation. This amendment is not relevant to the Foundation's operations

PFRS 5 (Amendment), *Noncurrent Assets Held for Sale and Discontinued Operations.* The amendment deals when a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale. This amendment is not relevant to the Foundation's operations.

PFRS 8 (Amendment), *Segment Reporting.* The amendment deals segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. This amendment is not relevant to the Foundation's operations.

PAS 23 (Amendment), *Borrowing Costs.* The amendment clarifies the definition of borrowing costs to include interest expense determine using the effective interest method under PAS 39. This amendment is not relevant to the Foundation's operations.

PAS 27 (Amendment), *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.* This amended has changes in respect of the holding companies' separate financial statements, including (a) the deletion of the 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

PAS 28 (Amendment), *Investment in Associates.* The amendment deals if an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment is not relevant to the Foundation's operations.

PAS 29 (Amendment), *Financial Reporting in Hyperinflationary Economies.* The amendment revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property and equipment as being an example, rather than implying that it is a definitive list. This amendment is not relevant to the Foundation's operations.

PAS 31 (Amendment), *Interest in Joint Ventures.* The amendment deals if a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply. This amendment is not relevant to the Foundation's operations.

PAS 38 (Amendment), *Intangible Assets.* The amendment clarifies when to recognize a prepayment asset, including advertising or promotional expenditures. This amendment is not relevant to the Foundation's operations. This amendment is not relevant to the Foundation's operations.

PAS 40 (Amendment), *Investment Property.* The amendment includes property under construction or development for future use as investment property in its definition of investment property. This results in such property being within the scope of PAS 40; previously, it was within the scope of PAS 16. This amendment is not relevant to the Foundation's operations.

PAS 41(Amendment), *Agriculture.* The amendment removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used. It also removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the 'most relevant market' are taken into account. This amendment is not relevant to the Foundation's operations.

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes,* This interpretation clarifies that when goods and services are sold together with a customer loyalty incentives, the arrangement is multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This interpretation is not relevant to the Foundation's operations.

Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirements – Amendment to IFRIC 14.* This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plans. It set out guidance on when an entity recognizes an asset in relation to a PAS 19 surplus for defined benefit plans that are subject to a minimum funding requirement. This interpretation is not relevant to the Foundation's operations.

Philippine Interpretation IFRIC 16, *Hedges of a net Investment in a foreign operation,* clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Foundation. This interpretation is not relevant to the Foundation's operations.

Philippine Interpretation on IFRIC 18, *Transfers of Assets from Customers.* This interpretation provides guidance on how to account for items of property and equipment received from customers or cash that is received and used to acquire or construct specific assets. This interpretation is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. This interpretation is not relevant to the Foundation's operations.

d) Standards, amendments and interpretations to existing standards effective subsequent to 2009

The following standards and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2010 or later periods, but not adopted by the Foundation.

PAS 24 (Revised)	Related Party Disclosures
PAS 27 (Revised)	Consolidated and Separate Financial Statements
PAS 32 (Amendment)	Classification of Rights Issue
PAS 39 (Amendment)	Amendment to PAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 2 (Amendment)	Group Cash-settled Share Based Payment Transactions
PFRS 3 (Revised 2008)	Business Combinations
Philippine Interpretation IFRIC 14	Reassessment of Embedded Derivatives
Philippine Interpretation IFRIC 15	Agreement for the Construction of Real Estate
Philippine Interpretation IFRIC 17	Distribution of Non-cash Assets to Owners
Philippine Interpretation IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

PAS 24 (Amendment), *Related Party Disclosures.* The amendment relaxes the disclosures of transactions between government- related entities and clarifies related-party definition. The amendment is not expected to have an impact on the Foundation's financial statements.

PAS 27 (Revised), *Consolidated and separate financial statements.* The revised standard requires the effects of all transactions with minority interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The amendment is not expected to have an impact on the Foundation's financial statements.

PAS 32 (Amendment), *Classification of Rights Issues.* The amended standard allows rights issues to be classified as equity when the price is denominated in a currency other than the entity's functional currency. The amendment is not expected to have an impact on the Foundation's financial statements.

PAS 39 (Amendment), *Financial instruments: Recognition and measurement – Eligible hedged items.* The amendment was issued in July 2008. It provides guidance in two situations: on the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The amendment is not expected to have an impact on the Foundation's financial statements.

PFRS 2 (Amendments), *Group cash-settled and share-based payment transactions.* In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Foundation's financial statements.

PFRS 3 (Revised), *Business combinations.* The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The amendment is not expected to have an impact on the Foundation's financial statements.

Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirements – Amendment to IFRIC 14.* This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plans. It set out guidance on when an entity recognizes an asset in relation to a PAS 19 surplus for defined benefit plans that are subject to a minimum funding requirement. This interpretation does not have a material impact on the Foundation's financial statements.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate.* This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as a construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on the stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on the stage of completion. This interpretation is not expected to have an impact on the Foundation's financial statements.

Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners.* It provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This interpretation is not expected to have an impact on the Foundation's financial statements.

Philippine Interpretation IFRIC 19,*Extinguishing Financial Liabilities with Equity Instruments.* This interpretation addresses accounting by an entity when the terms of financial liability are renegotiated and result in the entity issuing entity instruments to a creditor to extinguish all or part of the financial liability. This interpretation is not expected to have an impact on the Foundation's financial statements.

Annual Improvements to PFRS

Improvements to PFRS were issued in May 2008 and April 2009. Improvements to PFRS comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual PFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

2.4 Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid instruments 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.

2.5 Financial assets

Financial assets are recognized when the Foundation becomes a party to the contractual terms of the financial instrument; include cash and other financial instruments.

Debt instruments are initially recognized at the transaction price and subsequently measure at amortized cost using the effective interest method.

Financial assets are classified as non-current assets unless management intends to dispose of the investment within 12 months from the financial reporting date.

All income and expenses, including impairment losses, are recognized in profit or loss as part of Other Income (Expense) in the statement of income.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.6 Advances and other receivables

Advances and other receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Foundation will not be able to collect all amounts to be received.

2.7 Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of operations of such period.

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the year the item is derecognized.

2.8 Restricted Assets

The Foundation maintains various funds which should only be used for specific purposes.

2.9 Impairment of non-financial assets

The Foundation's property and equipment are subject to impairment testing. All of the individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

The Foundation did not perform an impairment testing of its property, plant and equipment as of July 31, 2009.

2.10 Trade and other payables

Trade and other payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. These are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

2.11 Restricted funds

The Foundation maintains various funds which should only be used for the biological research, training and service in the control and management of tropical and infectious diseases.

Donations received arise from Global Fund and sponsors. Interest income earned from restricted short-term investments is also included therein.

Utilization of restricted fund includes disbursements which are directly attributable to the implementation of the specific purposes they are allotted for.

These funds are measured at their nominal values and subsequently recognized at amortized costs less settlement payments.

2.12 General funds

General funds include all current and prior period results as disclosed in the statement of income and expense.

2.13 Income recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the Foundation and the amount of income can be reliably measured. The following specific recognition criteria must also be met before income is recognized:

a) *Grants, Contributions and Donations*- Income is recognized upon receipt of the grants, contributions and donations. Grants received for specific purposes and which are covered by contracts or agreements to implement specific projects and are required by donors to be accounted for separately are accounted for separately and recorded under "Restricted funds " account in the statement of assets, liabilities and fund balance. Contributions-in-kind are recorded at fair market value on the date of contribution.

- *Unrestricted income*

In the absence of any explicit stipulation or circumstances surrounding the receipt of the grants, contributions or donations that make clear the donor or grantor's implicit restriction on use, such grants, contributions and donations are reported as unrestricted income in the statement of income and expenses.

- *Restricted income*

Grants, donations or contributions with donor or grantor imposed restrictions are reported as restricted income in the statement of income and expenses.

b) *Interest*- Income is recognized as the interest accrues on a time proportion basis taking into account the effective yield on the asset.

2.14 Expense recognition

General and administrative expenses are recognized in the statement of income upon utilization of the service or in the date they are incurred. Finance costs are reported on an accrual basis.

2.15 Provisions

Provisions are recognized when the Foundation has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. When the Foundation expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the financial reporting date, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

2.16 Employee benefit obligations

The Foundation provides for the estimated retirement benefits of qualified employees as required under Republic Act (RA) No. 7641. Retirement costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service costs, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of the covered employees. Actuarial valuation is conducted at least once every three years.

2.17 Leases

Foundation as lessee

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

2.18 Functional currency and foreign currency transactions

Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine pesos, which is the Foundation's functional and presentation currency.

Transactions and balances

Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.19 Events after financial reporting date

Post year-end events that provide additional information about the Foundation's position at 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 financial statements when material.

NOTE 3 – MANAGEMENT'S SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

3.1 Judgments

The preparation of the Foundation's financial statements in conformity with Financial Reporting Framework requires management to make estimates and assumptions that affect the amounts reported in the Foundation's financial statements and accompanying notes. The estimates and assumptions used in the Foundation's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Foundation's financial statements. Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.2 Estimates

In the application of the Foundation's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Foundation's financial statements.

a) *Provision for impairment of receivables*

The Foundation assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

b) Impairment of financial assets

The Foundation follows the guidance of PAS 39 in determining when an asset is other-than- temporarily impaired. This determination requires significant judgment. In making this judgment, the Foundation evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the assumption made regarding the duration that, and extent to which the fair value is less than cost, the Foundation would suffer an additional loss in its financial statements, representing the write down of cost at its fair value.

c) Impairment of non-financial assets

The Foundation assesses the value of property, plant and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Foundation to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Foundation to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Foundation's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Foundation believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Foundation's assessment of recoverable values and may lead to future additional impairment charges.

d) Estimated useful lives of property and equipment

i) Property and equipment acquired from sources other than Global Fund

Property and equipment are stated at cost, less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of operations of such period.

Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets presented as follows.

Particulars	Useful Life (in Number of Years)
Condominium units	20
Office furniture, fixtures and equipment	5
Laboratory equipment	5
Transportation equipment	5

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the period the item is derecognized.

ii) Property and equipment acquired from Global Fund

The Foundation accounts for acquisition of property and equipment and other capital expenditures using the grant received from the Global Fund as period cost and are presented as part of expenses.

The acquisition costs are accounted for as an outright expense in the period the costs are incurred since management believes that it will be able to properly account for the grant received from Global Fund if the acquisition costs of property and equipment are expensed outright.

e) Revenue recognition

The Foundation's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

NOTE 4 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Foundation's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Foundation's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Foundation. The policies for managing specific risks are summarized below.

4.1 Credit risk

The Foundation's credit risk is primarily attributable to its loans other receivables. The Foundation has adopted stringent procedure in monitoring its credit risk.

Credit risk is the risk that one party to a financial instrument will fail to discharge and obligation and cause the other party to incur a financial loss.

The Foundation manages the level of credit risk it accepts through comprehensive credit risk policy setting out assessment and determination of what constitutes credit risk for the Foundation; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

4.2 Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Foundation maintains adequate highly liquid assets in the form of cash and available for sale investments to assure necessary liquidity.

4.3 Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risks), market interest rates (interest rate risk) and market prices (price risk).

4.4 Fair value interest rate risk

The fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Foundation's fixed rate investments and receivables in particular are exposed to such risk.

The Foundation's market risk policy requires the management of interest rate risk to maintain appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Foundation's financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the financial statements and related notes.

NOTE 5 – CASH AND CASH EQUIVALENTS

As of July 31, the account consists of the following:

Particulars	Unrestricted	Restricted	2009	2008
Cash on hand	₱ 85,000	₱ 468,266	₱ **553,266**	₱ 407,000
Cash in bank	53,396,214	1,133,241,861	**1,186,638,075**	220,393,026
Short-term placements	19,096,385	-	**19,096,385**	568,879,356
Total	₱ 72,577,599	₱ 1,133,710,127	₱ **1,206,287,726**	₱ 789,679,382

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

Short-term placements are made for varying periods of between one day and three months depending on the immediate cash requirements of the Foundation, and earn interest at the short-term investment rates.

NOTE 6 – FINANCIAL ASSETS

As of July 31, the account consists of the following:

Particulars	Unrestricted	Restricted	2009	2008
Debt securities	₱ -	₱ -	₱ -	3,258,636
Equity securities	2,250	-	**2,250**	3,000
Total	₱ 2,250	₱ -	₱ **2,250**	₱ 3,261,636

NOTE 7– ADVANCES AND OTHER RECEIVABLES

As of July 31, the account consists of:

Particulars	Unrestricted	Restricted	2009	2008
Officers and employees	₱ 7,932,983	₱ 25,790,287	₱ **33,723,270**	₱ 7,078,297
Suppliers	94,154	-	**94,154**	94,026
Sub-recipient (SR) and implementers	-	169,286,634	**169,286,634**	-
Sub-subrecipient (SSR)	-	2,075,665	**2,075,665**	-
General fund	-	1,955,678	**1,955,678**	
Others	107,662	306,396	**414,058**	3,049,972
Total	₱ 8,134,799	₱ 199,414,660	₱ **207,549,459**	₱ 10,222,295

NOTE 8 - PROPERTY AND EQUIPMENT

As of July 31, 2009, this account consists of:

Particulars	Beginning Balance	Additions/ Provisions	Ending Balance
Cost:			
Land	₱ 32,373,000	₱ -	₱ **32,373,000**
Building and Condominium units	69,772,834	4,479,414	**74,252,248**
Office furniture, fixtures and equipment	9,466,973	1,253,121	**10,720,094**
Leasehold improvements	1,272,615		**1,272,615**
Laboratory equipment	11,117,401	1,187,466	**12,304,867**
Transportation equipment	1,964,800		**1,964,800**
Total	125,967,623	6,920,001	**132,887,624**
Accumulated Depreciation:			
Building and condominium units	4,913,563	3,591,417	**8,504,980**
Office furniture, fixtures and equipment	4,479,951	1,713,370	**6,193,321**
Leasehold improvements	1,131,243	113,134	**1,244,377**
Laboratory equipment	8,308,513	1,367,200	**9,675,713**
Transportation equipment	1,754,503	210,297	**1,964,800**
Total	20,587,773	₱ 6,995,418	**27,583,191**
Net Book Value	₱ 105,379,850		₱ **105,304,433**

As of July 31, 2008, this account consists of:

Particulars	Beginning Balance	Additions/ Provisions	Adjustment	Ending Balance
Cost				
Land	₱ -	₱ 32,373,000	₱ -	₱ **32,373,000**
Building and condominium units	25,486,628	-	44,286,206	**69,772,834**
Office furniture, fixtures and equipment	5,577,585	3,889,388	-	**9,466,973**
Leasehold improvements	980,734	291,881	-	**1,272,615**
Laboratory equipment	8,744,227	2,373,174	-	**11,117,401**
Transportation equipment	1,964,800	-	-	**1,964,800**
Construction in progress	2,404,285	41,881,921	(44,286,206)	**-**
Total	45,158,259	80,809,364	-	**125,967,623**
Accumulated Depreciation				
Land	-	-	-	**-**
Building and condominium units	3,115,377	1,798,186	-	**4,913,563**
Office furniture, fixtures and equipment	3,119,767	1,360,184	-	**4,479,951**
Leasehold improvements	876,720	254,523	-	**1,131,243**
Laboratory equipment	6,643,597	1,664,916	-	**8,308,513**
Transportation equipment	1,361,543	392,960	-	**1,754,503**
Total	15,117,004	₱ 5,470,769	₱ -	**20,587,773**
Net Book Value	₱ 30,041,255			₱ **105,379,850**

The Foundation's land, buildings and building machinery and equipment were last revalued on September 9, 2008 by independent appraiser. Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at valuation date. As a result of valuation, no assets have been impaired.

In 2008, the Foundation changed its accounting policy for acquisitions of property and equipment using the grant received from Global Fund retroactively. The acquisition costs were no longer capitalized in the financial statements. These are accounted for as an outright expense in the period the costs are incurred (see Note 17). The Foundation, however, believes that it will be able to properly account for the grant received from Global Fund if the acquisition costs of property and equipment are expensed outright.

For the periods ended July 31, 2009 and 2008, the depreciation charges amounted to ₱6,995,418 and ₱5,470,769, respectively.

NOTE 9 – REFUNDABLE DEPOSITS

The account pertains to refundable deposits on rental contracts entered by the Foundation. As of July 31, this consists of:

Particulars	Unrestricted	Restricted	**2009**	2008
Rental deposits	₱ 1,739,491	₱ 1,937,249	₱ **3,676,740**	₱ 3,351,275

NOTE 10 – TRADE AND OTHER PAYABLES

As of July 31, this account consists of:

Particulars	Unrestricted	Restricted	**2009**	2008
Accounts payable	₱ 17,831,510	₱ 25,355,255	₱ **43,186,765**	₱ 20,177,011
Due to the government	1,552,668	373,743	**1,926,411**	2,132,317
Accrued expenses	367,000	2,932,801	**3,299,801**	52,233
Total	₱ 19,751,178	₱ 28,661,799	₱ **48,412,977**	₱ 22,361,561

NOTE 11 – LOANS PAYABLE

On August 22, 2007, the Foundation obtained a medium-term loan amounting to ₱15,000,000 from a local bank which is payable on demand with interest rate of 9.25% per annum. The principal is payable on demand, while interest is payable quarterly. The purpose of the loan is to finance the construction of the Foundation's new building. This amounts to ₱11,662,919 and ₱15,000,000 for the years ended July 31 2009 and 2008 respectively.

NOTE 12 – FUNDS HELD IN TRUST

As of July 31, this account consists of:

Particulars	Unrestricted	Restricted	2009	2008
Global Fund (Note 2)	₱ -	₱ 1,296,403,598	₱ **1,296,403,598**	₱ 755,275,541
Centers for Disease Control and Prevention (CDC) (Note 20)	-	5,638,399	**5,638,399**	(1,799,275)
Case Western Reserve University (CWRU) (Note 20)	-	1,925,635	**1,925,635**	2,487,239
General fund	-	-	-	596,699
Total	₱ -	₱ 1,303,967,632	₱ **1,303,967,632**	₱ 756,560,205

NOTE 13 – FUND BALANCES

As of July 31, this account consists of:

Particulars	Unrestricted	Restricted	2009	2008
Members' contributions	₱ 70,000	₱ -	₱ **70,000**	₱ 70,000
General funds	156,274,475	2,432,605	**158,707,080**	117,902,673
Total	₱ 156,344,475	₱ 2,432,605	₱ **158,777,080**	₱ 117,972,673

NOTE 14 – RETIREMENT BENEFIT PLAN

Pending the adoption of a formal retirement plan, the Foundation provides for the retirement benefits of qualified employees as required under Republic Act 7641. Based on the latest actuarial valuation report dated July 31, 2006, the present value of retirement obligations amounted to ₱1,240,586 while the fund balance amounted to ₱3,644,866. No retirement cost was recognized in 2009 and 2008 because the annual amortization of the excess of plan assets over the present value of retirement obligations exceeds the current service cost.

The Projected Unit Credit Cost method was used to determine the current service cost for the period and the past service liability. The principal assumptions used to determine retirement benefits were an interest rate and average salary increase rate of 10% per annum.

The foundation has no actuarial valuation report for the fiscal years 2007, 2008 and 2009.

For the periods ended July 31 2009 and 2008 the Retirement Fund balance amounts to ₱0.574 million and ₱3.6 million respectively.

The P3 Million allotted for retirement benefit were invested in short-term investments and were already reverted to the General Fund on September 2008 and January 2009.

In December 2010, most employees were separated as a result of the suspension of the Global Funds and were given benefits. Present employees are on term contract and management believes there is no future actuarial obligation for the Foundation.

In July and December 2010, a total amount of ₱2.8M was paid to an employee who retired and it was charged fully against General fund.

NOTE 15 – INCOME

For the period ended July 31, this account consists of:

Particulars		Unrestricted		Restricted		2009		2008
Grant	₱	105,773,275	₱	94,749,562	₱	200,522,837	₱	69,142,815
Laboratory test		18,273,103		-		18,273,103		20,488,077
Donations and contributions		12,144,082		-		12,144,082		59,517,379
Total	₱	136,190,460	₱	94,749,562	₱	230,940,022	₱	149,148,271

NOTE 16 – OTHER INCOME

For the period ended July 31, this account consists of:

Particulars		Unrestricted		Restricted		2009		2008
Gain on sale of assets	₱	1,065,171	₱	-	₱	1,065,171	₱	-

NOTE 17 – GENERAL AND ADMINISTRATIVE EXPENSES

For the period ended July 31, this account consists of:

Particulars		Unrestricted		Restricted		2009		2008
Personnel costs	₱	14,514,953	₱	41,808,447	₱	56,323,400	₱	33,878,663
Medicines		27,832,217		247,676		28,079,893		662,950
Laboratory and office supplies		20,181,032		7,711,219		27,892,251		10,142,883
Honorarium		3,374,322		13,603,187		16,977,509		15,528,137
Transportation and travel		1,543,819		7,175,154		8,718,973		3,289,096
Depreciation		6,995,418		-		6,995,418		5,470,769
Repairs and maintenance		2,362,113		464,414		2,826,527		2,016,679
Seminars and trainings		-		5,205,810		5,205,810		2,531,903
Communications, light and water		1,216,400		3,840,442		5,056,842		3,593,375
Rental		301,938		2,905,990		3,207,928		2,155,046
Professional fees		295,112		6,237,064		6,532,176		7,906,740
Program management and administration		58,025		2,947,713		3,005,738		252,600
Advertising		-		1,542,217		1,542,217		195,118
Membership		940,516		-		940,516		159,797
Insurance		180,224		440,467		620,691		679,645
Representation		120,430		204,928		325,358		273,488
Taxes and licenses		149,172		200		149,372		235,361
Security and janitorial		128,455		-		128,455		-
Capitalized expenditures		-		-		-		3,379,418
Miscellaneous		1,386,125		622,692		2,008,817		1,630,692
Total	₱	81,580,271	₱	94,957,620	₱	176,537,891	₱	93,982,360

NOTE 18 – FINANCE COSTS

For the period ended July 31, this account consists of:

Particulars	Unrestricted	Restricted	2009	2008
Unrealized foreign exchange gain	₱ (377,877)	₱ (208,059)	₱ **(585,936)**	₱ 247,234
Realized foreign exchange gain	(169,021)	-	**(169,021)**	-
Interest income	(211,221)	-	**(211,221)**	(303,682)
Interest expense	1,589,023	-	**1,589,023**	1,108,363
Net	₱ 830,904	₱ (208,059))	₱ **622,845**	₱ 1,051,915

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

During the fiscal year, the Foundation's prior year operation was adjusted to correct the beginning balance of unrestricted fund balances amounting to ₱14,040,049.

NOTE 20 – OTHER MATTERS

Global Fund
The Foundation entered into program grant agreements with Global Fund for the implementation or overseeing the implementation of six programs as follows:

Programs	Grant No.	Start Date	Completion Date
HIV/AIDS			
Accelerating STI and HIV Prevention Care through Intensified Delivery of Services to Vulnerable Groups and People with HIV in Strategic Areas in the Philippines	PHL-304-G03-H	August 1, 2004	July 31, 2009
Upscaling the National Response to HIV/AIDS through the Delivery of Services and Information to Populations at Risk and People Living with HIV/AIDS	PHL-506-G04-H	October 1, 2006	September 24, 2009
Tuberculosis			
Accelerating the Response to TB	PHL-202-G02-T-00	August 1, 2003	July, 31, 2008
Scaling up and Enhancement of the National Tuberculosis Program in the Philippines	PHL-506-G06-T	October 1, 2006	December 31, 2008
Sustaining Tuberculosis Control and Ensuring Universal Access to Comprehensive Quality Tuberculosis Care	PHL-202-G02-T-00	January 1, 2009	September 24, 2009
Malaria			
Accelerating the Response to Malaria	PHL-202-G01-M-00	August 1, 2003	July 31, 2008
An Intensified Strengthening of Local Response and Health Systems to Consolidate the Gains	PHL-607-G07-M	October 1, 2007	September 24, 2009

in Malaria Control in Rural Philippines through Public Private Partnership.			
Advancing malaria control towards elimination by 2020	PHL-202-G01-M-00	August 1, 2003	September 24, 2009

Suspension of Grants from the Global Fund

In a press release on September 24, 2009, The Global Fund has suspended all of its grants to the Tropical Disease Foundation, Inc. (TDFI) consequent to the result of a compliance audit conducted by the Office of the Inspector General.

In 2008, the Foundation changed its method in accounting for the grants received from Global Fund to properly account and comply with the requirements of the latter. As such, (a) the acquisition costs of property and equipment will be recognized as expense in the period the costs are incurred (see Note 5), and (b) grants received will be reflected in the statement of income and expenses as and when the related cost and expenses are actually incurred.

The effect of the change in accounting for the grants received from Global Fund has been accounted for retroactively in conformity with the provisions of SFAS 13 (revised 2000), *Net Income or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*, and as a result, the 2007 financial statements were restated. The Foundation adjusted its property and equipment and funds held in trust by about P6.4 million and about P13.9 million, respectively, to correct the balances as of July 31, 2007. The resulting change decreased fund balance as of July 31, 2007 and 2006 by about P20.3 million and about P8.1 million, respectively, and decreased the excess of income over expenses by about PI 2.1 million in 2007.

Case Western Reserve University (CWRU)

The Research Consortium Agreement between CWRU and the Foundation which is sponsored by the National Institutes of Health under project title: "Tuberculosis Research Unit" is a collaborative effort between the two organizations wherein the Foundation agreed to use its personnel and facilities in the performance of work in exchange for costs reimbursement based on an agreed budget. The program started on November 15, 2003 and was completed in April 2008.

Centers for Disease Control and Prevention (CDC)

The Foundation entered into a cooperative agreement with CDC under the project title "Improving the Effectiveness of the Diagnosis of Tuberculosis in the Philippines" under Program Announcement Number 04259. The program started on September 15, 2004 with expected completion date of September 14, 2009.

Otsuka Pharmaceutical Development & Commercialization, Inc. (OPDC)

The agreement between the Foundation and OPDC is contracted through Parexel APEX International Clinical Research Co., Ltd., who acts as the independent contractor. OPDC engaged the Foundation to carry out clinical trials in accordance with the protocol dated February 13, 2008 and entitled "A Multi-center, Randomized, Double-Blind, Placebo-controlled Phase 2 Trial to Evaluate the Safety, Efficacy and Pharmacokinetics of Multiple Doses of OPC-67683 in Patients with Pulmonary Sputum Culture-Positive, Multidrug-resistant Tuberculosis". The period of performance of the study began in June 2008 and shall continue until April 2009. In consideration for the performance of the study, the Foundation is compensated in accordance with the budget and payment schedule attached in the agreement.

SUPPORTING THE FOUNDATION

The Foundation offers several opportunities for those who wish to support its undertakings.

Endowments Supporting Current Projects

Endowments are invited in the following categories:

Benefactors	P 100,000.00 or more
Patrons	P 20,000.00 - P 99,000.00
Sponsors	P 10,000.00 - P 19,000.00
Donors	Less than P 10,000.00

Friends of the Foundation

Cash endowments of P 500,000.00 or more may designate their endowment to a specific research project or for the general use of the foundation.

An endowment of P 1,000,000.00 may sponsor one research project for one year.

Endowment for the Future

Donations of money, securities, property or life insurance can be given to the Tropical Disease Foundation for general support or for specific projects designated by the donor.

Memorial and Honorary Endowments

Remembering a Loved One

Endowments may be made in honor or in memory of a friend or relative. The Foundation acknowledges this by giving a certificate of appreciation to the person honored or to the family of the deceased.

ABOUT THE LOGO

The logo attempts to define visually the raison d'être of the Foundation using a combination of symbols:

- The microscope represents medical research on bacteria, viruses and parasites.
- The sun and the plant signify the tropics and its lush vegetation.
- The plant further implies the possibilities of research in the medical field.

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