Sustaining Communities

2019 One Meralco Foundation Annual Report

2019 Reports

Meralco Annual Report
Meralco Sustainability Report
One Meralco Foundation Annual Report

ONE MERALCO FOUNDATION

Our Cover

A student and her teacher return to their island school in Tawi Tawi in the southernmost part of the Philippines, full of hope and ready to embrace an energized future. One Meralco Foundation sustains far-flung and underserved communities through electrification and other interventions that promote productivity and spur progress.

Our Reports

Beginning 2019, Manila Electric Company (Meralco) is providing three annual reports: the first covers the distribution utility and its subsidiaries; the second is its sustainability report; and the third is that of its social development arm, One Meralco Foundation.

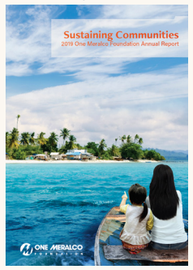
Sustaining Energy
2019 Meralco Annual Report

Sustaining Energy:
Sustaining Energy shows Meralco's transition to renewable energy to better support future generations, and executes a digital transformation to upgrade its systems and operations for greater efficiency and a better customer experience.

Sustaining the Future
2019 Meralco Sustainability Report

Sustaining the Future:
Sustaining the Future maps out Meralco's sustainability agenda, in the context of the United Nations Sustainable Development Goals. It details the focus on Power, Planet, People, and Prosperity in alignment with Meralco's business strategy.

Sustaining Communities
2019 One Meralco Foundation Annual Report



Sustaining Communities:
Sustaining Communities presents the accomplishments of One Meralco Foundation on its various community and social development programs on household and school electrification, energy education, environmental sustainability, and responsible citizenship.

One Meralco Foundation is determined to bring the light of hope to underserved communities within and beyond the Meralco franchise area, carryingout the company's vision to make the future brighter for the Filipino people. As the social development arm of Meralco, the Foundation focuses on advocacies that bring about productivity to households, schools and communities through electrification. Since its inception in 2011, the Foundation has already energized 48,900 low-income households and 245 off-grid island and mountain public schools across the Philippines. It also mobilizes partnerships among different stakeholders to empower the marginalized sector of the country to improve themselves and become active participants in nation building.

ONE MERALCO FOUNDATION

One Meralco Foundation Annual Report 2019

CONTENTS

04 Message from our Leaders
10 Performance Highlights
12 Our Programs
14 Energy for Productivity
24 Environmental Stewardship
32 Responsible Citizenship
40 2019 Financial Review
41 Recognition from the Community
42 Board of Trustees
44 OMF Team
46 Statement of Management's Responsibility for Financial Statements
50 Financial Statements
69 2019 Donors

About this Report

This report presents the 2019 accomplishments of One Meralco Foundation, Inc. with respect to its advocacy pillars namely, Household Electrification, School Electrification, Energy Education, Environmental Sustainability, Youth Development, Emergency Preparedness and Disaster Response, Grassroots Partnerships, and Employee Giving and Volunteerism. As a responsible social development institution, we exercised utmost transparency in preparing this report, making sure that our benefactors and beneficiaries are provided clear and factual information about our accomplishments and financial performance in accordance with Philippine Financial Reporting Standards.

↑ Each year, thousands of students in public schools in the Meralco franchise area receive donations from employees of Meralco and its subsidiaries as part of One Meralco Foundation's back-to-school campaign.

Sustaining Communities

In developing nations like the Philippines, electricity is vital to sustaining economic progress and human capital development. Many studies suggest a positive correlation between electricity consumption and gross domestic product, setting aside population growth.

The Department of Energy's energy and economy interaction data from 1990 to 2018[1] show that as the Philippines experienced steady economic growth, energy consumption also showed a similar trend for the greater part of the period. This is empirical proof of the importance of electricity as an input in economic activity, and is one of the reasons why the Government has made it a priority to energize 100 percent of the Philippines by 2022.

The Manila Electric Company (Meralco), the largest private sector electric distribution company in the country, contributes to the fulfillment of this goal by extending its facilities to small, far-flung communities in its franchise area. And as Meralco's social development arm, One Meralco Foundation (OMF) complements this effort with its advocacy for household electrification particularly for low-income families.

The program brings together various stakeholders such as Meralco's business centers and network sectors, local government units (LGU), and the beneficiaries to work out a solution that would make electrification possible and convenient for low income families. OMF also provides financial support by taking care of a portion of the initial cost of applying for an electricity service, which is usually shouldered by homeowners.

In 2019, 8,091 homes of low-income families were energized through this program, and are now enjoying the benefits of electricity.

Especially in urban settings, electrification of low-income communities is usually complicated because, in many cases, poverty is only one of the many facets of the problem. The others include land tenure concerns and right-of-way (ROW) issues, which are beyond the control of Meralco and the Foundation.

This is why the collaboration amongst stakeholders, including the government, is absolutely necessary in such business unusual situations.

For example, in the case of two (2) communities in Pasig City energized in 2019, Meralco extended additional technical support to expedite the residents' application process, while the LGU solved the ROW issues by allowing Meralco to extend its facilities to the community through a nearby property of a science high school run by the city. OMF, for its part, provided funding for the construction of a common meter/circuit breaker base as assistance to the residents.

The unified efforts of various partners have enabled residents to finally access electricity after many years.

8,091
Homes of low-income families energized in 2019

↑ Among those energized by OMF's household electrification program in 2019 are two communities in Pasig City: Greenhills Homeowners' Association in Brgy. Pineda, and Kangkungan Landless Association in Brgy. Manggahan. Residents here did not have access to electricity for more than 15 years due to tenure and right-of-way issues. OMF, Meralco and the Pasig City government led by Mayor Victor María Regis "Vico" N. Sotto worked together to finally bring electricity service to more than a hundred homes.

[1] *https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/1990-2018_kes_energy-economy_interaction.pdf*

Energizing Education

Our mission in the Foundation has always been more than just providing access to electricity. We go beyond measuring the outputs of our programs and put more value on their outcome and long-term impact.

This is the same philosophy that inspired our school electrification program, which makes technology-aided learning possible in off-grid public schools.

In each school, OMF installs a solar photovoltaic (PV) equipment capable of producing up to three (3) kilowatts of electricity to power classroom lights and fans, and more importantly, modern learning tools.

We believe that the impact of electricity on the quality of education is felt only if it is used alongside learning technology. This is why, apart from the solar PV systems, OMF together with donations from Meralco employees also provide multimedia equipment consisting of a large-format television, a lap-top computer, and a printer-scanner.

Twenty public schools have benefitted from the program in 2019, providing 4,055 students the means to develop 21st Century skills through the integration of technology in their learning experience. Among them are students of eight island schools in the province of Tawi Tawi, who are now realizing the benefits of electricity. The "Energy for Productivity" section discusses this initiative in more detail **(see page 14).**

Electricity and technology go hand in hand. Technology could not exist without electricity, and electricity is futile without technology. By providing young Filipinos access to both, and encouraging them to harness their potential to address key social, economic and environmental issues, we are helping them build a sustainable world.

Our energy education program encourages the Filipino youth to understand and appreciate the importance of electricity and to build upon its strengths. This is accomplished using a two-pronged approach: one that is geared towards building the capacities of educators to teach energy concepts, and another that is focused on helping students develop a 21st Century mindset -- that is, developing modern-day skills such as creativity, communication, collaboration and critical thinking.

↑ A teacher in a remote community in Oriental Mindoro demonstrates the use of a laptop computer to her Mangyan students.

↑ A kindergarten pupil receives a "Laging Handa" all-weather preparedness kit donated by Meralco employees through OMF.

"Electricity and technology go hand in hand. By providing young Filipinos access to both, we are helping them build a sustainable world."

Our Energy Education kits, which contain 200 flash cards featuring various energy topics, are now being used by 772,631 learners in 1,180 academic institutions nationwide. These kits aid teachers in including energy topics using the spiral learning model aligned with the new K-12 curriculum. In some cases, the flashcards are also used to determine the appropriate grade levels for first time enrollees, and as a diagnostic tool in special education classes.

In a bid to develop more Filipino scientists who can contribute to energy research, the Foundation co-sponsored the National Science and Technology Fair (NSTF), which brings together hundreds of young scientists from various public and private high schools in the Philippines to showcase their exemplary scientific research and innovation projects.

The Foundation also recognized the outstanding academic performance of 302 dependents of rank-and-file and supervisory employees of Meralco and its subsidiaries through the MVP Academic Achievement Awards (MVP AAA) program. This is our sincere way of appreciating the hard work of our peers in Meralco, who have been the Foundation's strategic partners in bringing about change in the lives of our beneficiaries.

OMF promotes the welfare of the youth, helps build resilient communities, aids in the development of grassroots communities, and engages volunteers to take part in its mission to "spread the light" to those who need it the most.

Responding to Disasters

In the last quarter of the year, a series of earthquakes shook Cotabato City and nearby provinces in the island of Mindanao, prompting thousands of families to run for safety in evacuation centers. While the Government and private donors maintained a regular ration of food, there was a demand for potable water containers.

This assessment from the ground gave OMF a better picture of the needs of the survivors, prompting it to recalibrate its response. The Foundation donated 300 units of water containers distributed with the help of soldiers from the Western Mindanao Command of the Armed Forces of the Philippines.

Strategic alliances allowed OMF to extend help to communities outside of the Meralco franchise area. When Batanes was rocked by a 5.9-magnitude earthquake in July, we sent 500 relief packages through the Philippine Disaster Resilience Foundation (PDRF), and when Typhoon Tisoy (international name: Kammuri) wreaked havoc in the Bicol region in December, we joined hands with other electric cooperatives in expediting the restoration of power services in the affected areas.

Powering Volunteerism

Apart from financial support, the indefatigable desire of Meralco employees to serve beyond the call of duty is a primary driving force in ensuring the success of the Foundation's activities.

A total of 2,056 Meralco employee-volunteers devoted their time, talent and treasure to the Foundation's programs throughout the year.

Among their main contributions is the distribution of 6,212 "Laging Handa" all-weather preparedness kits in 57 public schools in the Meralco franchise area during the back-to-school season. The program was fully funded by employees who donated a total of PhP2.3 million. More about this program is discussed in the "Responsible Citizenship" section of this report **(see page 32).**

Caring for Our Common Home

As a leader in the industry, Meralco continues to find ways to strike a balance among the social, economic and environmental impacts of its operations, working doubly hard to become an efficient and effective power distributor and, at the same time, a champion of the environment.

In support of Meralco's sustainability initiatives, the Foundation included environmental sustainability as one of its main pillars. This is best expressed in the new program called "One for Trees" (OFT), which aims to restore biodiversity in Philippine forests and watersheds through reforestation.

In 2019, we began pursuing our goal of nurturing at least three million trees in the next six years by planting our first 23,366 trees in 13 conservation sites, with the help of close to 2,000 employee-volunteers, local farmers and partner institutions. More about this program is discussed in the "Environmental Stewardship" section of this report **(see page 24).**

23,366
Native trees planted in 13 conservation sites

Committed to Sustaining Communities

Addressing the needs of communities through programs that are not only effective but, more importantly, impactful is a gargantuan task. It requires a great deal of human and financial capital to reach last mile communities, a full understanding of the social problems confronting them, and designing the right interventions that they can sustain for the long haul.

Thankfully, we are not alone. With the guidance and wisdom of our Trustees, the dedication of our hardworking team, the commitment of our partners, the continued support of our donors and volunteers, we are able to fulfill our mission to empower individuals and families, and sustain communities.

Armed with a refreshed perspective on sustainability, the Foundation will continue to strengthen its resolve in enabling families and communities to be more inclusive and productive.

Manuel V. Pangilinan
Chairman

Ray C. Espinosa
Vice Chairman

Jeffrey O. Tarayao
President

Sustaining Communities

ONE MERALCO FOUNDATION

SUSTAINABLE DEVELOPMENT GOALS

As Meralco's social development arm, One Meralco Foundation is providing business solutions to social challenges within the Company's franchise area and to remote, off-grid communities in the Philippines. It has developed programs to address the need for productivity of Filipinos, primarily through electrification. Beyond this, its initiatives are also anchored on the United Nations' Sustainable Development Goals to enable beneficiaries and partners to contribute positively to social capital, economic growth and environmental protection.

One for Trees launched and planted **23,366** trees

Energized **20** public schools in remote, off-grid communities

4,055 students with improved learning conditions due to school electrification

40,457 families directly benefitted from our various social development programs.

265 partner organizations

2,056 Meralco employee volunteers, rendering **26,497** volunteer hours

238 community relations projects within and beyond the Meralco franchise area

Energized **8,091** low-income households in the Meralco franchise area

772,631 students benefiting from the use of Energy Education flash cards
(Cumulative, since 2015)

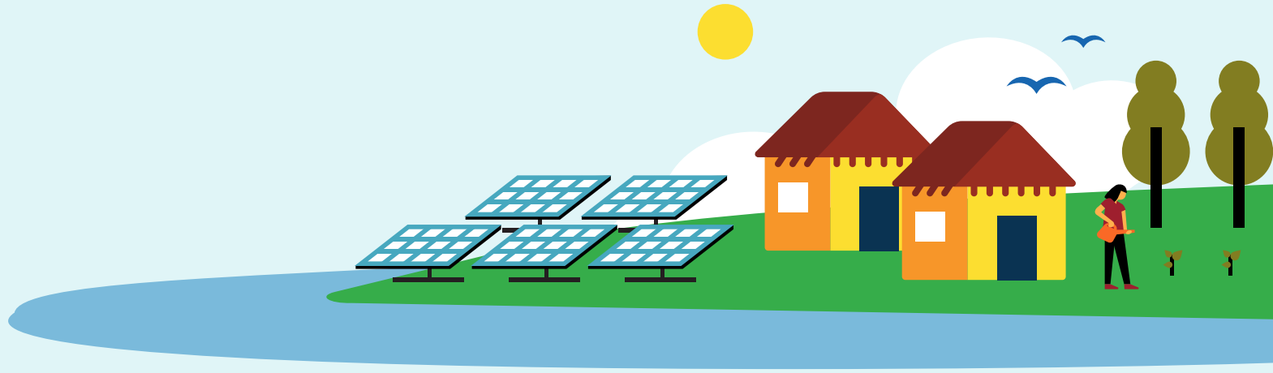
1,173 youth development program participants

7,729 families benefited from relief operations

7,962 families benefited from power restoration

Our Programs

One Meralco Foundation's programs are built upon the following advocacy pillars which were designed to address various social development needs through interventions that are aligned with the thrusts of Meralco's energy-related businesses.



Household Electrification

Provides assistance to low income families in the Meralco franchise area so that they can comply with the minimum requirements for electrification. It also serves indigenous peoples' communities where solar photovoltaic technology is utilized.

School Electrification

Improves the learning experience of students in off-grid public schools by providing an alternative source of electricity (mainly solar energy) and modern learning hardware such as laptop computers and multimedia equipment.

Grassroots Partnerships

Working hand-in-hand with government, private, and non-government organizations to implement advocacies in grassroots communities.

Youth Development

Extends Meralco's corporate value of *"Malasakit"* (compassion) to the Filipino youth through academic, sports, skills building and talent enhancing programs.

Energy Education

Develops learning resources on energy and builds the capacity of educators to teach the subject to promote deeper understanding of energy, and to campaign for its sustainable use.

Environmental Sustainability

Promotes the preservation of Philippine biodiversity through reforestation and the empowerment of local communities to become stewards of the environment.

Emergency Preparedness and Disaster Response

Delivers immediate relief to calamity victims and helps electric cooperatives immediately restore power services in areas affected by disasters.

Employee Giving and Volunteerism

Opens opportunities for Meralco's employees to give back to society by sharing their time, talent, and treasure through the Foundation's various fundraising and volunteering campaigns.

Energy for Productivity

Melyn Hayudini, a teacher in Aliakbar Elementary School in Bongao, Tawi Tawi integrates learning technology in class after OMF energized the off-grid island school using solar photovoltaic technology in 2019. Meralco employees, through the Meralco Employees' Fund for Charity, Inc. (MEFCI), also donated multimedia equipment to the schools.

Energy for Productivity

One Meralco Foundation provides off-grid schools and low-income families the opportunity to harness electricity to bolster their productivity and ensure a sustainable future.

Equitable Opportunities for Far-Flung Schools

Tawi Tawi, a province in the southwestern edge of the Philippines, is a hidden gem. Its coasts are lined with unspoiled, pristine white sand beaches that could rival the shores of Boracay and other well-known tourist destinations in the country. It is teeming with marine life and its nutrient-rich soil is perfect for growing high value crops such as corn, banana and coconut. Its geographic location, being in the middle of valuable seaports of Indonesia, Malaysia, Singapore and China, makes it a suitable candidate for a lucrative transshipment port. Unfortunately, the province is widely misunderstood.

Located in a region stigmatized by armed conflicts in the past, Tawi Tawi's potential as a progressive, industrial, agricultural and tourism masterpiece of the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM) is hampered by outdated norms that have deterred investors from participating in its economy.

Tawi Tawi, to date, is classified as a third-class province, and its progress comes at a snail's pace, amplified by the dearth of basic services such as reliable electricity.

"In 2019, OMF brought electricity to 20 public schools, 8 in Tawi Tawi."

↓ Teacher Hayudini joins her students as they walk towards their school. Located in an island, Aliakbar Elementary School is challenging to energize using grid power. With OMF's donated solar PV system, students here are ready to embrace a brighter future.

↑ Four (4) off-grid public schools in the mountainous regions of Negros Oriental receive their multimedia equipment during a festive community launch held to celebrate the electrification of the schools through solar PV technology.

While its capital, Bongao, is largely energized, many island communities remain without constant power. In fact, based on 2018 data from the Department of Energy, only about 27.8 percent of households (34,000 families) are energized[1]. The absence of electricity has a negative impact on the education of students. Teachers in off-grid schools could not integrate modern learning tools in classroom discussions and, as a consequence, students aren't able to keep up with modern concepts and develop the skills that would lead to high-paying jobs. If Tawi Tawi hopes to cash in on its economic potentials soon, it must first invest in providing quality education and skills training to its future workforce. For this, it needs technology -- and essentially, electricity.

Meanwhile, in most parts of the country and the world, students use technology and the Internet in the classroom and in their day-to-day lives. The surplus of tools available to them and the limitless access to information gives them an advantage in the very competitive job market.

Unfortunately, those in marginalized communities who need a higher income to breach the poverty line are usually the ones without the qualifications. This inequality inspired One Meralco Foundation to launch its school electrification program in 2012. As one of its core advocacies, the program has since energized 245 off-grid public schools across the country[2] -- even those located outside of the franchise area of Meralco.

[1] *https://www.doe.gov.ph/ducsp/tawelco*

[2] *Data as of December 31, 2019*

In 2019, the program brought electricity to 20 public schools, eight of which are in Tawi Tawi:

Simalak Elementary School (Languyan)
Aliakbar Elementary School (Bongao)
Luuk Buntal Elementary School (Panglima Sugala)
Tandoh Elementary School (Panglima Sugala)
Parangan Elementary School (Panglima Sugala)
Matolo Elementary School (Panglima Sugala)
Pamatakan Elementary School (Panglima Sugala)
Buan Elementary School (Panglima Sugala)

Three years earlier, three schools in the municipalities of Sitangkai, Simunul and Tandobas, were energized by the Foundation. To maximize the schools' electrification, Meralco employees complemented OMF's donation by providing multimedia equipment consisting of a laptop computer, a printer/scanner and a large-screen television. These were funded through members' monthly contributions to the Meralco Employees' Fund for Charity, Inc. (MEFCI).

Electrifying a far-flung school requires a huge amount of donated funds and it is only prudent for the Foundation to make sure that its social investments benefit more students and teachers for as long a period as possible. Moreover, the effect of the intervention on the knowledge gains of students is not immediate and becomes more apparent as they continue to use the technology.

Therefore, it is necessary for the Foundation to ensure the sustainability of each electrification project. Financial support from the Department of Education, which owns and maintains the schools, and from the local government are necessary for the continued maintenance and repair of the equipment after the one year manufacturer's warranty expires.

The school's immediate community must also be willing and capable of protecting the equipment. These are among the parameters the Foundation considers in selecting candidate schools.

School Electrification Highlights

↑ Students of various public schools located in remote, off-grid communities in the Philippines joyfully celebrate the electrification of their schools through the support of partners from the Association of Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP).

Since 2012, the Foundation has energized 245 off grid island and mountain schools in 38 provinces in the Philippines:

- Luzon (106)
- Visayas (72)
- Mindanao (67)

Improved Sustainability Measures

- Partnered with local government units for the funding of the maintenance of solar PV equipment
- Built a network of local technical services providers which schools can tap for the repair of equipment
- Upgraded to a more compact, reliable and lithium-battery based system which has a longer lifespan

Empowered Teachers

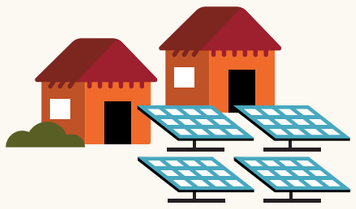
More than 200 teachers and technical personnel from schools the Foundation energized underwent a refresher course on solar PV technology to help them in the proper upkeep of the system.

Global Call to Energize Schools

- The Foundation launched a fund-raising campaign for school electrification among members of the Association of Electricity Supply Industry of East Asia and the Western Pacific.
- AESIEAP companies raised PhP2.57 million which contributed to the electrification of 11 off-grid schools in the Philippines.

An array of solar panels installed by Meralco in Cagbalete Island, Quezon now provides sustainable electricity to the island's residents.

Better Choices For The Underprivileged



In 2019, OMF's household electrification program energized a total of **8,091 low income households** in the Meralco franchise area.

Similar to the ordeal of islanders in Tawi Tawi, residents of Cagbalete Island in Mauban, Quezon have been without access to electricity for years. Its geographical location makes it challenging to energize through a direct connection to the power grid.

The island is also dotted with white sand beaches and is relatively close to Metro Manila but local and foreign tourists are deterred by the lack of electricity. As a consequence, natives of the island could not capitalize on tourism and instead remain dependent on fishing as their primary source of livelihood which they can only rely on during half of the year when the sea is calm.

Despite their meager income, many residents save up to accord themselves the luxury of access to electricity at least for a few hours each day. Among them are Ricardo and Eva Ocampo, who used to pay at least PhP2,000 monthly to connect to a communal gasoline-fired generator for electricity access from 6pm to 9pm every day. At this rate, electricity was indeed a "luxury" for a family that subsists on a daily budget of PhP500.

But it shouldn't be.

In July, Meralco inaugurated its solar microgrid in Cagbalete to provide round-the-clock electricity to 129 households. The Foundation helped residents comply with the initial requirements for electrification and provided additional funding for infrastructure requirements on the customer side.

Residents who are now connected to the microgrid are able to use electricity 24 hours a day, and are also able to use other appliances. In contrast, when they were dependent on generators, they could only connect a few light bulbs. They had to pay a premium if they insisted on using other devices such as television or an electric fan.

Ricardo and Eva are also now spending less for far more power. In their first month since electrification, they only paid PhP98 on electricity. A few months later, the family's average monthly bill increased to PhP250 as their consumption increased. Still, this is only 13 percent of their electricity expense prior to OMF's intervention. The resulting savings of around PhP1,700 is now used to augment their budget for food, education and health care.

The Ocampo family's experience is a concrete example of how the lack of electricity access could make poor families even poorer. In urban communities, many poor families resort to sub-meter connections for which they spend up to twice as much as the average kilowatt-hour rate of Meralco.

This is why One Meralco Foundation continues to reach out to communities like these. In today's digital world, electricity is a necessity, and those without it are left behind. It remains committed to bringing electricity access where none exists, so that communities left behind achieve sustainable development, and advance with the country and the rest of the world.

Eva Ocampo has opened a small store that also offers battery charging service to augment her family's income.

Household Electrification Highlights

Families in a Gawad Kalinga village in Trece Martires, Cavite, now enjoy 24-hour electricity after their homes were finally energized in 2019.

Since 2012, the Foundation has energized 48,900 low-income households in Meralco's franchise area and in select indigenous communities.

Key Program Impact

- On average, beneficiaries report a PhP103 decrease in their spending on electricity after joining the program. Savings went to food and education expenses.
- Increased study hours at home for students.
- Reliability of electricity has improved resulting in increased productivity at home.
- Increased media consumption resulted in a more socially aware household.
- Electrical safety improved as overloading was prevented.
- Increase in household-based businesses.

Energized a fishermen's shelter in the Philippines' northernmost island, in partnership with the Armed Forces of the Philippines.

Mavulis Island, Batanes

Provided solar lamps to 300 Aeta school children in the off-grid mountain village of Inararo.

Porac, Pampanga

29 indigenous families from Sitio Macantog benefited from solar home lights in partnership with Philippine Vice President Leni Robredo's Angat Buhay program.

Tanay, Rizal

Meralco engineers check electrical safety of schools in Las PInas City as part of Brigada Eskwela.

Las Piñas City

29 households energized through solar mcro-grid installation.

Isla Verde, Batangas City

Energized three mountain schools, which are accessible by foot for at least six hours, benefitting Mangyan (indigenous people) students.

Oriental and Occidental Mindoro

Hundreds of teachers went through a Solar Camp to build their skills in solar power maintenance.

Puerto Princesa, Palawan

Four mountain schools accessible only by foot were energized, benefitting some 500 students.

Sta. Catalina, Negros Oriental

Eight of the country's farthest schools in the south are now energized with 1,612 students and 52 teachers benefitting.

Bongao, Tawi Tawi

Energized 119 households in Brgy. Pineda and Manggahan which have been waiting for electricity access for more than 15 years due to technical and legal issues.

Pasig City

129 households were energized through solar micro-grid installation.

Cagbalete Island, Quezon

Teachers from remote schools energized by OMF equip themselves with technical skills to maintain their solar power system as part of their recovery from Typhoon Yolanda (international name: Haiyan).

Carles, Iloilo

CEOs of the Association of Electricity Supply Industry of East Asia and the Western Pacific came together to commit to energizing more off-grid schools in the Philippines.

Mactan City, Cebu

Over 1,000 students from three different islands now benefit from the electrification of three schools in the province.

Dawahon, Leyte

Still coping from the effects of the siege, thousands of students benefit from Energy Ed kits which they can use as an alternative learning solution after their schools were destroyed.

Marawi, Lanao del Sur

Teachers from the Davao region gathered to share best practices in maintaining their solar power systems through a Solar Camp.

Davao City

500 students belonging to the T'boli indigenous tribe gain access to electricity after OMF energized two public schools, both of which are accessible only via motorcycle for a trip that could take around 10 hours.

Maasim, Saranggani

OMF recognized Diplahan National High School which promoted practices and initiatives in electrical safety, energy efficiency and innovation in the Search for Sustainable and Eco-Friendly schools.

Diplahan, Zamboanga Sibugay

Environmental Stewardship

In 2019, Meralco employees planted more than 23,000 trees in various conservation sites in the Meralco franchise area. They also raised more than PhP2 million to fund the continued maintenance and nurturing of the trees.

Environmental Stewardship

One Meralco Foundation engages employee-volunteers and local farmers in an effort to save the Philippines' diminishing forests.

On the foothills of the Sierra Madre lies a 107-hectare farm in Sitio Malapad na Parang, Brgy. Sibul, San Miguel, Bulacan which has been providing sustainable livelihood to about 35 local farmers and their families.

Known as "Green Earth Heritage Farm," the open forest is maintained by a private non-profit organization called GreenEarth Heritage Foundation, which was instituted to promote the livelihood of local farmers through sustainable agroforestry.

For several years now, the farmers here plant and harvest organic Moringa (locally called "Malunggay") to be processed into export-quality tea so they could earn a higher value out of their produce. Apart from this, they also sell organic vegetables to their surrounding communities augmenting their communal income.

In exchange for working on the farm, they are employed as regular workers, receive a pay that is higher than the minimum wage rate, and are provided with decent housing, healthcare, and education for their children from elementary to college.

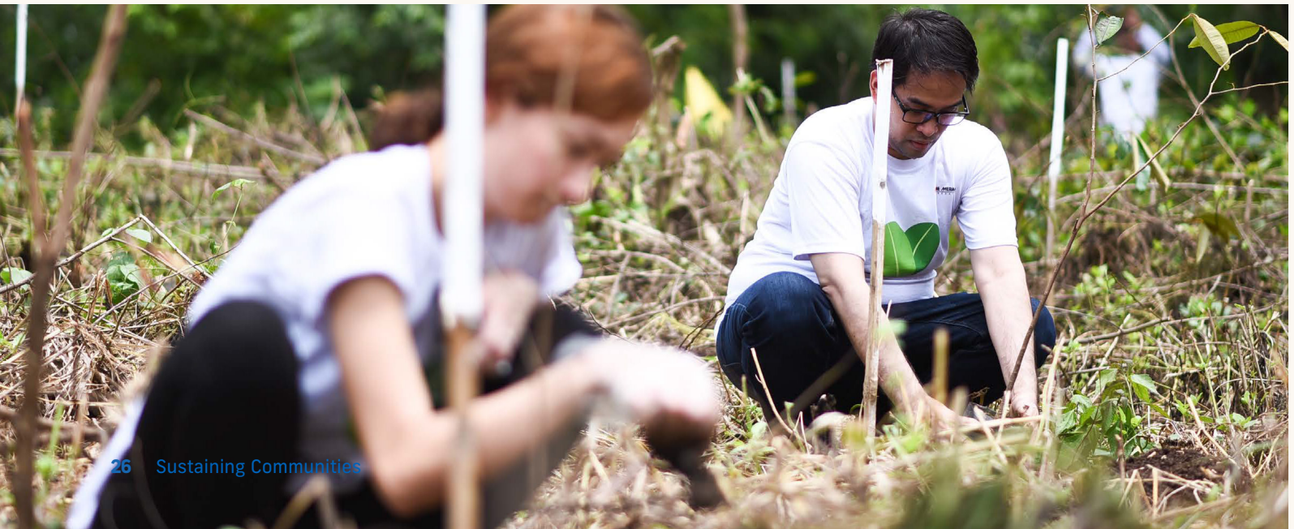
One Meralco Foundation has been Green Earth's partner in taking care of the farmers since 2013.

Since the farm lies outside of the power grid, OMF installed solar-powered water pumps to irrigate its plantations, and in 2015, through the request of the Foundation, Meralco extended its distribution lines to address the growing demand of the farm's processing facility.

The intervention dramatically increased the farm's output, allowing the employment of more farmers, thus, benefitting more families in the process.

In support of Meralco's goal to be a sustainable energy company, OMF launched in 2019 a campaign that aims to rehabilitate threatened ecosystems through reforestation, particularly, by planting at least 3 million trees in conservation areas within the next six years.

"OMF launched a campaign to **plant 3 million trees** within the next 6 years."



OneForTrees

However, the Foundation understands that planting trees is only an initial step in the process. In fact, this alone is not sustainable. Maintenance and frequent monitoring are equally important to ensure the success of the program, and these activities can only be efficiently implemented by engaging communities living near the plantation sites.

On the other hand, Green Earth was also looking for ways to diversify its crops to ensure that there is continuity in their farmers' income throughout the year.

Growing trees alongside crops is also beneficial, agriculturally speaking, since they protect the crops from harsh conditions such as typhoons, landslides, and extreme heat, and trees also hold moisture in the soil especially during the dry seasons.

This complementarity prompted OMF and Green Earth to join hands, once more, to pursue a greater mission: to help save the Philippines' diminishing forests while sustaining the livelihood of farmers through an advocacy called "One For Trees."

Under this partnership, the Foundation provides funding for the establishment of nurseries and rainwater collection tanks, planting of seedlings during the appropriate season, and continued monitoring of the trees.

"Gathering and monitoring data is also very important as it will help us determine the average mortality rates of our trees, and allow us to plan ahead on where and how many more trees will be planted in the next planting season. We will also find out from their monitoring what kinds of problems on the ground contribute to the mortality rate and how best to address these so that we could achieve a higher survival rate," explained Aileen De Ocampo, Farm Manager of Green Earth.

"Doing a sustainable tree nurturing program requires a lot of resources and is data-intensive. But simply planting trees without any follow through is a waste of money and effort because the investment does not result in a measurable, long-term impact," she added.

One For Trees Highlights

↑ Among OMF's strategic partners in the "One for Trees" initiative is GreenEarth Heritage Foundation, which provides sustainable livelihood to small farmers in San Miguel, Bulacan. OMF supports the farmers by engaging them as caretakers of the trees planted in GreenEarth's farm on the foothills of the Sierra Madre.

Launched in 2019, Meralco employees were the first to invest in the program by planting 23,366 native trees.

- 14 local government units, people's organizations and NGOs participated in the program
- Native trees planted under the program include Kalumpit, Narra, Banaba and Kamuning
- A Christmas fund-raising campaign raised Php2.42 million to jumpstart the planting season for 2020

Online presence of One For Trees generated interest and participation from both individuals and organizations

www.onefortrees.org

As with other social development programs of the Foundation, the involvement of the community is vital to the achievement of the goals of "One for Trees".

"We want the program to create a positive impact not just on the environment but also on the community around our plantation sites. If they see value in our tree farm, they will nurture it," OMF President Jeffrey Tarayao said.

To bring the advocacy closer to the consciousness of Meralco employees, the Foundation organized tree planting activities in Green Earth and other partner sites during the last two quarters of the year.

"It was very fulfilling because we were able to understand what Green Earth has been doing to uplift the lives of the farmers, and how from the beginning, it wasn't just about planting trees but also about the livelihood of everyone here," said volunteer Miel Lanting, Head of Platform Delivery of Meralco's Information, Communication, Technology and Transformation office.

"When I first saw the terrain, I said to myself, this was going to be tough. But what makes the task easier is the thought that we are all in this together. If I were to do it alone, I won't be able to do much. But because everyone is doing it with smiles on their faces, the task at hand becomes easy." shared Benjamin U. Cusi, Head of Network Technology and Asset Management.

The "One for Trees" campaign was designed with all three pillars of sustainability in mind.

The planting of trees helps absorb excess carbon in the atmosphere, stabilizes and moisturizes the soil, and provides a habitat for an entire ecosystem to thrive. At the same time, the employment of farmers ensures that the trees are nurtured by able hands. It also brings food on the table of their families, especially during the non-harvest season. Constant monitoring also ensures that good governance is exercised and parties mutually and equitably benefit from the partnership.

"If we look at a tree planting program only from an environmental perspective, there is a good chance it will remain a philanthropy. We must look at its social and economic benefits, too, to be able to sustain it," said Tarayao.

566 Trees
San Rafael, Bulacan

350 Trees
Arayat, Pampanga

150 Bamboos
Plaridel, Bulacan

500 Bamboos
Doña Remedios Trinidad, Bulacan

5,500 Trees
San Miguel, Bulacan

700 Mangroves
Hagonoy, Bulacan

3,800 Trees
Tanay, Rizal

500 Trees
Laiban, Rizal

2,000 Trees
Mauban, Quezon

2,000 Trees
Payatas, Quezon City

2,000 Trees
Los Baños, Laguna

5,000 Trees
Atimonan, Quezon

150 Trees
Caliraya, Laguna

500 Bamboos
Batangas City, Batangas

Responsible Citizenship

Especially during the worst of times, our volunteers embody Meralco's corporate values of *Makabayan* and *Malasakit* as they reach out to our community partners in the company's franchise area and beyond.

Responsible Citizenship

At the forefront of our march to aid in the sustainable progress of marginalized communities are thousands of Meralco employees who devote their time, talent and treasure to the Foundation's causes.

Throughout the year, employees of Meralco and its subsidiaries take part in the Foundation's work by supporting its fundraising campaigns, and volunteering in the implementation of its programs.

The Foundation team is composed of dedicated individuals who lead about 300 activities every year, on average. Some of these are in far-flung and hard-to-reach villages. Thanks to the support of Meralco's workforce, the Foundation is able to deliver services to its community partners.

In 2019, employees raised funds to help hundreds of families recover from a series of earthquakes which shook Kidapawan City and various municipalities in North Cotabato. They also contributed to the One For Trees program through a Christmas campaign in December, by buying specially designed greetings cards from OMF in exchange of planting a native tree in the name of donors and intended recipients.

Their biggest contribution, however, is the donation of "Laging Handa" all-weather preparedness kits to 6,212 public school students during the back-to-school season. Employees raised a total of PhP2.31 million for this campaign.

Employees from various departments of Meralco scoured the company's franchise area to look for public schools in their area that need the most attention. Some had to hike for a few kilometers of dirt road, take a boat, or wade through flood waters to deliver the kits to their intended recipients. Engr. Maria Trixie M. Pescos, a sales and relationship management oficer, was among them. She and her colleagues from Meralco's Malolos Business Center had to navigate the narrow waterways leading to the estuaries of Hagonoy, Bulacan where the two island communities of Pugad and Tibaguin are located.

↓ Engr. Maria Trixie Pescos (second from left) distributes back to school kits to students of Pugad Elementary School in Hagonoy, Bulacan.

"OMF is composed of dedicated individuals leading about **300 activities every year.**"

↑ Meralco's power restoration teams composed of linemen and engineer help local electric cooperatives rebuild after calamities such as when Typhoon Tisoy (international name: Kammuri) swept through the Bicol Region and other parts of Luzon in 2019.

Both islands are submerged in sea water for at least six hours a day (especially in the rainy months of July to December). This perennial problem is caused by a confluence of factors including rising sea levels, sedimentation of nearby rivers, recession of the coastline, redirection of waterways and land reclamation (due to construction of fish ponds), and overpopulation.

Most of the residents here have chosen to adapt to the situation rather than relocate inland because they draw their income from the sea, through fishing and drying fish. Due to increasing population on the islands and the difficulty of transporting school children to the mainland and back daily, the education department established a primary school on each one: Pugad Elementary School and Tibaguin Elementary School.

The volunteers from Meralco experienced, first hand, the plight of residents when they arrived on their first stop, Pugad Island. They were greeted by a knee-deep flood water, which rendered their rubber boots useless. The men had no choice but to wade through the water, while the female boarded a makeshift raft, which residents pulled towards the school.

It was too late to turn back as dozens of school children and their parents had been waiting in an elevated classroom.

↑ Seawater engulf the classrooms of Tibaguin Elementary School in Hagonoy, Bulacan, a perennial problem especially during the rainy season.

"I have participated in various activities of OMF in the past but it was my first time to walk through a flooded area. I am aware that the community experiences flood regularly, and that's why I came in rubber boots, but we did not expect that the water was going to be as deep," recalled Pescos.

Nevertheless, she and her fellow volunteers proceeded with their mission safely and returned to work with a renewed sense of fulfillment.

"It made me realize that there are still a lot of Filipinos who face challenges that most of us probably don't imagine exist in a modern and progressive society. These are the ones who need our support and sustained intervention. I am thankful that, through OMF, I was able to bring joy and hope, in my own little way, to children in these communities," she said.

A total of 720 Meralco employees joined the Foundation in implementing this program, which eventually received an award for exceptional employee engagement from the Association of Southeast Asian Nations (ASEAN).

Ready To Serve During Disasters

In the best and worst of times, employee-volunteers extend a helping hand to the Foundation to reach more communities in need.

Employees in corporate offices assisted in repacking of relief goods, while those in the business centers distributed them to families displaced by fires (2,782), typhoons and floods (2,525) in the Meralco franchise area. The company's linemen and engineers helped electric cooperatives in provinces outside of the Meralco franchise area that were swept by typhoons. They provided additional manpower and equipment to expedite the restoration of electricity in these areas.

Such was the case when Typhoon Tisoy (international name: Kammuri) made landfall in the Bicol region as it peaked into a Category 4 typhoon in early December. It toppled several transmission lines and damaged vital distribution facilities of the Albay Electric Cooperative (ALECO) and the Albay Power Energy Corporation (APEC) causing massive blackouts in the province of Albay, which dragged on for weeks.

In such situations, power utilities are usually over-whelmed by the massive restoration work, adding to the fact that their employees are also victims of the disaster. This is why help coming from outside the calamity zone is necessary. The Foundation also conducted relief operations in Camarines Sur and Oriental Mindoro in the aftermath of the typhoon.

Honoring Excellence From Within

In gratitude for the contributions of Meralco employees, the Foundation holds an annual awards program that recognizes the exemplary academic performance of their dependents. The MVP Academic Achievement Awards (MVP AAA) awarded 210 winners and 92 Top Achievers in 2019. Each of the winners received an educational assistance grant and a medal of excellence.

Those who won in the previous year and maintained their stellar performance in the current academic year clinched the Top Achievers award. This is just one of the many ways the Foundation strengthens the values of *"Malasakit"* and *"Makabayan"* deeply embedded in the culture of Meralco. It empowers its volunteers so they could wield this power to change the world.

"I am very proud to be a part of an organization that not only provides high quality service to its customers but also puts their welfare at the forefront. In Meralco, employees are referred to as 'tagapag-hatid ng liwanag.' OMF's volunteering activities allow us to realize our social duty to make people's lives, literally and figuratively, brighter ," Pescos said.

↑ Each year, OMF celebrates the academic achievement of exceptional dependents of Meralco employees through the MVP Academic Achievement Awards program.

Responsible Citizenship Highlights

↑ One Meralco Foundation facilitated the construction of a classroom building at the Halang Elementary School on behalf of retail electricity service provider, MPower, and its customers.

One Meralco Foundation provides opportunities for various stakeholders to participate in nation-building through various community development programs.

- Engaged 3,503 volunteers (2,506 unique) in 28 volunteering activities
- Employee volunteers rendered a total of 26,497 volunteer hours.
- In May, Meralco electrical engineers trooped to various public schools in the franchise area to audit electrical facilities while the rest of the employees donated to our "Back To School" program for 6,000 underprivileged kindergarten students.

The Foundation responds to various needs in communities where Meralco operates as well as in other localities where our programs can address social development priorities.

- Implemented 238 community relations projects
- Provided immediate relief to 7,729 families affected by disasters
- Supported the deployment of a power restoration team in Bicol to help electric distribution utilities after Typhoon Kammuri

Partnered with the Cordillera Conservation Trust in promoting sustainable tourism through the Cordillera Mountain Marathon.

Itogon, Benguet

Distributed food packages to victims of fires, floods and other calamities in various communities in the Meralco franchise area.

Metro Manila

Supported the annual medical mission of the Meralco Ecozone Power.

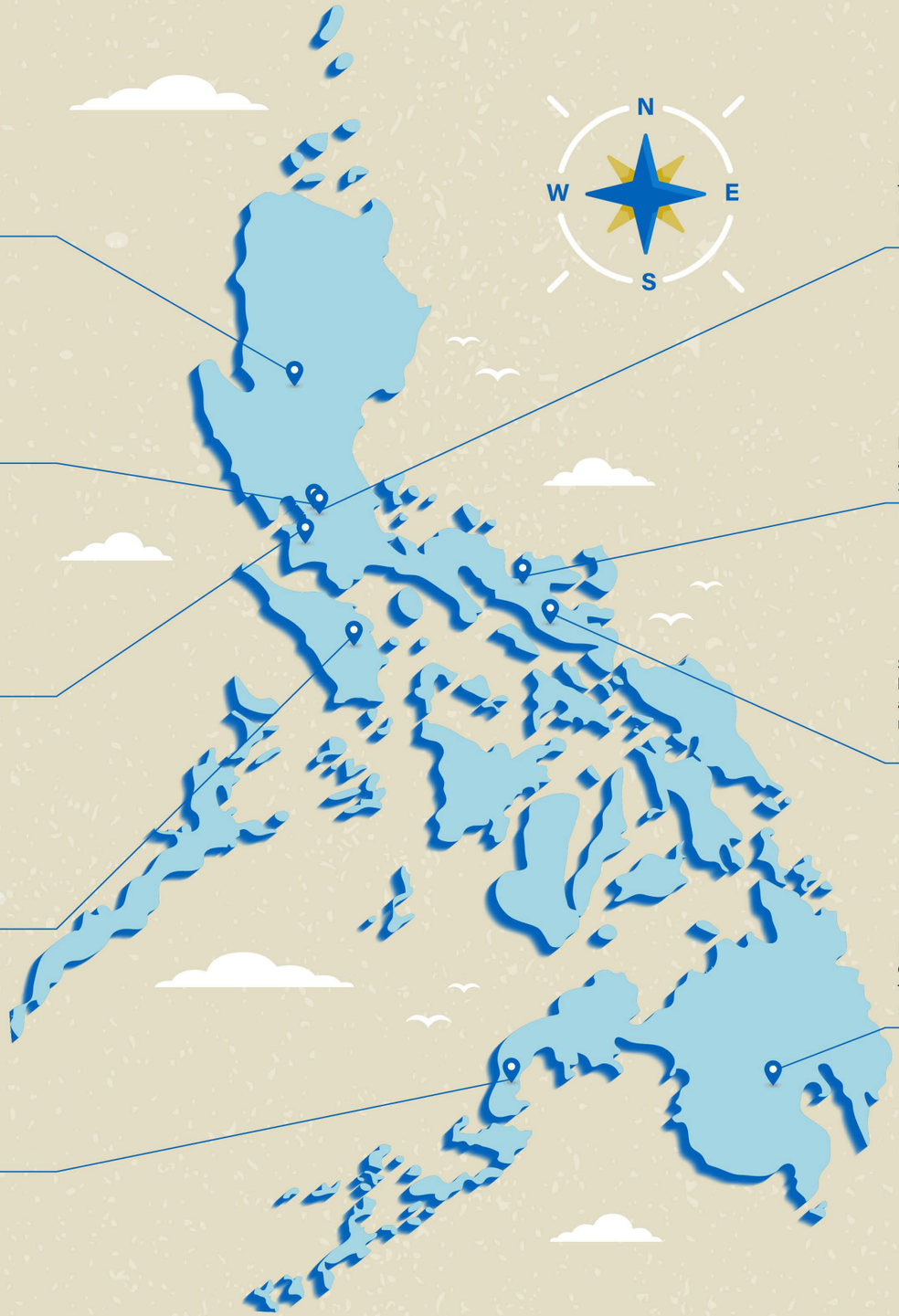
Rosario, Cavite

Donated care packages to residents whose homes were inundated by Typhoon Tisoy.

Oriental, Mindoro

Sponsored the annual Mindanao Peace Games attended by 600 athletes from 11 schools across Mindanao.

Zamboanga City



Distributed "Laging Handa" back-to-school kits to 6,212 students from 57 public schools in the Meralco franchise area.

Metro Manila

Provided relief goods to families severely affected by Typhoon Tisoy.

Sagnay, Camarines Sur

Supported the Meralco team in their mission to help expedite the restoration of electricity in areas affected by Typhoon Tisoy (international name: Kammuri).

Legaspi, Albay

Donated water containers to evacuees displaced by a series of earthquakes that jolted the city and nearby areas.

Kidapawan City, Cotabato

2019 Financial Review

- Total spending of OMF for 2019 is PhP142.58 million of which 97% or PhP139 million was spent for the implementation of various social development programs distributed as follows: Grant Operating (PhP54.95 million) and Grant Making (PhP84.05 million).

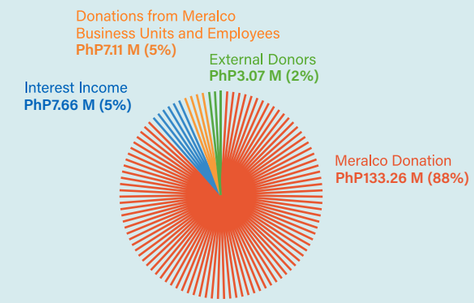
- 55% of the Foundation's grant operating expenses (PhP32.30 million) was spent on its core programs namely, school and household electrification; energy education and environmental sustainability (One for Trees).

- Apart from the institutional donation of the Manila Electric Company (Meralco), the Foundation also received funds from various donors including employees of Meralco and its subsidiaries/afiliates and its corporate partners. A total of PhP5.57 million were raised thoughthe following campaigns: "Laging Handa" back-to-school program (PhP2.31 million), "Puno ng Liwanag" Christmas campaign (PhP2.42 million), MVP Superhero Run (PhP0.49 million), and Mindanao Earthquake Disaster Response (PhP0.35 million). OMF's fundraising campaigns this year is 104% higher compared with 2018.

- Eleven members of the Association of Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP) raised USD49,606 (PhP2.57 million) for the school electrification program.

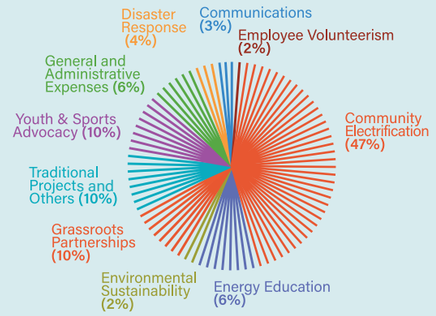
- In its commitment to good governance especially in managing donated resources, the Foundation kept its general and administrative expenses at a low four percent of both the total donations it has received and the total expenses it has incurred during the year. This is lower than the 30- and 20-percent caps set by the Philippine Council for NGO Certification (PCNC), and the Department of Social Welfare and Development (DSWD), respectively.

FUNDS BY SOURCE (in million PhP)

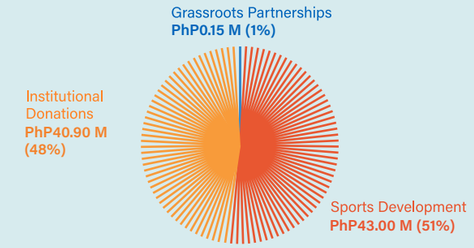


Fund Utilization
GRANT OPERATING (in million PhP)

- Community Electrification **PhP27.51 M (47%)**
- Energy Education **PhP3.46 M (6%)**
- Environmental Sustainability **PhP1.33 M (2%)**
- Grassroots Partnerships **PhP6.07 M (10%)**
- Traditional Projects and Others **PhP5.83 M (10%)**
- Youth & Sports Advocacy **PhP5.69 M (10%)**
- General and Administrative Expenses **PhP3.51 M (6%)**
- Disaster Response **PhP2.23 M (4%)**
- Communications **PhP1.68 M (3%)**
- Employee Volunteerism **PhP1.15 M (2%)**



Fund Utilization
GRANT MAKING (in million PhP)



Recognition from the Community

One Meralco Foundation is honored and inspired by the following awards it has received from reputable organizations in the country and abroad. These serve as a heartwarming validation of the quality and efficacy of its social development programs, and more importantly, of their sustained impact on the communities served by the Foundation.

ASEAN Rural Development and Poverty Eradication Leadership Award
Association of Southeast Asian Nations (ASEAN)
Nay Pyi Taw, Myanmar

2nd ASEAN PR EXCELLENCE AWARDS
ASEAN Public Relations Network (APRN)
Kuching, Malaysia

- **The One Meralco Back-to-School Program**
  (Best PR Program)

17th PHILIPPINE QUILL AWARDS
International Association of Business Communicators (IABC) Philippines
Manila, Philippines

- **Evaluation of One Meralco Foundation's Household Electrification Program**
  (Award of Excellence & Top Award for Communication Research)
- **"Kita Kita Ngayong Pasko"** Campaign
  (Award of Merit)
- **"Unleashed: Defy All Limits"**
  The MVP Academic Achievement Awards
  (Award of Merit)

54th ANVIL AWARDS
Public Relations Society of the Philippines (PRSP)
Manila, Philippines

- **"Power Pack: The One Meralco Back to School Program"**
  (Gold Anvil Award)

Board of Trustees

Manuel V. Pangilinan
Chairman
Chairman, Meralco

Ray C. Espinosa
Vice Chairman
President and Chief Executive Officer, Meralco

Oscar S. Reyes
Vice Chairman
Former President and Chief Executive Officer, Meralco (Served as OMF Vice Chairman until 20 March 2019)

Jeffrey O. Tarayao
President
Chief Corporate Social Responsibility Officer, Meralco

Betty C. Siy-Yap
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Senior Vice President and Chief Finance Officer, Meralco

Ronnie L. Aperocho
Trustee
Senior Vice President and Head, Networks, Meralco

Rev. Fr. Antonio Cecilio T. Pascual
Trustee
Executive Director, Caritas Manila

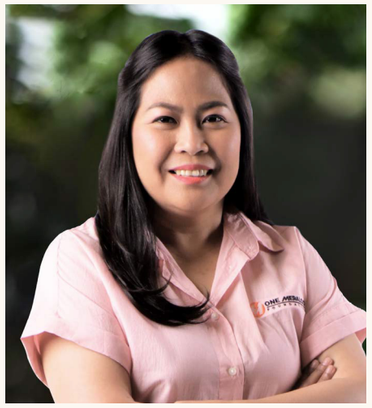
Dr. Emerlinda R. Roman
Independent Trustee
Professor Emeritus, Virata School of Business, University of the Philippines

Alfredo S. Panlilio
Trustee
Former Senior Vice President and Head, Customer Retail Services and Corporate Communications, Meralco (Served as OMF Trustee until 30 June 2019)

Ramon B. Segismundo
Trustee
Former President, Meralco Power Academy (Served as OMF Trustee until 31 December 2019)

One Meralco Foundation Team

Jeffrey O. Tarayao
President



Atty. Maria Zarah R. Villanueva-Castro
Corporate Secretary

Anna Marie C. Lerma
Treasurer

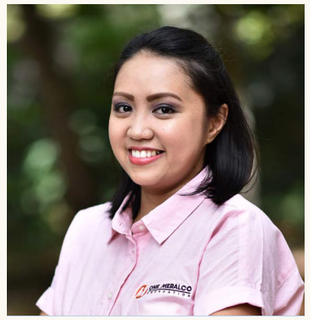
Michael J. Del Rosario
Program Manager
Household Electrification, and Youth Development

Grace G. Noche
Program Manager
Employee Volunteerism, Grassroots Partnerships, and Governance and Foundation Operations

Rainier R. Manguiat
Program Manager
School Electrification, and Emergency Preparedness and Disaster Response

Neil Celeste T. Rara
Program Manager
Environmental Sustainability, and Social Marketing and Communications

Mary Ann E. Orbeta
Finance Manager



Rhea F. Iligan
Administrative Officer

Ronald B. Apolonio
Project Assistant

Raymond A. Buenaventura
Administrative Assistant

Statement of Management's Responsibility for Financial Statements

The management of One Meralco Foundation, Inc. (the "Foundation") (a non-stock, non-profit organization) is responsible for the preparation and fair presentation of the financial statement for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, of has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the Foundation's financial reporting process.

The Board of Trustees reviews and approves the financial statements, and submits the same to the members.

R.G. Manabat & Co., the independent auditors appointed by the members, has audited the financial statements of the Foundation in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Manuel V. Pangilinan
Chairman

Jeffrey O. Tarayao
President

Anna Marie C. Lerma
Treasurer

Signed this May 19, 2020

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
One Meralco Foundation, Inc.
G/F Lopez Building, Meralco Center
Ortigas Avenue, Brgy. Ugong
Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of One Meralco Foundation, Inc. (the "Foundation"), which comprise the statements of assets, liabilities and fund balances as at December 31, 2019 and 2018, and the statements of revenues and expenses, statements of changes in fund balances and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the One Meralco Foundation, Inc. as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintains professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, designs and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements, or if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 17 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-AR-2, Group A, valid until July 9, 2021
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2017
Issued September 4, 2017; valid until September 3, 2020
PTR No. MKT 8116756
Issued January 2, 2020 at Makati City

May 19, 2020
Makati City, Metro Manila

ONE MERALCO FOUNDATION, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

		December 31	
	Note	**2019**	2018
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 5*	**P252,334,886**	P242,258,863
Advances to program officers	*6*	**593,203**	228,452
Other current assets	*4, 7*	**4,381,686**	3,898,278
Held-to-maturity investments - current	*8*	**6,000,000**	-
Total Current Assets		**263,309,775**	246,385,593
Noncurrent Assets			
Held-to-maturity investments - net of current portion	*4, 8, 15*	**10,000,000**	16,000,000
Property and equipment - net	*9*	**582,968**	727,161
Total Noncurrent Assets		**10,582,968**	16,727,161
		P273,892,743	P263,112,754
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	*4, 10*	**P13,722,479**	P8,794,378
Fund Balances	*14*	**260,170,264**	254,318,376
		P273,892,743	P263,112,754

See Notes to the Financial Statements.

ONE MERALCO FOUNDATION, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF REVENUES AND EXPENSES

		Years Ended December 31	
	Note	**2019**	2018
REVENUES			
Donations and contributions	*11, 15*	**P140,772,653**	P161,442,191
Interest income	*5, 8*	**7,660,599**	3,540,150
Foreign exchange gain - net		**-**	92,509
		148,364,227	165,074,850
EXPENSES			
Program costs	*12*	**138,998,842**	139,336,956
General and administrative expenses	*13*	**3,513,497**	3,261,487
Foreign exchange loss - net		**69,025**	-
		142,581,364	142,598,443
EXCESS OF REVENUES OVER EXPENSES		**P5,851,888**	P22,476,407

See Notes to the Financial Statements.

ONE MERALCO FOUNDATION, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	Restricted Fund	General Fund	Corpus Fund	Total
Balance at January 1, 2018		P1,606,410	P94,403,867	P135,831,692	P231,841,969
Reclassification of funds		-	(8,806,060)	8,806,060	-
Excess of revenues over expenses		1,941,134	18,045,596	2,489,677	22,476,407
Balance at December 31, 2018		P3,547,544	P103,643,403	P147,127,429	P254,318,376
Excess of revenues over expenses		(64,466)	1,193,771	4,722,583	5,851,888
Balance at December 31, 2019	*14*	**P3,483,078**	**P104,837,174**	**P151,850,012**	**P260,170,264**

See Notes to the Financial Statements.

ONE MERALCO FOUNDATION, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses		**P5,851,888**	P22,476,407
Adjustments for:			
In-kind donations to beneficiaries		**396,271**	3,688,114
Depreciation	*9, 12*	**350,938**	524,631
Unrealized foreign exchange loss (gain)		**69,025**	(92,509)
In-kind donations received from donors		**(530,036)**	(1,096,826)
Interest income	*5, 8*	**(7,660,599)**	(3,540,150)
Excess of revenues over expenses (expenses over revenues) before changes in working fund		**(1,522,513)**	21,959,667
Changes in operating assets and liabilities			
Decrease (increase) in:			
Advances to program officers		**(364,751)**	(9,971)
Other current assets		**(22,742)**	21,470
Increase (decrease) in accounts payable and accrued expenses		**4,928,101**	(1,467,743)
Net cash generated from operations		**3,018,095**	20,503,423
Interest received	*5, 7, 8*	**7,333,698**	3,362,339
Net cash provided by operating activities		**10,351,793**	23,865,762
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*9*	**(206,745)**	-
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(69,025)**	92,509
NET INCREASE IN CASH AND CASH EQUIVALENTS		**10,076,023**	23,958,271
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*5*	**242,258,863**	218,300,592
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P252,334,886**	P242,258,863

See Notes to the Financial Statements.

ONE MERALCO FOUNDATION, INC.
(A Non-stock, Non-profit Organization)
NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

One Meralco Foundation, Inc. (the "Foundation") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 8, 2002 as a non-stock, non-profit organization. It is the corporate social responsibility (CSR) arm of Manila Electric Company (Meralco). The thrusts of the Foundation are: (i) community electrification; (ii) energy education; (iii) grassroots partnerships; (iv) youth and sports advocacy; (v) emergency preparedness and disaster response.

The Foundation is a registered donee institution duly qualified by the Philippine Council for NGO Certification (PCNC). The certification is valid for five (5) years up to March 30, 2022.

As a non-stock, non-profit organization, the Foundation is exempt from payment of income tax on income received by it pursuant to Section 30(G) of the Tax Code of 1997.

The registered office address of the Foundation is Lopez Building, Meralco Center, Ortigas Avenue, Brgy. Ugong, Pasig City.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

The financial statements of the Foundation were approved and authorized for issuance by its Board of Trustees (BOT) on **19 May 2020**.

Basis of Measurement
The financial statements of the Foundation have been prepared using the historical cost basis of accounting.

Functional and Presentation Currency
The financial statements are presented in Philippine peso, which is the Foundation's functional and reporting currency. All financial information presented in Philippine peso has been rounded-off to the nearest peso, except when otherwise indicated.

Use of Judgments and Estimates
The preparation of the Foundation's financial statements in conformity with PFRS for SMEs requires management to use judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in preparing the financial statements are based on management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in a period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

Judgments
In the process of applying the Foundation's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the financial statements.

Classification of Held-to-Maturity (HTM) Investments
The Foundation follows the guidance in Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement,* on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making such judgment, the Foundation evaluates its intention and ability to hold such investments to maturity. If the Foundation fails to keep these investments to maturity other than for the specific circumstances, for example, selling more than an insignificant amount close to maturity, the entire portfolio shall be reclassified as available-for-sale (AFS) financial asset and would therefore be measured at fair value and not at amortized cost.

As at December 31, 2019 and 2018, the Foundation classified its investments in fixed notes amounting to P16,000,000 as HTM investments (see note 8).

Estimates
The key assumption concerning the future and other key source of estimation and uncertainty as at reporting date that has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

Estimating Impairment Loss on HTM Investments
The Foundation assesses at each reporting date whether there is any objective evidence that the HTM investments are impaired as a result of one or more loss events that has an impact on the estimated future cash flows of the investments. Determining the future cash flows requires the Foundation to make estimates and assumptions that can materially affect the financial statements. As at December 31, 2019 and 2018, the Foundation's HTM investments amounted to P16,000,000 (see Note 8). No impairment loss was recognized on the Foundation's HTM investments for the years ended December 31, 2019 and 2018.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

Financial Instruments
The Foundation adopted the recognition and measurement provisions of PAS 39, *Financial Instruments: Recognition and Measurement* and the disclosure requirements of Sections 11 and 12 of the PFRS for SMEs to account for all its financial instruments.

Date of Recognition. The Foundation recognizes a financial asset or a financial liability in the statement of assets, liabilities and fund balances when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using trade date accounting.

Initial and Subsequent Recognition of Financial Instruments. Financial instruments are recognized initially at the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

Subsequent to initial recognition, the Foundation classifies its financial instruments in the following categories: financial assets and liabilities at FVPL, HTM investments, AFS financial assets, loans and receivables and other financial liabilities. The classification depends on the purpose for which the financial instruments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2019 and 2018, the Foundation has no financial assets and liabilities classified as "at FVPL"

and AFS financial assets.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized in the "Interest income" account in the statement of revenues and expenses on an accrual basis.

The Foundation's cash and cash equivalents and interest receivable are classified in this category.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Foundation's management has the positive intention and ability to hold to maturity. Where the Foundation sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the statement of revenues and expenses when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Foundation's investments in fixed rate bonds as at December 31, 2019 and 2018 are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as "at FVPL". After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Foundation's accounts payable and accrued expenses, excluding statutory liabilities.

Impairment of Financial Assets

The Foundation assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is considered to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For assets carried at amortized cost such as loans and receivables and HTM investments, the Foundation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Foundation includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions, indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is immaterial. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in statement of revenues and expenses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of revenues and expenses, to the extent that the carrying amount of the asset had the impairment not previously been recognized.

Derecognition of Financial Instruments

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset expired;
- the Foundation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Foundation has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Foundation has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Foundation's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Foundation could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the carrying amount of the original liability and the recognition of a new liability at fair value, and any resulting difference in the respective carrying amounts is recognized in the statement of revenues and expenses.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets, liabilities and fund balances if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the statement of assets, liabilities and fund balances.

Project Supplies and Materials

Project supplies and materials under "Other current assets" account are initially recognized at the cost incurred by the donor. Project supplies and materials are recognized as expense when donated.

Prepaid Insurance

Prepaid insurance under "Other current assets" account is carried at cost and is amortized over the terms of the contract to which the payment applies.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation 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 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 revenues and expenses.

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.

Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Transportation equipment	5
Computer and office equipment	3 - 5
Emergency equipment	5

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, if there is an indication of significant change since the last reporting date. Depreciation starts when an item of property and equipment is available for use.

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 revenues and expenses in the year the item is derecognized.

Impairment of Non-financial Assets

The Foundation assesses as at reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Foundation makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. A cash-generating unit is the smallest identifiable asset group that generates cash flows and largely independent from other assets of the Foundation. Where the carrying amount of an asset exceeds it recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of revenues and expenses in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of revenues and expenses unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Foundation and the amount of the revenue can be measured reliably. The Foundation measures revenue at the fair value of the consideration received.

Donations and Contributions and Fund Raising Activities

Donations and contributions are recognized upon receipt, except for those received in relation to the Foundation's fund raising activities, which are recognized upon the occurrence of the event and the right to receive the asset is established.

Donations and contributions received may either be cash or in kind. Donations and contributions received in kind are valued at either the fair value of asset received or at the acquisition cost of the donee, whichever is available. Fair value is usually determined based on the current market price of the donations received in kind. All donations and contributions received are considered as available for general use unless otherwise restricted by donors for use in specific projects.

Interest Income

Interest income is recognized as it accrues, using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument. Interest income is recognized net of applicable taxes.

Costs and Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in the fund balance. Program costs and general and administrative expenses are recognized in the statement of revenues and expenses upon utilization of the service or when incurred.

Program Costs

Program costs refer to the donations to charitable institutions and costs incurred in the projects carried out by the Foundation and are generally recognized when the services are rendered or the expenses are incurred.

General and Administrative Expenses

General and administrative expenses represent costs incurred related to the direction and general administration of day-to-day operations of the Foundation and are generally recognized when the services are rendered or the expenses are incurred.

Provisions and Contingencies

A provision is recognized if, as a result of a past event, the Foundation has a present legal or constructive obligation that can be estimated reliably, and it is probable that a transfer of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Foundation does not recognize a provision for future operating losses.

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events up to the date of approval of the financial statements by the BOT that provide additional information about the Foundation's financial 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.

4. Categories of Financial Assets and Financial Liabilities

	Note	**2019**	2018
Financial Assets at Amortized Cost			
Cash and cash equivalents	*5*	**P252,334,886**	P242,258,863
Accrued interest receivable	*7*	**957,415**	630,514
HTM investments	*8*	**16,000,000**	16,000,000
		P269,292,301	P258,889,377
Financial Liabilities at Amortized Cost			
Accounts payable and accrued expenses*	*10*	**P12,828,956**	P8,072,134

**Excluding statutory liabilities of P893,523 and P722,244 as of December 31, 2019 and 2018, respectively.*

The Foundation's non-derivative financial assets consist of cash and cash equivalents, accrued interest receivable under "Other current assets" account and HTM investments. Non-derivative financial liabilities include accounts payable and accrued expenses, excluding statutory payables.

5. Cash and Cash Equivalents

This account consists of the following:

	Note	**2019**	2018
Petty cash fund		**P40,000**	P40,000
Cash in banks	*14*	**42,631,238**	32,997,555
Short-term investments	*14*	**209,663,648**	209,221,308
		P252,334,886	P242,258,863

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying maturity periods of up to three (3) months, depending on the immediate cash requirements of the Foundation, and earn interest ranging from 1.25% to 5.25% in 2019 and 1.25% to 3.25% 2018.

Total interest income earned on cash and cash equivalents amounted to P7,082,799 and P2,962,350 in 2019 and 2018, respectively.

The Foundation's cash and cash equivalents include cash donations which are restricted for projects as specified by the donors. Total donor-restricted funds included in cash and cash equivalents amounted to P3,552,103 and P3,547,544 as at December 31, 2019 and 2018, respectively.

6. Advances to Program Officers

These advances relate to the following projects:

	2019	2018
Emergency Preparedness and Disaster Response	**P328,717**	P8,920
Sponsorships and Special Projects	**110,732**	102,054
Community Electrification Program	**105,378**	88,246
Makabayan Volunteerism Program	**41,000**	-
Youth and Sports Development Projects	**7,376**	26,232
Grassroots Partnership	**-**	3,000
	P593,203	P228,452

Advances are provided to program officers to defray project costs incurred during implementation (see Note 12). Such advances are required to be liquidated within 60 days after the project is completed. The Foundation's uncompleted projects as at December 31, 2019 and 2018 are expected to be completed within the subsequent year.

7. Other Current Assets

	2019	2018
Project supplies and materials	**P3,231,069**	P3,052,729
Accrued interest receivable	**957,415**	630,514
Prepaid insurance	**66,402**	72,103
Others	**126,800**	142,932
	P4,381,686	P3,898,278

Project supplies and materials consist of books and footballs, Corporate Governance items surrendered by employees, among others, from various donors to be used in the Foundation's projects and programs.

8. HTM Investments

This account consists of the following:

	Note	**2019**	2018
Investments in bonds issued by:			
Meralco	*15*	**P6,000,000**	P6,000,000
Manila North Tollways Corporation (MNTC)		**5,000,000**	5,000,000
Ayala Land, Inc. (ALI)		**5,000,000**	5,000,000
		P16,000,000	P16,000,000
Less: Current portion		**6,000,000**	-
Noncurrent portion of HTM investments		**P10,000,000**	P16,000,000

Investments in Meralco and MNTC bonds represent peso denominated 7-year fixed rate notes maturing on December 12, 2020 and March 31, 2021, respectively. The ALI bond is a 10-year fixed rate note maturing on October 25, 2025. Interest income earned amounted to P577,800 in 2019 and 2018.

Investment in Meralco amounting to P6,000,000 which will mature on December 12, 2020 was presented in the statement of financial position as current asset.

9. Property and Equipment

The movements for each class of property and equipment are as follows:

	Transportation Equipment	Computer and Office Equipment	Emergency Equipment	Total
Gross Carrying Amount				
As at January 1, 2018	P2,218,000	P694,882	P1,347,385	P4,260,267
Donation	886,033	-	-	886,033
As at December 31, 2018	3,104,033	694,882	1,347,385	5,146,300
Acquisitions	-	206,745	-	206,745
As at December 31, 2019	**3,104,033**	**901,627**	**1,347,385**	**5,353,045**
Accumulated Depreciation				
As at January 1, 2018	2,041,833	536,554	1,316,121	3,894,508
Depreciation for the year	403,354	90,013	31,264	524,631
As at December 31, 2018	2,445,187	625,567	1,347,385	4,419,139
Depreciation for the year	272,626	78,312	-	350,938
As at December 31, 2019	**2,717,812**	**704,879**	**1,347,385**	**4,770,077**
Carrying Amount as at December 31, 2018	P658,846	P68,315	P -	P727,161
Carrying Amount as at December 31, 2019	**P386,220**	**P196,748**	**P -**	**P582,968**

Depreciation expense is included under program costs (see Note 12).

As at December 31, 2019 and 2018, the aggregate acquisition cost of the fully depreciated property and equipment that are still being utilized by the Foundation amounted to P4,217,426 and P3,990,226, respectively.

As at December 31, 2019 and 2018, the Foundation assessed that there were no indications of impairment on its property and equipment.

10. Accounts Payable and Accrued Expenses

	Note	2019	2018
Accounts payable		**P12,227,970**	P7,911,949
Withholding taxes payable		**893,523**	722,244
Due to Meralco	*15*	**346,285**	-
Accrued expenses		**254,701**	160,185
		P13,722,479	P8,794,378

Accounts payable are noninterest-bearing and are payable to suppliers within 15 to 60 days from the invoice date.

11. Revenues

Donations and contributions received either in cash or in kind are considered available for general use unless otherwise restricted by the donor to be used for specific projects. Restricted and unrestricted donations and contributions received are as follows:

	Note	2019	2018
Restricted:			
Youth and Sports Development Projects		**P48,922,850**	P64,100,000
Community Electrification Program		**36,361,476**	32,661,400
Grassroots Partnerships		**6,700,709**	6,694,971
Energy Education Program		**4,371,580**	3,671,580
Emergency Preparedness and Disaster Response		**4,292,309**	4,707,175
Makabayan Volunteerism Program		**1,683,000**	1,091,750
Sponsorship and Others		**38,183,819**	47,960,832
		140,515,743	160,887,708
Unrestricted		**256,910**	554,483
	15	**P140,772,653**	P161,442,191

12. Program Costs

Program costs consist of:

	Note	2019	2018
Donations and charitable contributions		**P84,048,787**	P80,581,572
Project costs		**50,896,086**	54,262,264
Events and marketing expenses		**1,683,206**	1,930,750
Salaries, wages and employee benefits		**1,247,197**	1,047,198
Professional fees		**370,000**	601,170
Depreciation	*9*	**350,938**	524,631
Transportation and travel		**216,136**	260,037
Office meetings and supplies		**115,163**	52,646
Insurance		**45,043**	44,557
Communications		**26,286**	25,686
Entertainment, amusement and representation		-	6,445
		P138,998,842	P139,336,956

Donations and charitable contributions were made by the Foundation to various charitable institutions under the following programs:

	2019	2018
Youth and Sports Development Projects	**P43,000,000**	P58,200,000
Sponsorships and Special Projects	**40,898,787**	22,164,544
Grassroots Partnership	**150,000**	217,028
	P84,048,787	P80,581,572

Project costs comprise direct expenses related to the following programs:

	2019	2018
Community Electrification Program	**P27,507,753**	P30,525,385
Grassroots Partnership	**6,067,002**	8,143,653
Youth and Sports Development Projects	**5,685,180**	5,712,562
Energy Education Program	**3,461,076**	1,485,789
Sponsorships and Special Projects	**3,460,756**	3,984,272
Emergency Preparedness and Disaster Response	**2,228,003**	3,512,833
Environment Sustainability Project	**1,330,900**	-
Makabayan Volunteerism Program	**1,155,416**	897,770
	P50,896,086	P54,262,264

The following are the programs undertaken by the Foundation:

Community Electrification Program
The program develops feasible electrification alternatives through workable socialized schemes for various types of community beneficiaries, like schools and households, in partnership with the Department of Education, Local Government Units (LGUs), NGOs, and other community institutions.

Grassroots Partnership
The program promotes responsible stewardship among residents that spurs growth and development in communities.

Youth and Sports Development Projects
The program promotes the development of sports among youth in various communities not only to enhance their fitness, well-being and health, but also to develop leadership, character and discipline that will ultimately make them productive citizens of the country.

Energy Education Program
The program aims to build energy awareness for the society by providing learning and teaching materials on energy to students and teachers.

Sponsorships and Special Projects
This consists of Meralco's "Maliwanag Ang Pasko" event, Aksyon Semana Santa, National Teachers Month Celebration and participation in various corporate social responsibility and public communication events.

Emergency Preparedness and Disaster Response
The program provides support and assistance by lending the Foundation's experience and resources in emergency and disaster preparedness to other utility companies and communities to further improve response to major emergency situations, natural calamities and disasters.

Environment Sustainability Project
The program aims to restore biodiversity in critically threatened forests and watersheds through reforestation, with the target of planting and nurturing native trees starting 2019.

Makabayan Volunteerism Program
The program provides opportunities for employees of Meralco and its subsidiaries and affiliates to do their share in nation-building by volunteering for community projects. Through a structured volunteer program, volunteers now have options and opportunities where they can participate and share their time, talent and contribute to uplifting the lives of residents in communities.

13. General and Administrative Expenses

The details of general and administrative expenses incurred in 2019 and 2018 are as follows:

	2019	2018
Salaries, wages and employee benefits	**P1,397,771**	P1,273,715
Professional fees	**347,254**	331,866
Entertainment, amusement and representation	**342,384**	624,526
Dues and fees	**278,900**	530,199
Office meetings and supplies	**149,848**	93,036
Transportation and travel	**120,159**	248,558
Repairs and maintenance	**98,032**	83,885
Taxes, permits and licenses	**16,303**	24,309
Bank charges	**12,429**	-
Seminars and trainings	**-**	29,057
Others	**750,417**	22,336
	P3,513,497	P3,261,487

14. Fund Balances

Restricted Fund
Restricted Fund represents the accumulated excess of revenues over expenses pertaining to donations and contributions received for specific projects, net of related expenses.

General Fund
General Fund represents the accumulated excess of revenues over expenses pertaining to donations and contributions received for general use, net of related expenses.

Corpus Fund
Corpus Fund was set aside from the General Fund to serve as seed money to ensure the sustainability of the Foundation.

The creation of the Corpus Fund was approved by the BOT and the principal amount shall be disbursed only when BOT authorizes so. The interest earned from the placement of the funds, which amounted to P5,131,548 and P2,484,911 in 2019 and 2018, respectively, may be used for the projects of the Foundation and for any operational expenses.

Corpus fund as at December 31, 2019 and 2018 consists of the following:

	Note	**2019**	2018
Cash in banks	*5*	**P3,287,085**	P2,699,515
Short-term investments	*5*	**132,562,927**	128,427,914
HTM investments	*8*	**16,000,000**	16,000,000
		P151,850,012	P147,127,429

15. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes relationship that exists between and/or among entities, which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel or trustees.

Significant transactions and outstanding balance of the Foundation with Meralco as at December 31, 2018 and 2017 are as follows:

Transaction	Year	Amount of Transaction	Due to Meralco
Donations and contributions	**2019**	**P136,523,374**	**P -**
	2018	79,748,093	-
Theater rentals and, gas and oil	**2019**	**366,337**	**346,285**
	2018	263,580	-
TOTAL	**2019**		**P346,285**
TOTAL	2018		P -

Theater rentals are payable on demand and non-interest bearing (See Note 10).

The Foundation's program officers are employees of Meralco who volunteered and provided their services without compensation.

16. Subsequent Events

On March 16, 2020, pursuant to Proclamation No. 929, Declaring a State of Calamity throughout the Philippines due to Corona Virus Disease 2019 (COVID-19), the President placed the entire Luzon under Enhanced Community Quarantine (ECQ), to prevent the COVID-19 from spreading further. ECQ is imposed beginning March 17, 2020 until April 12, 2020, unless earlier lifted or extended as circumstances may warrant. On April 7, 2020, the national government issued a proclamation extending the Luzon ECQ until April 30, 2020. To curb the spread of COVID-19, the Office of the President released a statement on April 24, 2020 extending further the ECQ until May 15, 2020 in the National Capital Region as well as in 24 provinces and two cities that have been identified as high-risk areas. During the ECQ, a strict home quarantine is implemented in all households, transportation is suspended, provision for food and essential health services is regulated and the presence of uniformed personnel to enforce quarantine procedures is heightened. In compliance with the government's directives the Foundation kept a skeletal workforce to support its various fundraising to aid the local government units, non-government organizations, hospitals and other beneficiaries in response to Covid-19. The Foundation has assessed that the lockdown being implemented by the government will have no potential unfavorable impact yet on its operation.

Despite or amidst this event, the financial statements have been prepared on a going concern basis of accounting as of reporting date since the Foundation implemented all measures to mitigate the risks on their business operations.

17. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS for SMEs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year based on Revenue Regulations No. 15-2010. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS for SMEs. The following are the tax information / disclosures required for the taxable year ended December 31, 2019:

A. Withholding Taxes

Withholding tax - expanded	**P687,502**
Tax on compensation and benefits	**184,472**
	P871,974

B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes, permits and licenses" account under General and Administrative Expenses	
Local	
Business permits	**P9,935**
Community tax certificate	**510**
National	
Land Transportation Office registration fees	**5,358**
BIR annual registration fee	**500**
	P16,303

Information on the amount of value added tax, custom duties and tariff fees paid or accrued and the amount of excise taxes is not applicable since there are no transactions that the Foundation entered into that resulted in the payment or accrual of such taxes.

As at December 31, 2019, the Foundation has no pending tax cases nor tax assessment notices from the BIR.

About One Meralco Foundation

One Meralco Foundation is the social development arm of the Manila Electric Company (Meralco). It is a donee institution accredited by the Philippine Council for NGO Certification (PCNC), a registered social welfare and development agency under the Department of Social Welfare and Development (DSWD), and a member of the Philippine Business for Social Progress, Philippine Business for the Environment, League of Corporate Foundations, and the Association of Foundations. For more information on One Meralco Foundation's programs and activities, visit **www.one meralco foundation.org**, or follow its page on Facebook at **www.facebook.com/onemeralcofoundation**.

2019 OMF Annual Report

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