

**WIKIMEDIA PHILIPPINES, INC.**  
**(A Non-stock, Not-for-Profit Corporation)**

Financial Statements  
December 31, 2011

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

<b>Mr. Joseph F. Ballesteros</b>
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(Contact Person)

<b>+63 2 8127177</b>
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(Company Telephone Number)

1	2	3	1
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Month      Day  
(Fiscal Year)

A	A	F	S
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(Form Type)

0	5	Third Saturday
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Month      Day  
(Annual Meeting)

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(Secondary License Type, If Applicable)

<b>SEC</b>
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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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<b>STAMPS</b>
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Remarks: Please use BLACK ink for scanning purposes.

**FIDEL M. MAGNO, JR., CPA**

Block 8, Lot 27 Hagen St., Mercedes Executive Village, San Miguel,  
1600 Pasig City

Contact: 0918-4348722

BOA Accreditation No. 4191  
BIR Accreditation No. 07-000361-1-2012

April 12, 2012

The Bureau of Internal Revenue  
BIR Building, Diliman  
Quezon City

Gentlemen:

In connection with my examination of the balance sheet of **Wikimedia Philippines Inc.** (a non-stock, not-for-profit organization) as of December 31, 2011, and the related statements of income, changes in equity, and cash flows for the year then ended, I wish to state that:

1. I am not related by consanguinity or affinity to any of the principal officers or stockholders of the company;
2. The taxes paid or accrued by the company during the year are shown in the Schedule of Taxes and Licenses attached to Corporate Income Tax Return.

Very truly yours,



**FIDEL M. MAGNO, JR.**  
CPA Registration No. 93000  
(PRC I.D. expiry: Mar. 18, 2014)  
BOA Accreditation No. 4191  
(Expiry date: Dec. 31, 2013)  
BIR Accreditation No. 07-000361-1-2012  
(Expiry: February 23, 2015)  
TIN 173-244-662  
PTR No. Q7547168  
January 5, 2012  
Pasig City



## FIDEL M. MAGNO, JR., CPA

Block 8, Lot 27 Hagen St., Mercedes Executive Village, San Miguel,  
1600 Pasig City

Contact: 0918-4348722

BOA Accreditation No. 4191

BIR Accreditation No. 07-000361-1-2012

### To the Securities and Exchange Commission

In connection with my examination of the financial statements of **Wikimedia Philippines Inc.** (a non-stock, not-for-profit organization) for the year 2011 that are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards for Small and Medium Enterprises (PFRS for SME) in all cases where I shall express an unqualified opinion; Except that in case of any departure, I shall state the effect thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics of CPAs;
4. That in the conduct of the audit, I shall comply with the Philippine Standards on Auditing promulgated by the Board of Accountancy; that in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission (SEC) in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under Code of Professional Ethics for the CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity.



**FIDEL M. MAGNO, JR.**

CPA Registration No. 93000 (PRC I.D. expiry: Mar. 18, 2014)

BOA Accreditation No. 4191 (Expiry date: Dec. 31, 2013)

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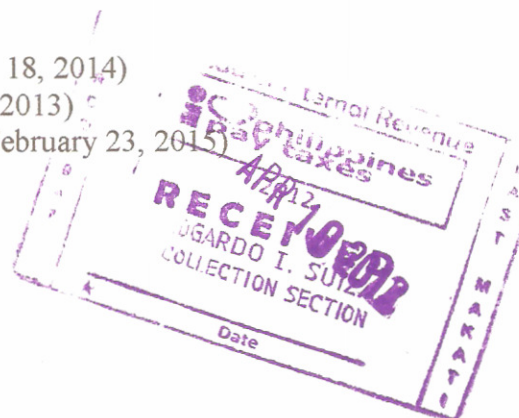
TIN 173-244-662

PTR No. Q7547168

January 5, 2012, Pasig City

Pasig City, Philippines

April 12, 2012



## FIDEL M. MAGNO, JR., CPA

Block 8, Lot 27 Hagen St., Mercedes Executive Village, San Miguel,  
1600 Pasig City Contact: 0918-4348722

BOA Accreditation No. 4191  
BIR Accreditation No. 07-000361-1-2012

### REPORT OF INDEPENDENT AUDITOR

To the Board of Trustees  
**Wikimedia Philippines Inc.** (a non-stock, not-for-profit organization)  
Ground Floor, Gervasia Center, 152 Amorsolo Street, Legaspi Village, Makati City

I have audited the accompanying financial statements of **Wikimedia Philippines Inc.** (a non-stock, not-for-profit organization) which comprise the balance sheets as of December 31, 2011 and 2010, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium Enterprises (PFRS for SME), 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Philippine Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

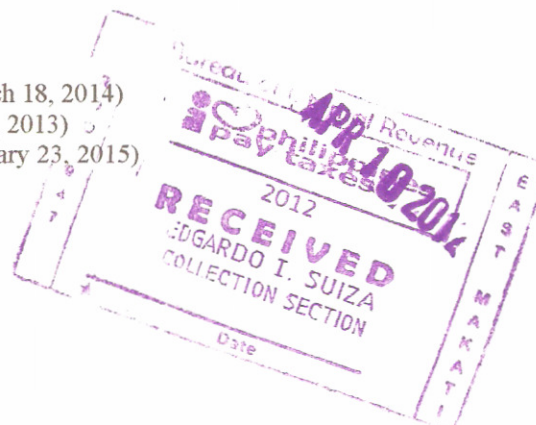
#### *Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Wikimedia Philippines Inc.** (a non-stock, not-for-profit organization) as of December 31, 2011 and 2010, and of its financial performance, and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium Enterprises.

  
**FIDEL M. MAGNO, JR.**

CPA Registration No. 93000 (PRC I.D. expiry date: March 18, 2014)  
BOA Accreditation No. 4191 (Expiry date: December 31, 2013)  
BIR Accreditation No. 07-000361-1-2012 (Expiry: February 23, 2015)  
TIN 173-244-662  
PTR No. Q7547168, January 5, 2012, Pasig City

Pasig City, Philippines  
April 12, 2012



**FIDEL M. MAGNO, JR., CPA**

Block 8, Lot 27 Hagen St., Mercedes Executive Village, San Miguel,  
1600 Pasig City

Contact: 0918-4348722

BOA Accreditation No. 4191

BIR Accreditation No. 07-000361-1-2012

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**Supplemental Written Statement**

April 12, 2012

**To The Board of Trustees**

**Wikimedia Philippines Inc.** (a non-stock, not-for-profit organization)

Ground Floor, Gervasia Center, 152 Amorsolo Street, Legaspi Village, Makati City

I have examined the financial statements **Wikimedia Philippines Inc.** (a non-stock, not-for-profit organization) for the year ended December 31, 2011, on which I have rendered the attached report dated April 12, 2012.

In compliance with SRC Rule 68, I am stating that the said company is non-stock, not-for-profit organization and that no member owns any shares.



**FIDEL M. MAGNO, JR.**

CPA Registration No. 93000

PRC ID expiry date: March 18, 2014

PTR No. Q7547168 dated January 5, 2012

Issued at Pasig City

TIN: 173-244-662

BOA Accreditation No. 4191

Expiry date: December 31, 2013

BIR Accreditation No. 07-000361-1-2012

Expiry: February 23, 2015



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

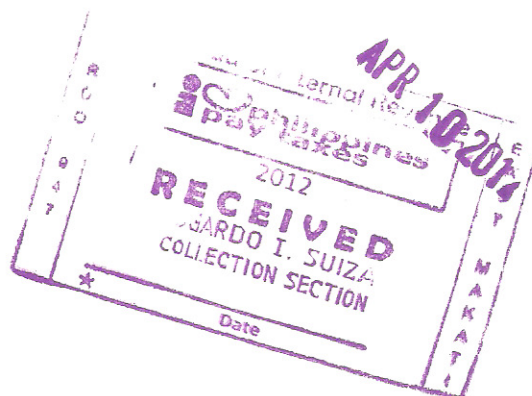
The Management of **Wikimedia Philippines, Inc.** (a non-stock, not-for-profit organization) is responsible for all information and representations contained in the Annual Income Tax Return for the years ended December 31, 2010 and December 31, 2011. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the years ended December 31, 2010 and December 31, 2011 are in accordance with the books and records of **Wikimedia Philippines, Inc.** (a non-stock, not-for-profit corporation), complete and correct in all material aspects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations, and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax returns pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances;
- (c) **Wikimedia Philippines, Inc.** (a non-stock, not-for-profit organization) has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be done and payable have been paid for the reporting period, except those contested in good faith.

  
Joseph F. Ballesteros  
*President and Chief Executive Officer*

  
Jose Roel G. Balingit  
*Treasurer and Chief Financial Officer*



**WIKIMEDIA PHILIPPINES, INC.***(A Non-stock, Not-for-Profit Corporation)***STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE**

	<b>As of December 31</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 8)	<b>₱249,150</b>	₱114,329
Receivables (Notes 4 and 8)	<b>4,500</b>	6,000
Advanced Rental Payment	<b>17,300</b>	–
Advanced Withholding Tax Payments	<b>808</b>	–
Total Current Assets	<b>271,758</b>	120,329
<b>Noncurrent Asset</b>		
Office equipment – net (Note 5)	<b>40,084</b>	62,048
	<b>311,842</b>	182,377
<b>LIABILITIES</b>		
Advanced Membership Dues	<b>1,500</b>	
<b>FUND BALANCE</b>		
Fund Balance	<b>314,842</b>	182,377
	<b>₱311,842</b>	₱182,377

*See accompanying Notes to Financial Statements.*



**WIKIMEDIA PHILIPPINES, INC.***(A Non-stock, Not-for-Profit Corporation)***STATEMENTS OF REVENUE AND EXPENSES**

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
<b>REVENUE</b>		
Grants (Note 6)	<b>₱506,388</b>	₱357,216
Donations (Note 7)	<b>3,584</b>	21,018
Membership Fees and Contributions	<b>13,000</b>	6,100
	<b>522,972</b>	384,334
<b>EXPENSES</b>		
Projects (Note 11)	<b>265,759</b>	146,302
Depreciation (Note 5)	<b>25,959</b>	8,832
Taxes and licenses	<b>17,710</b>	2,745
Rent	<b>15,736</b>	19,310
Professional fees	<b>13,417</b>	8,240
Office Supplies	<b>11,809</b>	6,210
Representation and Entertainment	<b>10,090</b>	3,233
Seminars and Trainings	<b>8,900</b>	100
Publications	<b>7,930</b>	-
Fuel and oil	<b>5,835</b>	-
Insurance	<b>3,199</b>	-
Transportation and travel	<b>2,233</b>	126
Courier Services	<b>80</b>	-
Utilities	<b>-</b>	6,509
Miscellaneous	<b>350</b>	350
	<b>389,007</b>	201,957
<b>EXCESS OF REVENUE OVER EXPENSES</b>		
<b>(EXPENSES OVER REVENUE)</b>	<b>₱133,965</b>	₱182,377

*See accompanying Notes to Financial Statements.*

**WIKIMEDIA PHILIPPINES, INC.***(A Non-stock, Not-for-Profit Corporation)***STATEMENTS OF CHANGES IN FUND BALANCE**

	Years Ended December 31	
	2011	2010
<b>FUND BALANCE</b>		
Balance at beginning of year	<b>₱182,377</b>	₱ –
Excess of revenue over expenses (expenses over revenue) for the year	<b>133,965</b>	182,377
Balance at end of year	<b>₱316,342</b>	₱182,377

*See accompanying Notes to Financial Statements.*

**WIKIMEDIA PHILIPPINES, INC.**  
*(A Non-stock, Not-for-Profit Corporation)*

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**STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses (expenses over revenue)	<b>₱133,965</b>	₱182,377
Adjustment for depreciation (Note 5)	<b>25,959</b>	8,832
Excess of revenue over expenses (expenses over revenue) before changes in operating assets and liabilities	<b>159,924</b>	191,209
Decrease (increase) in:		
Receivables	<b>(4,500)</b>	(6,000)
Advanced Rental Payment	<b>(17,300)</b>	–
Advanced Withholding Tax Payments	<b>(808)</b>	–
Net cash provided by (used in) operating activities	<b>137,316</b>	185,209
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Acquisition of office equipment (Note 5)	<b>(3,995)</b>	(70,880)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Advanced Membership Dues	<b>1,500</b>	–
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>134,821</b>	114,329
<b>CASH BALANCE AT THE BEGINNING OF THE YEAR</b>	<b>114,329</b>	–
<b>CASH BALANCE AT THE END THE OF YEAR</b>	<b>₱249,150</b>	₱114,329

*See accompanying Notes to Financial Statements.*

## **WIKIMEDIA PHILIPPINES, INC.**

*(A Non-stock, Not-for-Profit Corporation)*

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### **NOTES TO FINANCIAL STATEMENTS**

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#### **1. Corporate Information and Tax Exemption**

Wikimedia Philippines, Incorporated is a non-stock, not-for-profit corporation incorporated in the Philippines and registered with the Securities and Exchange Commission on April 12, 2010.

Wikimedia Philippines (WMPH) is a chapter of the Wikimedia Foundation (WMF) serving the Philippines and Filipino communities abroad. The purpose of the Chapter is to engage in the promotion of the projects of the Wikimedia Foundation, Inc., a non-profit organization incorporated under the laws of the State of Florida, in the United States of America, through their use in the Philippines as free, open-content reference tools available to the Philippine populace through the use of computers and the Internet, and helpful education materials, promote the use of native Philippine languages in educational and reference materials and aid in the defense and promotion of free content in the Philippines and the facilitation of the creation of such content.

As a non-stock, not-for-profit organization, the Chapter falls under Section 30 (E) of the Republic Act (RA) No. 8424 entitled “An Act Amending the National Internal Revenue Code, As Amended, and for Other Purposes”. The receipts from activities conducted in pursuit of the objectives for which the Chapter was established are exempt from income tax. However, any income arising from its real or personal properties, or from activities conducted for profit, regardless of the disposition made of such income, is subject to income tax.

The registered office address of the Company, which is also its principal place of business, is located at Ground Floor, Gervacia Center, 152 Amorsolo Street, Legazpi Village, Makati City 1229, Philippines.

The accompanying financial statements were approved and authorized for issue by the Board of Trustees (BOT) of the Chapter on March 3, 2012.

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#### **2. Summary of Significant Accounting Policies**

##### Basis of Preparation

The company’s financial statements have been prepared in accordance with generally accepted accounting principles in the Philippines and on historical cost basis and presented in the Philippine peso which is the company’s functional and presentation currency.

##### Adoption of Philippine Accounting Standards (PAS) 101

The Accounting Standards Council (ASC) and Securities and Exchange Commission (SEC) has issued and approved PAS 101, “Financial Reporting Standards for Non-publicly Accountable Entities”, effective for periods beginning on or after January 1, 2005. PAS 101 provides for a temporarily relief to non-publicly accountable entities (NPAAE’s) in the application of accounting standards which became effective for financial statements covering periods beginning on or after January 1, 2005.

The company, being a non-publicly accountable entity adopted PAS 101 and opted not to apply in its general-purpose financial statements some of the applicable financial reporting standards

effective as of December 31, 2004, and some of the new and revised Philippine Accounting Standard (PAS) that became effective in 2005.

#### Statement of Compliance

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

#### Cash

Cash includes cash on hand and in bank.

#### Financial Instruments

##### *Date of recognition*

The Chapter recognizes a financial asset or a financial liability on its statement of assets, liabilities and fund balance when, and only when, the entity becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Chapter commits to purchase the asset. Regular way purchases and sales are purchases or sales of financial assets that require delivery of assets within a period generally established by regulation or convention in the market place.

##### *Initial recognition*

Financial assets and liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial assets and liabilities measured at fair value through profit or loss (FVPL).

Financial assets within the scope of PAS 39 are classified in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, available-for-sale (AFS) financial assets and loans and receivables. Financial liabilities are classified either as financial liabilities at FVPL or other financial liabilities.

The Chapter determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

As of December 31, 2011, the Chapter's financial assets are classified as loans and receivables and its financial liabilities are classified as other financial liabilities.

##### *Determination of fair values*

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, discounted cash flow analysis, and other relevant valuation models.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the financial asset or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at cost or amortized cost in the statement of assets, liabilities and fund balance. Amortization is determined using the effective interest rate method and is included in the statement of revenue and expenses.

Loans and receivables consist of cash and receivables.

### *Other financial liabilities*

Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Chapter having an obligation either to deliver cash or another financial asset to the holder. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Other financial liabilities consist of accounts payable and accrued expenses.

### Offsetting of Financial Assets and Liabilities

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

### Impairment of Financial Assets

The Chapter assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has 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 a group of financial assets that can be reliably estimated.

### *Loans and receivables*

The Chapter first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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 a collective assessment of impairment.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Chapter will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible. The amount of the impairment loss shall be recognized in the statement of revenue and expenses.

### Derecognition of Financial Assets and Liabilities

Financial assets are derecognized when: (a) the rights to receive cash flows from the asset have expired; (b) the Chapter 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; (c) the Chapter has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Chapter has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Chapter'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 original carrying amount of the asset and the maximum amount of consideration that the Chapter could be required to repay.

Financial liabilities are derecognized when the obligation under the liability expires, is discharged or cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of revenue and expenses.

#### Office Equipment

Office equipment is carried at cost less accumulated depreciation and any impairment in value.

The initial cost of office equipment comprises its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged against income 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 office equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost.

Depreciation is computed using the double-declining-balance method over the estimated useful life of three (3) to five (5) years depending on the expected utilization of an asset.

The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of office equipment.

An item of office 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 revenue and expenses in the year the item is derecognized.

#### *Impairment of office equipment*

The carrying values of office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognized in the statement of revenue and expenses.

An assessment is made at each reporting date as to whether there is any 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. The 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 the prior years. Such reversal is recognized in the Chapter's statement of revenue and expenses. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits associated with the transaction will flow to the Chapter and the revenue can be reliably measured. Donations are recognized when committed by the donor.

#### Provisions

Provisions are recognized only when the Chapter has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed 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 when an inflow of economic benefits is probable.

#### Events after the Reporting Date

Post year-end events that provide additional information about the Chapter's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to the financial statements when material.

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### **3. Significant Accounting Judgment and Estimates**

The preparation of the financial statements in accordance with PFRS requires the Chapter to make judgment and estimates that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. Future events may occur which will cause the judgment and estimates to change. The effects of any change in judgment and estimates are reflected in the financial statements as they become reasonably determinable.

Judgment and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be determinable under the circumstances.



### Judgment

In the process of applying the Chapter's accounting policies, management has not made material judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

### Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Estimation of useful life of office equipment*

The Chapter reviews on an annual basis the estimated useful life of office equipment based on expected asset utilization. A reduction in the estimated useful life of office equipment would increase the recorded depreciation expense and decrease noncurrent assets.

The carrying values of office equipment amounted to ₱40,083.53 as of December 31, 2011 and ₱62,048.06 as of December 31, 2010. (Note 5)

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## 4. Receivables

This account consists of donation receivables and membership dues from fund providers as follows:

	<u>2011</u>
Balance at the beginning of the year	<b>₱6,000</b>
Allan Paolo C. Barazon	<b>500</b>
Remi E. De Leon	<b>(2,000)</b>
<b>Total</b>	<b>₱4,500</b>
	<u>2010</u>
Allan Paolo C. Barazon	₱2,000
Michael Philip G. Gonzalez	2,000
Remi E. De Leon	2,000
<b>Total</b>	<b>₱6,000</b>

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## 5. Office Equipment

The roll forward analysis of this account is presented as follows:

	2011	2010
<b>Cost</b>		
Balance at beginning of year	<b>₱70,880.00</b>	₱ –
Acquisition	<b>3,995.00</b>	70,880.00
Balance at end of year	<b>₱74,875.00</b>	₱70,880.00
<b>Accumulated Depreciation</b>		
Balance at beginning of year	<b>₱8,831.94</b>	₱–
Depreciation	<b>25,959.53</b>	8,831.94
Balance at end of year	<b>34,791.47</b>	8,831.94

<b>Net Book Value</b>	<b>₱40,083.53</b>	<b>₱62,048.06</b>
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As of December 31, 2011, the Chapter's office equipment consists of two personal laptop computers, an LCD projector and a wireless modem router.

## 6. Grants

This account represents grants received from the Wikimedia Foundation Inc, a non-profit organization incorporated under the laws of the State of Florida, in the United States of America and other Wikimedia chapters duly incorporated under the laws of their respective countries.

The Chapter received grants amounting to ₱446,388.55 and ₱60,000.00 from the Wikimedia Foundation and Wikimedia Nederland (Netherlands), respectively as of December 31, 2011. It received ₱357,216.00 worth of grants as of December 31, 2010 entirely from the Wikimedia Foundation.

## 7. Donations

This account represents donations from fund providers. The Chapter received donations amounting to ₱21,018 and ₱3,854 for the years ended December 31, 2010 and December 31, 2011, respectively.

The Chapter has an outstanding receivable amounting to ₱4,500 as of December 31, 2011 and ₱6,000 as of December 31, 2010. (Note 4)

## 8. Financial Assets and Liabilities

The table below presents a comparison by category of carrying amounts and estimated fair values of the Center's financial instruments as of December 31, 2011 and 2010.

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Loans and receivable</b>				
Cash	<b>₱253,650</b>	<b>₱253,650</b>	₱114,329	₱114,329
Receivables(Note 4)	<b>4,500</b>	<b>4,500</b>	6,000	6,000
<b>Total financial assets</b>	<b>₱258,150</b>	<b>₱258,150</b>	₱120,329	₱120,329

The carrying values of cash and receivables approximate their fair values due to the relative short-term nature of these transactions.

### Fair Value Hierarchy

The Center uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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## 9. Capital Management

The primary objective of the Center's capital management policies is to obtain donations in order to support its projects and programs and to safeguard the Center's ability to continue as a going concern entity.

The Center manages its fund balance and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the fund balance, the Center may adjust the program and project expenditures and perform annual financial planning and goal setting. No changes were made on the objectives, policies or processes during the years ended December 31, 2011.

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## 10. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by RR15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year.

### Taxes and Licenses

This includes all other taxes, local and national, lodged under the 'Taxes and Licenses' account in the Association's statement of revenue and expenses. Details consist of the following:

	<u>2011</u>
Bureau of Internal Revenue (BIR) Penalties	<b>₱ 7,000.00</b>
Business Registration	<b>6,555.00</b>
Official Receipts Printing	<b>2,000.00</b>
Community Tax Certificate (2010–2011)	<b>1,340.00</b>
BIR Annual Registration	<b>500.00</b>
Documentary Stamp Taxes	<b>239.53</b>
SEC Membership Book Registration	<b>75.00</b>
<b>Taxes and Licenses</b>	<b>₱17,709.53</b>

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## 11. Schedule of Projects and Activities required under SEC Rule 68

In compliance with SEC Rule 68, as amended, hereunder are the schedules showing the nature and amount of each item comprising total receipts and disbursements according to sources and activities pursuant to Chapter's primary purpose.

	<u>Receipts</u>	<u>Disbursements</u>
GLAMcamp Amsterdam	<b>₱60,000.00</b>	<b>₱83,740.59</b>
Wikipedia Takes Manila	<b>70,013.05</b>	<b>61,950.70</b>
Software Freedom Day	<b>30,683.70</b>	<b>28,114.50</b>

Reference Library	<b>15,000.00</b>	<b>23,758.50</b>
Wikipedia Caravans	<b>60,000.00</b>	<b>21,420.37</b>
Berlin Chapters Meeting	–	<b>17,445.22</b>
WikiConference	<b>20,000.00</b>	<b>14,454.74</b>
Usapang Tambayang Wikipedia	<b>4,000.00</b>	<b>6,814.00</b>
Kapihan Sessions	<b>8,000.00</b>	<b>4,025.00</b>
Project Development Planning	<b>4,000.00</b>	<b>3,655.00</b>
Legislative Lobbying	–	<b>380.00</b>
<b>Total</b>	<b>₱271,696.75</b>	<b>₱265,758.62</b>