SECURITIES AND EXCHANGE COMMISSION
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Acceptance of this document is subject to review of forms and contents

ASA Philippines Foundation
For The Poor With Heartfelt Dedication

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as of and for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, 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 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, including the schedules attached therein, and submits the same to the members.

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

AMB. HOWARD Q. DEE
Chairman of the Board

KAMRUL HASAN TARAFDER
President and CEO

FLORINDA M. LACANLALAY
Treasurer

Signed this 27th day of February 2023.

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15th Floor Prestige Tower, F. Ortigas Jr. Road Ortigas Center Pasig City 1605, Philippines
Phone: +(632) 86877558 Telefax: +(632) 86311107 Website: www.asaphil.org

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Financial Statements and
Independent Auditors' Report

ASA Philippines Foundation, Inc.
(A Microfinance NGO)

December 31, 2022 and 2021



Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

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Philippines

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Report of Independent Auditors

The Board of Trustees
ASA Philippines Foundation, Inc. (A Microfinance NGO)
(A Nonstock, Nonprofit Organization)
15th Floor Prestige Tower, F. Ortigas Jr. Street
Ortigas Center, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ASA Philippines Foundation, Inc. (A Microfinance NGO) [the Foundation], which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and the notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 audits 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design 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 accounting estimates and related disclosures made 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 Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 20 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Yusoph A. Maute**
Partner

CPA Reg. No. 0140306
TIN 415-417-641
PTR No. 9566638, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 140306-SEC (until financial period 2026)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-046-2023 (until Jan. 24, 2026)
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February 27, 2023

ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
A S S E T S			
CASH	6	**P 4,313,114,731**	P 2,608,461,569
LOANS RECEIVABLE - Net	7	**35,516,960,258**	26,303,712,531
OTHER RECEIVABLES	7	**27,573,135**	22,316,608
PROPERTY AND EQUIPMENT - Net	8	**202,966,700**	144,913,700
OTHER ASSETS	18	**50,792,959**	46,508,625
TOTAL ASSETS		**P 40,111,407,783**	P 29,125,913,033
LIABILITIES AND FUND BALANCE			
MICROSAVINGS	9	**P 16,451,949,890**	P 13,023,198,728
LOANS PAYABLE	10	**2,796,551,665**	991,304,999
POST-EMPLOYMENT DEFINED BENEFIT OBLIGATION	14	**1,049,084,700**	1,192,490,000
OTHER LIABILITIES	11	**1,032,789,669**	1,061,181,360
TOTAL LIABILITIES		**21,330,375,924**	16,268,175,087
FUND BALANCE		**18,781,031,859**	12,857,737,946
TOTAL LIABILITIES AND FUND BALANCE		**P 40,111,407,783**	P 29,125,913,033

See Notes to Financial Statements.

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ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
REVENUES			
Revenue from microfinancing activities	7	**P 12,237,758,577**	P 9,925,322,782
Other revenues	12	**251,225,773**	212,343,074
		12,488,984,350	10,137,665,856
EXPENSES	13		
Operating costs		**4,754,321,055**	4,594,012,334
General and administrative expenses		**1,286,449,080**	1,063,548,103
Client community services		**559,337,356**	696,572,700
Impairment loss on loans receivable	7	**361,400,246**	-
		6,961,507,737	6,354,133,137
EXCESS OF REVENUES OVER EXPENSES		**5,527,476,613**	3,783,532,719
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment defined benefit plan	14	**395,817,300**	401,713,300
TOTAL COMPREHENSIVE INCOME		**P 5,923,293,913**	P 4,185,246,019

See Notes to Financial Statements.

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ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
CAPITAL CONTRIBUTION	2	**P 41,360,000**	P 41,360,000
GENERAL FUND			
Balance at beginning of year		**12,299,908,846**	8,516,376,127
Excess of revenues over expenses during the year		**5,527,476,613**	3,783,532,719
Balance at end of year		**17,827,385,459**	12,299,908,846
REMEASUREMENT OF POST-EMPLOYMENT DEFINED BENEFIT PLAN			
Balance at beginning of year		**516,469,100**	114,755,800
Other comprehensive income	14	**395,817,300**	401,713,300
Balance at end of year		**912,286,400**	516,469,100
TOTAL FUND BALANCE		**P 18,781,031,859**	P 12,857,737,946

See Notes to Financial Statements.

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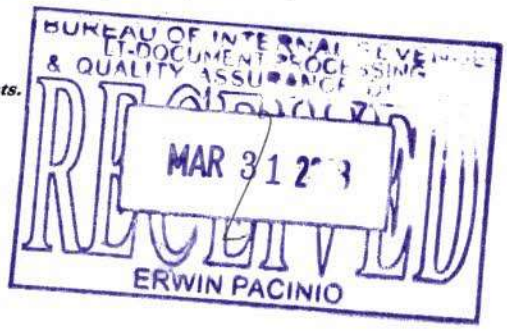
ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses		P 5,527,476,613	P 3,783,532,719
Adjustments for:			
Impairment loss on loans receivable	7, 13	361,400,246	-
Interest expense	10, 13, 14	126,498,763	87,368,005
Depreciation and amortization	8, 13	56,081,963	67,306,565
Interest income from bank deposits	6, 12	(10,611,158)	(18,288,655)
Interest income from employee loans	7, 12	(8,291,714)	(4,889,826)
Excess of revenues over expenses before working capital change		6,052,554,713	3,915,028,808
Increase in loans receivable		(9,572,525,741)	(6,057,358,308)
Increase in other receivables		(5,256,527)	(11,398,502)
Increase in rental deposits		(4,284,334)	(7,827,868)
Increase in microsavings		3,428,751,162	1,408,604,217
Increase in post-employment defined benefit obligation		191,952,758	550,533,964
Increase (decrease) in other liabilities		(32,084,214)	553,658,966
Cash generated from operations		59,107,817	351,241,277
Interest received		18,902,872	23,178,481
Cash paid for final taxes		(2,122,232)	(3,657,731)
Net Cash From Operating Activities		75,888,457	370,762,027
CASH FLOWS FROM AN INVESTING ACTIVITY			
Acquisitions of property and equipment	8	(114,134,963)	(41,851,465)
CASH FLOWS FROM FINANCING ACTIVITIES	10		
Proceeds from loan availments		2,699,450,000	510,000,000
Repayments of loans		(894,203,334)	(665,203,334)
Interest paid		(62,346,998)	(59,160,422)
Net Cash From (Used in) Financing Activities		1,742,899,668	(214,363,756)
NET INCREASE IN CASH		1,704,653,162	114,546,806
CASH AT BEGINNING OF YEAR		2,608,461,569	2,493,914,763
CASH AT END OF YEAR		P 4,313,114,731	P 2,608,461,569

Supplemental Information on Noncash Financing Activity –

As of December 31, 2022 and 2021, the outstanding balance of accrued interest expense amounting to P4.4 million and P0.7 million, respectively, is presented as part of Other Other Liabilities account in the statements of financial position (see Note 11).

See Notes to Financial Statements.



ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Foundation Information

ASA Philippines Foundation, Inc. (A Microfinance NGO) [the Foundation or ASA] was incorporated in the Philippines as a nonstock, nonprofit organization and registered with the Philippine Securities and Exchange Commission on July 9, 2004. Its primary purpose is to provide access to economic and financial facilities, social and other developmental opportunities to the disadvantaged sectors including the small, cottage and micro-entrepreneurial poor of the community to fight against poverty, empowering them through self-employment and economic upliftment, so they may live with dignity, and to conduct microfinance operations pursuant to Republic Act (R.A.) No. 8425, *Social Reform and Poverty Alleviation Act.*

The ASA Program provides:

(a) Microfinance services to qualified poor, low-income women engaged in micro and small scale enterprises;

(b) Financial and other forms of assistance to its members in case of sickness, death and calamities and college scholarship for deserving children of members, as part of social services to the poor; and,

(c) Business development services for the members to improve efficiency and effectiveness in enterprise management.

As of December 31, 2022 and 2021, the Foundation has 1,683 branches covering 82 provinces in the Philippines. The Foundation has established foothold in Luzon, Visayas and Mindanao, as it operates 856, 429 and 398 branches therein, respectively.

The Foundation's registered head office address, which is also its principal place of business, is located at 15th Floor Prestige Tower, F. Ortigas Jr. Street, Ortigas Center, Pasig City.

1.2 Continuing Impact of COVID-19 Pandemic on the Foundation's Operations

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact is still being felt until the date of the approval of these financial statements. In 2022, the country's economic status improved because of the reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels.

In 2022 and 2021, the Foundation generate positive results on its operations as evident on the continuous increase in revenues and in the net excess of revenues over expenses during these reporting periods. The management, however, will continue to have the 'Portfolio Recovery Management' team, which was created at the start of the pandemic, to continuously monitor recovery of accounts that were considered on default, and to provide broad range of receivable management strategies and credit risk assessments.

With the instituted improvements, management projects that the Foundation will continue to report positive results of operations and will remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Foundation's ability to continue as a going concern due to the effects of the pandemic.

1.3 Approval of Financial Statements

The financial statements of the Foundation as of and for the year ended December 31, 2022 (including the comparative financial statements as of and for the year ended December 31, 2021) were authorized for issue by the Foundation's Board of Trustees (BOT) on February 27, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Foundation have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Foundation presents all items of income, expenses, and other comprehensive income or loss, if any, in a single statement of comprehensive income.

The Foundation presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

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

Items included in the financial statements of the Foundation are measured using its functional currency. Functional currency is the primary economic environment in which the Foundation operates.

2.2 Adoption of Amended Standards

(a) Effective in 2022 that are Relevant to the Foundation

The Foundation adopted the following amendments and annual improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities
PFRS 16 (Amendments):		Leases – Lease Incentives

Discussed below and succeeding page are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Foundation's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Foundation's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle.

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that is not Relevant to the Foundation

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Foundation's financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework*

(ii) Annual Improvements to PFRS 2018-2020 Cycle.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are pronouncements for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the relevant pronouncements, which is presented below and in the succeeding page, in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Foundation's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Current versus Non-current Classification

The Foundation presents assets and liabilities in the statement of financial position based on liquidity while current or non-current classification is presented in Note 19. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Foundation classifies all other liabilities as non-current.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

At initial recognition, the Foundation measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at FVTPL are expensed outright in profit or loss. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

(i) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described as follows.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Foundation's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

All of the Foundation's financial assets meet these criteria and are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses (ECL).

Where the business model is to hold assets to collect contractual cash flows, the Foundation assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Foundation considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)].

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. The Foundation's financial assets at amortized cost are presented in the statement of financial position as Cash, Loans Receivable, Other Receivables and Rental deposits included as part of Other Assets.

Cash includes cash on hand and demand deposits, which generally earn interest at daily bank deposit rates and are subject to insignificant changes in value.

If applicable, the Foundation can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Foundation is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Foundation's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) Effective Interest Rate Method and Interest Income

Interest income is recognized using the effective interest rate (EIR) method for all financial instrument measured at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest income from cash in banks is recognized as interest accrues considering the effective yield of the asset.

The Foundation calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the income over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows through the expected useful life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The EIR is calculated by considering any discount or premium on acquisition, fees and cost that are integral part of effective interest rate. Further, the Foundation estimates cash flows by considering all contractual terms of the financial instruments.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR used to discount the future recoverable cash flows.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the EIR to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted EIR to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(iii) Impairment of Financial Assets

At the end of the reporting period, the Foundation assesses and recognizes allowance for expected credit losses (ECL) on its financial assets measured at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Foundation recognizes lifetime ECL for loans and other receivables. The ECL on these assets are estimated by applying the simplified approach using a provision matrix developed based on the Foundation's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics [see Note 4.1(b)].

The amount of ECL recognized during the reporting periods is presented as Impairment Losses on Loans Receivable in the statement of comprehensive income. Reversal of loss allowance, if any, is recognized under Other Revenues in the statement of comprehensive income.

(iv) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Foundation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Foundation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Foundation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Foundation continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities include microsavings (composed of Capital Build-up [CBU] and Locked in Capital Build-up [LCBU]), loans payable and other liabilities (excluding tax-related liabilities). All interest-related charges incurred on financial liabilities are recognized as expense in profit or loss as part of Operating costs under Expenses section of the statement of comprehensive income.

Microsavings and other liabilities are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Loans payables are raised for support of long-term funding of operations. This is recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the EIR method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Foundation currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Other Assets

Other assets, which are generally non-financial assets, pertain to other resources controlled by the Foundation as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Foundation and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if applicable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 Property and Equipment

Property and equipment are initially stated at cost and subsequently measured at cost less accumulated depreciation and amortization and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

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

Building	15 years
Equipment and vehicles	5 years
Furniture and fixtures	3 years

Office improvements are amortized over the estimated useful life of the improvements of five years, or the term of the lease, whichever is shorter.

The Foundation's property and equipment are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment loss for property and equipment is recognized for the amount by which the asset's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from such asset and determines the suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Foundation's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors determined reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Property and equipment are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the recoverable amount of the property and equipment exceeds its carrying amount.

The residual values, estimated useful lives, and depreciation and amortization method of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and amortization and any impairment losses, 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 profit or loss in the year the item is derecognized.

2.7 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Foundation that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

On the other hand, any reimbursement that the Foundation can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.8 Revenue and Expense Recognition

The Foundation recognizes revenue from microfinancing activities in the statement of comprehensive income for the interest earned on all instruments measured at amortized cost using the effective interest method. Unearned revenue from microfinancing activities is recognized during the month of disbursement and subsequently earned as revenue based on the effective interest method of accounting, as the loan is fully collected from the members.

In addition, the Foundation also earns income from membership contributions which is used by the Foundation to cover administrative fees and supplies cost. These contributions are received in the form of cash by the Foundation's members. Revenue is recognized immediately upon receipt of the contribution while the related expenses are reported when incurred.

The Foundation's members are also entitled to receive rebates based on a certain percentage not exceeding 15% provided that the members settle their accounts on time. Likewise, a CBU account with a balance of P500 or more is entitled to 7% rebates, subject to changes based on prevailing economic conditions. These rebates are settled together upon withdrawal of CBU savings by the customers. Relative to these rebates' arrangement, the amount of revenues is also immediately adjusted as of the end of the reporting periods.

Costs and expenses are recognized in profit or loss upon utilization of the goods and/or services or at the date they are incurred. Any finance costs are reported in profit or loss on an accrual basis.

2.9 Leases – Foundation as a Lessee

For any new contracts entered into, the Foundation considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Foundation assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Foundation;

- the Foundation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Foundation has the right to direct the use of the identified asset throughout the period of use. The Foundation assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

In 2022 and 2021, the Foundation has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

2.10 Employee Benefits

The Foundation provides post-employment benefits to employees through a defined benefit plan, defined contribution plans, and other employee benefits which are recognized as follows:

(a) Short-term Employee Benefits

Short-term employee benefits include salaries, contributions to government agencies, paid vacation and sick leave, and non-monetary benefits, but not termination benefits, expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits are recognized in profit or loss when the services are rendered.

(b) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Foundation, even if plan assets for funding the defined benefit plan have been acquired. The Foundation's defined benefit pension plan covers all regular full-time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Interest expense is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability during the period as a result of benefit payments. Interest expense is reported under the Operating costs account in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(c) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Foundation pays fixed contributions into an independent entity (such as the Social Security System). The Foundation has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Foundation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Foundation recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to their present value.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Other Liabilities account in the statement of financial position at the undiscounted amount that the Foundation expects to pay as a result of the unused entitlement.

2.11 Fund Balance

Capital contribution represent the initial contribution received by the Foundation at the start of its operations.

General funds represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income. Consistent with the Foundation's registered activities, all of these are flowed back into its operations.

Remeasurement of post-employment defined benefit plan pertains to the net cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of the post-employment defined benefit obligation.

2.12 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Foundation and its related parties, regardless whether a price is charged.

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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Foundation; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Foundation that gives them significant influence over the Foundation and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.13 Events after the End of the Reporting Period

Any post year-end event that provides additional information about the Foundation's statement of financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Foundation's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Foundation's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial estimates:

(a) Determination of ECL on Financial Assets at Amortized Cost

The Foundation uses a provision matrix to calculate ECL for its financial assets at amortized cost. The provision rates are based on days past due for groupings of various customer segments to the extent applicable that have similar loss patterns (i.e., by geography, product type, or customer type and rating). The provision matrix is based on the Foundation's historical observed default rates. The Foundation's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

Details about the ECL on the Foundation's financial assets at amortized cost are disclosed in Notes 4.1.

(b) Evaluation of Business Model Applied in Managing Financial Instruments

The Foundation developed a business model which reflects how it manages its portfolio of financial instruments. The Foundation's business model need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Foundation) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Foundation evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Foundation (e.g., generating accrual income, direct matching to a specific liability) as those relate to the Foundation's trading strategies.

(c) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets, the Foundation assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Foundation assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Foundation considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.7 and relevant disclosures are presented in Note 18.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of members and other counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.1. The methodology and assumptions used in estimating ECL allowance are reviewed regularly by the Foundation to reduce any differences between loss estimates and actual loss experience.

The carrying value of loans and other receivables and rental deposits and the analysis of allowance for impairment on such financial assets are shown in Notes 4.1 and 7, respectively.

(b) Estimation of Useful Lives of Property and Equipment

The Foundation estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 8. Based on management's assessment as of December 31, 2022 and 2021, there is no change in estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Determination of Impairment of Non-Financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that there are no indications of impairment on the Foundation's property and equipment and other non-financial assets at the end of each reporting period; hence, no impairment losses are required to be recognized on those assets in any of the reporting periods.

(d) Valuation of Post-employment Defined Benefit Obligation

The determination of the Foundation's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the analysis of the sensitivity of such obligation to the changes in significant assumptions are presented in Note 14.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Foundation is exposed to certain financial risks in relation to financial instruments. The Foundation's financial assets and liabilities by category are summarized in Note 5. The main types of risks are credit risk, interest risk and liquidity risk.

The Foundation's risk management is coordinated with its BOT and focuses on actively securing the Foundation's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Foundation does not engage in the trading of financial assets for speculative purposes, nor does it write options.

The most significant financial risks to which the Foundation is exposed to are described below and in the succeeding pages.

4.1 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Foundation. The Foundation is exposed to this risk for financial instruments arising from granting loans and advances to its members and its employees, rental deposit to lessors and placing deposits to various local banks.

The Foundation continuously monitors default of its members and other counterparties, identified either individually or by group, and incorporates the information into its credit risk controls. The Foundation's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized in the succeeding page.

	Notes	2022	2021
Cash	6	**P 4,313,114,731**	P 2,608,461,569
Loans receivable – net	7	**35,516,960,258**	26,303,712,531
Other receivables	7	**27,573,135**	22,316,608
Rental deposit	18.1	**49,088,826**	44,804,492
		P39,906,736,950	P28,979,295,200

None of the Foundation's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

(a) Cash

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Loans and Other Receivables

The Foundation's policy is to perform an assessment at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition. The Foundation considers the change in the risk of default occurring over the remaining life of the financial instrument.

The Foundation applies simplified approach in measuring ECL which uses a lifetime expected loss allowance for all loans receivable.

To measure the ECL, loans receivable has been grouped based on shared credit risk characteristics and the days past due (age buckets). The Foundation also concluded that the expected loss rates for loans receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 60 months before December 31, 2022 and 2021, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, such as gross domestic product, inflation rate, unemployment rate and consumer price index, which affects the ability of the customers to settle the receivables.

On that basis, the loss allowance as of December 31, 2022 and 2021 was determined based on months past due, as follows for loans receivables:

	Current	0 days to 90 days	91 days to 180 days	More than 180 days	Total
December 31, 2022					
Expected loss rate	**3.48%**	**100.00%**	**100.00%**	**100.00%**	
Gross carrying amount	**P 36,796,160,085**	**P 253,616,015**	**P 110,890,730**	**P 225,607,128**	**P 37,386,273,958**
Loss allowance	**1,279,199,827**	**253,616,015**	**110,890,730**	**225,607,128**	**1,869,313,700**
December 31, 2021					
Expected loss rate	5.77%	100.00%	100.00%	100.00%	
Gross carrying amount	P 27,915,627,836	P 131,661,040	P 80,025,068	P 282,276,542	P 28,409,590,486
Loss allowance	1,611,915,305	131,661,040	80,025,068	282,276,542	2,105,877,955

The ECL on other receivables mainly pertain to personal loans and advances granted to the Foundation's employees which are collected through salary deduction. Thus, considered to be fully recoverable based on the management's assessment (see Note 7.2).

The reconciliation of allowance for impairment on loans receivable at the beginning and end of 2022 and 2021 is presented in Note 7.

(c) Refundable deposits

With respect to security deposit, management assessed that this financial asset has low probability of default since these relate to reputable counterparties. Moreover, this security deposit can be refunded by the end of the lease term.

4.2 Interest Rate Risk

The Foundation's policy is to minimize interest rate cash flow risk exposures on long-term financing. As of December 31, 2022 and 2021, the Foundation is exposed to changes in market interest rates through its cash in banks, which are subject to variable interest rates (see Note 6). Loans payable, on the other hand have fixed rates. All other financial instruments have fixed rates.

The table below illustrates the sensitivity of the Foundation's excess of revenues over expenses and fund balance to a reasonably possible change in interest rates of +/- 1.75% and +/- 1.54% for Philippine peso in 2022 and 2021, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	2022		2021	
	+ 175	- 175	+154	-154
Excess of revenues over expenses	**(P75,615,524)**	**P 75,615,524**	(P 4,018,331)	P 4,018,331
Fund balance	**(56,711,643)**	**56,711,643**	(3,013,748)	3,013,748

4.3 Liquidity Risk

The Foundation manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Foundation maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to consistently maintain an effective collection turn-over.

As of December 31, 2022 and 2021, the Foundation's financial liabilities have contractual maturities which are presented below.

	Notes	Within 6 months	Within 12 months	After one year but within five years	Total
December 31, 2022					
Microsavings	9	**P 16,969,748,561**	**P -**	**P -**	**P16,969,748,561**
Loans payable	10	**1,269,987,137**	**126,598,225**	**1,605,572,657**	**3,002,158,019**
Other liabilities	11	**969,313,985**	**-**	**-**	**969,313,985**
		P 19,209,049,683	**P 126,598,225**	**P 1,605,572,657**	**P20,941,220,565**
December 31, 2021					
Microsavings	9	P 13,413,894,690	P -	P -	P13,413,894,690
Loans payable	10	762,057,143	151,388,359	98,619,492	1,012,064,994
Other liabilities	11	1,011,061,648	-	-	1,011,061,648
		P 15,187,013,481	P 151,388,359	P 98,619,492	P15,437,021,332

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

5. CATEGORIES, FAIR VALUE MEASUREMENT AND DISCLOSURES, AND OFFSETTING OF FINANCIAL INSTRUMENTS

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of financial assets and financial liabilities at amortized cost presented in the statements of financial position are shown below.

		2022		2021	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets:					
At Amortized Cost					
Cash	6	**P 4,313,114,731**	**P 4,313,114,731**	P 2,608,461,569	P 2,608,461,569
Loans receivable - net	7	**35,516,960,258**	**35,516,960,258**	26,303,712,531	26,303,712,531
Other receivables	7	**27,573,135**	**27,573,135**	22,316,608	22,316,608
Rental deposit (presented under Other Assets)	18	**49,088,826**	**49,088,826**	44,804,492	44,804,492
		P 39,906,736,950	**P39,906,736,950**	P 28,979,295,200	P 28,979,295,200
Financial Liabilities:					
At Amortized Cost					
Microsavings	9	**P 16,451,949,890**	**P 16,451,949,890**	P13,023,198,728	P 13,023,198,728
Loans payable	10	**2,796,551,665**	**3,002,158,019**	991,304,999	1,012,064,994
Other liabilities	11	**969,313,985**	**969,313,985**	915,494,033	915,494,033
		P 20,217,815,540	**P20,423,421,894**	P14,929,997,760	P 14,950,757,755

Management considers that the carrying amount of the Foundation's financial assets and financial liabilities measured at amortized cost approximates the fair values due to its short-term duration except loans payable.

See Note 2.4 for a description of the accounting policies for each category of financial instruments. A description of the Foundation's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurements*, the fair values of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair values are disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When the Foundation uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

For financial assets and financial liabilities measured at amortized cost, management considers that their carrying amounts approximate or equal to their fair values, except loans payable. Based on management review of its financial instruments measured at amortized cost, except for cash which is considered Level 1, all the rest are determined to be Level 3 in the fair value hierarchy. The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in 2022 and 2021.

5.3 Offsetting of Financial Assets and Financial Liabilities

As of December 31, 2022 and 2021, the loans receivable and the related microsavings are subject to offsetting, enforceable master netting arrangements and similar agreements. The agreement between the Foundation and its members allows for net settlement of the relevant financial assets and financial liabilities when in the event the member can no longer pay the amount due. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. CASH

The Foundation's cash in bank balance as of December 31, 2022 and 2021 amounted to P4,313,114,731 and P2,608,461,569, respectively. Cash in banks generally earn interest at rates based on daily bank deposit rates.

Interest earned from cash in banks amounted to P10,611,158 and P18,288,655 in 2022 and 2021, respectively, and is presented as part of Other Revenues account in the statements of comprehensive income (see Note 12).

None of the Foundation's savings deposits were held as security for any of the Foundation's liabilities at the end of the reporting periods.

7. LOANS AND OTHER RECEIVABLES

These accounts include the following:

7.1 Loans Receivable – Net

Loans receivables consist of the following as of December 31:

	2022	2021
Loans receivable	**P 41,042,043,005**	P 31,288,715,325
Unearned revenue from microfinancing activities	**(3,655,769,047)**	(2,879,124,839)
	37,386,273,958	28,409,590,486
Allowance for impairment	**(1,869,313,700)**	(2,105,877,955)
	P 35,516,960,258	P26,303,712,531

As of December 31, 2022 and 2021, the Foundation has 2,148,565 and 1,940,566 active members, respectively.

Loans receivable represents microfinance loans granted to the Foundation's members. As of December 31, 2022 and 2021, the Foundation's highest amount of microfinance loan released to a single borrower is P300,000, which is in compliance with Memorandum Circular 03-2018 of the Microfinance NGO Regulatory Council.

Loans receivable has normal terms of six months and are partially secured by the respective carrying amounts of microsavings of individual members (see Note 9). These loans are subject to a nominal rate of 12.5% interest and effective rate of 31.4% all throughout the six-month term. The interest earned from these loans amounting to P12,237,758,577 and P9,925,322,782 in 2022 and 2021, respectively, is presented as Revenue from Microfinancing Activities in the statements of comprehensive income.

Unearned revenue from microfinancing activities is recognized during the month of disbursement and will be earned as revenue subsequently based on the effective interest method of accounting once the loan is fully collected from the members. In addition, the members are entitled to receive rebates based on a certain percentage not exceeding 15% provided that the members settle their accounts on time. Rebates relative to this transaction is presented as deduction in Revenue from Microfinancing Activities in the statements of comprehensive income.

Loans receivable was reviewed for impairment. Certain receivables were found to be impaired; hence, adequate amount of allowance for impairment has been recognized accordingly (see Note 4.1).

A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown below.

	Note	2022	2021
Balance at beginning of year		**P 2,105,877,955**	P3,394,597,720
Impairment loss during the year	13	**361,400,246**	-
Write-off of receivables previously provided with allowance		**(597,964,501)**	(1,288,719,765)
Balance at end of year		**P 1,869,313,700**	P2,105,877,955

In the event the member can no longer settle the amount due, the Foundation may apply the microsavings as payments to the loans receivable. Portfolio at risk of the Foundation is 1.58% in 2022 and 1.74% in 2021. The Foundation has adequate allowance to address credit risk.

On the other hand, loans receivable written-off in 2022 and 2021 pertain to the outstanding balance of loans granted to 77,161 and 187,674 members or 3.59% and 9.70% of active members, respectively.

The Foundation's aging of loans receivable are as follows:

	2022		2021	
	Gross Amount	Percentage to Total	Gross Amount	Percentage to Total
Current	**P36,796,160,085**	**98.42%**	P27,915,627,836	98.26%
0 – 30 days	**116,726,323**	**0.31%**	62,485,112	0.22%
31 – 90 days	**136,889,692**	**0.37%**	69,175,928	0.24%
91 – 180 days	**110,890,730**	**0.30%**	80,025,068	0.28%
More than 180 days	**225,607,128**	**0.60%**	282,276,542	0.99%
	P37,386,273,958	**100%**	P28,409,590,486	100%

7.2 Other Receivables

Other receivables consist of interest-bearing advances, personal and mobility loans and noninterest-bearing advances granted to Foundation's personnel. The personal and mobility loans, and interest-bearing loans, which is subjected to interest or service charge of 5%, have outstanding balance amounting to P25,553,600 and P19,786,005 as of December 31, 2022 and 2021, respectively. Interest income related to these receivables amounting to P8,291,714 and P4,889,826 in 2022 and 2021, respectively, is presented under Other Revenues in the statements of comprehensive income (see Note 12).

As of December 31, 2022 and 2021, the noninterest-bearing advances granted to the Foundation's personnel amounted to P2,019,535 and P2,530,603, respectively. These loans are paid by employees every pay period through salary deductions.

As of December 31, 2022 and 2021, other receivables were reviewed for impairment and none is considered impaired (see Note 4.1).

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
December 31, 2022				
Cost	P 111,887,635	P 463,627,557	P 122,563,226	P 698,078,418
Accumulated depreciation and amortization	(44,145,435)	(406,480,157)	(44,486,126)	(495,111,718)
Net carrying amount	**P 67,742,200**	**P 57,147,400**	**P 78,077,100**	**P 202,966,700**
December 31, 2021				
Cost	P 111,887,635	P 428,544,950	P 43,510,870	P 583,943,455
Accumulated depreciation and amortization	(36,692,935)	(364,225,250)	(38,111,570)	(439,029,755)
Net carrying amount	P 75,194,700	P 64,319,700	P 5,399,300	P 144,913,700
January 1, 2021				
Cost	P 109,387,635	P 389,397,685	P 43,306,670	P 542,091,990
Accumulated depreciation and amortization	(29,250,435)	(307,830,085)	(34,642,670)	(371,723,190)
Net carrying amount	P 80,137,200	P 81,567,600	P 8,664,000	P 170,368,800

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022 and 2021 is shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 75,194,700	P 64,319,700	P 5,399,300	P 144,913,700
Additions	-	35,082,607	79,052,356	114,134,963
Depreciation and amortization charges for the year	(7,452,500)	(42,254,907)	(6,374,556)	(56,081,963)
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 67,742,200**	**P 57,147,400**	**P 78,077,100**	**P 202,966,700**
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 80,137,200	P 81,567,600	P 8,664,000	P 170,368,800
Additions	2,500,000	39,147,265	204,200	41,851,465
Depreciation and amortization charges for the year	(7,442,500)	(56,395,165)	(3,468,900)	(67,306,565)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 75,194,700	P 64,319,700	P 5,399,300	P 144,913,700

The amount of depreciation and amortization is allocated and reported in the statements of comprehensive income as follows (see Note 13):

	2022	2021
Operating costs	**P 41,576,096**	P 55,714,397
General and administrative expenses	**14,505,867**	11,592,168
	P 56,081,963	P 67,306,565

The cost of the Foundation's fully depreciated and amortized property and equipment that are still in use amounted to P64.3 million and P72.7 million as of December 31, 2022 and 2021, respectively. No fully depreciated and amortized property and equipment written-off during the reporting periods.

As of December 31, 2022 and 2021, none of the Foundation's property and equipment were held as collateral for loans. Further, no items of property and equipment were impaired nor written-off in 2022 and 2021.

9. MICROSAVINGS

This account is broken down as follows:

	2022	2021
CBU	**P14,794,247,740**	P11,569,447,458
LCBU	**1,657,702,150**	1,453,751,270
	P16,451,949,890	P13,023,198,728

The collected CBU and LCBU or microsavings is for purposes of maintaining a compensating balance, which is used to offset against the member's outstanding loan balance in case of default (see Note 7.1).

CBU pertains to weekly savings of P50 at minimum. After six months, CBU can be withdrawn, provided, a minimum balance of 15% of outstanding principal loan borrowed is maintained. A CBU account with a balance of P500 or more is entitled to 7% rebates, subject to changes based on prevailing economic conditions. These rebates are settled together upon withdrawal of CBU savings by the customers. Rebates relative to this transaction is presented as deduction in Revenue from Microfinancing Activities in the statements of comprehensive income.

LCBU is a mandatory noninterest-bearing, alternative savings that is locked in as to members' withdrawal. The weekly contribution is fixed at P10. When the LCBU reaches P2,400, 50% of such is transferred to CBU. It can only be withdrawn in full by the member upon termination of membership from the Foundation.

All active members of the Foundation are required to maintain their microsavings contributions based on prescribed minimum levels.

10. LOANS PAYABLE

The composition of the Foundation's outstanding bank loans is shown below.

	2022	2021
Current	**P1,276,658,809**	P 894,203,333
Non-current	**1,519,892,856**	97,101,666
	P2,796,551,665	P 991,304,999

To enable the Foundation to provide uninterrupted microfinance loans to members in accordance with the Foundation's microfinance program, the Foundation, as part of its cash management, obtains financing through bank loans from various financial institutions and/or organization.

As approved by the BOT on November 17, 2016, the Foundation entered into a Facility Agreement (the Agreement) as corporate notes issuer, with three local universal banks as initial noteholders, Credit Guarantee & Investment Facility (a trust fund of the Asian Development Bank) as guarantor, and BPI Capital Corporation as mandated lead arranger and bookrunner. Based on the Agreement, which was signed on January 26, 2017, the initial noteholders grant to the Foundation a loan facility with a maximum principal amount of P2,000,000,000, subject to release in not more than three tranches starting February 2017 to January 2018. The Foundation has fully drawn the P2,000,000,000 in the prior years. The net proceeds of the note issuance are used by the Foundation in financing its expansion plans, paying off existing bank loans, and for other general corporate purposes.

In addition, the initial noteholders require the Foundation to maintain the following ratios: operational self-sufficiency ratio of more than 110%, portfolio at risk of less than 1.5%, equity to gross loan portfolio of more than 15%, net loan portfolio as percentage of assets of more than 80% and a debt-to-equity ratio of less than 190%. As of December 31, 2022, the Foundation is compliant with all the security requirements and covenants imposed by the noteholders while as of December 31, 2021, the Foundation breached the covenant on portfolio at risk ratio, but the Foundation secured a waiver from its three noteholders on May 10, 2021, May 28, 2021, and June 4, 2021.

As approved by the BOT on June 17, 2019, the Foundation entered into a Facility Agreement as a corporate note issuer with another local bank. Based on the Agreement, which was signed on October 31, 2019, the noteholder grants to the Foundation a loan facility of three loan tranche amounting to USD 10,000,000 each. On May 12, 2020, the Foundation availed of the first tranche, which was received on June 18, 2020. The Foundation received the second tranche on May 18, 2022. The third tranche has not been drawn as of December 31, 2022.

The noteholder requires the Foundation to maintain the following ratios: operational self-sufficiency ratio of more than 120%, portfolio at risk ratio of less than 1.5%, debt-to-equity ratio of not more than 150%, capital adequacy ratio of more than 22%, loan loss reserve ratio of more than 5% and liquidity coverage ratio of more than 100%. As of December 31, 2022, the Foundation is compliant with all the security requirements and covenants imposed by the noteholder while as of December 31, 2021, the Foundation breached the portfolio at risk ratio, but the Foundation secured a waiver from the noteholder on April 26, 2021.

As approved by the BOT on February 23, 2022, the Foundation entered into a term loan with another local bank. Based on the term loan agreement, which was signed on October 5, 2022, the bank grants the Foundation a term loan of USD 20,000,000 with maturity date of September 30, 2024.

The bank requires the Foundation to maintain the following ratios: operational self-sufficiency ratio of more than 110%, portfolio at risk ratio of less than 5%, write-off ratio of not more than 3%, and equity/gross loan portfolio ratio of more than 20%. As of December 31, 2022, the Foundation is compliant with all the security requirements and covenants imposed by the bank.

A summary of the terms and conditions of each loan as of December 31, 2022 and 2021 is presented below.

Outstanding Principal Balance		Interest Rate	Maturity date
2022	2021		
P 1,146,000,000	P -	Fixed at 6.870%	2024
1,000,000,000	500,000,000	Fixed at 3.750%	2023
608,051,665	253,804,999	Fixed at 3.435%	2023
32,500,000	7,500,000	Fixed at 2.000%	2023
10,000,000	130,000,000	Fixed at 5.900%	2023
-	40,000,000	Fixed at 5.070%	2022
-	60,000,000	Fixed at 5.170%	2022
P 2,796,551,665	P 991,304,999		

Interest expense on interest-bearing loans amounted to P66,039,521 and P56,969,869 in 2022 and 2021, respectively, and is presented as part of Operating costs in the statements of comprehensive income (see Note 13).

Unpaid interests as of December 31, 2022 and 2021 amounting to P4,429,164 and P736,641, respectively, are presented as part of Accrued expenses under the Other Liabilities account in the statements of financial position (see Note 11).

The movements in Loans Payable account as of December 31, 2022 and 2021 are shown below.

	2022	2021
Balance at beginning of year	**P 991,304,999**	P1,146,508,333
Additional loans payable	**2,699,450,000**	510,000,000
Repayments of loans payable	**(894,203,334)**	(665,203,334)
Balance at end of year	**P2,796,551,665**	P 991,304,999

As of December 31, 2022 and 2021, none of the Foundation's assets were held as collateral for these loans.

11. OTHER LIABILITIES

This account includes the following:

	Notes	2022	2021
Accrued expenses	10, 15	**P 463,037,233**	P 518,983,785
Staff benevolent fund		**305,827,625**	303,425,850
Accounts payable		**263,924,811**	238,771,725
		P1,032,789,669	P1,061,181,360

Accrued expenses include accruals for interest expense and various expenses for the operations of the Foundation such as light and water, postage and telephone, travel and reimbursable expenses and repairs and maintenance.

Staff benevolent fund includes amounts set aside for employee hospitalization, employee death aid, and employee welfare and benefits.

Accounts payable include gross receipts and withholding taxes payable, and unclaimed benefits of resigned personnel during the reporting periods.

12. OTHER REVENUES

This account includes the following:

	Notes	2022	2021
Gain from recovery of written-off loans receivable		**P 170,704,801**	P 129,120,543
Membership contribution		**61,618,100**	60,044,050
Interest income from bank deposits	6	**10,611,158**	18,288,655
Interest income on employee loans	7.2	**8,291,714**	4,889,826
		P 251,225,773	P 212,343,074

New members of the Foundation are required to contribute P50. The contribution is used by the Foundation to cover administrative fee and supplies cost which are part of operating costs of the Foundation.

13. EXPENSES

Details of expenses by nature are shown below.

	Notes	2022	2021
Employee benefits	14.1, 15	**P3,624,060,613**	P3,549,068,378
Travel and transportation		**947,860,737**	892,963,797
Client community services		**559,337,356**	696,572,700
Taxes and licenses		**381,489,847**	251,660,500
Impairment loss on loans receivable	7.1	**361,400,246**	-
Office rental	18.1	**275,255,997**	250,494,130
Staff development and conference		**162,415,877**	125,542,743
Office supplies and reproduction		**156,321,974**	159,325,113
Interest expense	10, 14.2	**126,498,763**	87,368,005
Postage and telephone		**95,100,645**	80,757,127
Light and water		**82,326,964**	74,387,507
Depreciation and amortization	8	**56,081,963**	67,306,565
Grants and donations		**39,500,000**	37,581,200
Professional fees		**6,541,895**	7,848,307
Repairs and maintenance		**4,570,178**	5,978,767
Miscellaneous	15	**82,744,682**	67,278,298
		P6,961,507,737	P6,354,133,137

These expenses are classified and reported in the statements of comprehensive income as follows:

	2022	2021
Operating costs	**P4,754,321,055**	P4,594,012,334
General and administrative expenses	**1,286,449,080**	1,063,548,103
Client community services	**559,337,356**	696,572,700
Impairment loss on loans receivable	**361,400,246**	-
	P6,961,507,737	P 6,354,133,137

Client community services pertain to the assistance provided by the Foundation to borrowers and their families in difficult times. The assistance provided to borrowers of the Foundation are burial assistance, scholarship grants, hospitalization, and disaster and rehabilitation programs.

Operating costs are broken down as follows:

	Notes	2022	2021
Employee benefits	14.1	**P2,893,605,066**	P2,941,690,965
Travel and transportation		**941,163,733**	816,786,827
Office rental	18.1	**274,235,997**	249,578,230
Staff development and conference		**148,424,570**	124,066,945
Interest expense	10, 14.2	**108,360,991**	78,248,564
Office supplies and reproduction		**100,209,753**	107,590,147
Light and water		**80,855,071**	73,126,433
Taxes and licenses		**51,241,476**	39,418,365
Postage and telephone		**50,904,189**	46,675,531
Depreciation and amortization	8	**41,576,096**	55,714,397
Repairs and maintenance		**2,760,072**	4,084,716
Professional fees		**309,023**	284,001
Miscellaneous	15	**60,675,018**	56,747,213
		P4,754,321,055	P4,594,012,334

Details of general and administrative expenses are shown below.

	Notes	2022	2021
Employee benefits	14.1	**P 730,455,547**	P 607,377,413
Taxes and licenses		**330,248,371**	212,242,135
Office supplies and reproduction		**56,112,221**	51,734,966
Postage and telephone		**44,196,456**	34,081,596
Grants and donations		**39,500,000**	37,581,200
Interest expense	14.2	**18,137,772**	9,119,441
Depreciation and amortization	8	**14,505,867**	11,592,168
Staff development and conference		**13,991,307**	1,475,798
Travel and transportation		**6,697,004**	76,176,970
Professional fees		**6,232,872**	7,564,306
Repairs and maintenance		**1,810,106**	1,894,051
Light and water		**1,471,893**	1,261,074
Office rental	18.1	**1,020,000**	915,900
Miscellaneous		**22,069,664**	10,531,085
		P1,286,449,080	P1,063,548,103

Details of grants and donations are as follows:

	2022	2021
Assisi Development Foundation	**P 15,000,000**	P 15,000,000
Arhdiocese of Lingayen-Dagupan	**5,000,000**	5,580,000
Restart Microenterprise, Inc.	**5,000,000**	5,000,000
Ninoy and Cory Aquino Foundation	**5,000,000**	-
Microfinance Council of the Philippines, Inc.	**5,000,000**	3,000,000
WeSolve Foundation	**3,000,000**	1,501,200
Espoir School of Life, Inc.	**1,500,000**	-
Ateneo de Manila	-	7,500,000
	P 39,500,000	P 37,581,200

14. EMPLOYEE BENEFITS

14.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are presented below.

	Notes	2022	2021
Salaries and wages		**P3,060,620,306**	P2,682,595,403
SSS, HDMF, Philhealth contributions		**268,207,386**	228,479,648
Post-employment benefits	14.2	**214,777,791**	567,295,361
Staff benevolent fund		**80,455,130**	70,697,966
	13	**P3,624,060,613**	P3,549,068,378

The amounts of employee benefits are allocated and reported in the statements of comprehensive income as follows (see Note 13):

	2022	2021
Operating costs	**P2,893,605,066**	P 2,941,690,965
General and administrative expenses	**730,455,547**	607,377,413
	P3,624,060,613	P 3,549,068,378

14.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Foundation maintains an unfunded and noncontributory post-employment defined benefit plan covering all regular full-time employees. The Foundation does not have a formal, trusteed retirement plan. As of December 31, 2022, the management used the retirement plan package wherein the normal retirement age is 60 with a minimum of five years of credited service. The retirement benefit shall be an amount equal to a percentage of plan salary for every year of credited service in accordance with the vesting schedule.

The plan also provides late retirement after age 60 but not beyond age 65.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and obligation. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2022 and 2021.

The movements in the present value of the post-employment defined benefit obligation recognized in the statements of financial position are as follows:

	2022	2021
Balance at beginning of year	**P1,192,490,000**	P 1,013,271,200
Current service cost	**214,777,791**	200,386,833
Interest expense	**60,459,242**	30,398,136
Benefits paid	**(22,825,033)**	(16,761,397)
Past service cost	**-**	366,908,528
Remeasurements - actuarial losses (gains) arising from changes in:		
Financial assumptions	**(502,216,426)**	(1,882,123,498)
Experience adjustments	**106,399,126**	(268,610,727)
Demographic assumptions	**-**	1,749,020,925
Balance at end of year	**P1,049,084,700**	P1,192,490,000

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the post-employment defined benefit obligation are as follows:

	2022	2021
Reported in profit or loss:		
Current service cost	**P 214,777,791**	P 200,386,833
Interest expense	**60,459,242**	30,398,136
Past service cost	**-**	366,908,528
	P 275,237,033	P 597,693,497
Reported in other comprehensive income:		
Actuarial losses (gains) arising from changes in:		
Financial assumptions	**(P 502,216,426)**	(P 1,882,123,498)
Experience adjustments	**106,399,126**	(268,610,727)
Demographic assumptions	**-**	1,749,020,925
	(P 395,817,300)	(P 401,713,300)

Retirement benefit expense composed of current and past service cost is allocated and presented in the statements of comprehensive income under the following classification:

	2022	2021
Operating costs	**P 64,433,337**	P 397,106,741
General and administrative expenses	**150,344,454**	170,188,620
	P 214,777,791	P 567,295,361

The interest expense on the obligation is allocated and presented in the statements of comprehensive income under the following classification (see Note 13):

	2022	2021
Operating costs	**P 42,321,470**	P 21,278,695
General and administrative expenses	**18,137,772**	9,119,441
	P 60,459,242	P 30,398,136

Amounts recognized in other comprehensive income or loss were included within item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment defined benefit obligation, the following significant actuarial assumptions were used:

	2022	2021
Discount rates	**7.22%**	5.07%
Expected rate of salary increases	**4.00%**	4.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 32.7 and 33.0 in 2022 and 2021, respectively, for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Other information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31, 2022 and 2021.

		Impact on Post-employment Defined Benefit Obligation	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	**+/- 1.00%**	**(P 162,565,780)**	**P 207,942,634**
Salary growth rate	**+/- 1.00%**	**203,130,855**	**(168,498,396)**
December 31, 2021			
Discount rate	+/- 1.00%	(P 207,907,516)	P 264,335,292
Salary growth rate	+/- 1.00%	264,533,999	(211,603,735)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the post-employment defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the post-employment defined benefit obligation at the end of the reporting period has been calculated using the projected unit credit method, which is the same as that applied in calculating the post-employment defined benefit obligation recognized in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Funding Arrangements and Expected Contribution

At the end of the reporting period, the Foundation has not yet established its funding plan for post-employment defined benefit obligation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 10 years' time when a significant number of employees is expected to retire.

The Foundation's undiscounted expected benefit payments from the plan is as follows:

	2022	2021
Within one year	**P 50,063,135**	P 33,969,233
More than one year but less than five years	**153,218,468**	117,589,196
More than five years but less than ten years	**379,394,922**	308,872,179
	P 582,676,525	P 460,430,608

As of December 31, 2022 and 2021, the weighted average duration of the post-employment defined benefit obligation at the end of the reporting period is 17.4 years and 19.8 years, respectively.

15. RELATED PARTY TRANSACTIONS

The Foundation's related parties include its key management personnel and others as described in Note 2.12. Details of key management personnel compensation are presented in the statements of comprehensive income as follows:

	2022	2021
Short-term benefits	**P 152,016,240**	P 130,318,984
Post employment benefits	**10,738,900**	16,555,700
	P 162,755,140	P 146,874,684

The compensation given to key management personnel in the form of short-term benefits and post-employment is presented as part of Employee Benefits under Expenses in the statements of comprehensive income (see Note 13).

In 2016, the Foundation entered into a software implementation contract with Mr. Mehedi Tarafder, Chief Executive Officer of Jyosna Inc. and son of the president of the Foundation, for the development of a software needed by the Foundation to achieve full automation of its operation at its branch level, which include client management, loan tracking and collection of multiple loan services, reporting and consolidation of Financial Information System at central level. The contract with Jyosna Inc. satisfied the Foundation's policy on conflict of interest by ensuring that the service fee is under normal terms and condition.

In 2022, the Foundation signed a supplemental agreement where the contract was extended until December 2023. The related expense during the extension period amounted to P21,020,000 and is presented as part of Miscellaneous under Operating Costs in the 2022 statement of comprehensive income. As of December 31, 2022, the outstanding liability related to this transaction amounted to P10,560,000 and is presented as part of Accrued expense under Other Liabilities account in the 2022 statement of comprehensive income (see Note 11). There was no outstanding balance related to this transaction as of December 31, 2021.

16. TAXATION COVERAGE AND EXEMPTIONS

The Foundation is a nonstock, nonprofit corporation and the primary purpose of which is one of those enumerated in Section 30 of the Tax Reform Act of 1997 (R.A. No. 8424). No part of the excess of revenues over expenses of the Foundation inures to the benefit of any of its members, employees, key officers or board of trustees. The trustees do not receive any compensation, except for inconsequential honorarium to defray costs incurred in attending board meetings. In case of dissolution, the assets of the Foundation shall be transferred to a similar institution or to the government, in the absence of the former.

On November 3, 2015, R.A. No. 10693 otherwise known as the "Microfinance NGOs Act" (the Act) was signed into law. The Act provides that duly registered and microfinance NGOs shall be eligible to the preferential tax treatment of two percent (2%) based on its gross receipts from microfinance operations in lieu of all national taxes. In 2022 and 2021, the Foundation paid gross receipts tax (GRT) amounting to P249,567,460 and P202,387,544, respectively. Moreover, income derived by the Foundation from its properties, real or personal, or from any of its activities not covered by the exemption or activities conducted for profit regardless of the disposition made of such income, is subject to income tax. The Foundation has no transaction subjected to income tax in 2022 and 2021.

17. FUND MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Foundation's capital management objectives are to generate funds to expand its microfinance operations by collecting revenue from financing activities at rates commensurate to the level of risk, to facilitate the convergence and provision of other social services to the poor, and to ensure the Foundation's sustainability to continue as a going concern.

The Foundation monitors funds on the basis of the carrying amount of the fund balance as presented in the statements of financial position.

The Foundation sets the amount of fund in proportion to its overall financing structure, i.e., fund balance and loans from third parties. The Foundation manages the fund structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	2022	2021
Total loans from third parties	**P2,796,551,665**	P 991,304,999
Total fund balance	**18,781,031,859**	12,857,737,946
External loans-to-fund ratio	**0.15:1.00**	0.08:1.00

As of December 31, 2022 and 2021, the Foundation is compliant with all the security requirements and covenants imposed by the respective creditors (see Note 10).

18. COMMITMENTS AND CONTINGENCIES

18.1 Operating Lease Commitments – Foundation as a Lessee

The Foundation has operating lease agreements covering various office spaces occupied by the Foundation and its branches for a period of six months to one year. The lease agreements require the Foundation to pay rental deposits. Outstanding rental deposits as of December 31, 2022 and 2021 amounting to P49,088,826 and P44,804,492, respectively, are shown as part of Other Assets in the statements of financial position.

Rent expenses related to these lease agreements are presented in the statements of comprehensive income as follows (see Note 13).

	2022	2021
Operating costs	**P 274,235,997**	P 249,578,230
General and administrative expenses	**1,020,000**	915,900
	P 275,255,997	P 250,494,130

18.2 Others

There are other commitments and contingencies that arise in the normal course of the Foundation's operations which are not reflected in the financial statements. As of December 31, 2022 and 2021, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Foundation's financial statements.

19. CURRENT/NON-CURRENT DISTINCTION OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

	2022			2021		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash	P 4,313,114,731	P -	P 4,313,114,731	P 2,608,461,569	P -	P 2,608,461,569
Loans receivables	35,516,960,258	-	35,516,960,258	26,303,712,531	-	26,303,712,531
Other receivables	2,019,535	25,553,600	27,573,135	2,530,603	19,786,005	22,316,608
Rental deposit (presented under Other Assets	-	49,088,826	49,088,826	-	44,804,492	44,804,492
	39,832,094,524	74,642,426	39,906,736,950	28,914,704,703	64,590,497	28,979,295,200
Non-financial Assets						
Property and equipment – net	-	202,966,700	202,966,700	-	144,913,700	144,913,400
Other assets	-	1,704,133	1,704,133	-	1,704,133	1,704,133
	-	204,670,833	204,670,833	-	146,617,833	146,617,833
	P39,832,094,524	P 279,313,259	P 40,111,407,783	P 28,914,704,703	P 211,208,330	P 29,125,913,033
Financial Liabilities						
Microsavings	P16,451,949,890	P -	P 16,451,949,890	P 13,023,198,728	P -	P 13,023,198,728
Loans payable	1,276,658,809	1,519,892,856	2,796,551,665	894,203,333	97,101,666	991,304,999
Other liabilities	969,313,985	-	969,313,985	915,494,033	-	915,494,033
	18,697,922,684	1,519,892,856	20,217,815,540	14,832,896,094	97,101,666	14,929,997,760
Non-financial Liabilities						
Post-employment defined benefit obligation	-	1,049,084,700	1,049,084,700	-	1,192,490,000	1,192,490,000
Other liabilities	63,475,684	-	63,475,684	145,687,327	-	145,687,327
	63,475,684	1,049,084,700	1,112,560,384	145,687,327	1,192,490,000	1,338,177,327
	P18,761,398,368	P 2,568,977,556	P 21,330,375,924	P 14,978,583,421	P 1,289,591,666	P 16,268,175,087

20. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages are the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS. All information are presented in their absolute amounts.

The information on taxes, duties and license fees paid or accrued during the taxable year required under Revenue Regulation No. 15-2010 are as follows:

(a) Output Value-added Tax (VAT)

The Foundation has not incurred any output tax liability for the year ended December 31, 2022 as it has no revenue transactions subject to VAT.

(b) Input VAT

The Foundation did not recognize any input VAT. It records all input VAT on purchases of goods and services as expense or part of cost of assets since it would not be recovered from setting-off with any output tax liability in the future.

(c) Documentary Stamp Tax

The Foundation paid documentary stamp tax (DST) in 2022 amounting to P33,142,390, which is related to the several loans agreements originated during the year [see Note 20(f)].

(d) Taxes on Importation

The Foundation did not incur or pay any customs' duties and tariff fees as it did not have any importation for the year ended December 31, 2022.

(e) Excise Tax

The Foundation did not have any transactions in 2022, which are subject to excise tax.

(f) Taxes and licenses

Details of taxes and licenses in 2022 are shown below.

	Notes	
GRT	16	P 249,567,464
Licenses and permits		50,782,498
Deficiency taxes		47,293,973
DST	20(c)	33,142,390
Local taxes		400,114
Real estate taxes		239,288
Penalty		64,120
		P 381,489,847

The amounts of taxes and licenses are allocated and presented in the 2022 statement of comprehensive income as follows:

General and administrative expenses	P 330,248,371
Operating costs	51,241,476
	P 381,489,847

(g) Withholding Taxes

Details of total withholding taxes for the year ended December 31, 2022 are shown below.

Compensation and employee benefits	P 91,018,069
Expanded	16,570,305
Final	99,999
	P 107,688,373

The Foundation's withholding tax payable as of December 31, 2022 amounted to P12,524,703.

(b) Deficiency Tax Assessment and Tax Cases

In 2022, the Company paid deficiency taxes on all its taxes covering taxable years 2022, 2021 and 2020 totaling P47,293,973, inclusive of interest.

Other than the foregoing, the Foundation does not have any final deficiency tax assessments with the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable periods.