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, 2021 and 2020, 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 report to the members, has expressed their 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 23rd day of February 2022.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 31 2022 REG
JANICE O. DIZON

P&A Grant Thornton

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

ASA Philippines Foundation, Inc.
(A Microfinance NGO)

December 31, 2021 and 2020

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

P&A
Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

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, 2021 and 2020, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the 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, 2021 and 2020, 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.

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Foundation's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

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, 2021 required by the Bureau of Internal Revenue as disclosed in Note 19 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: Anthony L. Ng
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8852341, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 109764-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 23, 2022

ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
ASSETS			
CASH	6	**P 2,608,461,569**	P 2,493,914,763
LOANS RECEIVABLE - Net	7	**26,303,712,531**	20,242,696,492
OTHER RECEIVABLES	7	**22,316,608**	10,918,106
PROPERTY AND EQUIPMENT - Net	8	**144,913,700**	170,368,800
OTHER ASSETS	18	**46,508,625**	38,680,757
TOTAL ASSETS		**P 29,125,913,033**	P 22,956,578,918
LIABILITIES AND FUND BALANCE			
MICROSAVINGS	9	**P 13,023,198,728**	P 11,614,594,511
LOANS PAYABLE	10	**991,304,999**	1,146,508,333
POST-EMPLOYMENT DEFINED BENEFIT OBLIGATION	14	**1,192,490,000**	1,013,271,200
OTHER LIABILITIES	11	**1,061,181,360**	509,712,947
TOTAL LIABILITIES		**16,268,175,087**	14,284,086,991
FUND BALANCE		**12,857,737,946**	8,672,491,927
TOTAL LIABILITIES AND FUND BALANCE		**P 29,125,913,033**	P 22,956,578,918

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 31 2022 REG
JANICE O. DIZON

ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
REVENUES			
Revenue from microfinancing activities	7	P 9,925,322,782	P 6,367,341,611
Other revenues	6, 7, 12	212,343,074	66,534,946
		10,137,665,856	6,433,876,557
EXPENSES	13		
Operating costs		4,594,012,334	3,352,114,737
General and administrative expenses		1,063,548,103	672,954,636
Client community services		696,572,700	856,872,717
Impairment loss on financial asset	7	-	2,585,402,781
		6,354,133,137	7,467,344,871
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES		3,783,532,719	(1,033,468,314)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment defined benefit plan	14	401,713,300	642,027,300
TOTAL COMPREHENSIVE INCOME (LOSS)		P 4,185,246,019	(P 391,441,014)

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
REG
Date MAR 31 2022
JANICE O. DIZON

ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
CAPITAL CONTRIBUTION	2	**P 41,360,000**	P 41,360,000
GENERAL FUND			
Balance at beginning of year		**8,516,376,127**	9,549,844,441
Excess (deficit) of revenues over expenses during the year		**3,783,532,719**	(1,033,468,314)
Balance at end of year		**12,299,908,846**	8,516,376,127
REMEASUREMENT OF POST-EMPLOYMENT DEFINED BENEFIT PLAN			
Balance at beginning of year		**114,755,800**	(527,271,500)
Other comprehensive income	14	**401,713,300**	642,027,300
Balance at end of year		**516,469,100**	114,755,800
TOTAL FUND BALANCE		**P 12,857,737,946**	P 8,672,491,927

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 31 2022 REG
JANICE O. DIZON

ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficit) of revenues over expenses		P 3,783,532,719	(P 1,033,468,314)
Adjustments for:			
Interest expense	10, 13, 14	87,368,005	144,544,589
Depreciation and amortization	8, 13	67,306,565	71,574,938
Interest income from bank deposits	6, 12	(18,288,655)	(20,493,929)
Impairment loss	7, 13	-	2,585,402,781
Excess of revenues over expenses before working capital changes:		3,919,918,634	1,747,560,065
Increase in loans receivable		(6,057,358,308)	(2,349,784,313)
Decrease (increase) in other receivables		(11,398,502)	23,808,011
Increase in rental deposits		(7,827,868)	(707,085)
Increase in microsavings		1,408,604,217	865,578,871
Increase in post-employment defined benefit obligation		550,533,964	155,808,213
Increase (decrease) in other liabilities		553,658,966	(245,948,525)
Cash generated from operations		356,131,103	196,315,237
Interest received	6, 12	18,288,655	20,493,929
Cash paid for final taxes		(3,657,731)	(4,098,786)
Net Cash From Operating Activities		370,762,027	212,710,380
CASH FLOWS FROM AN INVESTING ACTIVITY			
Acquisitions of property and equipment	8	(41,851,465)	(78,884,138)
CASH FLOWS FROM FINANCING ACTIVITIES	10		
Repayments of loans		(665,203,334)	(605,101,667)
Proceeds from loan availments		510,000,000	532,610,000
Interest paid		(59,160,422)	(72,660,616)
Net Cash Used in Financing Activities		(214,363,756)	(145,152,283)
NET INCREASE (DECREASE) IN CASH		114,546,806	(11,326,041)
CASH AT BEGINNING OF YEAR		2,493,914,763	2,505,240,804
CASH AT END OF YEAR		P 2,608,461,569	P 2,493,914,763

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 31 2022 REG
JANICE O. DIZON

ASA PHILIPPINES FOUNDATION, INC. (A MICROFINANCE NGO)
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(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, 2021 and 2020, 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, 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 has been continuing until the date of the approval of these financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Foundation's operations.

In 2021 and 2020, the Foundation has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Foundation's operations.

- agreed with Coca-Cola Far East Limited, Philippines (CCFEL) and the Department of Trade and Industry to collaborate and implement the Rebuilding the Sari-Sari Stores Through Access to Resources and Trade (ReSTART) Program – Component 3 Retailer's Rebuild Bridge Loan which is intended to assist retailers who were severely impacted retailers of the lockdowns due to COVID-19 pandemic. The CCFEL provided P36,000,000, while the Foundation contributed P126,350,000. Training, marketing and other business development strategies for members were implemented;
- offered interest-free loans called 'MalASAkit Financing' to help its members finance entrepreneurial activities, with total disbursements of P1,659,528,000 and P840,810,000 in 2021 and 2020, respectively;
- created separate team within the Foundation called 'Portfolio Recovery Management Team' to monitor recovery of accounts that were considered default and to provide broad range of receivable management strategies;
- provided physical and psychosocial health and safety measures for employees and members such as (1) frequent disinfection of facilities, (2) COVID-19 testing for its employees, (3) provision of alcohol and soaps for sanitizing and handwashing in group meetings, (4) creation of isolation centers to provide best support for the Foundation's staff, (5) mental health intervention, and (6) shouldering expenses for staff and providing financial support to members for COVID-19 incidences; and,
- reminded the staff and members on the importance and implementation of safety protocols.

As a result of the actions taken by management, the Foundation's operations improved in 2021 as discussed below.

- total revenues increased by 58% compared to that of 2020, as a result of continuation of operations despite the different quarantine classifications imposed by the government in 2021; and,
- there is no additional impairment on financial assets as compared to 2020 due to the improvement of the Foundation's collections.

Management will continue to take actions to continually improve the operations as the need arise. Based on the foregoing improvements, the management projects that the Foundation would continue to report positive result of operations and would remain liquid to meet current obligation as it falls 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, 2021 (including the comparative financial statements as of and for the year ended December 31, 2020) were authorized for issue by the Foundation's Board of Trustees (BOT) on February 23, 2022.

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 and expenses 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 New and Amended PFRS*

(a) Effective in 2021 that are Relevant to the Foundation

The Foundation adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 9, PFRS 7, and PFRS 16 (Amendments)	:	Interest Rate Benchmark Reform Phase 2 Financial Instruments, Financial Instruments: Disclosure, Leases
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions beyond June 30, 2021

Discussed below are the relevant information about these amendments.

(i) PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases - Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments have no impact to the Foundation's financial statements as the Foundation did not have any financial instruments subject to LIBOR.

(ii) The Foundation opted to early adopt the application of the amendments to *PFRS 16, Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no impact to the Foundation's financial statements as the Foundation did not receive any rent concession from its lessors in 2021.

(b) Effective Subsequent to 2021 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Foundation's financial statements:

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective January 1, 2022)

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022)

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Company:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

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

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective January 1, 2023)

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

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

2.3 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 any impairment in value.

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.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

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 taking into account 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 Foundation recognizes revenue from microfinancing activities in profit or loss for the interest income on all instruments measured at amortized cost using the effective interest method. Unearned revenue from microfinancing activities are 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.

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 taking into account 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 (see Note 4.1).

For financial assets measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk (SICR) since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Foundation recognized a loss allowance for such losses at each reporting date.

The Foundation determines whether there has been a SICR for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Foundation considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of Default (PD)* – is an estimate of likelihood of default over a given time horizon.

- *Loss Given Default (LGD)* – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Foundation would expect to receive, including the realization of any collateral.

- *Exposure at Default (EAD)* – represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Foundation recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(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 also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which include microsavings (composed of Capital Build-up [CBU] and Locked in Capital Build-up [LCBU]), loans payable and other liabilities (excluding tax-related liabilities), are recognized when the Foundation becomes a party to the contractual terms of the instrument. These 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.

All interest-related charges incurred on financial liabilities are recognized as expense in profit or loss as part of Operating Costs account under Expenses in the statement of comprehensive income.

Loans payable 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. 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 off-set 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.

2.4 Other Assets

Other 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.

2.5 Property and Equipment

Property and equipment are stated 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 is 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.

2.6 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.

2.7 Expense Recognition

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.

2.8 Leases – Foundation as 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.

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.

2.9 *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 as part of Finance costs 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.

2.10 Fund Balance

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

General fund 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.

2.11 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.

2.12 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 JUDGMENTS 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 Loans Receivable

The Foundation applies the general approach in measuring the ECL for loans receivables.

To measure the ECL, the expected loss rates were calculated over a period of five years 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 affecting the ability of the counterparties to settle the receivables. The Foundation has identified the gross domestic product and Bangko Sentral ng Pilipinas borrowing rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor. The Foundation's management intends to regularly calibrate (i.e., on an annual basis) the rate to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Foundation's loans receivable is disclosed in Note 4.1.

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

The Foundation developed a business model which reflect 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 under PFRS 9, 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 under PFRS 9, 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 2.6 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, 2021 and 2020, 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) Impairment of Property and Equipment

The Foundation's policy on estimating the impairment of property and equipment is discussed in detail in Note 2.5. Though management believes that the assumptions used in the estimation of the carrying amount of the assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount 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 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 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, security 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 below.

	Notes	2021	2020
Cash	6	**P 2,608,461,569**	P 2,493,914,763
Loans receivable - net	7	**26,303,712,531**	20,242,696,492
Other receivables	7	**22,316,608**	10,918,106
Other assets	18	**46,508,625**	38,680,757
		P28,980,999,333	P22,786,210,118

(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 and Rental Deposits

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. In accordance with the Foundation's policy, a financial asset at amortized cost is assessed for impairment based on the following stages:

Stage 1: When a financial asset at amortized cost is first recognized, the Foundation recognizes credit losses based on the twelve-month ECLs. Stage 1 also includes facilities where the credit risk has improved and security has been reclassified from Stage 2.

Stage 2: When a financial asset at amortized cost has shown a SICR since origination, the Foundation recognizes an allowance for the lifetime ECL. Stage 2 also includes facilities where the credit risk has improved and the instrument has been reclassified from Stage 3.

Stage 3: When a financial asset at amortized cost is considered as credit impaired, the Foundation recognizes an allowance for the lifetime ECL.

Based on historical information about the members' default rates, management have determined that any loan with one day past due is considered to pose a SICR. Therefore, all loans that are past due are considered to be under Stage 2 or 3, wherein lifetime ECL is applied.

The key elements used in the calculation of ECL are as follows:

• *Probability of Default* – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.

• *Loss Given Default* – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Foundation would expect to receive, including the realization of any collateral.

• *Exposure at Default* – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

The ECL is determined by projecting the PD, LGD, and EAD for each future period and for each collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). The lifetime PD is developed by applying a maturity profile to the 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition through the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within the portfolio. This is supported by historical analysis. The 12-month and lifetime PDs are determined based on the expected payment profile of the members.

The calculation of ECL incorporates forward-looking information. The Foundation has performed historical analysis and identified the key economic value factor affecting credit risk and ECL for the loan portfolio.

Loans receivables are secured by the microsavings contributions of all active members, and the Foundation is not exposed to any significant credit risk exposure to any single counterparty. Significant portion of the Foundation's loans receivable pertains to claims from various groups of members with similar characteristics. However, the Foundation has no experience of significant members' default and historical losses from any single group of counterparties.

Based on the ECL model, the Foundation provides an allowance for impairment as of December 31, 2021 on stage 1, 12-month ECL, stage 2 and 3, lifetime ECL, loans receivable amounting to P1,611,915,305, P211,686,108 and P282,276,542, respectively. Further, as of December 31, 2020, the ECL on stage 1, 12-month ECL, stage 2 and 3, lifetime ECL, loans receivable amounted to P2,907,163,211, P61,173,775 and P426,260,734, respectively. The impairment loss on ECL is presented as Impairment loss on financial asset in the statements of comprehensive income (see Notes 7.1 and 13).

The ECL on other receivables mainly pertain to 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).

4.2 *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, 2021 and 2020, portfolio at risk is 1.74% and 14.36%, respectively.

As at December 31, 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
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

This compares to the maturity of the Foundation's financial liabilities as of December 31, 2020 as follows:

	Notes	Within 6 months	Within 12 months	After one year but within five years	Total
Microsavings	9	P 11,970,206,132	P -	P -	P11,970,206,132
Loans payable	10	432,879,897	407,475,945	817,260,597	1,657,616,439
Other liabilities	11	472,736,153	-	-	472,736,153
		P 12,875,822,182	P 407,475,945	P 817,260,597	P14,100,558,724

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 AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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 and in the succeeding page.

		2021		2020	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Cash	6	P 2,608,461,569	P 2,608,461,569	P 2,493,914,763	P 2,493,914,763
Loans receivable - net	7	26,303,712,531	26,303,712,531	20,242,696,492	20,242,696,492
Other receivables	7	22,316,608	22,316,608	10,918,106	10,918,106
Other assets	18	46,508,625	46,508,625	38,680,757	38,680,757
		P 28,980,999,333	P28,980,999,333	P 22,786,210,118	P 22,786,210,118

		2021		2020	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Liabilities					
Microsavings	9	P 13,023,198,728	P 13,023,198,728	P 11,614,594,511	P 11,614,594,511
Loans payable	10	991,304,999	1,012,064,994	1,146,508,333	1,147,383,928
Other liabilities	11	915,494,033	915,494,033	472,736,153	472,736,153
		P 14,929,997,760	P14,929,997,760	P13,233,838,997	P 13,234,714,592

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 non-current loans payable.

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.

For financial assets and financial liabilities measured at amortized cost, management considers that their carrying amounts approximate or equal to their fair values. 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.

5.3 *Offsetting of Financial Assets and Financial Liabilities*

As of December 31, 2021 and 2020, 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, 2021 and 2020 amounted to P2,608,461,569 and P2,493,914,763, respectively. Cash in banks generally earn interest at rates based on daily bank deposit rates.

Interest earned from cash in banks amounted to P18,288,655 and P20,493,929 in 2021 and 2020, 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 at December 31:

	2021	2020
Loans receivable	**P 31,288,715,325**	P26,079,758,815
Unearned revenue from microfinancing activities	**(2,879,124,839)**	(2,442,464,603)
	28,409,590,486	23,637,294,212
Allowance for impairment	**(2,105,877,955)**	(3,394,597,720)
	P 26,303,712,531	P20,242,696,492

As of December 31, 2021 and 2020, the Foundation has 1,940,566 and 1,823,960 active members, respectively.

Loans receivable represents microfinance loans granted to the Foundation's members. As of December 31, 2021 and 2020, the Foundation's highest amount of microfinance loan released to a single borrower is P300,000, which is in compliance with Memorandum Circular 3-2018 of the Microfinance NGO Regulatory Council.

These loans have 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 26.1% all throughout the six-month term. The interest earned from these loans amounted to P9,925,322,782 and P6,285,197,071 in 2021 and 2020, respectively, and are shown as part of Revenue from microfinancing activities account in the statements of comprehensive income.

In the early part of 2020, the Foundation stopped charging service fee amounting to 0.5% of every principal amount of loan released to each member. The service fee earned from these transactions amounted P82,144,540 and shown as part of Revenue from microfinancing activities in the 2020 statement 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.

Loans receivable have been 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 2021 and 2020 is shown below.

	Note	2021	2020
Balance at beginning of year		**P 3,394,597,720**	P1,139,339,250
Impairment loss during the year	13	-	2,585,402,781
Write-off of receivables previously provided with allowance		**(1,288,719,765)**	(330,144,311)
Balance at end of year		**P 2,105,877,955**	P3,394,597,720

In the event the member can no longer settle the amount due, the Foundation may apply the microsavings as payments to the loans receivable.

Loans receivable written-off in 2021 and 2020 pertain to the outstanding balance of loans granted to 187,674 and 45,946 members or 9.7% and 2.5% of active members, respectively.

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

	2021		2020	
	Gross Amount	**Percentage to Total**	Gross Amount	Percentage to Total
Current	**P27,915,627,836**	**98.26%**	P20,242,903,480	86.64%
0 – 30 days	**62,485,112**	**0.22%**	63,468,016	0.27%
31 – 90 days	**69,175,928**	**0.24%**	128,408,524	0.54%
91 – 180 days	**80,025,068**	**0.28%**	234,124,683	0.99%
More than 180 days	**282,276,542**	**0.99%**	2,968,389,509	12.56%
	P28,409,590,486	**100%**	P23,637,294,212	100%

7.2 Other Receivables

Other receivables consist of interest bearing advances, personal and mobility loans and non-interest 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% with outstanding balance amounting to P343,500 and P1,911,300 in 2021 and 2020, respectively. There were no new personal and motorcycle loans issued in 2021. The effective interest rate of 21.3% for personal loans and 9.3% for motorcycle loans are charged in 2020 and are recognized as Interest income on employee loans under Other Revenues account in the 2020 statement of comprehensive income (see Note 12).

The noninterest-bearing advances granted to the Foundation's personnel with total outstanding balances of P21,973,108 and P9,006,806 as of December 31, 2021 and 2020, respectively.

These loans are paid by employees every pay period through salary deductions.

As of December 31, 2021 and 2020, 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 2021 and 2020 are shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
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**
December 31, 2020				
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
January 1, 2020				
Cost	P 65,678,584	P 354,222,598	P 43,306,670	P 463,207,852
Accumulated depreciation and amortization	(24,244,084)	(247,632,898)	(28,271,270)	(300,148,252)
Net carrying amount	P 41,434,500	P 106,589,700	P 15,035,400	P 163,059,600

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2021 and 2020 is shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
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**

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 41,434,500	P 106,589,700	P 15,035,400	P 163,059,600
Additions	43,709,051	35,175,087	-	78,884,138
Depreciation and amortization charges for the year	(5,006,351)	(60,197,187)	(6,371,400)	(71,574,938)
Balance at December 31, 2020, net of accumulated depreciation and amortization	P 80,137,200	P 81,567,600	P 8,664,000	P 170,368,800

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

	2021	2020
Operating costs	P 55,714,397	P 59,079,157
General and administrative expenses	11,592,168	12,495,781
	P 67,306,565	P 71,574,938

9. MICROSAVINGS

This account is broken down as follows:

	2021	2020
CBU	P11,569,447,458	P10,160,332,021
LCBU	1,453,751,270	1,454,262,490
	P13,023,198,728	P11,614,594,511

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). The default rates of the Foundation is 1.74% and 14.36% as of December 31 2021 and 2020, respectively.

CBU pertains to weekly savings of P50 or more that each member maintains during the first loan cycle, which earns rebates of up to 7% per annum. On the succeeding loan cycles, the members have to maintain a balance equivalent to at least 15% of the availed principal loan. Rebates are computed and released to members at the end of December every year.

LCBU is a mandatory non-interest bearing, alternative savings that is locked in as to member 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.

	2021	2020
Current	**P 894,203,333**	P 434,695,471
Non-current	**97,101,666**	711,812,862
	P 991,304,999	P1,146,508,333

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, 2021, the Foundation breached the covenant on portfolio at risk ratio but they secured a waiver from its three noteholders on May 10, 2021, May 28, 2021, and June 4, 2021. While as of December 31, 2020, the Foundation breached the covenants on operational self-sufficiency ratio and portfolio at risk ratio but they secured a waiver from its three noteholders on October 9, 2020, October 12, 2020 and December 14, 2020.

As approved by the BOT on June 17, 2019, the Foundation entered into a Facility Agreement as a corporate note issuer with a certain 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 loan, which was received on June 18, 2020.

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, 2021, the Foundation breached the portfolio at risk ratio but they secured a waiver from the noteholder on April 26, 2021. While as of December 31, 2020, the Foundation breached the covenants on operational self-sufficiency ratio and portfolio at risk ratio but they secured a waiver from the noteholder, which was granted on December 29, 2020.

A summary of the terms and conditions of each loan as at December 31, 2021 and 2020 is presented below:

Outstanding Principal Balance 2021	2020	Interest Rate	Maturity date
P 7,500,000	P -	Fixed at 2.000%	2023
40,000,000	286,000,000	Fixed at 5.070%	2022
60,000,000	180,000,000	Fixed at 5.170%	2022
253,804,999	423,008,333	Fixed at 3.435%	2023
500,000,000	-	Fixed at 3.750%	2023
130,000,000	250,000,000	Fixed at 5.900%	2023
-	7,500,000	Fixed at 2.000%	2021
P 991,304,999	P 1,146,508,333		

Interest expense on interest-bearing loans amounted to P56,969,869 and P71,781,502 in 2021 and 2020, respectively, and is presented as part of Operating costs in the statements of comprehensive income (see Note 13).

Unpaid interests as at December 31, 2021 and 2020 amounting to P736,641 and P2,927,194, respectively, are presented as part of Accrued expenses under the Other Liabilities account in the statements of financial position (see Note 11).

The changes in Loans Payable account in 2021 and 2020 are shown below.

	2021	2020
Balance at beginning of year	**P1,146,508,333**	P1,219,000,000
Repayments of loans payable	**(665,203,334)**	(605,101,667)
Additional loans payable	**510,000,000**	532,610,000
Balance at end of year	**P 991,304,999**	P1,146,508,333

11. OTHER LIABILITIES

This account includes the following:

	Note	2021	2020
Accrued expenses	10	**P 518,983,785**	P 25,263,996
Staff benevolent fund		**303,425,850**	285,725,450
Accounts payable		**238,771,725**	198,723,501
		P 1,061,181,360	P 509,712,947

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	2021	2020
Gain from recovery of written-off accounts		P 129,120,543	P 6,341,695
Membership contribution		60,044,050	33,281,950
Interest income from bank deposits	6	18,288,655	20,493,929
Interest income on employee loans	7.2	4,889,826	6,417,372
		P 212,343,074	P 66,534,946

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	2021	2020
Employee benefits	14.1	P 3,549,068,378	P2,501,911,049
Travel and transportation		892,963,797	421,562,975
Client community services		696,572,700	856,872,717
Taxes and licenses	19(f)	251,660,500	178,001,943
Office rental	18	250,494,130	230,060,921
Office supplies and reproduction		159,325,113	113,551,682
Staff development and conference		125,542,743	131,843,766
Interest expense	10, 14.2	87,368,005	144,544,589
Postage and telephone		80,757,127	73,673,865
Light and water		74,387,507	55,541,312
Depreciation and amortization	8	67,306,565	71,574,938
Grants and donations		37,581,200	22,073,000
Professional fees		7,848,307	20,975,254
Repairs and maintenance		5,978,767	4,515,562
Impairment loss	7.1	-	2,585,402,781
Miscellaneous		67,278,298	55,238,517
		P6,354,133,137	P7,467,344,871

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

	2021	2020
Operating costs	**P4,594,012,334**	P 3,352,114,737
General and administrative expenses	**1,063,548,103**	672,954,636
Client community services	**696,572,700**	856,872,717
Impairment loss on financial asset	**-**	2,585,402,781
	P6,354,133,137	P 7,467,344,871

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	2021	2020
Employee benefits	14.1	**P2,941,690,965**	P2,147,371,747
Travel and transportation		**816,786,827**	410,352,977
Office rental	18	**249,578,230**	228,014,921
Staff development and conference		**124,066,945**	129,369,508
Office supplies and reproduction		**107,590,147**	74,248,637
Interest expense	10, 14.2	**78,248,564**	122,715,663
Light and water		**73,126,433**	54,761,053
Depreciation and amortization	8	**55,714,397**	59,079,157
Postage and telephone		**46,675,531**	42,926,086
Taxes and licenses		**39,418,365**	39,787,432
Repairs and maintenance		**4,084,716**	3,427,107
Professional fees		**284,001**	183,023
Miscellaneous	15	**56,747,213**	39,877,426
		P4,594,012,334	P3,352,114,737

Details of general and administrative expenses are shown below.

	Notes	2021	2020
Employee benefits	14.1	P 607,377,413	P 354,539,302
Taxes and licenses		212,242,135	138,214,511
Travel and transportation		76,176,970	11,209,998
Office supplies and reproduction		51,734,966	39,303,045
Grants and donations		37,581,200	22,073,000
Postage and telephone		34,081,596	30,747,779
Depreciation and amortization	8	11,592,168	12,495,781
Interest expense	10, 14.2	9,119,441	21,828,926
Professional fees		7,564,306	20,792,231
Repairs and maintenance		1,894,051	1,088,455
Staff development and conference		1,475,798	2,474,258
Light and water		1,261,074	780,259
Office rental	18	915,900	2,046,000
Miscellaneous		10,531,085	15,361,091
		P1,063,548,103	P 672,954,636

Details of grants and donations are as follows:

	2021	2020
Assisi Development Foundation	P 15,000,000	P -
Ateneo de Manila	7,500,000	-
Arhdiocese of Lingayen-Dagupan	5,580,000	5,040,000
Restart Microenterprise, Inc.	5,000,000	5,000,000
Microfinance Council of the Philippines, Inc.	3,000,000	3,000,000
WeSolve Foundation	1,501,200	-
Ninoy and Cory Aquino Foundaton, Inc.	-	5,000,000
Others	-	4,033,000
	P 37,581,200	P 22,073,000

14. EMPLOYEE BENEFITS

14.1 Salaries and Employee Benefits Expense

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

	Notes	2021	2020
Salaries and wages		P2,682,595,403	P2,103,841,588
Post-employment benefits	14.2	567,295,361	167,117,793
SSS, HDMF, Philhealth contributions		228,479,648	191,889,023
Staff benevolent fund		70,697,966	39,062,645
	13	P3,549,068,378	P2,501,911,049

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

	2021	2020
Operating costs	**P2,941,690,965**	P 2,147,371,747
General and administrative expenses	**607,377,413**	354,539,302
	P3,549,068,378	P 2,501,911,049

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, 2021, 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 below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2021 and 2020.

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

	2021	2020
Balance at beginning of year	**P 1,013,271,200**	P 1,426,727,200
Current service cost	**200,386,833**	167,117,793
Interest expense	**30,398,136**	72,763,087
Past service cost	**366,908,528**	-
Benefits paid	**(16,761,397)**	(11,309,580)
Remeasurements - actuarial losses (gains) arising from changes in:		
Financial assumptions	**(1,882,123,498)**	(733,111,168)
Demographic assumptions	**1,749,020,925**	-
Experience adjustments	**(268,610,727)**	91,083,868
Balance at end of year	**P1,192,490,000**	P 1,013,271,200

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:

	2021	2020
Reported in profit or loss:		
Current service cost	P 200,386,833	P 167,117,793
Interest expense	30,398,136	72,763,087
Past service cost	366,908,534	-
	P 597,693,503	P 239,880,880
Reported in other comprehensive loss (income):		
Actuarial losses (gains) arising		
from changes in:		
Financial assumptions	(P1,882,123,498)	(P 733,111,168)
Demographic Assumptions	1,749,020,925	-
Experience adjustments	(268,610,727)	91,083,868
	(P 401,713,300)	(P 642,027,300)

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

	2021	2020
Operating costs	P 397,106,781	P 116,982,464
General and administrative expenses	170,188,620	50,135,341
	P 567,295,401	P 167,117,805

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

	2021	2020
Operating costs	P 21,278,695	P 50,934,161
General and administrative expenses	9,119,441	21,828,926
	P 30,398,136	P 72,763,087

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:

	2021	2020
Discount rates	5.07%	3.00%
Expected rate of salary increases	4.00%	7.00%

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 33 and 10 in 2021 and 2020, 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, 2021 and 2020:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2021			
Discount rate	**+/- 1.0%**	**(P 207,907,516)**	**P 264,335,292**
Salary growth rate	**+/- 1.0%**	**264,533,999**	**(211,603,735)**
December 31, 2020			
Discount rate	+/- 1.0%	(P 226,918,602)	P 300,615,230
Salary growth rate	+/- 1.0%	284,543,265	(221,139,277)

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 seven years' time when a significant number of employees is expected to retire.

The Foundation's undiscounted expected benefit payments from the plan amount to P460,430,608 within ten years at the end of 2021 and P25,459,277 within seven years at the end of 2020.

As of December 31, 2021 and 2020, the weighted average duration of the post-employment defined benefit obligation at the end of the reporting period is 19.8 years and 9.6 years, respectively.

15. RELATED PARTY TRANSACTIONS

The Foundation's related parties include its key management personnel and others as described in Note 2.11.

The compensation given to key management personnel in the form of short-term benefits amounted to P130,318,984 and P62,903,166 in 2021 and 2020, respectively; while post-employment benefits amounted to P16,555,700 and P10,501,000 in 2021 and 2020, respectively, and 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. The Information Technology expenses amounted to P6,720,000 and is presented as part of Miscellaneous under Operating costs in the 2020 statement of comprehensive income (see Note 13). There was no similar transaction in 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 2021 and 2020, the Foundation paid gross receipts tax (GRT) amounting to P202,387,544 and P128,267,653, respectively [see Note 19(f)]. 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 2021 and 2020.

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.

	2021	2020
Total loans from third parties	**P 991,304,999**	P1,146,508,333
Total fund balance	**12,857,737,946**	8,672,491,927
External loans-to-fund ratio	**0.08:1.00**	0.13:1.00

While the Foundation has breached certain covenant obligations related to its interest-bearing loans as of the end of the reporting periods, the management was able to obtain waivers from the creditors (see Note 10).

18. COMMITMENTS AND CONTINGENCIES

18.1 Operating Lease Commitments – Foundation as 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, 2021 and 2020 amounted to P44,804,492 and P38,680,757, respectively, and are shown as part of Other Assets in the statements of financial position.

Rent expense recognized related to these operating leases amounted to P250,494,130 and P230,060,921 in 2021 and 2020, respectively, which are allocated to both Operating costs and General and Administrative Expenses under Expenses section in statements of comprehensive income (see Note 13).

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, 2021 and 2020, 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. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding page 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, 2021 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 2021 amounting to P4,644,111, which is related to the several loans originated during the year.

(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, 2021.

(e) Excise Tax

The Foundation did not have any transactions in 2021, which are subject to excise tax.

(f) Taxes and licenses

Details of taxes and licenses in 2021 are shown below.

GRT	P 202,387,544
Licenses and permits	39,691,483
DST	4,644,111
Local taxes	529,996
Real estate taxes	1,129,920
Other taxes	3,277,446
	P 251,660,500

The amounts of taxes and licenses are allocated and presented in the 2021 statement of comprehensive income as follows:

General and administrative expenses	P 212,242,135
Operating costs	39,418,365
	P 251,660,500

(g) Withholding Taxes

Details of total withholding taxes for the year ended December 31, 2021 are shown below.

Compensation and employee benefits	P 42,387,656
Expanded	17,316,438
	P 59,704,094

The Foundation has no transactions subject to final withholding taxes during the year.

(h) Deficiency Tax Assessment and Tax Cases

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.