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

The Management of **Community Economic Ventures, (A Microfinance NGO) Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the three-month period ended **December 31, 2019**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the three-month period ended **December 31, 2019** and the accompanying Annual Income Tax Return are in accordance with the books and records of **Community Economic Ventures, (A Microfinance NGO) Inc.** complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to the Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the books and records of **Community Economic Ventures, (A Microfinance NGO) Inc.** in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
(c) **Community Economic Ventures, (A Microfinance NGO) Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period.

Signed under oath by the following:

ROMMEL V. FUERTE
Chairman/President/ Chief Executive Officer

MR. ROLLY D. SOLIDUM
Treasurer

MS. MA ROSARIO P. APOSTOL
Executive Director

Signed this 24 th day of APRIL 2020

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R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE

The Board of Trustees and Members
Community Economic Ventures, (A Microfinance NGO) Inc.
Sarabia Co - Torralba Bldg. 2
Espuelas Street, Tagbilaran City

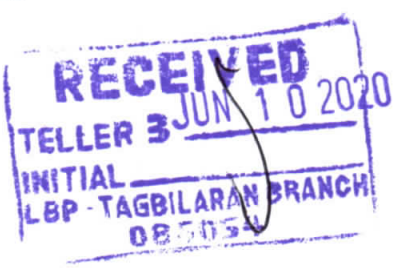
We have audited the accompanying financial statements of Community Economic Ventures, (A Microfinance NGO) Inc. (the Organization), as at and for the period from October 1 to December 31, 2019, on which we have rendered our report dated April 24, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the Executive Director, senior officers, Board of Trustees or members of the Organization.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2017
Issued September 4, 2017; valid until September 3, 2020
PTR No. MKT 8116769
Issued January 2, 2020 at Makati City

April 24, 2020
Makati City, Metro Manila



R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members
Community Economic Ventures, (A Microfinance NGO) Inc.
Sarabia Co - Torralba Bldg. 2
Espuelas Street, Tagbilaran City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community Economic Ventures, (A Microfinance NGO) Inc. (the Organization), which comprise the statements of financial position as at December 31, 2019 and September 30, 2019, and the statements of activities and other comprehensive income, changes in fund balance and cash flows for the period from October 1 to December 31, 2019 and the year ended September 30, 2019, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019 and September 30, 2019, and its financial performance and its cash flows for the period from October 1 to December 31, 2019 and the year ended September 30, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 28, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

KPMG

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 PFRSs, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 PSAs, 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 Organization'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 Organization'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 Organization to cease to continue as a going concern.

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

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Tireso Randy F. Lapidez

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
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COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.
STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2019	September 30, 2019
ASSETS			
Current Assets			
Cash	*4, 17*	**P81,872,276**	P83,133,259
Receivables - net	*5, 17*	**522,443,758**	502,133,445
Prepayments and other current assets	*6, 17*	**4,369,588**	2,163,157
Total Current Assets		**608,685,622**	587,429,861
Noncurrent Assets			
Property and equipment - net	*7*	**9,326,766**	9,475,453
Right-of-use assets - net	*13*	**9,001,895**	-
Pension asset	*12*	**5,746,013**	6,188,979
Total Noncurrent Assets		**24,074,674**	15,664,432
		P632,760,296	P603,094,293
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Due to clients	*8, 17*	**P83,364,149**	P80,559,678
Current portion of borrowings	*10, 17*	**196,638,672**	200,789,652
Current portion of lease liabilities	*13, 17*	**6,350,248**	-
Income tax payable		**3,382,243**	1,698,780
Other current liabilities	*9, 17*	**42,760,498**	35,382,828
Total Current Liabilities		**332,495,810**	318,430,938
Noncurrent Liabilities			
Borrowings - net of current portion	*10, 17*	**30,768,291**	32,728,141
Lease liabilities - net of current portion	*13, 17*	**2,241,957**	-
Total Noncurrent Liabilities		**33,010,248**	32,728,141
Total Liabilities		**365,506,058**	351,159,079
Fund Balance			
General fund		**256,680,195**	241,361,171
Employee benefits reserve		**10,574,043**	10,574,043
Total Fund Balance		**267,254,238**	251,935,214
		P632,760,296	P603,094,293

See Notes to the Financial Statements.

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COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.
STATEMENTS OF ACTIVITIES AND OTHER COMPREHENSIVE INCOME

	Note	Period from October 1 to December 31, 2019	Year Ended September 30, 2019
REVENUE AND OTHER INCOME			
Interest income	4, 5	**P82,487,853**	P287,429,255
Service fees	5	**1,755,484**	9,460,358
Net foreign exchange gain	17	**1,596,619**	2,824,102
Grants and donations		**-**	38,674
Other income		**5,328**	12,931,253
		85,845,284	312,683,642
COST AND EXPENSES			
Salaries and other benefits	14	**44,909,100**	135,534,475
Occupancy and equipment-related expenses	7, 13, 15	**5,455,839**	20,437,556
Travel and transportation		**5,355,088**	17,336,373
Interest expense	8, 10, 13	**3,393,129**	17,303,873
Professional fees		**3,339,464**	11,576,851
Impairment losses on receivables - net	5	**1,860,934**	34,690,185
Staff and board training-related expenses		**1,076,427**	4,099,381
Administrative expenses		**1,058,298**	4,140,477
Communication		**801,747**	3,162,845
Taxes and licenses		**296,813**	3,890,933
Provisions	9	**-**	8,485,177
Other expense		**1,295,958**	5,772,439
		68,842,797	266,430,565
EXCESS OF REVENUE AND OTHER INCOME OVER COST AND EXPENSES BEFORE INCOME TAX		**17,002,487**	46,253,077
INCOME TAX EXPENSE	16	**1,683,463**	6,080,159
NET EXCESS OF REVENUE AND OTHER INCOME OVER COST AND EXPENSES		**15,319,024**	40,172,918
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to statement of activities			
Remeasurement loss on defined benefit plan	12	**-**	2,168,564
TOTAL COMPREHENSIVE INCOME		**P15,319,024**	P38,004,354

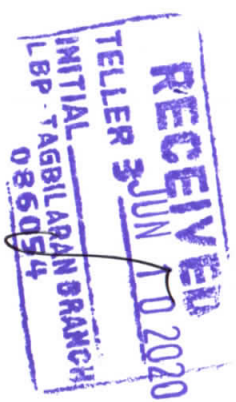
See Notes to the Financial Statements.



COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.
STATEMENTS OF CHANGES IN FUND BALANCE

	Note	General Fund	Employee Benefits Reserve	Total Fund Balance
Balance at October 1, 2019		P241,361,171	P10,574,043	P251,935,214
Net excess of revenue and other income over cost and expenses		15,319,024	-	15,319,024
Balance at December 31, 2019		**P256,680,195**	**P10,574,043**	**P267,254,238**
Balance at October 1, 2018		P201,188,253	P12,742,607	P213,930,860
Net excess of revenue and other income over cost and expenses		40,172,918	-	40,172,918
Other comprehensive income:				
Remeasurement loss on defined benefit plan	*12*	-	(2,168,564)	(2,168,564)
		40,172,918	(2,168,564)	38,004,354
Balance at September 30, 2019		P241,361,171	P10,574,043	P251,935,214

See Notes to the Financial Statements.



COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.
STATEMENTS OF CASH FLOWS

	Note	Period from October 1 to December 31, 2019	Year Ended September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenue and other income over cost and expenses before income tax		**P17,002,487**	P46,253,077
Adjustments for:			
Impairment losses on receivables	*5*	**4,100,180**	38,893,493
Depreciation and amortization expense	*7, 13, 15*	**3,961,433**	5,240,701
Interest expense	*8, 10*	**3,393,129**	17,303,873
Retirement benefits expense	*12, 14*	**851,299**	2,969,088
Reversal of previously recognized provision - net	*9*	**-**	(4,219,180)
Net foreign exchange gain	*17*	**(1,596,619)**	(2,824,102)
Interest income	*4, 5*	**(82,487,853)**	(287,429,255)
		(54,775,944)	(183,812,305)
Changes in:			
Receivables		**(22,281,715)**	(63,407,316)
Prepayments and other current assets		**(2,908,131)**	2,535,157
Due to clients		**2,804,471**	(17,155,325)
Other current liabilities		**5,067,808**	6,719,353
		(72,093,511)	(255,120,436)
Interest received		**80,359,075**	286,708,940
Income taxes paid		**-**	(5,886,722)
Contributions to the retirement fund	*12*	**(408,333)**	(4,913,225)
Interest paid		**(1,083,267)**	(16,070,383)
Net cash provided by operating activities		**6,773,964**	4,718,174
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*7*	**(1,204,141)**	(4,763,264)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	*10*	**29,535,838**	136,000,000
Payments of borrowings	*10*	**(34,000,000)**	(138,409,000)
Payments of lease liabilities		**(2,316,595)**	-
Net cash used in financing activities		**(6,780,757)**	(2,409,000)
NET DECREASE IN CASH		**(1,210,934)**	(2,454,090)
CASH AT BEGINNING OF YEAR		**83,133,259**	85,659,312
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH		**(50,049)**	(71,963)
CASH AT END OF YEAR	*4*	**P81,872,276**	P83,133,259

See Notes to the Financial Statements.

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COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Community Economic Ventures, (A Microfinance NGO) Inc. (the Organization) is a nonstock, nonprofit organization registered with the Philippine Securities and Exchange Commission (SEC) on August 17, 2000. Its primary purpose is to uphold knowledge of Christian values and precepts and promote programs that will sustain development activities in the communities by facilitating technical and financial support to small entrepreneurs to enhance their businesses and developing income-generating projects that will assist individuals and families in need. It is governed by a Board of Trustees (BOT) whose members do not receive any compensation (see Note 11b).

To achieve its purpose, the Organization entered into stewardship agreements with certain program partners of World Vision Development Foundation, Inc. (World Vision), which is a Christian, nongovernmental, nonprofit and developmental organization, and several nonstock, nonprofit organizations to jointly carry out projects which aim to alleviate poverty by providing micro-entrepreneurs with immediate access to financial services. Its activities are conducted in coordination with VisionFund International (VFI), an affiliate of World Vision (see Note 11a).

Starting the fiscal year ended September 30, 2017, the Organization is subject to 2% preferential rate based on gross receipts as a Microfinance Non-Governmental Organization (NGO) in accordance with Republic Act (R.A.) 10693, also known as the "Microfinance NGOs Act" (see Note 16).

On December 8, 2017, the BOT approved the amendment of the Organization's articles of incorporation to effect the change of name from Community Economic Ventures, Inc. to Community Economic Ventures, (A Microfinance NGO) Inc. The change was approved by the SEC on April 26, 2018.

The Organization has applied for a change in accounting period from a fiscal year ending September 30 to a calendar year ending December 31. The SEC approved the application on May 23, 2019 and issued a Certificate of Amended By-Laws. On September 16, 2019, the Bureau of Internal Revenue (BIR) issued a certificate granting the change in accounting period.

The Organization's principal place of business and main office is located at Sarabia Co - Torralba Bldg. 2, Espuelas Street, Tagbilaran City. It also operates 34 branches throughout the Philippines.

2. Basis of Preparation

Basis of Accounting

These financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). They were approved and authorized for issue by the Organization's BOT on April 24, 2020.

Details of the Organization's significant accounting policies are included in Note 20.

This is the first set of the Organization's financial statements in which PFRS 16, *Leases,* has been applied. The related changes to significant accounting policies are described in Note 20.

Basis of Measurement
The financial statements have been prepared on the historical cost basis, except for the pension asset which is measured at the fair value of plan assets (FVPA) less present value of defined benefits obligation (DBO).

Change in Accounting Period
As stated in Note 1, the Organization applied for a change in accounting period from fiscal year ending September 30 to calendar year ending December 31 with the SEC and the BIR. The change in accounting period was approved by the SEC on May 23, 2019 and by the BIR on September 16, 2019.

These financial statements were prepared using a shorter period from October 1, 2019 to December 31, 2019 which are not entirely comparable to the financial statements as at and for the year ended September 30, 2019.

Functional and Presentation Currency
These financial statements are presented in Philippine peso (PHP), which is the Organization's functional currency. All amounts have been rounded to the nearest peso, unless otherwise indicated.

3. Use of Judgments and Estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Organization's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments
Information about judgments in applying accounting policies that have the most significant effect in the amounts recognized in the financial statements is as follows:

Classification of Financial Instruments
The Organization exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

Determining the Lease Term of Contracts with Renewal and Termination Options - the Organization as Lessee

The Organization determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Organization applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Organization reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties at December 31, 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

Allowance for Impairment Losses on Receivables

The Organization uses the expected credit losses (ECL) model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is the difference between the cash flows expected to be received discounted at the original effective interest rate (EIR). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Organization's receivables is primarily less than one year so the lifetime ECL and the 12-month ECL are similar. In addition, management assessed the credit risk of the receivables as at reporting date as low, therefore the Organization did not have to assess whether a significant increase in credit risk has occurred.

Further details on the carrying amount of receivables are disclosed in Note 5.

Lease - Incremental Borrowing Rate

The Organization cannot readily determine the interest rates implicit in the leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Organization would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Organization 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Organization estimates the IBR using observable inputs (i.e. market interest rates) when available and is required to make certain entity-specific estimates (i.e. the entity-specific credit spread).

Useful Lives of Property and Equipment

The Organization estimates the useful lives of depreciable assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed at each reporting date 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. However, it is possible that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase depreciation and decrease the property and equipment account.

Further details on the carrying amount of property and equipment are disclosed in Note 7.

Impairment of Nonfinancial Assets
The Organization reviews property and equipment and other nonfinancial assets for impairment. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's net selling price. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Recoverable amounts are estimated for individual assets.

In determining the present value of estimated future cash flows expected to be generated from the continuous use of the asset, the Organization is required to make estimates and assumptions that may affect nonfinancial assets.

As at December 31, 2019 and September 30, 2019, there are no indications of impairment on nonfinancial assets.

Retirement Benefits
The determination of the Organization's pension asset and retirement benefits expense is dependent on selection of certain assumptions used by the management in calculating such amounts. These assumptions are described in Note 12 to the financial statements. The Organization's assumptions are believed to be reasonable and appropriate. Significant differences in actual experience or significant changes in assumptions may materially affect the Organization's retirement benefit expense and pension asset.

Further details on the pension asset and retirement benefits expense are disclosed in Note 12.

Provisions and Contingencies
General provisions are recognized when the Organization has a present obligation (legal or constructive) as a result of a past event, it is probable that the Organization will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The estimate of the probable costs for the provisions have been developed in consultation with the Organization's outside legal counsel handling these matters and are based upon an analysis of potential results. The Organization currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Further details about provisions and contingencies are provided in Note 9.

4. Cash

This account consists of:

	Note	December 31, 2019	September 30, 2019
Cash in banks	17	**P79,867,788**	P80,636,690
Cash on hand		**2,004,488**	2,496,569
		P81,872,276	P83,133,259

Cash in banks earn interest at their respective bank deposit rates. Total interest income amounted to P0.08 million and P0.34 million for the period from October 1, 2019 to December 31, 2019, and for the year ended September 30, 2019, respectively.

5. Receivables

This account consists of:

	Note	December 31, 2019	September 30, 2019
Loans and advances to clients		**P517,807,656**	P505,078,579
Interest receivable		**12,865,976**	10,737,198
Cash advances for liquidation		**1,976,126**	703,138
Emergency loans to employees		**249,511**	280,444
Others		**869,583**	523,743
	17	**533,768,852**	517,323,102
Less allowance for impairment losses on receivables		**11,325,094**	15,189,657
		P522,443,758	P502,133,445

Loans and advances to clients pertain to the loans extended by the Organization to its clients or members. The Organization offers five types of loans, namely: agricultural, commercial, educational, individual and consumer loans. These loans bear monthly interest ranging from 2.00% to 6.00% based on declining balance. Agricultural and commercial loans are collateral-free and collectible for a period of 4 to 12 months. Educational loans are collateral-free and collectible for a period of 4 to 5 months. Individual loans are collateralized by chattel mortgages and collectible for a period of 6 to 24 months. Consumer loans are collateral-free and collectible for a period of 2 to 18 months. Portfolio-at-risk (PAR) represents approximately 2.82% and 2.90% of the loan portfolio as at December 31, 2019 and September 30, 2019, respectively. PAR illustrates the ratio between the portfolio deemed at risk because of default in payments and the total outstanding loan portfolio.

Loans and advances to clients amounting to P168.24 million and P162.00 million for the period October 1, 2019 to December 31, 2019, and for the year ended September 30, 2019, respectively, have been assigned to secure the commercial loans with the Land Bank of the Philippines (LBP) (See Note 10).

Service fees recognized in the statement of activities and other comprehensive income related to the Organization's loans and advances to clients for the period from October 1, 2019 to December 31, 2019, and for the year ended September 30, 2019 amounted to P1.76 million and P9.46 million, respectively.

Interest receivable pertains to the interest earned but not yet collected in relation to the loans and advances extended by the Organization to its clients.

Interest income recognized in the statement of activities and other comprehensive income related to loans and advances to clients amounted to P82.41 million and P287.09 million for the period from October 1, 2019 to December 31, 2019, and for the year ended September 30, 2019, respectively.

Cash advances for liquidation represents unliquidated advances to staff for the Organization's business expenses.

Others pertain to receivables from employee fraud-related cases.

Movements in the allowance for impairment losses on receivables are as follows:

	December 31, 2019	September 30, 2019
Balance at beginning of year	**P15,189,657**	P22,295,319
Impairment losses for the year	**4,100,180**	38,893,493
Accounts written off	**(7,964,743)**	(45,999,155)
Balance at end of year	**P11,325,094**	P15,189,657

For the period from October 1, 2019 to December 31, 2019, and for the year ended September 30, 2019, the BOT approved the recommendation of the management to write-off loans and advances to clients amounting to P7.96 million and P46.00 million, respectively.

Impairment losses on receivables amounting to P4.10 million and P38.89 million for the period from October 1, 2019 to December 31, 2019, and for the year ended September 30, 2019 recognized in the statement of activities and other comprehensive income were presented as net of recoveries from previously written off receivables amounting to P2.24 million and P4.20 million, respectively.

6. Prepayments and Other Current Assets

This account consists of:

	Note	**December 31, 2019**	September 30, 2019
Prepaid insurance		**P2,950,680**	P -
Rent deposits	*13, 17*	**1,136,141**	1,070,141
Prepaid supplies and maintenance		**282,767**	299,465
Prepaid rent		**-**	778,300
Others		**-**	15,251
		P4,369,588	P2,163,157

Prepaid insurance relates to the insurance contract entered into by the Organization and is paid in advance for the period under coverage. The insurance pertains to the medical insurance of the Organization's employees.

Rent deposits represent refundable deposits paid by the Organization to its lessors at the inception of the respective lease agreements and are recoverable upon expiration of the lease terms.

7. Property and Equipment

The balances and movements in this account are as follows:

	Computers and Peripherals	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvements	Total
Costs					
October 1, 2018	P31,488,357	P9,932,151	P3,593,353	P30,765	P45,044,626
Additions	2,502,708	2,070,556	190,000	-	4,763,264
Disposal	(1,139,628)	(171,227)	-	-	(1,310,855)
Reclassification	(777,880)	1,222,182	(444,302)	-	-
September 30, 2019	32,073,557	13,053,662	3,339,051	30,765	48,497,035
Additions	823,836	313,805	66,500	-	1,204,141
Disposal	(1,359,674)	(325,873)	(383,366)	-	(2,068,913)
December 31, 2019	**31,537,719**	**13,041,594**	**3,022,185**	**30,765**	**47,632,263**
Accumulated Depreciation					
October 1, 2018	25,917,408	6,749,765	2,393,798	30,765	35,091,736
Depreciation	2,552,882	2,327,729	360,090	-	5,240,701
Disposal	(1,139,628)	(171,227)	-	-	(1,310,855)
Reclassification	(564,327)	981,975	(417,648)	-	-
September 30, 2019	26,766,335	9,888,242	2,336,240	30,765	39,021,582
Depreciation	641,426	597,879	113,523	-	1,352,828
Disposal	(1,359,674)	(325,873)	(383,366)	-	(2,068,913)
December 31, 2019	**26,048,087**	**10,160,248**	**2,066,397**	**30,765**	**38,305,497**
Carrying Amount					
September 30, 2019	P5,307,222	P3,165,420	P1,002,811	P -	P9,475,453
December 31, 2019	**P5,489,632**	**P2,881,346**	**P955,788**	**P -**	**P9,326,766**

The depreciation expense for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019 amounting to P1.35 million and P5.24 million is reported as part of "Occupancy and equipment-related expenses" account in the statement of activities and other comprehensive income.

As at December 31, 2019 and September 30, 2019, the cost of fully depreciated property and equipment still in use amounted to P27.40 million and P28.18 million, respectively.

8. Due to Clients

This account consists of:

	Note	**December 31, 2019**	September 30, 2019
Capital Build-Up (CBU)		**P77,566,405**	P74,554,858
Tulong Alay Sa Kapwa (TASAKA)		**3,417,162**	3,624,238
Client's Training Fund (CTF)		**2,380,582**	2,380,582
	17	**P83,364,149**	P80,559,678

CBU represents mandatory contributions by clients as a pre-loan granting requirement starting at P200 upon release of the 1st cycle loans and another P300 on the next cycle loans, provided that the cumulative contributions shall not exceed P3,000 per client. Clients with a minimum of P500 CBU balance are entitled to an interest of 1.00%. Interest expense related to CBU balances recognized in the statement of activities and other comprehensive income amounted to P0.17 million and P0.63 million for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively.

TASAKA pertains to clients' contributions intended for their health, hospitalization and death insurance. These are net of remittances made to Pioneer Life, Inc., the insurance company that shall cover for the insurance benefits of the clients upon presentation of valid claims.

In 2010, the Organization established the CTF which represents contributions from clients for the purpose of conducting trainings, seminars and livelihood programs for clients. In February 2013, the BOT approved the stoppage of CTF collections. The remaining balance of the CTF will be utilized in providing the necessary trainings and livelihood assistance to the Organization's clients.

9. Other Current Liabilities

This account consists of:

	Note	**December 31, 2019**	September 30, 2019
Provisions		**P9,257,514**	P11,255,124
Due to VFI	*11a, 17*	**8,820,215**	5,634,347
Due to World Vision program partners	*11a, 17*	**2,927,629**	2,680,139
Interest payable	*17*	**4,765,603**	2,455,741
Accrued expenses	*17*	**6,105,373**	7,768,505
Unclaimed TASAKA	*17*	**339,264**	406,794
Others	*17*	**10,544,900**	5,182,178
		P42,760,498	P35,382,828

Provisions are recognized when the Organization has a present obligation (legal or constructive) as a result of a past event, it is probable that the Organization will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions amounting to nil and P8.49 million were recognized for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively, in the statement of activities and other comprehensive income. The related liability of these provisions amounted to P9.26 million and P11.26 million as at December 31, 2019 and September 30, 2019, respectively. Payments of these provisions amounted to P2.00 million for the period from October 1, 2019 to December 31, 2019. Reversal of previously recognized provisions amounting to nil and P12.70 million were recognized the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively, as part of "Other Income" in the statement of activities and other comprehensive income.

Due to VFI pertains to fees payable to VFI for services rendered and other expenses related to the Organization's primary business (see Note 11a).

Due to World Vision program partners represent liabilities to World Vision offices and affiliated entities for the services of staff, use of facilities and other operational expenses (see Note 11a).

Accrued expenses pertain to salaries and other benefits that are not yet paid by the Organization to its employees.

Others represent liabilities to different service providers such as Water.Org for water and sanitation facilities, Kredits LLC for system maintenance fees, and various mortuaries for burial fees, among others.

10. Borrowings

This account consists of:

	Note	December 31, 2019	September 30, 2019
Concessional loans:			
VFI	*11a*	**P54,992,587**	P56,267,519
Kiva Microfunds		**16,492,236**	16,328,133
World Vision program partners	*11a*	**4,612,341**	4,612,341
Commercial loans:			
LBP	*5*	**87,499,999**	92,500,000
VFI	*11a*	**63,809,800**	63,809,800
	17	**227,406,963**	233,517,793
Less current portion		**196,638,672**	200,789,652
		P30,768,291	P32,728,141

Concessional loans from VFI are non-collateralized and bear interest rates of up to 4.00% per annum. Interests on these loans are paid semiannually, while the principal payments have various maturity dates up to June 30, 2020.

Concessional loans from Kiva Microfunds are non-collateralized, noninterest-bearing and payable on a monthly basis amounting to $45,310.64, fixed amount.

Concessional loans from World Vision program partners, which are extended to the Organization through the stewardship agreements as mentioned in Note 1 to the financial statements, are non-collateralized and bear interest rates of up to 5% per annum, payable together with the principal at the end of the agreements. These loans will mature on various dates until February 11, 2021.

Commercial loans from LBP bear interest of up to 7.08% per annum and have quarterly principal and interest payment dates up to November 16, 2020. These loans are secured by P168.24 million and P162.00 million of the "Loans and advances to clients" account for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively (see Note 5).

Commercial loans from VFI are non-collateralized and bear interest rates of up to 14% per annum, net of tax. Interest payments are made on a quarterly basis, while the principal payments have various maturity dates up to March 31, 2021.

The summary of loan proceeds and payments is as follows:

	December 31, 2019	
	Loan Proceeds	**Loan Payments**
Concessional loans:		
Kiva Microfunds	**P535,839**	**P -**
Commercial loans:		
LBP	**28,999,999**	**34,000,000**
	P29,535,838	**P34,000,000**

	Note	September 30, 2019 Loan Proceeds	Loan Payments
Concessional loans:			
World Vision program partners	*11a*	P -	P2,000,000
Kiva Microfunds		-	12,909,000
Commercial loans:			
VFI	*11a*	-	30,000,000
Bank of the Philippine Islands		136,000,000	89,750,000
LBP		-	3,750,000
		P136,000,000	P138,409,000

Principal repayments schedule is shown below:

Year	PHP	U.S. Dollar (USD)
Due on demand	-	-
2020	125,153,849	1,411,656
2021	30,768,291	-
	155,922,140	1,411,656

Interest expense related to the Organization's concessional and commercial loans recognized in the statement of activities and other comprehensive income amounted to P3.05 million and P16.67 million for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively.

11. Related Party Transactions

Identity of Related Parties

The Organization has related party relationships with World Vision, VFI, its BOT and Key Management Personnel (KMP).

Majority of the Organization's BOT are from World Vision. The Organization and World Vision agreed to carry out micro-enterprise development programs which aim to alleviate poverty by providing micro-entrepreneur access to financial services.

The Organization's significant transactions are as follows:

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance: Borrowings (Note 10)	Outstanding Balance: Other Current Liabilities (Note 9)	Terms	Conditions
World Vision Program Partners							
▪ Loans payable	**December 31, 2019**	*11a*	**P -**	**P4,612,341**	**P -**	Interest-bearing; fixed term; up to 5% per annum	Unsecured
	September 30, 2019	*11a*	(2,000,000)	4,612,341	-		
▪ Various expenses	**December 31, 2019**	*11a*	**247,490**	**-**	**2,927,629**	Noninterest-bearing; due on demand	Unsecured
	September 30, 2019	*11a*	1,348,438	-	2,680,139		
VFI							
▪ Loans payable	**December 31, 2019**	*11a*	**(1,274,932)**	**118,802,387**	**-**	Interest-bearing; fixed term; up to 14% per annum	Unsecured
	September 30, 2019	*11a*	(32,244,706)	120,077,319	-		
▪ Service fees	**December 31, 2019**	*11a*	**3,185,868**	**-**	**8,820,215**	Noninterest-bearing; due on demand	Unsecured
	September 30, 2019	*11a*	8,649,186	-	5,634,347		
KMP							
▪ Compensation	**December 31, 2019**	*11c*	**2,916,596**	**-**	**-**		
	September 30, 2019	*11c*	11,436,786	-	-		
TOTAL	**December 31, 2019**			**P123,414,728**	**P11,747,844**		
TOTAL	September 30, 2019			P124,689,660	P8,314,486		

(a) Transactions with World Vision Program Partners and VFI

The Organization obtained initial funding for a sustainable and viable financial implementation of microfinance operations through the assistance of World Vision.

Since 2003, the Organization obtained loans from World Vision program partners. Repayments made for the period from October 1, 2019 to December 31, 2018 and for the year ended, September 30, 2019 amounted to nil and P2.00 million, respectively (see Note 10). Outstanding loan balance as at December 31, 2019 and September 30, 2019 amounted to P4.61 million.

The Organization paid expenses for the services of staff, use of facilities and other operational expenses to World Vision program partners amounting to P0.25 million and P1.35 million for the period from October 1, 2019 to December 31, 2019 and for the year ended, September 30, 2019, respectively. Outstanding balances, which were recorded under "Other current liabilities" in the statements of financial position, amounted to P2.93 million and P2.68 million as at December 31, 2019 and September 30, 2019, respectively (see Note 9).

The Organization paid a portion of its outstanding loan balance to VFI amounting to nil and P30.00 million for the period from October 1, 2019 to December 31, 2019 and for the year ended, September 30, 2019, respectively (see Note 10). On the outstanding balances, foreign exchange gains amounting to P1.27 million and P2.24 million were recognized for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively. Outstanding loan balance as at December 31, 2019 and September 30, 2019 amounted to P118.80 million and P120.08 million, respectively.

For the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, the Organization paid service fees to VFI amounting to P3.19 million and P8.65 million, respectively. Outstanding balances, which were recorded under "Other current liabilities" in the statements of financial position, amounted to P8.82 million and P5.63 million as at December 31, 2019 and September 30, 2019, respectively (see Note 9).

(b) BOT Compensation

Members of the BOT of the Organization do not receive any compensation (see Note 1).

(c) KMP Compensation

The remuneration of KMP of the Organization consists of salaries and other benefits amounting to P2.92 million and P11.44 million for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively.

KMP consists of executive officers and department heads.

All outstanding balances of transactions with related parties are generally settled in cash.

12. Retirement Benefits

The Organization currently has a funded, noncontributory retirement plan (the Plan) covering all qualified regular employees. Under the Plan, the projected retirement age is at 60 years old and the normal retirement benefit is equivalent to at least the minimum requirement of R.A. No. 7641 otherwise known as "Retirement Pay Law". Contributions and costs are determined in accordance with the actuarial studies made for the Plan. The latest independent actuarial valuation of the Plan was as at September 30, 2019, which was prepared using the projected unit credit (PUC) method.

The Plan is registered with the BIR as a tax-qualified plan under R.A. 4917, As Amended, otherwise known as "An Act Providing that Retirement Benefits of Employees of Private Firms shall not be subject to Attachment, Levy, Execution, or any Tax whatsoever." The Plan is administered by an independent trustee bank who also undertakes its accounting and administration functions.

This defined benefit plan exposes the Organization to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The reconciliation of the present value of the FVPA and the DBO to the recognized pension asset in the statements of financial position is as follows:

	FVPA		DBO		Pension Asset	
	December 31, 2019	September 30, 2019	December 31, 2019	September 30, 2019	December 31, 2019	September 30, 2019
Beginning Balance	P27,529,439	P21,720,780	(P21,340,460)	(P15,307,374)	P6,188,979	P6,413,406
Included in Profit or Loss						
Current service cost	-	-	(928,352)	(3,501,401)	(928,352)	(3,501,401)
Net interest income (cost)	342,742	1,802,825	(265,689)	(1,270,512)	77,053	532,313
	342,742	1,802,825	(1,194,041)	(4,771,913)	(851,299)	(2,969,088)
Included in Other Comprehensive Income						
Remeasurement gain (loss):						
▪ Financial assumptions	-	-	-	(11,060,168)	-	(11,060,168)
▪ Demographic assumptions	-	-	-	9,592,537	-	9,592,537
▪ Experience adjustment	-	-	-	(935,346)	-	(935,346)
▪ Return on plan assets excluding interest income	-	234,413	-	-	-	234,413
	-	234,413	-	(2,402,977)	-	(2,168,564)
Others						
Contributions to the fund	408,333	4,913,225	-	-	408,333	4,913,225
Benefits paid	-	(1,141,804)	-	1,141,804	-	-
	408,333	3,771,421	-	1,141,804	408,333	4,913,225
Ending Balance	P28,280,514	P27,529,439	(P22,534,501)	(P21,340,460)	P5,746,013	P6,188,979

The Organization recognized retirement benefits expense amounting to P0.85 million and P2.97 million for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively. These were presented as part of "Salaries and other benefits" account in the statement of activities and other comprehensive income (see Note 14).

The Organization's plan assets consist of the following:

	December 31, 2019	September 30, 2019
Government debt securities	**P25,627,879**	P25,627,879
Cash and cash equivalents	**2,652,635**	1,901,560
	P28,280,514	P27,529,439

The September 30, 2019 actuarial valuation uses the following principal actuarial assumptions. Same assumptions are used in determining the retirement benefits expense for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively.

	December 31, 2019	September 30, 2019
Discount rate	**4.98%**	4.98%
Future salary increases	**5.00%**	5.00%

Sensitivity Analysis

Sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the DBO at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable. Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below:

	DBO	
December 31, 2019	**+1%**	**-1%**
Discount rate	**(P3,775,353)**	**P4,729,783**
Future salary growth	**4,684,407**	**(3,785,382)**

	DBO	
September 30, 2019	+1%	-1%
Discount rate	(P3,556,367)	P4,479,165
Future salary growth	4,436,193	(3,584,805)

Asset-liability Matching

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

Funding Policy

The Organization is not required to pre-fund the future defined benefits liability under the Plan before they become due. For this reason, the amount and timing of contributions to the retirement fund is at the Organization's discretion. However, in the event a benefit claim arises, and the Plan is insufficient to pay the claim, the shortfall will be paid by the Organization directly to the employee-retiree. Hence, there is no expected contribution to the Plan in 2020.

13. Leases

Organization as lessee

The Organization leases several premises for its headquarters and branch operations. Monthly rentals range from P4,000 to P50,000. The lease contracts cover a period of one to five years, renewable thereafter by the Organization. The leases have no contingent rental provisions and do not impose any restrictions against the Organization.

Information about leases for which the Organization is a lessee is presented below:

i. *Right-of-use Assets and Lease Liabilities*

The carrying amount of the right-of-use assets and the movements during the period are as follows:

	Note	December 31, 2019
Cost		
Beginning balance		P -
Additions	*19*	**11,610,500**
Ending balance		**11,610,500**
Accumulated Amortization		
Beginning balance		-
Amortization		**2,608,605**
Ending balance		**2,608,605**
Carrying amount		**P9,001,895**

The carrying amount of right-of-use assets amounted to P9.00 million and nil as at December 31, 2019 and September 30, 2019, respectively.

When measuring the lease liability for leases, the Organization discounted the lease payments using its IBR of 7.50% at October 1, 2019.

The balance of the lease liability and the movements during the period are as follows:

	Note	December 31, 2019
Beginning balance		P -
Additions	*20*	**10,908,800**
Accretion of interest		**174,552**
Payments		**(2,491,147)**
Ending balance		**P8,592,205**

	December 31, 2019
Current portion	**P6,350,248**
Noncurrent portion	**2,241,957**
Ending balance	**P8,592,205**

Outstanding lease liabilities amounted to P8.59 million and nil as at December 31, 2019 and September 30, 2019, respectively.

Future undiscounted rental payments are as follows:

	December 31, 2019
Due within one year	**P9,964,590**
Later than one year	**1,578,725**
	P11,543,315

Refundable deposit amounted to P1.14 million and 1.07 million as at December 31, 2019 and September 30, 2019, respectively (Note 6).

ii. Amounts Recognized in Statement of Activities and Other Comprehensive Income

	Period from October 1 to December 31, 2019
Leases under PFRS 16	
Amortization of right-of-use assets	**P2,608,605**
Interest on lease liabilities	**174,552**

	Year ended September 30, 2019
Operating Leases under Philippine Accounting Standard (PAS) 17	
Rent expense	P8,468,658

iii. Amounts Recognized in Statement of Cash Flows

	Period from October 1 to December 31, 2019
Total cash outflow for principal and interest on lease liabilities	**P2,491,147**

iv. Extension Options

Some property leases contain extension options exercisable by the Organization up to one year before the end of the noncancellable contract period. Where practicable, the Organization seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Organization and not by the lessors. The Organization assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Organization reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

14. Salaries and Other Benefits

This account consists of:

	Note	Period from October 1 to December 31, 2019	Year ended September 30, 2019
Salaries		**P29,287,866**	P96,923,819
Short-term benefits		**14,769,935**	35,641,568
Retirement benefits expense	*12*	**851,299**	2,969,088
		P44,909,100	P135,534,475

Short-term benefits represent other remunerations given to employees such as sick leave, vacation leave, performance incentives, service awards, year-end bonus, 13th month pay, cash gifts, remittances to Social Security Services, Philippine Health Insurance Corp. and Home Development Mutual Fund, cost of living allowance, rice allowance and developmental allowance.

15. Occupancy and Equipment-related Expenses

This account consists of:

	Note	Period from October 1 to December 31, 2019	Year ended September 30, 2019
Depreciation and amortization expense	*7, 13*	**P3,961,433**	P5,240,701
Utilities		**1,494,406**	6,728,197
Rent expense	*13*	**-**	8,468,658
		P5,455,839	P20,437,556

16. Income Taxes

Starting the fiscal year ended September 30, 2017, the Organization is subject to 2% preferential rate based on gross receipts as a Microfinance NGO in accordance with R.A. No. 10693. Gross receipts from microfinance operations, as defined by the Implementing Rules and Regulations (IRR) of R.A. No. 10693, shall refer to the gross interest income, penalties, surcharges, commissions and discounts, service and general fees, and other charges related to microfinance operations actually or constructively received without any deduction of any kind or nature.

Income tax expense recognized in the statement of activities and other comprehensive income amounted to P1.68 million and P6.08 million for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively.

The reconciliation of the income tax expense computed using the 2% preferential rate based on excess of revenue over expenses before income tax reported in the statement of activities and other comprehensive income is as follows:

	Period from October 1 to December 31, 2019	Year ended September 30, 2019
Excess of revenue over expenses before income tax	**P17,002,487**	P46,253,077
Statutory income tax at 2% preferential rate	**P340,050**	P925,062
Nondeductible expenses	**1,421,640**	5,412,677
Income subject to regular income tax	**-**	138,664
Income subject to final tax	**(1,509)**	(6,739)
Nontaxable income	**(76,718)**	(389,505)
	P1,683,463	P6,080,159

17. Financial Instruments - Fair Value and Risk Management

Risk Management Structure
The BOT is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Organization. It also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Organization's approach to risk issues in order to make relevant decisions.

Risk Management Committee
Risk Management Committee is responsible for the comprehensive monitoring, evaluation and analysis of the Organization's risks in line with the policies and limits set by BOT.

Financial Risk Management Objectives and Policies
The main purpose of the Organization's principal financial instruments is to raise finances for its operations. These financial instruments comprise of cash, receivables, rent deposits, due to clients, borrowings, lease liabilities and other current liabilities (excluding provisions) which arise directly from its operations.

The Organization is exposed to a variety of financial risks in relation to these financial instruments. The main risks arising from these financial instruments are credit risk, liquidity risk and market risk. The Organization's management reviews and approves policies for managing each of these risks, which are summarized below.

Credit Risk
Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Organization's cash (excluding cash on hand), receivables and rent deposits.

The Organization has established a credit policy under which each client is analyzed individually for creditworthiness before the Organization's standard payment and terms and conditions are offered. It is the Organization's policy that all customers are subject to credit verification procedures. This includes quantitative and qualitative information based on the Organization's historical experience, credit risk assessment and forward-looking information (including macroeconomic factors). The Organization limits its exposure to credit risk by establishing credit limits and maximum payment period for each client, reviewing outstanding balances to minimize transactions with clients in industries experiencing particular economic volatility.

As at December 31, 2019 and September 30, 2019, the Organization's maximum credit exposure is equal to the carrying value of its financial assets. There is no other significant concentration of credit risk in the Organization.

As at December 31, 2019 and September 30, 2019, the aging analyses of the Organization's financial assets are as follows:

			Neither Past Due nor	Past Due but not Impaired				Past Due and
2019	Note	Total	Impaired	< 30 Days	31-60 Days	61-90 Days	> 90 Days	Impaired
Cash*	4	P79,867,788	P79,867,788	P -	P -	P -	P -	P -
Receivables	5	533,768,852	512,889,744	2,357,943	1,404,004	1,487,899	4,304,168	11,325,094
Rent deposits	6	1,136,141	1,136,141	-	-	-	-	-
		P614,772,781	P593,893,673	P2,357,943	P1,404,004	P1,487,899	P4,304,168	P11,325,094

Excluding cash on hand

2019	Note	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
				< 30 Days	31-60 Days	61-90 Days	> 90 Days	
Cash*	4	P80,636,690	P80,636,690	P -	P -	P -	P -	P -
Receivables	5	517,323,102	487,886,492	2,034,506	2,023,909	1,742,370	8,446,168	15,189,657
Rent deposits	6	1,070,141	1,070,141	-	-	-	-	-
		P599,029,933	P569,593,323	P2,034,506	P2,023,909	P1,742,370	P8,446,168	P15,189,657

Excluding cash on hand

The table below shows the credit quality of the Organization's financial assets based on historical experience with the corresponding debtors.

	December 31, 2019			
	High	**Standard**	**Substandard**	**Total**
Cash*	**P79,867,788**	**P -**	**P -**	**P79,867,788**
Receivables	**512,889,744**	**9,554,014**	**11,325,094**	**533,768,852**
Rent deposits	**1,136,141**	**-**	**-**	**1,136,141**
	P593,893,673	**P9,554,014**	**P11,325,094**	**P614,772,781**

Excluding cash on hand

	September 30, 2019			
	High	Standard	Substandard	Total
Cash*	P80,636,690	P -	P -	P80,636,690
Receivables	487,886,492	14,246,953	15,189,657	517,323,102
Rent deposits	1,070,141	-	-	1,070,141
	P569,593,323	P14,246,953	P15,189,657	P599,029,933

Excluding cash on hand

High grade financial assets pertain to financial assets that are neither past due nor impaired which have good collection status. These financial assets are those which have high probability of collection. Standard grade financial assets are collectible on their due dates provided the Organization made some follow-up to the debtors. Lastly, substandard financial assets are those that are collectible beyond maturity dates and require persistent effort from the Organization.

The management believes that all its financial assets are of high grade and of good quality except for the portion of the receivables provided with allowance for impairment losses, amounting to P11.33 million and P15.19 million for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively (see Note 5). High grade financial assets are those which have high probability of collection and realization, as evidenced by counterparties having ability to satisfy their obligations.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they fall due because of an inability to liquidate assets or obtain adequate funding.

The Organization monitors and maintains a level of cash deemed adequate by management to finance the Organization's operations and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained through bank and related party loans, when necessary.

There has been no change to the Organization's exposure to liquidity risks or the manner in which it manages and measures the risks since prior financial year.

The following tables summarize the maturity profile of the Organization's financial liabilities as at and for the three-month period ended December 31, 2019 and for the year ended September 30, 2019 based on contractual undiscounted payments:

December 31, 2019	Note	Total Carrying Value	Contractual Undiscounted Payments			
			Total	On Demand	Less than 1 Year	1 to 5 Years
Due to clients	8	P83,364,149	P83,364,149	P83,364,149	P -	P -
Borrowings	10	227,406,963	227,406,963	-	196,638,672	30,768,291
Lease liabilities	13	8,592,205	11,543,315	-	9,964,590	1,578,725
Other current liabilities*	9	33,502,984	33,502,984	33,502,984	-	-
		P352,866,301	P355,817,411	P116,867,133	P206,603,262	P32,347,016

** Excluding provision*

September 30, 2019	Note	Total Carrying Value	Contractual Undiscounted Payments			
			Total	On Demand	Less than 1 Year	1 to 5 Years
Due to clients	8	P80,559,678	P80,559,678	P80,559,678	P -	P -
Borrowings	10	233,517,793	233,517,793	-	200,789,652	32,728,141
Other current liabilities*	9	24,127,704	24,127,704	24,127,704	-	-
		P338,205,175	P338,205,175	P104,687,382	P200,789,652	P32,728,141

** Excluding provision*

Market Risk

Market risk is the risk that changes in market prices such as interest rate and foreign exchange rates will affect the Organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk.

Interest Rate Risk

Interest rate risk is the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Organization's financial instruments that are exposed to interest risk are the interest-bearing loans and advances to clients, due to clients and loans payable.

The following table illustrates the sensitivity of the net result for the year to a reasonably possible change in interest rates of +/-50 basis points for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, with corresponding effect in the general fund. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Organization's financial instruments held at the reporting date. All other variables are held constant.

	Period from October 1 to December 31, 2019		September 30, 2019 Year ended	
Basis Points	**+50**	**-50**	+50	-50
General fund	**P1,452,003**	**(P1,452,003)**	P1,357,804	(P1,357,804)

The interest rate risk related to cash in banks is not significant to the Organization as it is negligible due to their short-term maturities. The other financial instruments of the Organization are noninterest-bearing and are therefore not subject to interest rate risk.

Foreign Currency Risk

Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Organization's functional currency. Significant fluctuation in the exchange rates could significantly affect the Organization's financial position and performance.

The Organization is exposed to foreign currency risk on bank deposits and borrowings that are denominated in a currency other than its functional currency. The currency giving rise to this risk is primarily the USD.

In respect of financial assets and liabilities held in foreign currencies, the Organization ensures that the net exposure to this risk is kept to an acceptable level by monitoring and assessing cash flows from anticipated transactions and financing agreements denominated in foreign currencies.

The Organization's net exposures to foreign currency risk as at December 31 and September 30 are:

	December 31, 2019		September 30, 2019	
	In USD	**In PHP**	In USD	In PHP
Financial Asset				
Cash in banks	**39,319**	**1,990,721**	44,320	2,296,219
Financial Liability				
Loans payable	**(1,411,656)**	**(71,472,143)**	(1,401,109)	(72,591,457)
Net Exposure	**(1,372,337)**	**(69,481,422)**	(1,356,789)	(70,295,238)

The following exchange rates were used in translating the Organization's financial instruments denominated in foreign currency as at December 31 and September 30:

	December 31, 2019		September 30, 2019	
	Average Rate	**Reporting Date Spot Rate**	Average Rate	Reporting Date Spot Rate
USD to PHP	**P52.86**	**P50.64**	P52.10	P51.81

The Organization recognized net foreign exchange gain of P1.60 million and P2.82 million for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019, respectively, in the statement of activities and other comprehensive income.

Sensitivity Analysis
The following table illustrates the sensitivity of the net result for the year and fund balance regarding the Organization's financial assets and financial liabilities and the PHP - USD exchange rate. A +10%/-10% change of the PHP against USD as at December 31, 2019 and September 30, 2019 would have increased (decreased) net result and fund balance by the amounts shown below.

The sensitivity analysis is based on the Organization's foreign currency financial instruments held at each reporting date.

	Period from October 1 to December 31, 2019		September 30, 2019 Year ended	
	+10%	**-10%**	+10%	-10%
Net excess revenue over expenses	**P6,949,378**	**(P6,949,378)**	P7,029,524	(P7,029,524)
Fund balance	**P6,949,378**	**(P6,949,378)**	P7,029,524	(P7,029,524)

Fair Value of Financial Instruments
The carrying amounts of the Organization's financial assets and liabilities (except for long-term borrowings and lease liabilities) approximate their fair values due to relatively short-term maturities of these financial instruments.

Borrowings and lease liabilities approximate their fair values because they bear interest rates at prevailing market interest rates.

18. Capital Management

The Organization considers its fund balance as its capital. The primary objectives of the Organization's capital management are: (a) to ensure that the Organization maintains sufficient cash balances to fund its working capital requirements and (b) to ensure that it maintains a strong credit rating and healthy capital ratios to support its operations.

The Organization manages its capital structure and makes adjustments to it in the light of changes in economic conditions. No changes were made in the objectives, policies or processes for the period from October 1, 2019 to December 31, 2019 and for the year ended September 30, 2019.

The total assets and total liabilities ratios of the Organization as at December 31, 2019 and September 30, 2019 which have been within the Organization's acceptable range are as follows:

	December 31, 2019	September 30, 2019
Total assets	**P632,760,296**	P603,094,293
Total liabilities	**365,506,058**	351,159,079
	1.73:1	1.72:1

The Organization is not subject to externally-imposed capital requirement.

19. Subsequent Event

The novel coronavirus disease (COVID-19) outbreak has spread across the globe causing disruptions to businesses and economic activities. On January 30, 2020, the World Health Organization announced COVID-19 as a global health emergency and, on March 11, 20120, declared it as a pandemic.

On March 8, 2020, under Proclamation 922, the Office of the President declared a state of public health emergency and, subsequently, on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the rapidly increasing cases of COVID-19. To manage the spread of the disease, the major areas of the Philippines have been placed under an Enhanced Community Quarantine, effective from March 17, 2020 until May 15, 2020, which involved several measures including travel restrictions, strict home quarantine and temporary suspension or regulation of business operations, among others, limiting activities to only the provision of essential goods and services.

The Organization considers the financial reporting effects of the outbreak to be non-adjusting events after the end of the reporting period. The Organization has assessed that there could be potential financial impacts in terms of macroeconomic forecasts, valuations and ECL provisioning. As the situation is fluid and rapidly evolving, the Organization does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on its financial statements. The impacts of this outbreak, including PFRS 9 estimates of ECL provision, will be assessed, quantified and recognized in the Organization's financial statements as at and for the year ending December 31, 2020.

20. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New Standard, Amendments to Standards and Interpretation
The Organization has adopted the following new standard, amendments to standards and interpretation starting October 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Organization's financial statements.

- PFRS 16 supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  The Organization initially applied PFRS 16 from October 1, 2019. The Organization applied PFRS 16 using the modified retrospective approach, under which the measurement of right-of-use asset is equal to the lease liability, subject to certain adjustments, on a lease-by-lease basis. Accordingly, the comparative information presented for the year ended September 30, 2019 is not restated - i.e. it is presented, as previously reported, under PAS 17 and related interpretations.

  The Organization has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

  The Organization used a number of practical expedients when applying PFRS 16 to leases previously classified as operating lease under PAS 17. In particular, the Organization:

  - Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
  - Used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

  Impact on Transition
  On transition to PFRS 16, the Organization recognized right-of-use assets and lease liabilities. The impact on transition is summarized below.

	Note	October 1, 2019
Right-of-use assets	*13*	P11,610,500
Prepaid rent		(701,700)
Lease liabilities	*13*	10,908,800

When measuring lease liabilities for leases that were classified as operating leases, the Organization discounted lease payments using its IBR of 7.50% at October 1, 2019 (see Note 13).

Impact for the Period
As a result of initially applying PFRS 16, in relation to the leases that were previously classified as operating leases, the Organization recognized P9.00 million right-of-use assets and P8.59 million of lease liabilities as at December 31, 2019.

Also, in relation to those leases under PFRS 16, the Organization has recognized amortization expense and interest expense, instead of rent expense. In 2019, the Organization recognized P2.61 million of amortization expense and P0.17 million of interest expense from these leases.

- *Philippine Interpretation* IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes,* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Organization's chosen tax treatment. If it is not probable that the tax authority will accept the Organization's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- *Plan Amendment, Curtailment or Settlement (Amendments to* PAS 19, *Employee Benefits).* The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Financial Instruments
Non-derivative Financial Instruments
Non-derivative financial instruments consist of cash, receivables, rent deposits, due to clients, borrowings, lease liabilities and other current liabilities (excluding provision).

Recognition and Initial Measurement
Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Organization becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
Classification and Subsequent Measurement
On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Organization changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Organization's financial assets consist of financial assets measured at amortized cost.

Financial Assets Measured at Amortized Cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Included in this category are the Organization's cash, receivables and rent deposits.

Cash
Cash includes cash on hand and in banks and are stated at face value.

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Organization provides money, loan or services directly to a debtor with no intention of trading the receivables. These are included in current assets if maturity is within twelve months of the reporting date. Otherwise, these are classified as noncurrent assets.

Receivables are initially recognized at fair value, representing the original face amount. Receivables are subsequently measured at amortized cost using the EIR method, less impairment losses, if any. Any change in their value is recognized in the statement of activities and other comprehensive income. Impairment loss is provided when there is objective evidence that the Organization will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

Rent Deposits
Rent deposits are refundable deposits paid by the Organization to its lessors at the inception of the respective lease agreements entered into by the Organization. The refundable deposits are carried at amortized cost less impairment losses.

Business Model Assessment
The Organization makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Organization's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Test
For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Organization considers the contractual terms of the instruments. This includes assessing whether the financial asset contains contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Organization considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features; and
- terms that limit the Organization's claim to cash flows from specified asset

Subsequent Measurement and Gains and Losses
Financial Assets at Amortized Cost are subsequently measured at amortized cost using the EIR method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Impairment of Financial Assets
The Organization considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Organization compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increase in credit risk on other financial instruments of the same debtor; and
- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor.

Financial assets are written off when there is no reasonable expectation of recovery. The Organization categorizes financial assets at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected.

Where financial assets at amortized cost have been written off, the Organization continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Organization expects to receive).

ECLs are discounted at the EIR of the financial asset.

At each reporting date, the Organization assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Organization on terms that the Organization would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of Allowance for ECLs in the Statement of Financial Position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial Liabilities
Classification and Subsequent Measurement
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Organization's financial liabilities consist of other financial liabilities that are measured at amortized cost only. Included in this category are the Organization's due to clients, borrowings, lease liabilities and other current liabilities (excluding provision).

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

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

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of activities and other comprehensive income.

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

Determination of Fair Values
A number of the Organization's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when, necessary, based on the market values, being the estimated amount for which assets could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Organization uses market observable data as far as possible and is categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Organization recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Current versus Noncurrent Classification
The Organization presents assets and liabilities in the statement of financial position based on current or noncurrent classification.

An asset is current when:

- it is expected to be realized or intended to be sold or consumed in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realized within twelve (12) months after the reporting period; or
- it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Prepayments
Prepayments represent expenses not yet incurred but are already paid. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequent to initial recognition, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statement of financial position as current assets when the related expenses are expected to be incurred within one year or the Organization's normal operating cycle, whichever is longer. Otherwise, they are classified as noncurrent assets.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation, amortization and impairment losses.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Organization. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives are as follows:

	Number of Years
Computers and peripherals	2 - 4
Furniture, fixtures and office equipment	2 - 5
Transportation equipment	5 - 10
Leasehold improvements	2 - 4

The useful lives, as well as the depreciation and amortization method are reviewed at the reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from those assets.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in profit or loss.

Leases

The Organization has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17.

Policy Applicable from October 1, 2019

At inception of a contract, the Organization assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Organization uses the definition of a lease in PFRS 16.

This policy is applied to contracts entered into, on or after October 1, 2019.

Organization as Lessee

At commencement or on modification of a contract that contains a lease component, the Organization allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Organization has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Organization recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Organization by the end of the lease term or the cost of the right-of-use asset reflects that the Organization will exercise a purchase option. In that case the right-of-use asset will be amortized over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Organization's IBR. Generally, the Organization uses its IBR as the discount rate.

The Organization determines its IBR by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Organization is reasonably certain to exercise, lease payments in an optional renewal period if the Organization is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Organization is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Organization's estimate of the amount expected to be payable under a residual value guarantee, if the Organization changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Policy Applicable before October 1, 2019

Organization as a Lessee
In the comparative period, as a lessee, the Organization classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Organization's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lessee. Lease incentives received were recognized as an integral part of the total rent expense, over the term of the lease.

Impairment of Nonfinancial Assets
The carrying amounts of the Organization's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognized in profit or loss, unless the asset is carried at revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use (VIU). Fair value less cost of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset being evaluated. If an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized. Reversals of impairments are recognized in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Fund Accounting

To ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources from various activities are classified for accounting and reporting purposes into fund established according to their nature and purpose.

Revenue Recognition

Revenue from Contracts with Customers

The Organization's business is primarily engaged in providing microfinancing services to its customers. The Organization recognizes revenue over time after it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer.

The Organization's revenue was measured at the fair value of the consideration received in the ordinary course of the Organization's activities. The Organization recognizes revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Organization and specific criteria have been met for each of the Organization's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the revenue transaction have been resolved.

The following is a description of principal activities from which the Organization generates its revenue. Revenue is disaggregated by major products/service lines as reflected in the statement of activities and other comprehensive income.

Interest Income

Interest income is recognized on a time proportion basis, by reference to the related outstanding receivable, using the EIR method. When the accrued interest and/or related receivable becomes doubtful, the recognition of interest income is suspended or limited up to the extent of cash collections received.

Service Fees
Service fees for charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to their collectability.

Grants and Donations
Grants and donations are recognized when there is a reasonable assurance that the Organization will comply with the conditions attaching to it, and that the grant will be received. Grants received for a specific purpose or with condition are initially recognized as a liability and recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Miscellaneous Income
Miscellaneous income is recognized upon execution of service or when earned.

Determination of whether the Organization is Acting as a Principal or an Agent
The Organization assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Organization has primary responsibility for providing the services;
- whether the Organization has discretion in establishing prices; and
- whether the Organization bears the credit risk.

If the Organization has determined it as a principal, the Organization recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of the costs and expenses. If the Organization has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Organization assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

Cost and Expense Recognition
Costs and expenses are recognized in the statement of activities and other comprehensive income upon utilization of the service or at the date they are incurred. Interest expense is recognized in profit or loss in the period in which they are incurred using the EIR method.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefit obligations, such as those for salaries and wages, social security contributions, short-term compensated absences and non-monetary benefits, among others, are measured on an undiscounted basis and are expensed as the related service is provided.

Defined Benefit Plan
The Organization's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value and deducting the fair value of any plan assets.

The calculation of DBO is performed on a periodic basis by a qualified actuary using the PUC method. When the calculation results in a potential asset for the Organization, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefits liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Organization determines the net interest expense/income on the net retirement benefits liability/asset for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the then net retirement benefits liability/asset, taking into account any changes in the net defined liability/asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statement of activities and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of activities and other comprehensive income.

The Organization recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Related Party Transactions
A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its KMP, trustees, or its members. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Income Taxes
Income tax, which comprises current and deferred tax, is recognized in profit or loss except to the extent that it relates to items recognized directly in fund balance and in OCI.

Current tax is the expected tax payable for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years, if any.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax assets are reviewed at each reporting date and reduced, if appropriate.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or either tax assets and liabilities will be realized simultaneously.

Provisions and Contingencies

A provision is a liability of uncertain timing or amount. It is recognized when the Organization has a legal or constructive obligation as a result of a past event; and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The amount to be recognized as provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is an asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Foreign Currency Transactions and Translations

Foreign currency transactions during the year are translated into PHP at exchange rates prevailing as at the date of the transactions. Foreign currency monetary assets and liabilities are translated into PHP at exchange rates prevailing as at reporting date. Exchange gains and losses are recognized in statement of activities and other comprehensive income.

Events After the Reporting Period

The Organization identifies post-yearend events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Any post-yearend events that provide additional information about the Organization's financial position or performance at the end of a reporting period (adjusting events) are recognized in the financial statements. Post-yearend events that are not adjusting events are disclosed in the notes to the financial statements when material.

Amendments to Standards and Interpretations Not Yet Adopted

A number of amendments to standard and interpretations are effective for annual periods beginning after October 1, 2019. However, the Organization has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Organization's financial statements.

To be Adopted January 1, 2020

- Amendments to References to Conceptual Framework in PFRSs sets out amendments to PFRSs, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRSs and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

21. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the BIR

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, organizations are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following is the tax information required for the taxable three-month period ended December 31, 2019:

A. Value-added Tax

The Organization's revenue/income are exempt pursuant to the provisions of the IRR of R.A. No. 10693.

B. Documentary Stamp Tax

On loan instruments	**P210,975**

C. Withholding Taxes

Tax on compensation and benefits	**P2,475,951**
Creditable withholding taxes	**1,043,605**
	P3,519,556

D. All Other Taxes (Local and National)

Other taxes paid during the year recognized as part of "Taxes and licenses" account under "Cost and Expenses in the Statement of Activities and Other Comprehensive Income	
BIR annual registration fee	**P53,029**
Licenses and permit fees	**32,809**
	P85,838

E. Tax Assessments

On March 26, 2019, the Organization received from the BIR a Letter of Authority (LOA) involving the assessment for all internal revenue taxes for the taxable year ended September 30, 2017. On September 10, 2019, the Organization received another LOA for the taxable year ended September 30, 2018. The Organization has not received any preliminary assessment notice related to the two LOAs as at December 31, 2019.

F. Tax Cases

As at December 31, 2019, the Organization has no pending tax cases under preliminary investigation, litigation and/or prosecution in court bodies outside the BIR.