"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 year ended **December 31, 2020**. 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 year ended **December 31, 2020** 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:

MR. ROMMEL V. FUERTE
Chairman/President/ Chief Executive Officer

MR. GENESES R. ABOT
Treasurer

MS. MA ROSARIO P. APOSTOL
Executive Director

Signed this 23 th day of April 2021

COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.

FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

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, 2020 and 2019, and the statements of activities and other comprehensive income, changes in fund balance and cash flows for the year ended December 31, 2020 and the period from October 1 to December 31, 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, 2020 and 2019, and its financial performance and its cash flows for the year ended December 31, 2020 and the period from October 1 to December 31, 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms

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.

KPMG

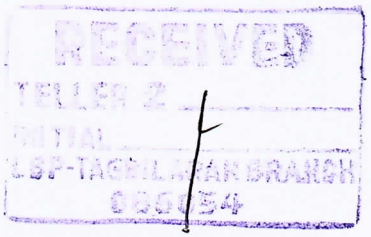
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Regulation 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 23 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
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. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533905
Issued January 4, 2021 at Makati City

April 23, 2021
Makati City, Metro Manila

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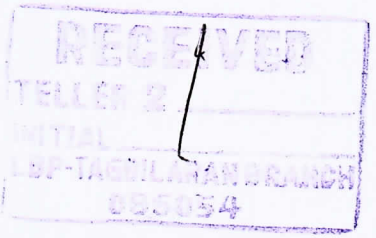
REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

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 year ended December 31, 2020, on which we have rendered our report dated April 23, 2021.

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, managers or members of the Board of Trustees 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
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Makati City, Metro Manila

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BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 18*	**P116,080,698**	P81,872,276
Loans and other receivables	*5, 18*	**462,763,048**	522,443,758
Other current assets	*6, 18*	**5,724,247**	4,369,588
Total Current Assets		**584,567,993**	608,685,622
Noncurrent Assets			
Property and equipment	*7*	**13,348,887**	16,517,676
Intangible assets	*8*	**1,372,722**	1,810,985
Retirement benefit assets	*13*	**5,057,992**	5,746,013
Total Noncurrent Assets		**19,779,601**	24,074,674
		P604,347,594	P632,760,296
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Microsavings	*9, 18*	**P102,650,448**	P77,566,405
Accounts payable and other current liabilities	*10, 18*	**27,362,042**	36,775,480
Loans payable - current	*11, 18*	**222,982,694**	196,638,672
Lease obligation - current	*14, 18*	**7,026,161**	6,350,248
Due to related parties	*12*	**21,858,061**	11,747,844
Total Current Liabilities		**381,879,406**	329,078,649
Noncurrent Liabilities			
Loans payable - noncurrent	*11, 18*	**7,533,470**	30,768,291
Lease obligation - noncurrent	*14, 18*	**2,257,369**	2,241,957
Other noncurrent liabilities		**3,251,380**	3,417,161
Total Noncurrent Liabilities		**13,042,219**	36,427,409
Total Liabilities		**394,921,625**	365,506,058
Fund Balance			
General fund		**197,330,631**	256,680,195
Cumulative translation adjustment on retirement		**12,095,338**	10,574,043
Total Fund Balance		**209,425,969**	267,254,238
		P604,347,594	P632,760,296

See Notes to the Financial Statements.

RECEIVED

COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.
STATEMENTS OF ACTIVITIES AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE PERIOD FROM OCTOBER 1 TO DECEMBER 31, 2019

	Note	2020	2019
REVENUE FROM MICROFINANCE ACTIVITIES			
Interest on loans	*5*	**P227,350,663**	P82,412,378
Fines, penalties and surcharges	*5*	**7,672,628**	788,743
Service fees - loans	*5*	**2,219,792**	966,390
Commission on insurance		**-**	351
		237,243,083	84,167,862
INTEREST FROM DEPOSITS	*4*	**297,729**	75,475
OTHER INCOME			
Recovery from written off accounts	*5*	**5,391,393**	2,239,246
Gain on foreign exchange	*18*	**3,838,832**	1,596,619
Others		**387,905**	5,328
		9,618,130	3,841,193
		247,158,942	88,084,530
COSTS AND EXPENSES			
Operating costs	*15*	**260,054,162**	55,814,572
Administrative costs	*16*	**41,708,671**	15,267,471
		301,762,833	71,082,043
(DEFICIENCY) EXCESS OF REVENUE FROM MICROFINANCE ACTIVITIES, INTEREST FROM DEPOSITS AND OTHER INCOME OVER COSTS AND EXPENSES BEFORE INCOME TAX EXPENSE		**(54,603,891)**	17,002,487
INCOME TAX EXPENSE	*17*	**4,745,673**	1,683,463
(DEFICIENCY) EXCESS OF REVENUE FROM MICROFINANCE ACTIVITIES, INTEREST FROM DEPOSITS AND OTHER INCOME OVER COSTS AND EXPENSES		**(59,349,564)**	15,319,024
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to statement of activities			
Remeasurement gain on retirement benefit assets	*13*	**1,521,295**	-
TOTAL COMPREHENSIVE (LOSS) INCOME		**(P57,828,269)**	P15,319,024

See Notes to the Financial Statements.

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INITIAL
LBP-IACADEMY BRANCH

COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE PERIOD FROM OCTOBER 1 TO DECEMBER 31, 2019

	Note	General Fund	Cumulative Translation Adjustment on Retirement	Total Fund Balance
Balance at January 1, 2020		**P256,680,195**	**P10,574,043**	**P267,254,238**
Deficiency of revenue from microfinance activities, interest from deposits and other income over costs and expenses		**(59,349,564)**	**-**	**(59,349,564)**
Other comprehensive income:				
Remeasurement gain on retirement benefit assets	*13*	**-**	**1,521,295**	**1,521,295**
		(59,349,564)	**1,521,295**	**(57,828,269)**
Balance at December 31, 2020		**P197,330,631**	**P12,095,338**	**P209,425,969**
Balance at October 1, 2019		P241,361,171	P10,574,043	P251,935,214
Excess of revenue from microfinance activities, interest from deposits and other income over costs and expenses		15,319,024	-	15,319,024
Balance at December 31, 2019		P256,680,195	P10,574,043	P267,254,238

See Notes to the Financial Statements.

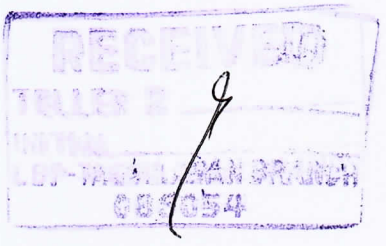
COMMUNITY ECONOMIC VENTURES, (A MICROFINANCE NGO) INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE PERIOD FROM OCTOBER 1 TO DECEMBER 31, 2019

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficiency) excess of revenue from microfinance activities, interest from deposits and other income over costs and expenses before income tax expense		**(P54,603,891)**	P17,002,487
Adjustments for:			
Impairment losses	*15, 5*	**66,281,862**	4,100,180
Interest expense	*9, 11, 14, 15*	**21,260,353**	3,393,129
Depreciation and amortization	*7, 8, 15, 16*	**15,107,381**	3,961,433
Retirement and post-employment benefit expense	*13, 15, 16*	**3,842,650**	851,299
Gain on foreign exchange	*18*	**(3,838,832)**	(1,596,619)
Interest on loans and interest from deposits	*4, 5*	**(227,648,392)**	(82,487,853)
		(179,598,869)	(54,775,944)
Changes in:			
Loans and other receivables		**(3,883,171)**	(22,281,715)
Other current assets		**(1,354,659)**	(2,908,131)
Microsavings		**25,084,043**	3,011,547
Accounts payable and other current liabilities		**(4,799,131)**	1,634,449
Due to related parties		**10,110,217**	3,433,358
		(154,441,570)	(71,886,436)
Interest received		**224,930,411**	80,359,075
Contributions to the retirement fund	*13*	**(1,633,334)**	(408,333)
Income taxes paid		**(6,612,310)**	-
Interest paid		**(23,353,067)**	(1,083,267)
Net cash provided by operating activities		**38,890,130**	6,981,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment	*7*	**10,389**	-
Additions to intangible assets	*8*	**(372,957)**	(93,194)
Additions to property and equipment (excluding right-of-use assets)	*7*	**(1,393,247)**	(1,110,947)
Change in other noncurrent liabilities		**(165,781)**	(207,075)
Net cash used in investing activities		**(1,921,596)**	(1,411,216)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	*11*	**142,871,644**	29,535,838
Payments of lease obligation	*14*	**(9,708,146)**	(2,316,595)
Payments of loans	*11*	**(135,499,999)**	(34,000,000)
Net cash used in financing activities		**(2,336,501)**	(6,780,757)

Forward

	Note	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**P34,632,033**	(P1,210,934)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**81,872,276**	83,133,259
EFFECT OF MOVEMENTS IN FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(423,611)**	(50,049)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P116,080,698**	P81,872,276

See Notes to the Financial Statements.



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 12b).

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 12a).

Starting the fiscal year ended September 30, 2017, the Organization is subject to a 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 17).

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 registered office is at Sarabia Co - Torralba Bldg. 2, Espuelas Street, Tagbilaran City. It also operates 36 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 23, 2021.

The details of the Organization's significant accounting policies are included in Note 21.

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

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 PHP, unless otherwise indicated.

3. Use of Judgments and Estimates

In preparing these financial statements, management has made judgments and estimates that affect the application of the Organization's accounting policies and the reported amounts of assets, liabilities, revenues 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 made in applying accounting policies that have the most significant effect in the amounts recognized in the financial statements is as follows:

Classifying Financial Instruments
The Organization exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a 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.

Lease Term - the Organization as Lessee
The Organization determines the lease term as the noncancelable 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 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is as follows:

Provision for Expected Credit Losses of Financial Assets
The measurement of impairment losses under PFRS 9, *Financial Instruments,* across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of the increase of significant risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Organization's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- the Organization's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- the segmentation of financial assets when their ECL is assessed on a collective basis;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of associations between macroeconomic scenarios and, economic inputs, such as gross domestic product (GDP) and the effect on probability of defaults; and
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Further details on the carrying amounts of financial assets are disclosed in Notes 4, 5 and 6.

Fair Value Measurement of Financial Instruments
If the financial instruments are not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel, independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

The specific methods and assumptions used by the Organization in estimating fair values of its financial instruments are disclosed in Note 18.

Leases - Estimating the 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 obligation. 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 (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the entity-specific credit spread).

Useful Lives of Property and Equipment and Intangible Assets
The Organization estimates the useful lives of property and equipment and intangible 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 and intangible assets would increase depreciation and amortization and decrease the property and equipment and intangible assets accounts.

Further details on the carrying amounts of property and equipment and intangible assets are disclosed in Notes 7 and 8, respectively.

Impairment of Nonfinancial Assets
The Organization assesses at each reporting date whether there is an indication that the carrying amounts of nonfinancial assets may be impaired.

The factors that the Organization considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

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, 2020 and 2019, no indication of impairment exists for the Organization's nonfinancial assets.

Retirement Benefits
The determination of the Organization's retirement benefit assets, and retirement and post-employment benefit expense is dependent on the Organization's selection of certain assumptions used by the actuaries in calculating such amounts. Actual results that differ from the Organization's assumptions are accumulated and amortized over the future periods and therefore, generally affect the Organization's retirement benefit assets, and retirement and post-employment benefit expense in such future periods. While management believes that assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Organization's retirement benefit assets, and retirement and post-employment benefit expense.

Further details on the retirement benefit assets, and retirement and post-employment benefit expense are disclosed in Note 13.

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 are disclosed in Note 10.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2020**	2019
Cash in banks	*18*	**P114,551,124**	P79,867,788
Cash on hand		**1,529,574**	2,004,488
		P116,080,698	P81,872,276

Cash in banks earn interest at their respective bank deposit rates. Total interest income amounted to P0.30 million and P0.08 million for 2020 and 2019, respectively. This is presented as part of "Interest from deposits" account in the statement of activities and other comprehensive income.

5. Loans and Other Receivables

This account consists of:

	Note	**2020**	2019
Loans receivables - microfinance	*18*	**P489,950,970**	P517,807,656
Accrued interest receivables	*18*	**15,583,957**	12,865,976
Advances to officers and employees		**845,278**	1,489,622
Loans receivable - others	*18*	**186,696**	252,511
Others	*18*	**1,213,021**	1,353,087
		507,779,922	533,768,852
Less allowance for impairment losses		**45,016,874**	11,325,094
		P462,763,048	P522,443,758

Loans receivables - microfinance pertain to the loans extended by the Organization to its clients or members. The Organization offers five (5) types of loans, namely: agricultural, commercial, educational, individual and consumer loans. These loans bear monthly interest ranging from 2% to 6% based on declining balance. Agricultural and commercial loans are collateral-free and collectible for a period of four (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 six (6) to 24 months. Consumer loans are collateral-free and collectible for a period of two (2) to 18 months. Portfolio-at-risk (PAR) represents approximately 7.72% and 1.85% of the loan portfolio as at December 31, 2020 and 2019, respectively. PAR illustrates the ratio between the portfolio deemed at risk because of default in payments and the total outstanding loan portfolio.

Service fees recognized in the statement of activities and other comprehensive income related to the Organization's loans receivable for the year ended December 31, 2020 and the period from October 1 to December 31, 2019 amounted to P2.22 million and P0.97 million, respectively.

Loans receivables - microfinance amounting to P157.68 million and P168.24 million for December 31, 2020 and 2019, respectively, have been assigned to secure the commercial loans with the Land Bank of the Philippines (LBP) (See Note 11).

Accrued interest receivables pertain to the interest earned but not yet collected in relation to the loans extended by the Organization to its clients.

Interest income recognized in the statement of activities and other comprehensive income related to loans receivables amounted to P227.35 million and P82.41 million for the year ended December 31, 2020 and the period from October 1 to December 31, 2019, respectively.

Advances to officers and employees represent 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:

	2020	2019
Balance at beginning of year	**P11,325,094**	P15,189,657
Impairment losses for the year	**66,281,862**	4,100,180
Write-off	**(32,590,082)**	(7,964,743)
	P45,016,874	P11,325,094

For the period ended December 31, 2020 and the period from October 1 to December 31, 2019, the BOT approved the recommendation of the management to write-off loans receivables amounting to P32.59 million and P7.96 million, respectively.

Impairment losses on receivables amounting to P66.28 million and P4.10 million for the year ended December 31, 2020 and the period from October 1 to December 31, 2019, respectively were recognized as part of "Operating costs" account in the statement of activities and other comprehensive income (see Note 15).

Recovery from written off accounts amounting to P5.39 million and P2.24 million for the year ended December 31, 2020 and the period from October 1 to December 31, 2019, respectively were recognized as part of "Other income" account in the statement of activities and other comprehensive income.

6. Other Current Assets

This account consists of:

	Note	2020	2019
Prepayments	*14*	**P4,668,905**	P4,086,821
Supplies		**312,039**	282,767
Others		**743,303**	-
		P5,724,247	P4,369,588

Prepayments relate to the insurance contract entered into by the Organization and are paid in advance for the period under coverage and rent deposits. The insurance pertains to the medical insurance of the Organization's employees. Rent deposits on the other hand 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.

Supplies refer to the materials or supplies consumed by the Organization in the process of rendering its services.

Others include prepayments of maintenance fee for the Organization's software.

7. Property and Equipment

The balances and movements in this account are as follows:

	2020						
	Right-of-use Assets (Note 14)	Office Equipment	Furniture and Fixtures	Transportation Equipment	Other Equipment	Leasehold Improvement	Total
Cost							
At January 1	P11,610,500	P6,977,860	P3,277,493	P3,022,185	P19,129,440	P30,765	P44,048,243
Additions	9,744,516	65,999	40,200	5,560	1,281,488	-	11,137,763
Derecognition/Disposal	(3,584,491)	-	(11,000)	-	(29,960)	-	(3,625,451)
At December 31	17,770,525	7,043,859	3,306,693	3,027,745	20,380,968	30,765	51,560,555
Accumulated Depreciation							
At January 1	2,608,605	5,241,292	2,232,800	2,066,398	15,350,709	30,765	27,530,569
Depreciation	10,297,496	1,084,833	597,634	327,868	1,988,330	-	14,296,161
Derecognition/Disposal	(3,584,491)	-	(611)	-	(29,960)	-	(3,615,062)
At December 31	9,321,610	6,326,125	2,829,823	2,394,266	17,309,079	30,765	38,211,668
Carrying Amount	P8,448,915	P717,734	P476,870	P633,479	P3,071,889	P -	P13,348,887

	2019						
	Right-of-use Assets (Note 14)	Office Equipment	Furniture and Fixtures	Transportation Equipment	Other Equipment	Leasehold Improvement	Total
Cost							
At January I	P -	P7,030,249	P3,258,388	P3,339,051	P19,737,257	P30,765	P33,395,710
Additions	11,610,500	173,885	41,000	66,500	829,562	-	12,721,447
Disposal	-	(226,274)	(21,895)	(383,366)	(1,437,379)	-	(2,068,913)
At December 31	11,610,500	6,977,860	3,277,493	3,022,185	19,129,440	30,765	44,048,243
Accumulated Depreciation							
At January I	-	5,130,615	2,102,828	2,336,240	16,227,956	30,765	25,828,404
Depreciation	2,608,605	336,950	151,867	113,523	560,131	-	3,771,076
Disposal	-	(226,273)	(21,895)	(383,366)	(1,437,379)	-	(2,068,913)
At December 31	2,608,605	5,241,292	2,232,800	2,066,397	15,350,708	30,765	27,530,567
Carrying Amount	P9,001,895	P1,736,568	P1,044,693	P955,788	P3,778,732	P -	P16,517,676

Depreciation is allocated as follows:

	Note	**2020**	2019
Operating costs	*15*	**P11,928,204**	P768,593
Administrative costs	*16*	**2,367,957**	3,002,483
		P14,296,161	P3,771,076

In 2020, the Organization disposed a property and equipment with a carrying amount equal to net proceeds amounting to P0.01 million. There were no gain or loss recognized on such disposal.

As at December 31, 2020 and 2019, the cost of fully depreciated property and equipment still in use amounted to P30.03 million and P27.40 million, respectively.

There were no property and equipment pledged as at December 31, 2020 and 2019.

8. Intangible Assets

The balances and movements in this account are as follows:

	Note	**2020**	2019
Cost			
Beginning balance		**P15,194,521**	P15,101,327
Additions		**372,957**	93,194
Ending balance		**15,567,478**	15,194,521
Accumulated Amortization			
Beginning balance		**13,383,536**	13,193,179
Amortization	*15, 16*	**811,220**	190,357
Ending balance		**14,194,756**	13,383,536
Carrying Amount		**P1,372,722**	P1,810,985

Amortization is allocated as follows:

	Note	**2020**	2019
Operating costs	*15*	**P493,639**	P125,859
Administrative costs	*16*	**317,581**	64,498
		P811,220	P190,357

9. Microsavings

Microsavings amounting to P102.65 million and P77.57 million as at December 31, 2020 and 2019, respectively, represent 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 Capital Build-Up balance are entitled to an interest of 1%. Interest expense on microsavings recognized in the statement of activities and other comprehensive income amounted to P0.72 million and P0.17 million for the year ended December 31, 2020 and the period from October 1 to December 31, 2019, respectively (see Note 15b).

10. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	**2020**	2019
Accounts payable	*18*	**P8,386,370**	P13,249,276
Accrued interest - loans payable	*18*	**2,672,889**	4,765,603
Accrued employee salary and benefits	*18*	**1,882,814**	2,990,660
Other accrued expenses	*18*	**1,642,182**	1,411,352
Other current liabilities		**12,777,787**	14,358,589
		P27,362,042	P36,775,480

Accounts payable pertains to the Organization's obligations to its various suppliers.

Accrued interest - loans payable pertain to interest incurred on loans but not yet paid by the Organization.

Accrued employee salary and benefits pertain to expenses incurred for employee salary and benefits but not yet paid by the Organization.

Other accrued expenses pertain to expenses incurred such as water, electricity, staff house rental and internet/telecommunication but not yet paid.

Other current liabilities consist of provisions and statutory liabilities. 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 P9.54 million and P9.26 million were recognized as at December 31, 2020 and 2019, respectively. Statutory liabilities pertain to the Organization's contributions to Social Security System (SSS), Philippine Health Insurance Corporation (PHIC) and Home Development and Mutual Fund (HDMF) for its employees and income taxes payable.

11. Loans Payable

This account consists of:

	Note	2020	2019
Concessional loans:			
VFI	*12a*	**P24,010,000**	P54,992,587
Kiva Microfunds		**23,879,025**	16,492,236
World Vision program partners	*12a*	**3,678,916**	4,612,341
Commercial loans:			
VFI	*12a*	**91,948,223**	63,809,800
LBP	*5*	**87,000,000**	87,499,999
	18	**230,516,164**	227,406,963
Less current portion		**222,982,694**	196,638,672
		P7,533,470	P30,768,291

Concessional loans from VFI are non-collateralized and bear interest rates of up to 4% per annum. Interests on these loans are paid semiannually, while the principal payments have various maturity dates up to March 31, 2021.

Concessional loans from Kiva Microfunds are non-collateralized, noninterest-bearing and payable on a monthly basis amounting to $997,272, fixed amount.

Concessional loans from World Vision program partners, which are extended to the Organization through the stewardship agreements, 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 October 23, 2023.

Commercial loans from LBP bear interest of up to 7.08% per annum and have quarterly principal and interest payment dates up to November 19, 2021. These loans are secured by P157.68 million and P168.24 million of the "Loans and other receivables" account for the year ended December 31, 2020 and the period from October 1 to December 31, 2019 (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, 2020	
		Loan Proceeds	**Loan Payments**
Concessional loans:			
Kiva Microfunds		**P8,805,069**	**P -**
World Vision program partners	*12a*	**66,575**	**1,000,000**
Commercial loan:			
LBP		**134,000,000**	**134,499,999**
		P142,871,644	**P135,499,999**

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

Principal repayments schedule is shown below:

Year	PHP	U.S. Dollar (USD)
Due on demand	-	1,465,358
2021	64,705,579	117,887
2023	2,572,074	-
	67,277,653	1,583,245

Interest expense related to the Organization's concessional and commercial loans recognized in the statement of activities and other comprehensive income amounted to P19.88 million and P3.05 million for the year ended December 31, 2020 and the period from October 1 to December 31, 2019, respectively (see Note 15b).

12. Related Party Transactions

Identity of Related Parties

The Organization has related party relationships with World Vision Program Partners, 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: Loans Payable (Note 11)	Outstanding Balance: Due to Related Rarties	Terms	Conditions
World Vision Program Partners							
▪ Loans payable	2020	12a	(P933,425)	P3,678,916	P -	Interest-bearing;	Unsecured
	2019	12a	-	4,612,341	-	fixed term; up to 5% per annum	
▪ Program expenses	2020	12a	(1,548,726)	-	1,378,903	Noninterest-bearing;	Unsecured
	2019	12a	247,490	-	2,927,629	due on demand	
VFI							
▪ Loans payable	2020	12a	(2,844,164)	115,958,223	-	Interest-bearing;	Unsecured
	2019	12a	(1,274,932)	118,802,387	-	fixed term; up to 14% per annum	
▪ Service fees	2020	12a	11,658,943	-	20,479,158	Noninterest-bearing;	Unsecured
	2019	12a	3,185,868	-	8,820,215	due on demand	
KMP							
▪ Compensation	2020	12c	11,193,758	-	-		
	2019	12c	2,916,596	-	-		
TOTAL	**2020**			**P119,637,139**	**P21,858,061**		
TOTAL	2019			P123,414,728	P11,747,844		

(a) 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. Loan proceeds for the year ended December 31, 2020 amounted to P0.07 million (see Note 11). Loan repayments made to World Vision program partners during the year ended December 31, 2020 amounted to P1 million. Outstanding loan balance as at December 31, 2020 and 2019 amounted to P3.68 million and P4.61 million, respectively (see Note 11).

The Organization incurred expenses for the services of staff, use of facilities and other operational expenses shared with World Vision program partners amounting to P1.55 million and P0.25 million for the year ended December 31, 2020 and the period from October 1 to December 31, 2019, respectively. The remaining outstanding balance of the shared expenses due to World Vision program partners amounted to P1.38 million and P2.93 million as at December 31, .2020 and 2019, respectively, which were recorded under "Due to related parties" in the statement of financial position.

The Organization has not made any payment to its outstanding loan balance to VFI in 2020 and 2019 (see Note 11). On the outstanding balances, foreign exchange gains amounting to P2.84 million and P1.27 million were recognized for the year ended December 31, 2020 and for the period from October 1, 2019 to December 31, 2019, respectively. Outstanding loan balance as at December 31, 2020 and 2019 amounted to P115.96 million and P118.80 million, respectively (see Note 11).

For the year ended December 31, 2020 and for the period from October 1, 2019 to December 31, 2019, the Organization paid service fees to VFI amounting to P11.66 million and P3.19 million, respectively. Outstanding balances, which were recorded under "Due to related parties" in the statement of financial position, amounted to P20.48 million and P8.82 million as at December 31, 2020 and 2019, respectively.

(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 P11.19 million and P2.92 million for the year ended December 31, 2020 and the period from October 1 to December 31, 2019, respectively.

KMP consists of executive officers and department heads.

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

13. Retirement Benefit Assets

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 December 31, 2020, 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 retirement benefit assets in the statement of financial position is as follows:

	FVPA		DBO		Retirement Benefit Assets	
	2020	2019	**2020**	2019	**2020**	2019
Beginning Balance	**P28,280,514**	P27,529,439	**(P22,534,501)**	(P21,340,460)	**P5,746,013**	P6,188,979
Included in Profit or Loss						
Current service cost	-	-	**(4,200,339)**	(928,352)	**(4,200,339)**	(928,352)
Net interest income (cost)	**1,760,462**	342,742	**(1,402,773)**	(265,689)	**357,689**	77,053
	1,760,462	342,742	**(5,603,112)**	(1,194,041)	**(3,842,650)**	(851,299)
Included in Other Comprehensive Income						
Remeasurement gain (loss):						
▪ Financial assumptions	-	-	**1,957,322**	-	**1,957,322**	-
▪ Demographic assumptions	-	-	-	-	-	-
▪ Experience adjustment	-	-	**(49,706)**	-	**(49,706)**	-
▪ Return on plan assets excluding interest income	**(386,321)**	-	-	-	**(386,321)**	-
	(386,321)	-	**1,907,616**	-	**1,521,295**	-
Others						
Contributions to the fund	**1,633,334**	408,333	-	-	**1,633,334**	408,333
Benefits paid	**(287,364)**	-	**287,364**	-	-	-
	1,345,970	408,333	**287,364**	-	**1,633,334**	408,333
Ending Balance	**P31,000,625**	P28,280,514	**(P25,942,633)**	(P22,534,501)	**P5,057,992**	P5,746,013

The Organization recognized retirement and post-employment benefit expense amounting to P3.84 million and P0.85 million for the year ended December 31, 2020 and the period from October 1 to December 31, 2019, respectively. These were presented as part of "Operating costs" and "Administrative costs" account in the statement of activities and other comprehensive income (see Notes 15 and 16).

The Organization's plan assets consist of the following:

	2020	2019
Government debt securities	**P25,165,710**	P25,627,879
Cash and cash equivalents	**5,834,915**	2,652,635
	P31,000,625	P28,280,514

The principal actuarial method and assumptions used to estimate the present value of DBO as at December 31 using the PUC method are as follows:

	2020	2019
Mortality table	**1994 Group Annuity Mortality Table (GAMT)**	1994 GAMT
Disability table	**1952 Disability Table (DT)**	1952 DT
Discount rate	**3.88%**	4.98%
Future salary rate increase	**3.50%**	5.00%

The weighted-average duration of the DBO is 18 years as at December 31, 2020 and 2019.

Maturity analyses of the benefit payments over the period of 10 years as at December 31 is as follows:

	DBO				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**Within 5 - 10 Years**
2020	**P31,000,625**	**P13,423,060**	**P475,426**	**P5,695,475**	**P7,252,159**
2019	P28,280,514	P10,716,821	P -	P4,393,187	P6,323,634

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:

	2020	
	Increase	**Decrease**
Discount rate (1% movement)	**(P4,186,291)**	**P5,255,078**
Future salary rate increase (1% movement)	**5,222,711**	**(4,236,502)**

	2019	
	Increase	Decrease
Discount rate (1% movement)	(P3,775,353)	P4,729,783
Future salary rate increase (1% movement)	4,684,407	(3,785,382)

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 2021.

14. Leases

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 1 to 5 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 Obligation*

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Note	2020	2019
Cost			
As at January 1		**P11,610,500**	P -
Addition		**9,744,516**	11,610,500
Derecognition		**(3,584,491)**	-
As at December 31		**17,770,525**	11,610,500
Accumulated Depreciation			
As at January 1		**2,608,605**	-
Depreciation	*15, 16*	**10,297,496**	2,608,605
Derecognition		**(3,584,491)**	-
As at December 31		**9,321,610**	2,608,605
Carrying Amount		**P8,448,915**	P9,001,895

The carrying amount of right-of-use assets amounted to P8.45 million and P9 million as at December 31, 2020 and 2019, respectively.

When measuring the lease obligation for leases, the Organization discounted the lease payments using its IBR of 7% and 7.50% at December 31, 2020 and 2019, respectively.

Set out below is the carrying amount of the lease obligation and the movements during the period:

	Note	2020	2019
As at January 1		**P8,592,205**	P -
Additions		**10,399,471**	10,908,800
Accretion of interest	*15*	**659,671**	174,552
Payments		**(10,367,817)**	(2,491,147)
As at December 31	*18*	**P9,283,530**	P8,592,205

	Note	2020	2019
Current portion		**P7,026,161**	P6,350,248
Noncurrent portion		**2,257,369**	2,241,957
Total	*18*	**P9,283,530**	P8,592,205

Future undiscounted rental payments are as follows:

	2020	2019
Less than one year	**P7,372,819**	P8,924,894
One to two years	**2,151,000**	2,164,421
Two to three years	**22,000**	432,000
Three to four years	**-**	22,000
	P9,545,819	P11,543,315

Refundable deposit recognized under "prepayments" amounted to P0.96 million and P1.14 million as at December 31, 2020 and 2019, respectively (see Note 6).

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

	2020	2019
Leases under PFRS 16, *Leases*		
Depreciation of right-of-use assets	**P10,297,496**	P2,608,605
Interest on lease obligation	**659,671**	174,552
	P10,957,167	P2,783,157

iii. Amounts Recognized in Statement of Cash Flows

	2020	2019
Total cash outflow for principal and interest on lease obligation	**P10,367,817**	P2,491,147

iv. Extension Options

Some property leases contain extension options exercisable by the Organization up to 1 year before the end of the noncancelable 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.

15. Operating Costs

This account consists of:

	Note	2020	2019
Personnel costs	*13, 15a*	**P135,046,807**	P38,878,826
Impairment losses	*5*	**66,281,862**	4,100,180
Finance costs	*9, 11, 15b*	**20,600,682**	3,218,577
Other operations-related costs:			
Depreciation and amortization	*7,8*	**12,421,844**	894,452
Transportation and other travel expense		**11,499,721**	4,962,303
Utilities		**4,761,734**	1,204,642
Stationaries and office supplies		**2,969,779**	961,736
Taxes and licenses		**2,439,699**	17,688
Communication and postage		**1,607,212**	436,528
Interest expense on lease obligation	*14*	**659,671**	174,552
Trainings, seminars and conferences		**403,237**	193,501
Insurance expense		**8,500**	1,080
Miscellaneous		**1,353,414**	770,508
		P260,054,162	P55,814,572

a. The composition of personnel costs account are as follows:

	2020	2019
Salaries and wages	**P98,018,061**	P25,080,034
Employee benefits	**33,512,852**	13,019,882
Retirement and post-employment benefit expense	**3,515,894**	778,910
	P135,046,807	P38,878,826

Employee 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 SSS, PHIC and HDMF, cost of living allowance, rice allowance and developmental allowance.

b. The composition of finance costs account are as follows:

	2020	2019
Interest and fee expense on borrowings	**P19,880,253**	P3,050,103
Interest expense on microsavings	**720,429**	168,474
	P20,600,682	P3,218,577

16. Administrative Costs

This account consists of:

	Note	2020	2019
Personnel costs	*13, 16a*	**P19,668,996**	P6,030,274
Other administrative expenses:			
Consultancy and professional fees		**12,466,696**	3,330,584
Depreciation and amortization	*7,8*	**2,685,537**	3,066,981
Communication and postage		**1,820,611**	365,219
Taxes and licenses		**1,270,212**	279,125
Utilities		**915,303**	289,764
Insurance expense		**846,952**	213,551
Trainings, seminars and conferences		**759,879**	882,926
Stationaries and office supplies		**232,416**	96,562
Transportation and other travel expense		**226,823**	392,785
Miscellaneous		**815,246**	319,700
		P41,708,671	P15,267,471

a. The composition of personnel costs account are as follows:

	2020	2019
Salaries and wages	**P15,408,694**	P4,207,833
Employee benefits	**3,933,546**	1,750,052
Retirement and post-employment benefit expense	**326,756**	72,389
	P19,668,996	P6,030,274

17. 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 P4.75 million and P1.68 million for the year ended December 31, 2020 and the period from October 1 to December 31, 2019, respectively.

The reconciliation of the income tax expense computed using the 2% preferential rate based on (deficiency) excess of revenue from microfinance activities, interest from deposits and other income over costs and expenses before income tax expense reported in the statement of activities and other comprehensive income is as follows:

	2020	2019
(Deficiency) excess of revenue from microfinance activities, interest from deposits and other income over costs and expenses before income tax expense	**(P54,603,891)**	P17,002,487
Statutory income tax at 2% preferential rate	**(P1,092,078)**	P340,050
Nondeductible expenses	**6,060,078**	1,421,641
Income subject to final tax	**(5,955)**	(1,510)
Nontaxable income	**(216,372)**	(76,718)
	P4,745,673	P1,683,463

18. 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 and cash equivalents (excluding cash on hand), loans and other receivables, rent deposits, microsavings, accounts payable and other current liabilities (excluding provisions and statutory payables under other current liabilities), loans payable and lease obligation 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 client/member or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents (excluding cash on hand), loans and other receivables and rent deposits. For risk management reporting purposes, the Organization considers and consolidates all elements of credit risk exposure (such as individual obligor default risk).

The Organization's Credit Committee have established a credit policy under which client/member is analyzed individually based on defined criteria for qualification and creditworthiness before approval of loan application. The review and analysis are based on information and documents submitted and investigations.

The review and analysis are based on information and documents submitted, which includes external ratings and investigations.

In response to the Coronavirus Disease 2019 (COVID-19) pandemic, the Organization has also been performing more frequent reviews of creditworthiness of the borrowers severely impacted.

ECL Parameters and Methodologies
In compliance with PFRS 9, the Organization developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions. The Organization uses a provision matrix to calculate ECLs for loans and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Organization's historical observed default rates. The Organization will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the financing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Organization's historical credit loss experience and forecast of economic conditions may also not be representative of client/member's actual default in the future.

Significant Increase in Credit Risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Organization considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Organization's historical experience and expert credit assessment and including forward-looking information. A significant increase in credit risk can be measured by comparing the probability of default of the borrower from the initial recognition and the result of the current probability of default.

Other indications may include, among others, indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in principal and/or interest payments, probability that the borrower will enter bankruptcy or other financial reorganization/restructuring, and other observable data indicating measurable decrease in the estimated future cash flows, such as changes in business or economic conditions that correlate with defaults.

Generally, the Organization applies a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days past due.

Incorporation of Forward-looking Information
The Organization incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The key forward-looking economic variable used in each of the economic scenarios for the ECL calculation is GDP.

In response to the impact of COVID-19 pandemic, the Organization revised its economic forecasts used as an input into ECL as at December 31, 2020.

As at December 31, 2020 and 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.

Impairment Losses
An analysis of individually impaired assets by risk grade as at December 31:

	December 31, 2020			
	High	**Standard**	**Substandard**	**Total**
Cash and cash equivalents*	**P114,551,124**	**P -**	**P -**	**P114,551,124**
Loans and other receivables**	**452,025,449**	**9,892,321**	**45,016,874**	**506,934,644**
Rent deposits	**961,641**	**-**	**-**	**961,641**
	P567,538,214	**P9,892,321**	**P45,016,874**	**P622,447,409**

**Excluding cash on hand*

***Excluding advances to officers and employees*

	December 31, 2019			
	High	Standard	Substandard	Total
Cash and cash equivalents*	P79,867,788	P -	P -	P79,867,788
Loans and other receivables**	512,889,744	8,064,392	11,325,094	532,279,230
Rent deposits	1,136,141	-	-	1,136,141
	P589,257,571	P8,064,392	P11,325,094	P613,283,159

**Excluding cash on hand*

***Excluding advances to officers and employees*

The credit grades used in evaluating the credit quality of its financial assets are the following:

a. High grade represents bank deposits, loans and other receivables or deposits which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation. These also include deposits with reputable institutions from where the deposits may be withdrawn and recovered with certainty.
b. Standard grade is neither past due nor impaired loans and with partially secured loan status. The standard grade category includes loans for which collections are probable due to the reputation and the financial ability to pay of the counterparty.
c. Substandard grade includes loans which have risk of default higher than normal. Substandard grade loans are those where the counterparties are expected to be able to service its debt under normal economic and business conditions. Any prolonged economic or business downturn would however ostensibly create liquidity issues for the borrower.

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

2020	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 and cash equivalents*	4	P114,551,124	P114,551,124	P -	P -	P -	P -	P -
Loans and other receivables**	5	506,934,644	452,025,449	1,654,541	1,702,874	2,813,322	3,721,584	45,016,874
Rent deposits		961,641	961,641	-	-	-	-	-
		P622,447,409	P567,538,214	P1,654,541	P1,702,874	P2,813,322	P3,721,584	P45,016,874

Excluding cash on hand

***Excluding advances to officers and employees*

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 and cash equivalents*	4	P79,867,788	P79,867,788	P -	P -	P -	P -	P -
Loans and other receivables**	5	532,279,230	512,889,744	2,357,943	1,404,004	1,487,899	2,814,546	11,325,094
Rent deposits		1,136,141	1,136,141	-	-	-	-	-
		P613,283,159	P593,893,673	P2,357,943	P1,404,004	P1,487,899	P2,814,546	P11,325,094

Excluding cash on hand

***Excluding advances to officers and employees*

On March 25, 2020, the President of the Philippines approved the R.A. No. 11469, Bayanihan to Heal as One Act (Bayanihan 1 Act), which included a provision that required all covered institutions, including the Organization, to implement a one-time 30-day grace period for all loans with principal and/or interest falling due within the enhanced community quarantine period without incurring interest on interest, penalties, fees and other charges. The Organization implemented a longer 45-day grace period from March 16 to April 30, 2020 for its clients/members for all loans due within the enhanced community quarantine without incurring penalties, fees and other charges. Further, the Organization waived the interest due during the grace period for its clients/members.

Subsequently, on September 11, 2020, R.A. No. 11494, Bayanihan to Recover as One Act (Bayanihan 2 Act) was passed and a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees and other charges and thereby extending the maturity of the said loans. The Organization implemented the provision of Bayanihan 2 from October 15 to December 15, 2020.

Based on the Organization's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and thereof do not result in the derecognition of the affected financial assets. The impact of the loan modification including the subsequent accretion of the modified loans is not significant to the Organization's financial statements.

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 December 31, based on contractual undiscounted payments:

December 31, 2020	Note	Total Carrying Value	Contractual Undiscounted Payments			
			Total	On Demand	Less than 1 Year	1 to 5 Years
Microsavings	9	P102,650,448	P102,650,448	P102,650,448	P -	P -
Loans payable*		241,784,529	241,784,529	70,366,515	168,500,323	2,917,691
Lease obligation	14	9,283,530	9,545,819	-	7,372,819	2,173,000
Accounts payable and other current liabilities**	10	14,584,255	14,584,255	14,584,255	-	-
		P368,302,762	P368,565,051	P187,601,218	P175,873,142	P5,090,691

Including future interest payments

** Excluding provisions and statutory payables*

December 31, 2019	Note	Total Carrying Value	Contractual Undiscounted Payments			
			Total	On Demand	Less than 1 Year	1 to 5 Years
Microsavings	9	P77,566,405	P77,566,405	P77,566,405	P -	P -
Loans payable*		235,995,576	235,995,576	-	204,143,713	31,851,864
Lease obligation	14	8,592,205	11,543,315	-	8,924,894	2,618,421
Accounts payable and other current liabilities**	10	22,416,891	22,416,891	22,416,891	-	-
		P344,571,077	P347,522,187	P99,983,296	P213,068,607	P34,470,285

Including future interest payments

** Excluding provisions and statutory payables*

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. Market risk consists of interest rate and foreign exchange 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 other receivables, microsavings 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 as at December 31, 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.

	2020		2019	
Basis Points	+50	-50	+50	-50
General fund	P783,922	(P783,922)	P1,064,171	(P1,064,171)

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 are:

	2020		2019	
	In USD	**In PHP**	In USD	In PHP
Financial Asset				
Cash in banks	**62,940**	**3,022,380**	39,319	1,990,721
Financial Liability				
Loans payable	**(1,583,245)**	**(76,027,451)**	(1,411,656)	(71,472,143)
Net Exposure	**(1,520,305)**	**(73,005,071)**	(1,372,337)	(69,481,422)

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

	2020		2019	
	Average Rate	**Reporting Date Spot Rate**	Average Rate	Reporting Date Spot Rate
USD to PHP	**P49.49**	**P48.02**	P52.86	P50.64

The Organization recognized net foreign exchange gain of P3.84 million and P1.60 million for the year ended December 31, 2020 and for the period from October 1 to December 31, 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, 2020 and 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.

	2020		2019	
	+10%	**-10%**	+10%	-10%
(Deficiency) excess of revenue from microfinance activities, interest from deposits and other income over costs and expenses	**P7,300,507**	**(P7,300,507)**	P6,949,378	(P6,949,378)
Fund balance	**P7,300,507**	**(P7,300,507)**	P6,949,378	(P6,949,378)

Fair Value of Financial Instruments

The carrying amounts of the Organization's financial assets and liabilities (except for loans payable and lease obligation) approximate their fair values due to relatively short-term maturities of these financial instruments.

Loans payable and lease obligation approximate their fair values because they bear interest rates at prevailing market interest rates.

19. 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 December 31, 2020 and 2019.

The total assets and total liabilities ratios of the Organization as at December 31, 2020 and 2019 which have been within the Organization's acceptable range are as follows:

	2020	2019
Total assets	**P604,347,594**	P632,760,296
Total liabilities	**394,921,625**	365,506,058
	1:53:1	1.73:1

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

20. Other Matter - Continuing Impact of COVID-19

The 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, 2020, declared it as a pandemic.

As at the date of the BOT's approval of the financial statements, Tagbilaran City, Bohol is under Modified General Community Quarantine which allows for, among others, normal movements of people provided they continue to wear face masks, maintain social distancing, and observe other necessary health protocols; work in all sectors; organizations can operate at 100% capacity; and resumption of public transportation, among others.

The Organization has assessed that although COVID-19 will not have significant effect on its ability to continue as a going concern, it will still have continuing impact on its operations. The full impact on the Organization will depend on the duration of this unique crisis and how it severely impacts the economy going forward, with a range of potential outcomes too large to provide a meaningful quantification at this point. The Organization however views these abnormalities as temporary as they expect that the operations will recover in a year or two once the vaccine is widely available to the public. The subsequent impact of this outbreak will be determined, quantified and recognized in the Organization's financial statements when these become estimable.

21. Significant Accounting Policies

The Organization has consistently applied the following accounting policies to all periods presented in these financial statements, except for the adoption of the amendments to standards as explained below.

Adoption of Amendments to Standards
The Organization has adopted the following amendments to standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Organization's financial statements.

- *Amendments to References to Conceptual Framework in PFRSs* set 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 Philippine Accounting Standard (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:

  - raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  - including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  - clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  - clarifying the explanatory paragraphs accompanying the definition; and
  - 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.

Financial Instruments

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, loans and other receivables and rent deposits.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and in banks and are stated at face value.

Loans and Other Receivables
Loans and other receivables are nonderivative 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 12 months of the reporting date. Otherwise, these are classified as noncurrent assets.

Loans and other receivables are initially recognized at fair value, representing the original face amount. Loans and other 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; and
- 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.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

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;
- prepayment and extension 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 Nonderivative Financial Assets

At each reporting date, the Organization measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECLs.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Organization is exposed to credit risk.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: 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); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

ECL are discounted at the EIR of the financial asset.

Restructured Financial Assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired Financial Assets
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 180 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 ECL 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.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Organization determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. In addition for loans, the Organization has a policy of writing off the gross carrying amount when the financial asset is more than 180 days past due based on historical experience.

Financial Liabilities
Classification and Subsequent Measurement
Financial liabilities are recognized when the Organization becomes a party to the contractual agreements of the instrument, normally in the period in which the related money, goods or services are received or when a legally enforceable claim against the Organization is established.

The Organization category of financial liabilities consists other financial liabilities only.

Other Financial Liabilities
These include nonderivative liabilities that are not carried at FVTPL and are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost with amortization determined using the EIR method.

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 microsavings, accounts payable and other current liabilities (excluding provisions and statutory payables), loans payable and lease obligation.

Derecognition of Financial Assets and Financial Liabilities
Financial Assets
The Organization derecognizes a financial asset when:

- the contractual rights to receive cash flows from the asset have expired;
- it transfers the rights to receive the contractual cash flows in a transaction in which either:

  (a) has transferred substantially all the risks and rewards of ownership of the financial asset are transferred; or
  (b) has neither transferred nor retained substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

The Organization enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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 presented 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.

Fair Value Measurement
'Fair value' 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 in the principal or, in its absence, the most advantageous market to which the Organization has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Organization measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Organization uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Organization determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Organization measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Organization on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments - e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure - are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Organization recognizes transfers between levels of the fair value hierarchy as of 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 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 12 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 12 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 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
Office equipment	2 - 5
Furniture and fixtures	2 - 5
Transportation equipment	5 - 10
Other equipment	2 - 4
Leasehold improvement	2 - 4

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further charge for depreciation 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 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.

Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and any impairment in value. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition or production. The costs relating to intangible asset acquired are capitalized on the basis of costs incurred to acquire and install the specific software and amortized using the straight-line method of amortization over their lives, ranging from 2 to 4 years. Costs associated with maintaining the intangible assets are expensed as incurred.

Leases

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.

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 obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation 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 obligation.

The lease obligation 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 obligation 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 obligation is measured at amortized cost using the EIR 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 obligation 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.

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 is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Organization and the amount of the revenue can be measured reliably. Revenue measured at the fair value considered received or receivable. The Organization assesses its revenue arrangements against the following criteria in order to determine if it is acting as principal or agent:

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

The Organization has concluded that it is acting as principal in all its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

Revenues within the scope of PFRS 15, *Revenue from Contracts with Customers*:

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.

Fines, Penalties and Surcharges
Fines, penalties and surcharges are recognized only upon collection or accrued when there is reasonable degree of certainty as to their collectability.

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

Revenue outside the scope of PFRS 15:

Interest on Loans
Interest on loans 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.

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.

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 Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2021 and earlier application is permitted; however, the Organization has not early adopted these amendments to standards in preparing these financial statements. The following amendments to standards are not expected to have significant impact on the Organization's financial statements.

To be Adopted January 1, 2022

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of an Organization's ordinary activities, the amendments require the Organization to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the Organization first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRSs 2018-2020. This cycle of improvements contains amendments to the following standards:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

To be Adopted January 1, 2023

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that a right to defer settlement exists only if the Organization complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
  - clarified that settlement of a liability includes transferring the Organization's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

22. Subsequent Event

On 26 March 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. The salient feature of the CREATE Act that is relevant to the Organization is corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5.00 million and with total assets not exceeding P100.00 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

On April 8, 2021, the BIR issued the following implementing revenue regulations (RR) that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by R.A. No. 11534, or the CREATE Act, to the National Internal Revenue Code (NIRC) of 1997, As Amended, Relative to the Final Tax on Certain Passive Income;*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of R.A. No. 11534, Otherwise Known as the CREATE Act, Amending Section 20 of the NIRC of 1997, As Amended;*

- BIR RR No. 4-2021, *Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under R.A. No. 11534, Otherwise Known as the CREATE Act, Which Further Amended the NIRC of 1997, As Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended; and*

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to R.A. No. 11534 or the CREATE Act, Which Further Amended the NIRC of 1997.*

The enactment of the CREATE Act is a non-adjusting subsequent event, thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Act. The corporate income tax of the Organization will be lowered from 30% to 25% for large corporations on which the Organization would qualify, effective July 1, 2020.

The impact of the reduced rates including the other changes brought about by the CREATE Act has no impact in the Organization's financial statements as at December 31, 2020.

23. Supplementary Information Required Under RR 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 basic 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 basic financial statements which were prepared in accordance with PFRSs.

The following is the tax information required for the taxable year ended December 31, 2020:

A. Gross Receipts Tax

Section 5 of RR No. 3-2017 provides that a Microfinance NGOs which have been certified by the SEC to have no derogatory information and are deemed accredited in accordance with Section 2, Rule 11 of the IRR, as Microfinance NGOs for a period of 1 year from the effectivity of R.A. No. 10693, unless sooner revoked, shall be entitled to avail 2% gross receipts tax on its income from microfinance operations in lieu of all national taxes.

The Organization paid gross receipts tax amounting to P6.61 million in 2020.

B. VAT

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

C. Documentary Stamp Tax

Documentary stamp taxes paid by the Organization for the loans it released amounted to P0.83 million in 2020.

D. Withholding Taxes

Final withholding taxes	**P2,127,112**
Tax on compensation and benefits	**1,938,796**
Creditable withholding taxes	**1,181,370**
	P5,247,278

E. All Other Taxes (Local and National)

Other taxes paid during the year recognized as part of "Taxes and licenses" account under "Operating costs" and "Administrative costs" in the Statement of Activities and Other Comprehensive Income	
Licenses and permit fees	**P2,868,331**
BIR annual registration fee	**14,530**
	P2,882,861

F. 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 2 LOAs as at December 31, 2020.

G. Tax Cases

As at December 31, 2020, the Organization has no pending tax cases under preliminary investigation, litigation and/or prosecution in court bodies outside the BIR.