KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

(COPY FOR SEC)

Contents

MOORE Roxas Tabamo & Co.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number
CN200530521

COMPANY NAME

KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION, INC.

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

GROUND FLOOR KCCDFI BUILDING, MCLL HIGHWAY, GUIWAN, ZAMBOANGA CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Foundation's Email Address	Foundation's Telephone Number/s	Mobile Number
kccdfi@gmail.com	(062) 991-9348	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
-	May 15	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MERCEDES G. FAUSTINO	kimjjwyn@yahoo.com	(062) 984-0775	0999-8800-306

CONTACT PERSON'S ADDRESS

Zone 3, Cleofe Boalan, Zamboanga City

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

NOTE 2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: kfi_kccdfi@yahoo.com

Cc: nhette71@yahoo.com

Date: Friday, May 31, 2024 at 10:48 AM GMT+8

Hi KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION INC,

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Transaction Code: **AFS-0-AD65LGDF0B987979AP2QVYRQV0P3SYNT4Q**
Submission Date/Time: **May 31, 2024 10:48 AM**
Company TIN: **006-283-646**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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Kasanyangan Center for Community Development and Microfinance Foundation, Inc.
Ground floor KCCDFI Bldg., MCLL Highway, Guiwan, Zamboanga City, Philippines
Tel. no.: (062) 992-2306

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT & MICROFINANCE FOUNDATION, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the Foundation's financial reporting process.

The Board of Trustees reviews and approves the financial statements and submits the same to the members of the Foundation.

Roxas Tabamo & Co., the independent auditor appointed by the members, has audited the financial statements of the Foundation in accordance with the Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

MR. JOSE T. DELES JR.
Chairman of the Board

MRS. MERCEDES G. FAUSTINO
President

MR. CZARMILSON P. MANZA
Treasurer

Signed this 10th day of May, 2024.

MOORE Roxas Tabamo & Co.

Roxas Tabamo & Co.

2nd Floor ATC Building corner
A. Luna & A. Velez Streets
Cagayan de Oro City 9000, Philippines

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and the Members
Kasanyangan Center for Community Development
and Microfinance Foundation, Inc.
Ground Floor KCCDFI Building, MCLL Highway,
Guiwan, Zamboanga City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Kasanyangan Center for Community Development and Microfinance Foundation, Inc.** (the "Foundation"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in net worth and statements of cash flows for the years then ended, and notes to financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 24 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS TABAMO & CO.

Aljuver R. Gamao
Partner
CPA Certificate No. 0126931
Tax Identification No. 944-910-315
BIR Accreditation No. 08-001682-015-2022, issued on January 5, 2022,
effective until January 4, 2025
PTR No. 2513951, issued on January 5, 2024, Cebu City

May 10, 2024
Cagayan de Oro City

KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	Note	**2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalent	*5*	**₱54,058,591**	₱56,382,729
Loans and other receivables, net	*6*	**197,043,746**	164,882,347
Prepayments and other current assets	*7*	**8,568,432**	8,773,777
Total Current Assets		**259,670,769**	230,038,853
Noncurrent Assets			
Property and equipment, net	*8*	**23,178,266**	22,898,348
Foreclosed properties	*9*	**27,143,989**	27,143,989
Financial asset at FVOCI	*10*	**2,081,000**	1,581,000
Intangible assets, net	*11*	**112,000**	-
Retirement asset	*16*	**-**	1,019,091
Total Noncurrent Assets		**52,515,255**	52,642,428
		₱312,186,024	₱282,681,281

LIABILITIES AND NET WORTH			
Liabilities			
Current Liabilities			
Members' deposits	*12*	**₱112,915,289**	₱102,787,518
Accounts and other payables	*13*	**22,207,357**	14,463,945
Loans payable	*15*	**9,835,714**	1,800,000
Income tax payable	*19*	**764,795**	1,008,919
Other current liabilities	*14*	**20,034,548**	-
Total Current Liabilities		**165,757,703**	120,060,382
Noncurrent Liabilities			
Loans payable, net of current portion	*15*	**69,214,286**	79,050,000
Retirement liability	*16*	**1,213,843**	-
Other noncurrent liabilities	*14*	**20,726,007**	34,952,095
Total Noncurrent Liabilities		**91,154,136**	114,002,095
Total Liabilities		**256,911,839**	234,062,477
Net Worth			
Fund balance	*17*	**51,430,395**	42,567,997
Donated capital	*17*	**6,050,807**	6,050,807
Cumulative remeasurements on defined benefit obligation	*16,17*	**(2,207,017)**	-
Total Net Worth		**55,274,185**	48,618,804
		₱312,186,024	₱282,681,281

See Notes to the Financial Statements.

KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION, INC.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Notes	**2023**	2022
REVENUES FROM OPERATIONS			
Interest income on loans	*6*	**₱130,307,335**	₱120,473,899
Commission income from insurance premiums	*6*	**3,725,392**	2,413,446
		134,032,727	122,887,345
COST OF OPERATIONS	*18*	**123,053,487**	106,696,743
GROSS OPERATING REVENUE		**10,979,240**	16,190,602
NON-OPERATING REVENUE			
Recovery from loan loss		**2,201,343**	1,613,360
Interest income on investments	*5,10*	**1,183,272**	81,000
Membership fee		**494,120**	444,320
Rental income		**206,824**	192,000
Interest income on deposits	*5*	**42,810**	56,501
Capital gains	*8,9*	**-**	5,483,838
Other income		**945,681**	676,560
		5,074,050	8,547,579
NON-OPERATING EXPENSE	*18*	**4,333,002**	6,790,724
NON-OPERATING REVENUE, NET		**741,048**	1,756,855
INCOME BEFORE INCOME TAX		**11,720,288**	17,947,457
INCOME TAX EXPENSE	*19*	**2,857,890**	2,901,005
NET INCOME		**8,862,398**	15,046,452
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss			
Actuarial loss on retirement benefit obligation	*16*	**(2,207,017)**	-
TOTAL COMPREHENSIVE INCOME		**₱6,655,381**	₱15,046,452

See Notes to the Financial Statements.

KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION, INC.

STATEMENTS OF CHANGES IN NET WORTH
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Note	**Fund Balance**	**Donated Capital**	**Cumulative remeasurements on defined benefit obligation**	**Total**
As at January 1, 2023		**₱42,567,997**	**₱6,050,807**	**₱-**	**₱48,618,804**
Net income for the year		**8,862,398**	**-**	**-**	**8,862,398**
Other comprehensive loss for the year	*16*	**-**	-	**(2,207,017)**	**(2,207,017)**
As at December 31, 2023	*17*	**₱51,430,395**	**₱6,050,807**	**(₱2,207,017)**	**₱55,274,185**
As at January 1, 2022		₱27,521,545	₱6,050,807	₱-	₱33,572,352
Net income for the year		15,046,452	-	-	15,046,452
As at December 31, 2022	*17*	₱42,567,997	₱6,050,807	₱-	₱48,618,804

See Notes to the Financial Statements.

KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Notes	**2023**	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱11,720,288**	₱17,947,457
Adjustments for:			
Finance cost	*12,15,18*	**9,047,273**	6,841,005
Recovery from loan loss		**(2,201,343)**	(1,613,360)
Provision for expected credit losses on loans and other receivables	*6,18*	**7,925,891**	5,910,774
Depreciation	*8,18*	**2,908,102**	2,761,129
Provision for retirement	*16*	**2,292,045**	2,333,469
Gain on sale of property and equipment	*8*	**-**	(5,446,800)
Gain on sale of foreclosed properties	*9*	**-**	(37,038)
Operating income before working capital changes		**31,692,256**	28,696,636
Decrease (increase) in:			
Loans and other receivables, net		**(37,885,947)**	(15,545,356)
Prepayments and other current assets		**205,345**	(1,019,314)
Other assets		**1,239,502**	(90,000)
Increase in:			
Members' deposits		**10,127,771**	6,320,472
Accounts and other payables		**7,743,412**	9,685,703
Other liabilities		**5,808,460**	4,575,428
Cash generated from operations		**18,818,799**	32,623,569
Interest paid		**(9,047,273)**	(6,841,005)
Income taxes paid	*19*	**(3,093,014)**	(2,449,847)
Contribution to retirement fund	*16*	**(2,266,128)**	(3,352,560)
Net cash flows provided by operating activities		**4,524,384**	19,980,157
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment, net	*8*	**-**	11,755,412
Acquisitions of property and equipment	*8*	**(4,936,522)**	(1,628,787)
Acquisitions of intangible asset	*11*	**(112,000)**	-
Proceeds from sale of foreclosed properties	*9*	**-**	268,600
Net cash flows provided by (used in) investing activities		**(5,048,522)**	10,395,225
CASH FLOWS USED IN A FINANCING ACTIVITY			
Payments on loans payable	*15*	**(1,800,000)**	(1,800,000)
NET INCREASE (DECREASE) IN CASH		**(2,324,138)**	28,575,382
CASH AT BEGINNING OF YEAR		**56,382,729**	27,807,347
CASH AT END OF YEAR		**₱54,058,591**	₱56,382,729

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. **Reporting Entity**

Kasanyangan Center for Community Development and Microfinance Foundation, Inc. (the "Foundation"), formerly known as KFI Center for Community Development Foundation, Inc., is a non-stock, non-profit organization and registered under the Philippines Securities and Exchange Commission (SEC) on December 1, 2005 with SEC registration no. CN200530521.

Its primary purpose is to provide in favor of the poor direct access to reasonable and affordable credit and related programs and services which shall include, but not be limited to, microfinance, microinsurance, microenterprise development, health care, and micro housing, subject to existing laws and regulations and to provide human development services to help the poor achieve a level of sustainability and empowerment, and adopt measures to promote a spirit of generosity and selfless giving among individuals and institutions that shall help support programs directly involved in poverty eradication.

The Foundation's amended Articles of Incorporation, amending the name of the Foundation, was issued on February 8, 2020.

The Certificate of Accreditation of the Foundation as Microfinance NGO, with an accreditation number of 0011-22, was issued by the Microfinance NGO Regulatory Council on March 28, 2022. The Certificate is valid for three (3) years and is duly accredited for the purpose of availing the 2% preferential tax rate and for other purposes pursuant to Section 20 of Republic Act No. 10693.

The Foundation's registered office address and principal place of business is at Ground Floor KCCDFI Building, MCLL Highway, Guiwan, Zamboanga City.

Approval of the financial statements
The financial statements for the years ended December 31, 2023 and 2022 were approved and authorized for issue by the Board of Trustees on May 10, 2024.

2. **Basis of Preparation**

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

Historical Cost Convention
The financial statements of the Foundation have been prepared on the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value on each reporting date.

Functional and Presentation Currency
The financial statements are presented in Philippine Peso (₱), which is also the functional currency of the Foundation. All values are rounded off to the nearest Peso, except when otherwise indicated.

3. **Material Accounting Policies**

The material accounting policies that have been used in the preparation of the financial statements are set below.

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Foundation adopted effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements* - *Disclosure Initiative - Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates.* The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

New and Amended PFRS Issued but Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2023 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements* - *Classification of Liabilities as Current or Non-current. Non-current Liabilities with Covenants.* The amendments to PAS 1 together impact the classification of liabilities with covenants and any convertible notes that the Group issues with liability classified conversion features. It may impact the classification of some of the Foundation's debts and will require additional disclosure about the effect of the covenants of the Foundation.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Foundation.

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

An asset is current when it is:

(a) expected to be realized or intended to be sold or consumed in the normal operating cycle;

(b) held primarily for the purpose of trading;

(c) expected to be realized within 12 months after the reporting period; or

(d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is:

(a) expected to be settled in the normal operating cycle;

(b) held primarily for trading;

(c) due to be settled within 12 months after the reporting period; or

(d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Foundation classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Assets and Financial Liabilities

Date of Recognition. The Foundation recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Foundation recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Foundation deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Foundation determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Foundation classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Foundation's business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Foundation had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Foundation may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2023 and 2022, the Foundation does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 and 2022, the Foundation's cash and cash equivalents and loans and other receivables, net, are included under this category (see Notes 5 and 6).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

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

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2023 and 2022, the Foundation's financial asset at FVOCI is included in this category (see Note 10).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Foundation having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2023 and 2022, the Foundation's liabilities arising from its members' deposits, accounts and other payables, excluding government liabilities, loans payable, and other liabilities are included under this category (see Notes 12,13,15 and 14).

Reclassification. The Foundation reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets

The Foundation records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Foundation expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For loans and other receivables, the Foundation has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Foundation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Foundation compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

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

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

When the Foundation has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Foundation's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Foundation could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Foundation could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities. Financial assets and financial liabilities are offset and the net amount reported in the statements 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 to 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 gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Foundation; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Foundation does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

<u>Cash and cash equivalents</u>
This includes cash on hand and cash in banks which are stated at amortized cost. Cash are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

<u>Prepayments and other current assets</u>
Prepayments and other current assets represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in the operations or expire with the passage of time.

<u>Property and equipment</u>
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Foundation and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

Components	Estimated useful life (years)
Building and improvements	5-20
Transportation equipment	2-10
Furniture, fixtures and equipment	2-3

The remaining useful lives, residual values and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period of retirement and disposal.

Foreclosed properties

Foreclosed property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Foreclosed property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing foreclosed property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of a foreclosed property. Land is stated at cost less any impairment in value.

Foreclosed property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement and disposal of foreclosed property is recognized in the statements of income in the period of retirement and disposal.

Transfers are made to foreclosed property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from foreclosed property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from foreclosed property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Foundation as an owner-occupied property becomes an foreclosed property, the Foundation accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Non-financial Assets

The carrying amounts of property and equipment and foreclosed property are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of comprehensive income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurements

The Foundation measures certain financial and non-financial assets and liabilities at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Foundation.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Foundation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Foundation determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Foundation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Provisions

Provisions are recognized when: (a) the Foundation has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Fund Balance
Fund balance pertains to the fund which represents the cumulative balance of net income or loss both from operating and non-operating activities.

Donated Capital
This represents the accumulated value of contributions received by the Foundation in the form of cash, equipment, and all other forms of services given by an entity to the Foundation.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Foundation perform its obligations; (b) the Foundation's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Foundation's performance does not create an asset with an alternative use to the Foundation and the Foundation has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Foundation also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Foundation has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Interest income on loans receivable. Interest income on non-discounted receivables is recognized based on the effective interest method, except in case of nonperforming receivables. Interest income on these nonperforming receivables is recognized only upon collections.

Income from insurance premiums commission. Income from insurance premiums commission is recognized when collected and earned. This is deducted from the total amount received by the borrowers.

Interest income on bank deposits. Interest income on bank deposits is recognized as the interest accrues usually on a time proportion basis taking into account the effective yield on the asset or EIR. Interest income earned from bank deposits is presented net of applicable tax withheld by Foundation.

Gains (losses) from sale/derecognition of non-financial assets. Gains (losses) on sale/ derecognition of non-financial assets are recognized when the title of the assets is transferred to the buyer or when collectability of the entire sales is reasonably assured. It is determined as the difference between the net selling price and the carrying amount of the asset, which is recognized in profit or loss in the period of the retirement or disposal.

Miscellaneous income. This includes inspection and filing fees collected relative to the loans released and penalties on past due loans, which are normally recorded at the time these are collected.

Costs and Expenses
Costs and expenses are recognized in the statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in the statements of comprehensive income: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefit or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Costs and expenses are presented using the function of expense method. Costs of services are directly attributable in the rendition of services. Operating expenses are costs attributable to the administrative and other business activities of the Foundation.

Interest expense on members' deposits and loans payable. Interest expense on members' deposits and loans payable are recognized in the statement of comprehensive income when incurred. It is calculated using the effective interest method and, in the case of interest on members' deposits, is credited to the depositors' account regularly.

<u>Employee Benefits</u>

Short-term employee benefits. Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

Retirement benefits. The Foundation's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount, and deducting the fair value of plan assets.

The calculation of defined benefit obligation and valuation of the plan assets is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Foundation, 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.

Remeasurement of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest), if any, and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in the Other Comprehensive Income (OCI). The Foundation determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payment. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

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

The Foundation recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

Termination benefits. Termination benefits are payable when employment is terminated by the Foundation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Compensated absences. Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period.

<u>Taxes</u>

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. The Foundation periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Foundation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the statements of comprehensive income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Foundation has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the financial statements:

Going Concern. PFRS requires the management to make an assessment of the Foundation's ability to continue as a going concern. The Foundation is a going concern unless the management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date.

Management has made an assessment on the Foundation's ability to continue as a going concern and is satisfied that the Foundation has the resources to continue its business operations for the foreseeable future. Moreover, management is not aware of any material uncertainties that may cast significant doubt upon the Foundation's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Classifying Financial Instruments. The Foundation exercises judgments 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 definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The classification of financial assets and financial liabilities is presented in Note 21.

Fair value of financial instruments. Where the fair values of financial assets and liabilities recorded in the financial reporting date cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Disclosures of fair values of the Foundation's financial assets and financial liabilities in a way that permit it to be compared with its carrying amounts are shown in Note 23.

Fair value of RPA classified as foreclosed properties. The Foundation determines the fair value of RPA classified as foreclosed properties through independent and/or in-house appraisers on the basis of recent sales of similar properties in the same area as the foreclosed properties. It also takes into account the economic conditions prevailing at the time the valuations were made as well as the physical condition of the properties.

The carrying amounts of foreclosed properties as at December 31, 2023 and 2022 are disclosed in Note 9.

Classification of properties acquired in settlement of loans. The Foundation classifies its acquired properties as property and equipment if used in operations, as assets held for sale if expected that the properties will be recovered through sale rather than use, as foreclosed properties if intended to be held for capital appreciation or as financial assets if qualified as such.

Estimates and Assumptions
The key estimates and assumptions used in the financial statements are based upon the Foundation's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Allowance for expected credit losses on receivables. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Foundation evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Foundation's relationship with the counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Foundation made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded costs and expenses and decrease current assets.

The carrying values of loans and other receivables as at December 31, 2023 and 2022 amounted to ₱197,043,746 and ₱164,882,347, respectively. Total allowance for credit losses recognized on loans receivable as at December 31, 2023 and 2022 amounted to ₱24,422,966 and ₱27,565,252, respectively (see Note 6).

Estimation of useful lives of property and equipment and intangible assets. The Foundation estimates the useful lives of Foundation's property and equipment and intangible assets based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and intangible assets are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of Foundation premises, furniture, fixtures and equipment would increase recorded operating expenses and decrease noncurrent assets. The estimated useful lives of property and equipment and intangible assets in Note 3 are discussed which showed no changes in 2023 and 2022.

The carrying values of property and equipment, net of accumulated depreciation amounted to ₱23,178,266 and ₱22,898,348 as at December 31, 2023 and 2022, respectively (see Note 8).

As at December 31, 2023 and 2022, the balances of the Foundation's intangible assets amounted to ₱112,000 and nil, respectively (see Note 11).

Impairment of non-financial assets. The Foundation assesses at each financial position date whether there is an indication that the carrying amount of all non-financial assets may be impaired. If any such indications exist, or when annual impairment testing for an asset is required, the Foundation makes an estimate of the asset's recoverable amount. At the financial position date, the Foundation assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Estimation of retirement liability. The cost of defined retirement pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the incremental borrowing rate of the Foundation terms consistent with the expected employee benefit payout as of the financial reporting date.

The Foundation reported retirement asset of ₱1,213,843 and net plan assets of ₱1,019,091 as at December 31, 2023 and 2022, respectively (see Note 16).

Contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Foundation's defense in these matters and is based upon an analysis of potential results. The Foundation is a party to certain lawsuits or claims involving recoveries of sum of money arising from the ordinary course of business. However, the Foundation's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material impact on the Foundation's financial statements. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

5. Cash and Cash Equivalent

This account consists of:

	2023	2022
Cash in banks	**₱43,485,309**	₱55,802,333
Cash equivalent	**10,000,000**	-
Cash on hand	**523,282**	530,396
Petty cash	**50,000**	50,000
	₱54,058,591	₱56,382,729

Cash in banks pertains to funds and other deposits in local currency maintained with banks, primarily to facilitate checks, drafts or other similar payment order collections and other services.

The cash equivalent pertains to a time deposit account which was opened in May 2023 and matured on June 30, 2023 which earns 5.3750% interest. Interest income from the cash equivalent amounted to ₱930,312 in 2023 and is reported as part of “Interest income from investment.” The amount has yet to be withdrawn.

Interest income earned is based on the depository banks’ annual interest rate of 0.05% to 1% in 2023 and 2022. Interest earned on cash in banks amounted to ₱42,810 and ₱56,501 (net of 20% final withholding tax) in 2023 and 2022, respectively.

6. Loans and Other Receivables, Net

Loans and other receivables consist of:

	2023	2022
Loans		
Microfinance	**₱211,160,567**	₱183,441,982
Employees	**7,200**	7,200
	211,167,767	183,449,182
Accounts receivable	**10,298,945**	8,998,417
	221,466,712	192,447,599
Allowance for credit losses		
Loans	**(18,522,028)**	(21,014,345)
Accounts receivable	**(5,900,938)**	(6,550,907)
	(24,422,966)	(27,565,252)
	₱197,043,746	₱164,882,347

Loans

The loans receivable are normally collected within 30 to 180 days in 2023 and 2022. These are secured with hold-out deposits representing 30% of the loan principal. As at December 31, 2023 and 2022, members’ deposits held as collateral of these loans amounted to ₱83,284,800 and ₱81,850,268, respectively (see Note 12).

The details of microfinance loans receivable as to product offered follows:

	2023	2022
Repayable project assistance	**₱188,065,250**	₱159,794,778
Agricultural	**17,583,884**	15,860,944
Housing	**3,946,545**	5,421,400
Restructured	**1,218,816**	2,260,008
Educational	**346,072**	104,852
	₱211,160,567	₱183,441,982

Interest rates on loans ranged from 0.001% to 6% per month in 2023 and 2022. Interest income earned on loans receivable amounted to ₱130,307,335 and ₱120,473,899 in 2023 and 2022, respectively. Commission income on insurance premiums amounted to ₱3,725,392 and ₱2,413,446 in 2023 and 2022, respectively.

The loan status of the Foundation’s loans receivable is as follows:

	2023	2022
Current	**₱191,010,402**	₱167,946,029
Past due	**20,150,165**	15,495,953
	₱211,160,567	₱183,441,982

There were no loans receivable pledged as collateral in both 2023 and 2022.

In accordance with Memorandum Circular No. 3, Series of 2018 of the Microfinance NGO Regulatory Council (MNRC), the aggregate ceiling for total microfinance loans shall comprise at least 65% of the total assets of the Foundation. As of December 31, 2023 and 2022, the total microfinance loans are 67.64% and 65.13%, respectively of the total assets of the Foundation.

Accounts receivable

This receivable account pertains to insurance receivable from CLIMBS Life and General Insurance Cooperative, advances from employees, SSS benefits receivable, and other receivables.

Included in this receivable account are the installment sales of land amounting to ₱1,184,883 sold in 2023 (see Note 8).

Allowance for credit losses

The reconciliation of allowance for credit losses on loans and other receivables follows:

	Note	**2023**	2022
Balance at beginning of year		**₱27,565,252**	₱22,028,312
Provisions	*18*	**7,925,891**	5,910,774
Write-off		**(11,068,177)**	(373,834)
Balance at end of year		**₱24,422,966**	₱27,565,252

7. Prepayments and Other Current Assets

This account consists of:

	2023	2022
Receivable from MBA	**₱2,994,518**	₱5,906,502
Advances to memorial services	**2,150,000**	2,072,000
Receivable from officers	**1,106,508**	-
Information technology subscription	**783,120**	-
Health benefit	**672,672**	431,429
Refundable deposit	**187,289**	162,182
Office supplies	**181,741**	-
Prepaid rent	**159,000**	126,500
Insurance	**48,720**	-
Advances from employees	**-**	7,050
Others	**284,864**	68,114
	₱8,568,432	₱8,773,777

Receivable from MBA

This pertains to receivable from KCCDFI Mutual Benefit Associations (MBA) for members benefits.

Advances to memorial services

This pertains to the advance payments to memorial services for coffins as part of the benefits granted to its clients.

Receivable from officers

This pertains to amounts receivable from the officers of the Foundation.

Information technology subscription

This pertains to the unexpired subscription payment of the software used in the accounting and loan management of the Foundation. The expired subscription amounted to ₱2,928,613 and ₱4,298,290 in 2023 and 2022, respectively (see Note 18).

Health benefit

This pertains to the cost of a health insurance plan with a coverage of 1 year.

Others

This consists of prepayments on utilities, income tax, and advance payments to trainers and supervisors for the training of employees.

8. Property and Equipment, Net

The details of property and equipment follow:

	2023					
	Land	**Building & improvements**	**Transportation equipment**	**Furniture, fixtures & equipment**	**Construction in progress**	**Total**
Cost						
At January 1	**₱9,219,071**	**₱35,717,951**	**₱17,360,038**	**₱11,311,925**	**₱-**	**₱73,608,985**
Additions	**-**	**274,200**	**2,257,518**	**2,350,291**	**54,513**	**4,936,522**
Disposal	**(1,184,883)**	**-**	**-**	**-**	**-**	**(1,184,883)**
Adjustments	**-**	**-**	**(459,823)**	**(103,796)**	**-**	**(563,619)**
At December 31	**8,034,188**	**35,992,151**	**19,157,733**	**13,558,420**	**54,513**	**76,797,005**
Accumulated depreciation						
At January 1	**-**	**25,966,625**	**14,885,286**	**9,858,726**	**-**	**50,710,637**
Depreciation	**-**	**1,137,036**	**540,528**	**1,230,538**	**-**	**2,908,102**
At December 31	**-**	**27,103,661**	**15,425,814**	**11,089,264**	**-**	**53,618,739**
Net book value	**₱8,034,188**	**₱8,888,490**	**₱3,731,919**	**₱2,469,156**	**₱54,513**	**₱23,178,266**

	2022				
	Land	Building & improvements	Transportation equipment	Furniture, fixtures & equipment	Total
Cost					
At January 1	₱15,415,271	₱35,636,826	₱17,343,602	₱9,896,111	₱78,291,810
Additions	-	81,125	16,436	1,531,226	1,628,787
Disposal	(6,196,200)	-	-	-	(6,196,200)
Adjustments	-	-	-	(115,412)	(115,412)
At December 31	9,219,071	35,717,951	17,360,038	11,311,925	73,608,985
Accumulated depreciation					
At January 1	-	24,745,085	14,399,170	8,805,253	47,949,508
Depreciation	-	1,221,540	486,116	1,053,473	2,761,129
At December 31	-	25,966,625	14,885,286	9,858,726	50,710,637
Net book value	₱9,219,071	₱9,751,326	₱2,474,752	₱1,453,199	₱22,898,348

The details and breakdown of the depreciation allocated to operating expenses and administrative expenses are as follows:

	Note	**2023**	2022
Operating expense	*18*	**₱2,179,805**	₱2,020,381
Administrative expense	*18*	**728,297**	740,748
		₱2,908,102	₱2,761,129

In 2023, land with a book value of ₱1,184,883 was sold at cost. The installment sales are included under the “accounts receivable” (see Note 6).

In 2022, land with a carrying amount of ₱6,196,200 was sold through a cash sale with a total proceeds of ₱11,755,412 which resulted to a gain on sale amounting to ₱5,446,800 recorded as part of non-operating income.

Adjustments made to the cost of transportation equipment amounted to ₱459,823 and nil in 2023 and 2022, respectively. Adjustments made to the cost of furniture, fixtures and equipment amounted to ₱103,796 and ₱115,412 in 2023 and 2022, respectively.

Certain parcel of land and building with a carrying amount of ₱5,746,582 were pledged as collateral for the Foundation’s outstanding loans payable as at December 31, 2023 and 2022, respectively (see Note 15).

In accordance with Memorandum Circular No. 3, Series of 2018 of the Microfinance NGO Regulatory Council (MNRC), the aggregate ceiling for total investment in real estate and shares of stock in a real estate development corporation and other real estate based projects should not exceed 25% of the total fund balance of the Foundation. As of December 31, 2023 and 2022, the ratio of foreclosed properties against the total fund balance of the Foundation are 7% and 19%, respectively.

9. Foreclosed Properties

This account consists of real properties, other than those used by the Foundation or held for investment, acquired by the Foundation in settlement of loans through foreclosure or dation in payment and/or for other reasons, whose carrying amount will be recovered principally through a sale transaction. The movements of the account for the period follow:

	2023	2022
At January 1	**₱27,143,989**	₱27,375,550
Disposals	**-**	(231,561)
At December 31	**₱27,143,989**	₱27,143,989

The fair value information of these foreclosed properties as at December 31, 2023 and 2022 were not disclosed herein because the same cannot be reliably determined. Comparable market transactions are infrequent and alternative sources of reliable estimates of fair value are not available.

The Foundation is actively pursuing all its efforts to dispose the foreclosed properties by coordinating with different brokers and providing commission to employees when they are able to facilitate sale of foreclosed properties.

The Foundation sold foreclosed properties with proceeds of ₱268,600 in 2022. There were no foreclosed properties sold in 2023.

Gain on sale amounting to nil and ₱37,038 were recognized in the statements of income as part of non-operating income in 2023 and 2022, respectively.

The Foundation had realized no income from the foreclosed properties other than the gain on sale as at December 31, 2023 and 2022. Moreover, the Foundation incurred no direct operating expenses on the foreclosed properties.

The management believes that there is no indication of impairment on the Foundation's foreclosed properties and that its cost can be recovered through sale.

10. Financial Asset at FVOCI

This account pertains to subscription of 30,000 shares of stock valued at ₱1,500,000 of the RIMANSI Mutual Solutions Insurance Agency, Inc. (RMSI), which are non-assessable.

On July 8, 2022, the Foundation subscribed an additional 1,620 shares of stock valued at ₱81,000.

On June 7, 2023, the Foundation subscribed to an additional 10,000 shares of stock valued at 500,000. The certificate of stock has not yet been issued as of December 31, 2023.

The reconciliation of the movement of this account follows:

	2023	2022
Balance, January 1	**₱1,581,000**	₱1,500,000
Additions	**500,000**	81,000
Balance, December 31	**₱2,081,000**	₱1,581,000

The management estimates that the carrying amount approximates the fair value of the shares of stock.

Interest income arising from the investment amounted to ₱252,960 and ₱81,000 in 2023 and 2022, respectively and is reported as part of "Interest income from investment."

11. **Intangible Assets, Net**

The intangible assets pertain to a computer software system specifically designed to cater to the Foundation's microfinance needs. Details of the intangible assets follow:

	2023	2022
Cost, January 1	**₱3,409,452**	₱3,409,452
Additions	**112,000**	-
Cost, December 31	**3,521,452**	3,409,452
Accumulated amortization		
At January 1 and December 31	**(3,409,452)**	(3,409,452)
Net book value		
At December 31	**₱112,000**	₱-

Fully amortized intangible assets still in use by the Foundation amounted to ₱3,409,452 in both 2023 and 2022.

12. **Members' Deposits**

This account pertains to members' contributions in the form of compulsory and voluntary savings, each earning annual interest of 3% for both 2023 and 2022, computed based on the average daily balance.

The details of this account are as follows:

	Note	2023	2022
Withdrawable		**₱29,630,489**	₱20,937,250
Non-withdrawable	*6*	**83,284,800**	81,850,268
		₱112,915,289	₱102,787,518

The non-withdrawable amount represents the required capital build-up fund from member-borrowers, as condition for securing loans, amounting to 30% of the loan principal. Such amount is held as collateral for the outstanding loan and withdrawable only upon termination of membership (see Note 6).

Interest expense on members' deposit amounted to ₱3,427,410 and ₱3,156,683 in 2023 and 2022, respectively (see Note 18).

13. **Accounts and Other Payables**

This account consists of:

	Note	2023	2022
Accrued expenses		**₱11,015,194**	₱8,101,943
Accounts payable		**8,258,190**	4,210,357
Due to related parties	*20*	**2,933,973**	2,151,645
		₱22,207,357	₱14,463,945

Accrued expenses

These include obligation on staff benefits and government premium contributions.

Accounts payable

This pertains to obligation on insurance premiums to clients, staff benefits, suppliers, claims, payable to MBA, provident funds payable, documentary stamp taxes, and withholding taxes payable.

Due to related parties

These refers to installment payments on accounts under the previous collateralized loan-ILAP to be closed upon full payment/redemption of collaterals (Collaterals were not transferred to the Foundation's name).

14. **Other Liabilities**

Other Current Liabilities

This account consists of:

	2023	2022
KC Club Funds	**₱9,810,564**	₱-
Members' Financial Assistance (KKK)	**6,600,000**	-
Clients' service fund	**3,623,984**	-
	₱20,034,548	₱-

Other Noncurrent Liabilities

This account consists of the following:

	2023	2022
KC Club Funds	**₱9,605,299**	₱17,920,392
Clients' service fund	**4,864,048**	7,763,196
Calamity reserve fund	**2,977,137**	321,833
Staff medical assistance and accidental fund	**1,937,063**	1,484,675
Members' Financial Assistance (KKK)	**1,225,326**	5,294,418
Capability building	**117,134**	-
Unclaimed savings	**-**	2,167,581
	₱20,726,007	₱34,952,095

KC Club Funds
This is a corporate fund which cannot be used for individual purposes but shall be used by the association or for KCC Projects. It is mainly to address the concerns and issues primarily for the marginalized members of the community in the context of empowerment and self–help.

Members' Financial Assistance (KKK)
This fund is provided to financially assist members in case of extraordinary events such as grave accidents or sickness and death.

Clients' service fund
This fund is a specific financial reserve corporate fund aimed at enhancing the overall client experience, ensuring satisfaction, and maintaining high service standards. It includes the following aspects, among others: client support and services, marketing and retention, and operational efficiency.

Calamity reserve fund
This fund is an assistance fund that was established to assist people in cases of calamities and natural disasters.

Staff medical assistance and accidental fund
This fund is an assistance fund for the employees in cases of accidents and injuries.

The maturity profile of the following liabilities are as follows:

KC Club Funds	**2023**	2022
Current	**₱9,810,564**	₱-
Noncurrent	**9,605,299**	17,920,392
	₱19,415,863	₱17,920,392

Members' Financial Assistance (KKK)	**2023**	2022
Current	**₱6,600,000**	₱-
Noncurrent	**1,225,326**	5,294,418
	₱7,825,326	₱5,294,418

Clients' service fund	**2023**	2022
Current	**₱3,623,984**	₱-
Noncurrent	**4,864,048**	7,763,196
	₱8,488,032	₱7,763,196

15. Loans Payable

On March 31, 2021, loans amounting to ₱84,000,000 from LBP have been restructured. The loan consists of ₱75,000,000 principal and ₱9,000,000 capitalized interest and other charges. This loan is payable quarterly until March 31, 2031.

The movements of loans payable follow:

	2023	2022
At January 1	**₱80,850,000**	₱82,650,000
Payments	**(1,800,000)**	(1,800,000)
	₱79,050,000	₱80,850,000

The maturity profile of the Foundation's loans payable follows:

	2023	2022
Current	**₱9,835,714**	₱1,800,000
Noncurrent	**69,214,286**	79,050,000
	₱79,050,000	₱80,850,000

Interest expense on loans payable amounted to ₱5,619,863 and ₱3,684,322 in 2023 and 2022, respectively, with annual interest rate of 5% in 2023 and 2022 (see Note 18).

Certain parcel of land and building with a total carrying amount of ₱5,746,582 were pledged as security for the Foundation's outstanding loans payable in 2023 and 2022, respectively (see Note 8).

16. **Retirement Plan**

The retirement plan is a contributory and of the defined contribution type. The Plan provides a retirement benefit equal to the whole amount of an employee's contribution and the corresponding contribution of the Foundation plus the employee's share in the general reserve fund computed as the pro-rata share of the employee's account credits, to include the employee's and the Foundation's contribution – to the total contributions of both members and Foundation to the Fund as of the end of the month previous to his/her retirement. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the retirement plan.

The latest actuarial valuation report performed by independent actuary as at December 31, 2023 was dated May 3, 2024.

The previous actuarial valuation report performed by the independent actuary as at December 31, 2022 was dated April 14, 2023.

In 2021, the Foundation provides retirement benefits to its employees based on the requirement of R.A. 7641. Annual provision for retirement is recognized equal to 1-month salary received by the employees.

Reconciliation of defined benefit obligation and fair value of plan assets as at and for the years ended December 31, 2023 and 2022 follows:

	Defined benefit obligation		Fair value of plan assets		Net defined plan (asset) liability	
	2023	2022	**2023**	2022	**2023**	2022
Balance, January 1	**₱2,333,469**	₱-	**(₱3,352,560)**	₱-	**(₱1,019,091)**	₱-
Benefits paid	**(161,422)**	-	**161,422**	-	**-**	-
Contributions to the fund	**-**	-	**(2,266,128)**	(3,352,560)	**(2,266,128)**	(3,352,560)
	2,172,047	-	**(5,457,266)**	(3,352,560)	**(3,285,219)**	(3,352,560)
Service cost – current	**2,266,128**	-	**-**	-	**2,266,128**	-
Service cost – past	**-**	2,333,469	**-**	-	**-**	2,333,469
Interest cost (income)	**322,928**	-	**(297,011)**	-	**25,917**	-
Included in profit or loss	**2,589,056**	2,333,469	**(297,011)**	-	**2,292,045**	2,333,469
Remeasurement loss (gain)						
(a) Actuarial loss (gain) from:						
Financial assumption	**3,420,702**	-	**-**	-	**3,420,702**	-
Demographic assumption	**(358,758)**	-	**-**	-	**(358,758)**	-
Adjustments due to experience	**7,499,450**	-	**-**	-	**7,499,450**	-
(b) Return on plan assets (excluding interest)	**-**	-	**(8,354,377)**	-	**(8,354,377)**	-
Included in OCI	**10,561,394**	-	**(8,354,377)**	-	**2,207,017**	**-**
Balance, December 31	**₱15,322,497**	₱2,333,469	**(₱14,108,654)**	(₱3,352,560)	**₱1,213,843**	(₱1,019,091)
Represented by:						
Present value of DBO					**₱15,322,497**	₱2,333,469
Fair value of plan asset					**(14,108,654)**	(3,352,560)
					₱1,213,843	(₱1,019,091)

The reconciliation of the cumulative remeasurement loss is as follows:

	2023	2022
Balance, January 1	**₱-**	₱-
Remeasurement loss due to defined benefit obligation	**(2,207,017)**	-
	(₱2,207,017)	**₱-**

The breakdown of the provision for retirement are as follows:

	Note	**2023**	2022
Operating expense	*18*	**₱1,974,250**	₱1,633,428
Administrative expense	*18*	**317,795**	700,041
		₱2,292,045	₱2,333,469

The allocation of the plan assets of the Foundation is as follows:

	2023	**%**	2022	%
Cash and cash equivalents	**₱7,006,358**	**49.66%**	₱1,781,550	53.14%
Loans	**3,916,562**	**27.76%**	852,556	25.43%
Other - accrued receivables (net of payables), etc.	**3,185,734**	**22.58%**	718,454	21.43%
	₱14,108,654	**100.00%**	₱3,352,560	100.00%

The retirement trust fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the retirement plan trustee may make changes at any time.

The principal annual actuarial assumptions used in determining the retirement benefit obligation follow:

	2023	2022
Discount rate	**6.12%**	7.50%
Future salary increase	**10.00%**	5.00%
Average expected future service years	**35.40 years**	35.47 years

The sensitivity analysis below had been determined based on the reasonably possible changes in the significant assumption on the retirement benefit obligation as at December 31, 2023 and 2022, assuming if all other assumptions were held constant:

	2023	2022
Discount rate + 100bps	**(₱687,216)**	(₱264,074)
Discount rate - 100bps	**991,800**	310,021
Salary increase rate + 100bps	**943,155**	289,812
Salary increase rate – 100bps	**(676,309)**	(252,451)
No attrition rates	**12,164,246**	-

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
Less than 1 year	**₱27,747**	₱-
More than 1 to 3 years	**94,166**	96,880
More than 3 years	**1,469,360**	1,494,393
	₱1,591,273	₱1,591,273

There are no unusual or significant risks to which the retirement plan exposes the Foundation. However, in the event a benefit claim arises under the retirement plan and the retirement fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Foundation to the retirement fund.

17. Net Worth

Fund balance

This pertains to accumulated fund retained by the Foundation since inception amounting to ₱51,430,395 and ₱42,567,997 as at December 31, 2023 and 2022, respectively.

Donated capital

This pertains to the accumulated balance of the donations received by the Foundation which amounted to ₱6,050,807 as at 2023 and 2022, respectively.

Cumulative remeasurement losses on defined benefit obligation

This pertains to the accumulated balance of the actuarial losses of the retirement asset of the Foundation which amounted to ₱2,207,017 and nil as at 2023 and 2022, respectively (see Note 16).

18. Cost of Operations, Administrative Expenses and Finance Costs

The components of the Foundation's operating and administrative expenses follows:

	Note	**2023**	2022
Cost of operations			
Compensation and other benefits		**₱41,324,834**	₱45,955,978
Transportation and travel		**12,431,412**	9,441,406
Provision for credit losses	*6*	**7,925,891**	5,910,774
Communications, light and water		**7,276,388**	783,029
Taxes and licenses		**3,263,981**	2,972,919
Meetings and conferences		**3,147,833**	2,199,619
Meal		**3,019,653**	2,810,515
Information technology subscription	*7*	**2,928,613**	4,298,290
Office rental		**2,264,401**	2,089,329
Office supplies		**2,231,098**	2,335,490
Depreciation	*8*	**2,179,805**	2,020,381
Provision for retirement	*16*	**1,974,250**	1,633,428
Community development expense		**1,971,718**	820,878
Vehicle expense		**1,279,073**	1,231,745
Security services		**546,065**	462,309
Repairs and maintenance		**247,978**	229,982
Insurance		**208,417**	38,607
Representation		**139,085**	80,227
Advertising		**78,300**	57,780
Dues and subscriptions		**38,832**	42,025
Donations		**38,451**	92,225
Miscellaneous		**6,538,399**	4,095,183
		₱101,054,477	₱89,602,119

Miscellaneous expense includes trainings and activities, land scaping and groundskeeping, social performance management expenses, clients' incentives, recruitment and hiring, printing and reproduction, membership payments, and professional fees.

	Note	**2023**	2022
Administrative			
Trainings and seminars		**₱4,657,332**	₱3,925,658
Compensation and other benefits		**4,056,828**	5,365,226
Meetings, conferences, events and activities		**3,330,170**	3,308,804
Communications, light and water		**2,054,998**	1,018,674
Meals		**938,805**	895,920
Depreciation	*8*	**728,297**	740,748
Provision for retirement	*16*	**317,795**	700,041
Repairs and maintenance		**223,851**	403,005
Transportation and travel		**76,181**	376,593
Insurance		**58,817**	49,824
Office supplies		**46,852**	195,841
Representation		**-**	28,554
Miscellaneous		**794,813**	35,455
		17,284,739	17,044,343
Total operating and administrative expenses		**₱118,339,216**	₱106,646,462

Miscellaneous expenses include postage and delivery, recruitment and hiring, groceries and capability building expenses.

Finance costs consist of:

	Note	2023	2022
Interest expense on loans payable	*15*	**₱5,619,863**	₱3,684,322
Interest expense on members' deposit	*12*	**3,427,410**	3,156,683
		₱9,047,273	₱6,841,005

Breakdown on cost of operations and non-operating expenses:

	December 31, 2023		
	Cost of operations	**Non-operating expenses**	**Total**
Operating and administrative expenses	**₱114,211,204**	**₱4,128,012**	**₱118,339,216**
Finance costs	**8,842,283**	**204,990**	**9,047,273**
	₱123,053,487	**₱4,333,002**	**₱127,386,489**

	December 31, 2022		
	Cost of operations	Non-operating expenses	Total
Operating and administrative expenses	₱100,095,340	₱6,551,122	₱106,646,462
Finance costs	6,601,403	239,602	6,841,005
	₱106,696,743	₱6,790,724	₱113,487,467

19. **Income Taxes**

Under Section 20 of Republic Act (RA) No. 10693, otherwise known as the "Microfinance NGOs Act", as implemented by Revenue Regulation (RR) No 3-2017 of the Bureau of Internal Revenue (BIR), the Foundation is subject to the preferential tax rate of 2% based on its gross receipts from microfinance operations, as defined in RR No. 3-2017. All other income by the Foundation which are not generated from the lending activities and insurance commissions are subject to all applicable taxes such as 25% regular corporate income tax (RCIT) and 20% final tax on interest income from government securities and other deposit substitutes. Interest allowed as a deductible expense is reduced by an amount equivalent to 20% of interest income subjected to 20% final tax.

(a) The component of income tax expense amounted to ₱2,680,655 and ₱2,457,747 under preferential tax rate and ₱177,235 and ₱443,258 under regular corporate income tax rate for 2023 and 2022, respectively.

The current provision for statutory income tax in 2023 and 2022 represents the 2% preferential tax based on gross receipts from the microfinance operations, and 25% of regular corporate tax from the taxable non-operating income of the Foundation.

(b) The reconciliation between the statutory income tax rate on income before income tax and the Foundation's effective income tax rate is as follows:

	2023	2022
Income tax on microfinance operations		
Gross receipts	**₱134,032,727**	₱122,887,346
Preferential tax rate	**2%**	2%
Tax expense	**2,680,655**	2,457,747
Income tax on other income at statutory income tax rate of 25%		
Income before tax	**741,048**	1,756,855
RCIT rate	**25%**	25%
Tax expense at RCIT rate	**185,262**	439,214
Add (Deduct) tax effect of:		
Interest expense limitation	**2,675**	3,531
Non-deductible expenses	**—**	14,638
Income subject to final tax	**(10,702)**	(14,125)
Tax expense	**177,235**	443,258
Total tax expense	**₱2,857,890**	₱2,901,005

(c) The reconciliation of the income tax payable for the period follows:

	2023	2022
Balance at beginning of year	**₱1,008,919**	₱566,761
Provisions	**2,857,890**	2,901,005
Payments	**(3,093,014)**	(2,449,847)
Creditable withholding taxes applied	**(9,000)**	(9,000)
Balance at end of year	**₱764,795**	₱1,008,919

Unrecognized deferred tax asset include the deferred tax effect of the actuarial loss on retirement benefit obligation amounting to ₱551,754 and nil for 2023 and 2022, respectively.

20. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the ordinary course of its operations, the Foundation transacts directly or indirectly with its related parties as described below.

Related Parties	**Relationship**	**Accounts**	**Nature of consideration to be provided upon settlement**
Key management personnel	Related Interest	Loans receivables	Cash
	Related Interest	Accounts and other payables	Cash
Other related parties	Related Interest	Loans receivables	Cash
	Related Interest	Accounts and other payables	Cash

Significant Transactions with Related Parties

The following are the transactions with related parties and the outstanding balances as at December 31:

	Year	**Accounts and Other Payables (see Note 13)**	**Terms**	**Conditions**
Key management personnel	**2023**	**₱115,000**	On demand; 1.5% to 2% per month	Unsecured; no impairment
Other related parties		**2,818,973**	On demand; Non-interest bearing	Unsecured; no impairment
		₱2,933,973		
Key management personnel	2022	₱175,000	On demand; 1.5% to 2% per month	Unsecured; no impairment
Other related parties		1,976,645	On demand; Non-interest bearing	Unsecured; no impairment
		₱2,151,645		

Related party transactions are not offset for monitoring purposes.

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

Compensation includes all benefits constituting all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. Short-term employee benefits include wages, salaries and social security contributions, paid annual leave and paid sick leave.

Key management compensation amounted to ₱9,207,294 and ₱8,195,622 for the years ended December 31, 2023 and 2022, respectively. These are composed of short term benefits.

21. Financial Risk Management Objectives and Policies

Risk is inherent in the Foundation's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Foundation's continuing profitability and each individual within the Foundation is accountable for the risk exposures relating to his or her responsibilities.

The Foundation has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Credit Risk
Credit risk refers to the risk that a counterparty will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Foundation.

The Foundation drives credit risk management fundamentally via its credit policies which are regularly reviewed and updated to reflect changing risk conditions. The credit policies include the Foundation's credit structure, target markets, and credit evaluation, administration, monitoring and collection guidelines. Moreover, the Foundation monitors credit exposures, and continually assesses the creditworthiness of borrowers. It also obtains sufficient security, enters into collateral arrangements, and limits the duration of exposures, where appropriate.

The Foundation's maximum exposure to credit risk before collateral held or other credit enhancements as at December 31 follows:

	Note	**2023**	2022
Cash in banks*	*5*	**₱39,485,309**	₱52,302,333
Loans and Other Receivables	*6*	**221,466,712**	192,447,599
Financial Assets at FVOCI	*10*	**2,081,000**	1,581,000
		₱263,033,021	₱246,330,932

**excludes PDIC insurance amounting to 4,000,000 for 2023 and 3,500,000 for 2022.*

The credit quality of financial assets is determined based on the Foundation's historical experience with the corresponding parties as follows:

Cash in banks – based on the nature of the counterparty and the Foundation's internal rating system. The counterparty has the apparent ability to satisfy its obligation, thus, there is a high probability of collection.

Loans and other receivables – high grade and low risk accounts are neither past due nor impaired accounts which are fully secured by collateral and with good loan collection status. Standard grade and medium risk accounts are neither past due nor impaired accounts and are partially secured. Substandard grade pertains to either secured or clean loans with history of default payments.

Financial assets at FVOCI – the counterparty has the apparent ability to satisfy its obligation with least likelihood of default.

The table below shows the credit quality by class of financial assets (gross of allowance for expected credit losses) as at December 31, 2023 and 2022:

		December 31, 2023								
		Neither past due nor impaired				Past due but not impaired				
	Note	**Total**	**High grade**	**Standard grade**	**Substandard grade**	**Less than 30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Impaired**
Financial assets at amortized cost										
Cash in banks*	***5***	**₱39,485,309**	**₱39,485,309**	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**
Loan and other receivables	***6***	**221,466,712**	**-**	**-**	**198,382,228**	**1,697,408**	**1,068,801**	**1,205,309**	**-**	**19,112,966**
Financial Assets at OCI	***10***	**2,081,000**	**2,081,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		₱263,033,021	**₱41,566,309**	**₱-**	**₱198,382,228**	**₱1,697,408**	**₱1,068,801**	**₱1,205,309**	**₱-**	**₱19,112,966**

**Excluding amounts covered by PDIC insurance.*

		December 31, 2022								
		Neither past due nor impaired				Past due but not impaired				
	Note	Total	High grade	Standard grade	Substandard grade	Less than 30 days	31-60 days	61-90 days	Over 90 days	Impaired
Financial assets at amortized cost										
Cash in banks*	*5*	₱52,302,333	₱52,302,333	₱-	₱-	₱-	₱-	₱-	₱-	₱-
Loan and other receivables	*6*	192,447,599	-	-	165,172,615	2,829,141	516,478	471,422	-	23,457,943
Financial Assets at OCI	*10*	1,581,000	1,581,000	-	-	-	-	-	-	-
		₱246,330,932	₱53,883,333	₱-	₱165,172,615	₱2,829,141	₱516,478	₱471,422	₱-	₱23,457,943

**Excluding amounts covered by PDIC insurance.*

Liquidity Risk
Liquidity risk refers to the risk that the Foundation will not be able to meet its financial obligations as they fall due.

The Foundation seeks to manage its liquidity profile to be able to finance its operations, capital expenditures and deposit liability withdrawal requirements. To cover its financing requirements, the Foundation intends to use internally generated funds and to maintain credit facility with certain creditors.

The table below summarizes the maturity profile of financial instruments based on its contractual undiscounted cash flows. The maturity grouping of financial liabilities is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Foundation can be required to pay.

		December 31, 2023					
	Note	**Total**	**On demand**	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**
Financial assets							
Cash in banks*	*5*	**₱39,485,309**	**₱39,485,309**	**₱-**	**₱-**	**₱-**	**₱-**
Loan and other receivables	*6*	**221,466,712**	**15,781,089**	**201,939,005**	**3,746,618**	**-**	**-**
Financial Assets at FVOCI	*10*	**2,081,000**	**2,081,000**	**-**	**-**	**-**	**-**
		₱263,033,021	**₱57,347,398**	**₱201,939,005**	**₱3,746,618**	**₱-**	**₱-**

**Excluding amounts covered by PDIC insurance.*

Financial liabilities							
Members' Deposit	*12*	**₱112,915,289**	**₱112,915,289**	**₱-**	**₱-**	**₱-**	**₱-**
Loans Payable	*15*	**79,050,000**	**-**	**450,000**	**9,385,714**	**45,107,143**	**24,107,143**
Accounts and Other payables*	*13*	**20,295,652**	**20,295,652**	**-**	**-**	**-**	**-**
Other Current Liabilities	*14*	**20,034,548**	**20,034,548**	**-**	**-**	**-**	**-**
Other Noncurrent Liabilities	*14*	**20,726,007**	**-**	**-**	**-**	**15,811,807**	**4,914,200**
		253,021,496	**153,245,489**	**450,000**	**9,385,714**	**60,918,950**	**29,021,343**
Net financial asset (liability)		**₱10,011,525**	**(₱95,898,091)**	**₱201,489,005**	**(₱5,639,096)**	**(₱60,918,950)**	**(₱29,021,343)**

**Excluding government liabilities amounting to ₱1,911,704*

		December 31, 2022					
	Note	Total	On demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets							
Cash in banks*	*5*	₱52,302,333	₱52,302,333	₱-	₱-	₱-	₱-
Loan and other receivables	*6*	192,447,599	24,445,843	60,291,594	107,710,162	-	-
Financial Assets at FVOCI	*10*	1,581,000	1,581,000	-	-	-	-
		₱246,330,932	₱78,329,176	₱60,291,594	₱107,710,162	₱-	₱-

**Excluding amounts covered by PDIC insurance.*

Financial liabilities							
Members' Deposit	*12*	₱102,787,518	₱102,787,518	₱-	₱-	₱-	₱-
Loans Payable	*15*	80,850,000	-	450,000	1,350,000	46,028,571	33,021,429
Accounts and Other payables*	*13*	12,286,848	12,286,848	-	-	-	-
Other Noncurrent Liabilities	*14*	34,952,095	-	-	-	30,978,006	3,974,089
		230,876,461	115,074,366	450,000	1,350,000	77,006,577	36,995,518
Net financial asset (liability)		₱15,454,471	(₱36,745,190)	₱59,841,594	₱106,360,162	(₱77,006,577)	(₱36,995,518)

**Excluding government liabilities amounting to ₱2,177,098.*

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

The Foundation is subject to certain market risks, including risks from changes in interest rates and currency exchange rates. There has been no change on the Foundation's exposure to market risks or the manner in which it manages and measures the risk.

Foreign Currency Risk

Currency risk arises when transactions are denominated in foreign currencies.

The Foundation is not exposed to significant foreign currency risk given that financial assets and liabilities are denominated in the Foundation's functional currency.

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Cash flow interest rate risk exposure, particularly on the Foundation's loans and receivables is managed within parameters approved by the management. Currently, loans and deposit products had been offered at the approved fixed interest rates, which some are collected in advance for loans and paid when due for deposits.

22. Capital Management

The primary objective of the Foundation's capital management is to ensure the ability of the Foundation to have sufficient capital to underpin the Foundation's risk-taking activities, and continue as a going concern and maintain a strong credit rating.

The BOT has the overall responsibility for monitoring the Foundation's capital structure and making the necessary adjustments to address the risks and adapt to changes in economic conditions and regulatory requirements.

23. Fair Value Measurements

The table below presents a comparison by category of carrying amounts and fair values of the Foundation's financial instruments as at December 31, 2023 and 2022:

		December 31, 2023		December 31, 2022	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets					
Cash in banks*	*5*	**₱39,485,309**	**₱39,485,309**	₱52,302,333	₱52,302,333
Loans and Other Receivables	*6*	**197,043,746**	**197,043,746**	164,882,347	164,882,347
Financial Assets at FVOCI	*10*	**2,081,000**	**2,081,000**	1,581,000	1,581,000
		₱238,610,055	**₱238,610,055**	₱218,765,680	₱218,765,680

**Excluding amounts covered by PDIC insurance.*

Financial liabilities					
Members' Deposit	*12*	**₱112,915,289**	**₱112,915,289**	₱102,787,518	₱102,787,518
Loans Payable	*15*	**79,050,000**	**78,810,700**	80,850,000	78,810,700
Accounts and Other payables*	*13*	**20,295,652**	**20,295,652**	12,286,848	12,286,848
Other Current Liabilities	*14*	**20,034,548**	**20,034,548**	-	-
Other Noncurrent Liabilities	*14*	**20,726,007**	**20,726,007**	34,952,095	34,952,095
		₱253,021,496	**₱252,782,196**	₱230,876,461	₱228,837,161

**Excluding government liabilities amounting to* ₱1,911,704 *and ₱2,177,098 in 2023 and 2022, respectively*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash, financial assets at FVOCI, members' deposit, accounts and other liabilities - Carrying amounts approximate its fair values in view of the relatively short-term maturities of these financial instruments.

Loans and receivables - Fair values of the Foundation's loans and receivables are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans. Where the instrument re-prices on a quarterly basis or has a relatively short maturity, the carrying amounts approximated fair value.

Items of income, expense, gains or losses recognized with respect to financial assets and financial liabilities in the statements of comprehensive income follows:

	Note	**2023**	2022
Total interest income on financial assets measured at amortized cost			
Loans and Other Receivable	*6*	**₱130,307,335**	₱120,473,899
Cash and Cash equivalents	*5*	**973,122**	56,501
Financial Asset at FVOCI	*10*	**252,960**	-
		₱131,533,417	120,530,400
Total interest expense on financial liabilities measured at amortized cost			
Loans Payable	*15,18*	**₱5,619,863**	₱3,684,322
Members' Deposit	*12,18*	**3,427,410**	3,156,683
		₱9,047,273	₱6,841,005
Provision for probable losses			
Loans Receivable, Net	*6,18*	**₱7,925,891**	₱5,910,774

The Foundation had no financial instruments, other assets or liabilities with non-recurring fair value measurements or with fair values disclosed fall under levels 1 and 3 category as at December 31, 2023 and 2022. There were no transfers from and out of level 2 to other category levels during the year.

The fair values of the foreclosed properties are yet to be determined by the Foundation as at December 31, 2023 and 2022.

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

A. Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements and tax returns.

Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

a. Value added tax (VAT)

The Foundation is a non-VAT registered company engaged in microfinancing, input VAT arising from various purchases were directly charged by the Foundation as cost and expense pursuant to Republic Act No. 9337.

b. Documentary stamp tax (DST)

The DST paid/accrued on loan instruments amounted to ₱2,595,518 based on the loan releases during the year amounting to ₱315,616,363.

c. Other taxes and licenses

The amount of other taxes and licenses paid and accrued for the year amounted to:

Nature of tax	**Amount**
Local	
Business permit	**₱79,455**
Real property tax	**87,515**
National	
BIR registration and other payments	**9,500**
	₱176,470

d. Withholding taxes

The amount of withholding taxes paid/accrued for the year amounted to:

Nature of withholding tax	**Amount**
Withholding tax on compensation	**₱434,656**
Expanded withholding tax	**418,243**
	₱852,899

e. Deficiency tax assessment and tax cases

A Letter of Authority (LOA) was received by the Foundation on March 24, 2023 to examine the books of accounts and other accounting records covering the taxable year 2021.

A Notice of Discrepancy (NOD) was received afterwards by the Foundation on February 7, 2024. Details of the deficiencies are as follows:

Tax type	**Amount**
Percentage tax	**₱3,383,523**
Withholding tax - expanded	**152,880**
Annual registration fee	**16,308**
	₱3,552,711

B. Revenue Regulation (RR) No. 34-2020

BIR issued Revenue Regulations (RR) No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents. Section 2 of the RR enumerated the taxpayers required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Foundation is not covered under Section 2 of the RR 34-2020, hence the requirements and procedures for related party transactions provided under the said RR is not applicable.

NSPO Form-1

SWORN STATEMENT

We, **MERCEDES G. FAUSTINO** and **JANETTE G. PEJANA**, President and Comptroller, respectively of **KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION, INC.** with address at KCCDFI Building, MCLL Highway, Guiwan, Zamboanga City, hereby depose and state that:

In compliance with the Revised SRC Rule 68, we are stating the following information that related to the preceding year December 31, 2023, to wit:

Documents/Schedules to the Audited Financial Statements as of December 31, 2023	**NSPO Forms**	**Check if Applicable**
1. Affidavit of Willingness to be Audited by the Commission	**NSPO Form- 2**	✓
2. Schedule of Receipts or Income or Sources of Funds Other Than Contributions and Donations	**NSPO Form- 3**	✓
3. Schedule of Contributions and Donations	**NSPO Form- 4**	
4. Schedule of Application of Funds	**NSPO Form- 5**	
5. Certificate of Existence of Program/Activity (COEP)		
6. COEP issued by Heads/Officers of private institution or actual beneficiaries/recipients of the program/activity shall be allowed in lieu of COEP issued by the government offices/entities		

We hereby certify that this Sworn Statement with duly attached documents/schedules is executed to attest to the truth of the foregoing and for whatever legal purpose it may serve.

In witness thereof, we have hereunto affixed our signature this APR 29 2024 day of __________, 2024 at Zamboanga City, Philippines.

MERCEDES G. FAUSTINO
President / Chief Executive Officer

JANETTE G. PEJANA
Comptroller / Chief Finance Officer

Subscribed and sworn to before me, a Notary Public for and in Zamboanga City City on APR 29 2024 affiants personally, exhibiting their respective competent evidence of Identification Card ________ issued at ________ issued on ________.

NOTARY PUBLIC

ATTY. MANUEL M. WEE SIT IV
Notary Public for Zamboanga City
Notarial Commission No.: 2023-301
Commissioned 29 December 2023, ending 31 December 2025
Wee Sit Rubio and Associates Co.,
2nd Fl., Astoria Printing Building,
Mayor Jaldon St., Zone II, Zamboanga City
PTR No.: 2781631, 29 December 2023, Zamboanga City
IBP O.R. No.: 390662, 03 January 2024, ZAMBASULTA
Roll of Attorneys No.: 56263
MCLE Compliance No.: VIII-0001537; valid until 14 April 2028

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Series of 2024

NSPO Form-2

REPUBLIC OF THE PHILIPPINES)
CITY OF ZAMBOANGA) S.S.

AFFIDAVIT OF WILLINGNESS TO BE AUDITED BY THE COMMISSION

I, **JANETTE G. PEJANA,** of legal age, Filipino and resident of Zamboanga City, Zamboanga del Sur after having been sworn to in accordance with law hereby depose and state:

I am the Comptroller/Chief Financial Officer of **KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION, INC.,** a non-stock non-profit organization registered with the Securities and Exchange Commission.

That I, as authorized by the Board of Trustees of the corporation, hereby manifest its willingness to be audited by the Commission upon its Orders and Authority for the purpose of determining compliance of the corporation with existing laws and regulations.

That this affidavit is executed to attest to the truth and of the foregoing and for whatever legal purpose and intent it may serve.

In witness thereof, we have hereunto affixed our signature this ______ day of APR 29 2024 2024 at Zamboanga City, Zamboanga del Sur, Philippines.

JANETTE G. PEJANA
Affiant
(Signature over printed name)

SUBSCRIBED AND SWORN to before me this APR 29 2024, affiant exhibiting to me his ______________________ issued on ______________ at ______________ as competent evidence of identity.

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Book No. CXIV
Series of 2024

ATTY. MANUEL M. WEE SIT IV
Notary Public for Zamboanga City
Notarial Commission No.: 2023-301
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Roll of Attorneys No.: 56263
MCLE Compliance No.: VIII-0001537; valid until 14 April 2028

NSPO Form-3

SCHEDULE OF RECEIPTS OR INCOME OR SOURCES OF FUNDS OTHER THAN CONTRIBUTIONS AND DONATIONS

Name of Foundation/Organization KASANYANGAN CENTER FOR COMMUNITY DEVELOPMENT AND MICROFINANCE FOUNDATION, INC.	**SEC Registration No.** CN200530521
For the year ended December 31, 2023	

Receipts Or Income Or Sources Of Funds

(a) No.	(b) Description of Income	(c) Source	(d) Amount (indicate by footnote if other than Philippine currency, then translate in this column)	(e) Date Received/ Period Covered
1	Interest income on loans	Loans	P130,307,335	January 1, 2023/ December 31, 2023
2	Income from insurance premiums	Insurance	P3,725,392	January 1, 2023/ December 31, 2023
3	Non-operating Revenue	Other parties	P5,074,049	January 1, 2023/ December 31, 2023
4				
5				
6				
7				
8				
9				
10	Others (aggregate of all sources of income which are individually below P100,000.00)			

(Use separate sheet if necessary)