

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

A	R	D	C	I	M	I	C	R	O	F	I	N	A	N	C	E	,	I	N	C	O	R	P	O	R	A	T	E	D					
(A	N	O	N	-	S	T	O	C	K	,	N	O	N	-	P	R	O	F	I	T	O	R	G	A	N	I	Z	A	T	I	O	N)

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

A	R	D	C	I	C	O	R	P	O	R	A	T	E	B	U	I	L	D	I	N	G	,	S	A	N	R	O	Q	U	E						
V	I	R	A	C	,	C	A	T	A	N	D	U	A	N	E	S																				

Form Type

A	A	F	S
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Department requiring the report

CRMD

Secondary License Type, If Applicable

N/A

COMPANY INFORMATION

Company's Email Address ardci_oceo@yahoo.com	Company's Telephone Number/s N/A	Mobile Number +639178073463
No. of Stockholders N/A	Annual Meeting (Month / Day) 3 rd Tuesday of April	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION

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

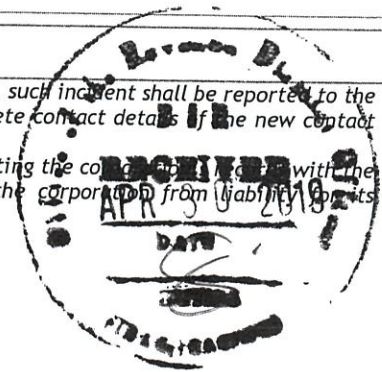
Name of Contact Person Ms. Evelyn T. Teves	Email Address tevesevelyn@yahoo.com	Telephone Number/s N/A	Mobile Number +639178073463
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CONTACT PERSON'S ADDRESS

Cavinitan, Virac, Catanduanes

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.

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 shall not excuse the corporation from liability for its deficiencies.



ARDCI MICROFINANCE, INCORPORATED
(formerly ARDCI NGO Group, Inc.)
(A Non-stock, Non-profit Organization)

INDEX TO THE SEPARATE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2018

Financial Statements

Statement of Management's Responsibility for Separate Financial Statements for the years ended December 31, 2018 and 2017

Independent Auditor's Report dated April 11, 2019

Separate Statements of Financial Position as at December 31, 2018 and 2017

Separate Statements of Comprehensive Income for the years ended December 31, 2018 and 2017

Separate Statements of Changes in Fund Balance for the years ended December 31, 2018 and 2017

Separate Statements of Cash Flows for the years ended December 31, 2018 and 2017

Notes to the Separate Financial Statements as at and for the years ended December 31, 2018 and 2017

Supplementary Schedules

Independent Auditor's Report on Supplementary Schedules dated April 11, 2019

Sworn Statement of the Organization's President and Treasurer

- | | |
|--|------------|
| A. Schedule of Receipts or Income Other Than Contributions and Donations | Applicable |
| B. Schedule of Contributions and Donations | Applicable |
| C. Schedule of Disbursements according to sources and activities | Applicable |
| D. Effective standards and interpretations under PFRS as at year-end | Applicable |



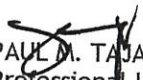
**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE
FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by the accounting and auditing standards for ARDCI MICROFINANCE, INCORPORATED (formerly ARDCI NGO Group, Incorporated) for the period ending December 31, 2018.

In discharging this responsibility, I hereby declare that I am the Senior Accountant II of ARDCI Microfinance, Incorporated, its subsidiaries and affiliated companies.

Furthermore, in my compilation services for the preparation of the Financial Statements, I was not assisted by or did not avail the services of Roxas Cruz Tagle and Co. which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.


PAUL M. TAJAN
Professional Identification Card No. 0130006
Valid until January 14, 2021
Accreditation No. 0304
Valid until January 14, 2022
PTR No. 2725297, issued on January 24, 2019, Virac, Catanduanes

April 11, 2019
Virac, Catanduanes

REPUBLIC OF THE PHILIPPINES)
PROVINCE OF CATANDUANES)
MUNICIPALITY OF VIRAC) s.s.



SUBSCRIBED AND SWORN to before me by PAUL M. TAJAN, with Professional Identification Card No. 0130006, issued on November 9, 2009, this APR 11 2019 in Virac, Catanduanes.

Doc. No. 112
Page No. 24
Book No. 444
Series of 2019.

ALFRED M. AQUINO

Notary Public

Commission Expires December 31, 2020

San Jose St., Virac, Catanduanes

PTR No. 8459342W / January 3, 2019 / Virac, Cat.

IBP Lifetime No. 017855

MCLE Compliance No. VI-0016841 / Jan. 17, 2019

Roll No. 32981

katuwang
—sa—
kabuhayan

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of ARDCI MICROFINANCE, INCORPORATED (the "Organization") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, 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 Organization's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

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



BENJAMIN B. COMPLETEO
President of the Board



VICTOR T. BERNAL
Executive Director



EVELYN T. TEVES
Treasurer



Signed this 11th day of April, 2019.

katuwang
sa
kabuhayan

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Members
ARDCI Microfinance, Incorporated
3rd Floor, ARDCI Corporate Building
San Roque, Virac, Catanduanes

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of ARDCI Microfinance, Incorporated ("the Organization"), which comprise the separate statements of financial position as at December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in fund balance and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the separate 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 Separate Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

ROXAS CRUZ TAGLE AND CO.

Clark Joseph Babor
Clark Joseph C. Babor

Partner

CPA Certificate No. 00119292

Tax Identification No. 248-709-974-000

PTR No. 7348358, issued on January 10, 2019, Makati City

PRC/BOA Accreditation No. 0005, issued on December 13, 2018,
effective until July 20, 2021

SEC Accreditation No. 1580-A (Individual), Group C, issued on August 30, 2016,
effective until August 30, 2019

SEC Accreditation No. 007-FR-5 (Firm), Group A, issued on July 5, 2018,
effective until July 4, 2021

BIR Accreditation No. 08-006635-1-2017, issued on January 23, 2017,
effective until January 22, 2020

IC Accreditation No. SP-2019-001-O, issued on January 31, 2019
effective until January 30, 2022

April 11, 2019
Makati City



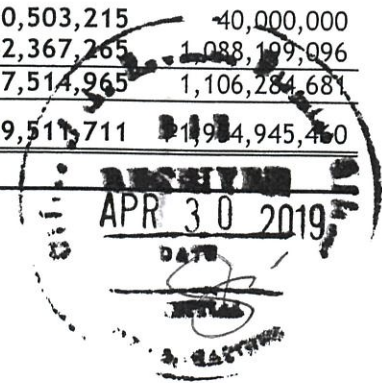
ARDCI MICROFINANCE, INCORPORATED
 (formerly ARDCI NGO Group, Inc.)
 (A Non-stock, Non-profit Organization)



SEPARATE STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017

	<i>Note</i>	2018	2017
ASSETS			
Current Assets			
Cash on hand and in banks	5	P456,649,837	P351,376,985
Loans and other receivables, net	6	1,404,040,436	1,327,517,424
Prepayments and other current assets	7	36,217,506	27,804,466
Total Current Assets		1,896,907,779	1,706,698,875
Noncurrent Assets			
Financial assets at fair value other comprehensive income (FVOCI)	8	14,938,178	-
Investment in subsidiaries	9	34,150,000	34,150,000
Property and equipment, net	10	164,291,386	104,347,208
Investment property, net	11	72,628,608	76,306,005
Intangible assets	12	-	2,544,605
Retirement benefit asset, net	22	24,445,954	30,173,417
Refundable deposits	13	725,350	725,350
Deferred tax asset	21	1,424,456	-
Total Noncurrent Assets		312,603,932	248,246,585
TOTAL ASSETS		P2,209,511,711	P1,954,945,460
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Members' deposits	14	P662,662,598	P566,027,287
Accounts and other payables	15	62,307,521	72,774,867
Deferred income from grants	16	397,543	388,908
Loans payable	17	129,501,184	180,234,821
Income tax payable	21	2,857,893	146,423
Total Current Liabilities		857,726,739	819,572,306
Noncurrent Liabilities			
Deferred income from grants, net of current portion	16	3,429,331	3,866,793
Loans payable, net of current portion	17	30,840,676	25,221,680
Total Noncurrent Liabilities		34,270,007	29,088,473
Total Liabilities		891,996,746	848,660,779
Fund Balance			
Actuarial loss on retirement liability	22	(55,293,693)	(21,914,415)
Unrealized loss on financial assets at FVOCI	8	(61,822)	-
Accumulated income	25		
- Appropriated		30,503,215	40,000,000
- Unappropriated		1,342,367,265	1,088,199,096
Total Fund Balance		1,317,514,965	1,106,284,681
TOTAL LIABILITIES AND FUND BALANCE		P2,209,511,711	P1,954,945,460

See Notes to the Separate Financial Statements.



ARDCI MICROFINANCE, INCORPORATED
(formerly ARDCI NGO Group, Inc.)
(A Non-stock, Non-profit Organization)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<i>Notes</i>	2018	2017
Interest income	6	P690,879,008	P708,808,927
Interest expense	14, 17	(26,119,763)	(40,788,585)
Net interest income		664,759,245	668,020,342
Provision for impairment losses	6	(16,617,109)	(101,403,031)
Net interest income after provision for impairment losses		648,142,136	566,617,311
Other operating income	18	62,861,627	25,113,556
Operating expenses	19	(347,862,429)	(287,598,032)
Income from operations		363,141,334	304,132,835
General and administrative expenses	20	(105,080,023)	(62,643,892)
Income before income tax		258,061,311	241,488,943
Provision for income tax	21		
Current		(15,045,242)	(759,034)
Deferred		1,424,456	-
		(13,620,786)	(759,034)
NET INCOME FOR THE YEAR		244,440,525	240,729,909
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss			
Actuarial loss on retirement liability	22	(33,379,278)	(3,975,091)
Unrealized loss on financial assets at FVOCI	8	(61,822)	-
TOTAL COMPREHENSIVE INCOME		P210,999,425	P236,754,818

See Notes to the Separate Financial Statements.



ARDCI MICROFINANCE, INCORPORATED
(formerly ARDCI NGO Group, Inc.)
(A Non-stock, Non-profit Organization)

SEPARATE STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Note	2018	2017
ACCUMULATED INCOME			
Appropriated			
At January 1		P40,000,000	P40,000,000
Release of appropriated income	25	(9,496,785)	-
At December 31		30,503,215	40,000,000
Unappropriated			
At January 1		1,088,199,096	847,242,217
Additional revolving fund	25	230,859	226,970
Release of appropriated income	25	9,496,785	-
Net income for the year		244,440,525	240,729,909
At December 31		1,342,367,265	1,088,199,096
OTHER COMPREHENSIVE INCOME			
Actuarial loss on retirement liability			
At January 1		(21,914,415)	(17,939,324)
Actuarial loss on retirement liability	22	(33,379,278)	(3,975,091)
At December 31		(55,293,693)	(21,914,415)
Unrealized loss on financial assets at FVOCI			
At January 1		-	-
Unrealized loss on financial assets at FVOCI	8	(61,822)	-
At December 31		(61,822)	-
TOTAL FUND BALANCE		P1,317,514,965	P1,106,284,681

See Notes to the Separate Financial Statements.



ARDCI MICROFINANCE, INCORPORATED

*(formerly ARDCI NGO Group, Inc.)
(A Non-stock, Non-profit Organization)*

**SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<i>Note</i>	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P258,061,311	P241,488,943
Adjustments for:			
Amortization of refundable deposits		-	149,626
Amortization of deferred income from grants	18	(428,827)	(388,908)
Amortization of intangible asset	12, 19, 20	2,544,605	363,515
Depreciation	10, 11, 19, 20	21,351,731	15,403,308
Provision for impairment losses	6	16,617,109	101,403,031
Retirement	22	(337,200)	2,128,998
Operating income before working capital changes		297,808,729	360,548,513
Decrease (increase) in:			
Loans and other receivables		(90,924,475)	10,039,218
Prepayments and other current assets		(8,473,040)	(9,754,598)
Increase (decrease) in:			
Members' deposits		96,635,311	83,465,617
Accounts and other payables		(10,467,346)	10,765,025
Cash generated from operations		284,579,179	455,063,775
Income taxes paid		(12,273,772)	(1,752,967)
Contributions to retirement fund	22	(29,530,261)	(14,819,909)
Net cash flows provided by operating activities		242,775,146	438,490,899
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investment in subsidiary	9	-	(7,000,000)
Investment in financial assets at FVOCI	8	(15,000,000)	-
Acquisition of property and equipment	10	(77,618,512)	(40,488,865)
Net cash flows used in investing activities		(92,618,512)	(47,488,865)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from loan availments	17	191,244,663	136,443,360
Payment of loans	17	(236,359,304)	(344,529,633)
Additional revolving fund	25	230,859	226,970
Net cash used in financing activities		(44,883,782)	(207,859,303)
NET INCREASE IN CASH ON HAND AND IN BANKS		105,272,852	183,142,731
JANUARY 1		351,376,985	168,234,254
DECEMBER 31	5	P456,649,837	P351,376,985
Information on significant non-cash transactions:			
Appropriation of funds		P30,503,215	P40,000,000
Transfer of retirement liability to (from) a subsidiary	22	2,215,646	(1,866,938)
Reclassification of property and equipment to investment property	10	-	5,213,747
Operational cash flows from interest:			
Interest received		P689,686,984	P692,083,385
Interest paid		26,350,181	42,021,897

See Notes to the Separate Financial Statements.



ARDCI MICROFINANCE, INCORPORATED

(formerly ARDCI NGO Group, Inc.)
(A Non-stock, Non-profit Organization)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Reporting Entity

ARDCI Microfinance, Incorporated (the "Organization" or "ARDCI"), formerly known as ARDCI NGO Group, Inc., is a non-stock, non-profit organization incorporated under the laws of the Republic of the Philippines. It was registered with the Securities and Exchange Commission (SEC) on September 11, 1998. It started its operations on January 1, 2000.

The Organization's registered address is located at Sta. Elena, Virac, Catanduanes. On October 8, 2013, the Organization transferred its office to the 3rd Floor of ARDCI Corporate Bldg. located at San Roque, Virac, Catanduanes. The amended Articles of Incorporation of the Organization for the change in address was approved by SEC on June 22, 2015.

On April 18, 2017, upon majority vote of the Board of Trustees (BOT) and by the vote of more than two-thirds of the members of the Organization the motion to change the name of the Organization from ARDCI NGO Group, Inc. to ARDCI Microfinance, Incorporated was approved in compliance with the Republic Act (R.A.) 10693, otherwise known as Microfinance NGOs Act. Accordingly, the Articles of Incorporation and By-laws were amended and approved by SEC on August 23, 2017.

The Organization was created under the Catanduanes Agricultural Support Programme (CatAg) to implement the microfinance component of the Programme. CatAg terminated its operations in April 2003. The Organization's incorporators and members are farmers and fisherfolks who formed the Organization primarily to promote members/subsidiaries/affiliates' participation in socio-economic activities leading to their development and transformation into self-reliant and self-fulfilling communities through financial services, specifically, microfinance operations. The purpose of the Organization also includes the establishment, development and strengthening of the Savings and Loans System (SLS) at the barangay level, thus, encouraging members to develop the value of saving for their future providential and/or emergency needs.

The Organization has 76 and 68 branches as at December 31, 2018 and 2017, respectively, in Catanduanes and in the provinces of Albay, Sorsogon, Camarines Sur, Camarines Norte, Quezon, Laguna, Batangas, Mindoro, Marinduque, Bataan, Zambales, Pampanga, Pangasinan, Bulacan, Tarlac, Samar, Leyte and Negros. The Organization has a membership of 150,973 and 132,236 in 2018 and 2017, respectively.

The Organization currently holds interest in three subsidiaries as follows:

Subsidiaries	Line of Business	Effective Percentage of Controlling Interest	
		2018	2017
ARDCIBank, Inc. - A Rural Bank (ABI)	Rural banking	79.66%	79.66%
ARDCI Corporate Inn, Inc. (ACI)	Hotel and restaurant	98.55%	98.55%
ARDCI Prime Security Services (APSS), Inc.	Security agency	99.98%	99.98%

ARDCIBank, Inc. - A Rural Bank (ABI)

ABI was incorporated in the Philippines pursuant to Republic Act (RA) No. 7353 and to Monetary Board Resolution No. 355 dated March 7, 2002. ABI was granted authority on October 3, 2002 to operate as a microfinance-oriented rural organization subject to the rules and regulations of the Bangko Sentral ng Pilipinas (BSP) and other applicable laws.

The principal office of ABI is at Ground Floor ARDCI Corporate Building, San Roque, Virac, Catanduanes.

ARDCI Corporate Inn, Inc. (ACI)

ACI was registered with the SEC on July 26, 2013 with the primary purpose of providing travelers to Virac, Catanduanes with affordable lodging or shelter, food and refreshment, entertainment, fitness and recreation, and amenities that are customarily furnished within households but unavailable to travelers. It started its operations in October 2013.

The principal office of ACI is at ARDCI Corporate Building, San Roque, Virac, Catanduanes.

ARDCI Prime Security Services (APSS), Inc.

APSS is a stock corporation under the laws of the Republic of the Philippines. It was registered with the SEC on February 15, 2017. APSS' principal activity is to engage in the provision of private security services. It started its operations on August 2017.

The principal office of APSS is at 2nd Floor, ARDCI Corporate Building, San Roque, Virac, Catanduanes.

The financial statements were approved and authorized for issue in accordance with a resolution by the Board of Trustees (BOT) on April 11, 2019.

2. Basis of Preparation and Statement of Compliance

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 Reporting Standards Council (FRSC).

Basis of Measurement

The financial statements of the Organization 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.

The Organization also prepares and issues consolidated financial statements for the same period in which it consolidates its investments in subsidiaries. Such consolidated financial statements provide information about the economic activities of the Organization and its subsidiaries (collectively referred to as the "Group").

Functional and Presentation Currency

The financial statements are presented in Philippine Peso, which is the functional currency of the Organization.

3. Summary of Significant Accounting Policies

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 Organization adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* - This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss 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.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Based on the Organization’s analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at December 31, 2018, the Organization has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39 (or shall be classified under the new classification categories of PFRS 9).

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Organization’s financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash in banks	Loans and receivables	Financial assets at amortized cost	P351,326,985	P351,326,985
Loans and other receivables, net	Loans and receivables	Financial assets at amortized cost	1,327,517,424	1,327,517,424
Refundable deposits	Loans and receivables	Financial assets at amortized cost	725,350	725,350

The Organization assessed that the adoption of PFRS 9, specifically on determining impairment loss using general approach has no significant impact on the carrying amounts of the Organization’s financial assets carried at amortized cost.

- PFRS 15, *Revenue from Contracts with Customers* - The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

Based on the Organization's assessment, all of the Organization's contracts with members generally undertake to provide single performance obligation at a fixed price which is mainly the rendering of services. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Organization recognizes revenue as the services are rendered over time. Accordingly, the adoption of PFRS 15 has no significant impact in the timing of the Organization's revenue recognition.

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* - The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.
- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* - The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements except for PFRS 9. Additional disclosures have been included in the notes to separate financial statements, as applicable.

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, 2018 and have not been applied in preparing the separate financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* - This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Organization's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Organization will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 - which might have a significant impact on the amounts recognized in the Organization's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Organization complete the review.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* - The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* - The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).
- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* - The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.
- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* - The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* - The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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 Organization.

Current versus Noncurrent Classification

The Organization presents assets and liabilities in the separate 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 Organization 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 Organization recognizes a financial asset or a financial liability in the separate 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 Organization 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 Organization 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 Organization determines the appropriate method of recognizing the “Day 1” difference.

Classification. The Organization 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 Organization’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 Organization 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 Organization 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, 2018 and 2017, the Organization 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, 2018 and 2017, the Organization's cash in banks, loans and other receivables and refundable deposits are included under this category (see Notes 5, 6 and 13).

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.

For equity instruments, the Organization may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

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, 2018 and, the Organization's investment in shares of stocks and Peso Diversified Value Fund included under "Financial Assets at FVOCI" account are classified under this category (see Note 8).

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 Organization 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, 2018 and 2017, the Organization's liabilities arising from its members' deposits, accounts and other payables, excluding statutory liabilities, and loans payable are included under this category (see Notes 14, 15 and 17).

Reclassification

The Organization 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 at Amortized Cost and FVOCI

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

For debt instruments measured at amortized cost, 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 Organization 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 Organization 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 Organization 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 Organization 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 Organization’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 Organization could be required to repay.

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

Prepayments and Other Current Assets

Prepayments represent expenses not yet incurred but already paid in cash. Subsequently, these are charged against profit or loss as they are consumed in the operations or expire with the passage of time.

Other current assets are recognized when the Organization expects to receive future economic benefit from the prepayment and the amount can be measured reliably.

Investments in Subsidiaries

The Organization's investments in subsidiaries are accounted for under the cost method as provided for under PAS 27, Separate Financial Statements. The investments are carried in the separate statements of financial position at cost less any impairment in value. The Organization recognizes dividend from a subsidiary in the separate statements of income when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Organization. The Organization controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Property and Equipment

Property and equipment, except for land, 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. 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 Organization 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:

	Number of Years
Building	25
Furniture, fixtures and equipment	3 to 5
Land and building improvements	5

The remaining useful lives 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 separate statements of income in the period of retirement and disposal.

Investment Property

Investment 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. Investment 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 investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation of depreciable investment property is calculated on a straight-line basis over the estimated useful life of the property of twenty-five (25) years from the date of acquisition. The accumulated impairment in value is established through impairment loss charged to current operations.

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment 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 investment property is recognized in the separate statements of income in the period of retirement and disposal.

Transfers are made to investment 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 investment 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 investment 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 Organization as an owner-occupied property becomes an investment property, the Organization accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Construction-In-Progress

Construction-in-progress (CIP) represents capitalized expenses incurred in setting up or constructing new facilities or other assets. Depreciation starts when construction of these assets is completed and the asset is transferred to the respective category of property and equipment i.e., when the asset is put to commercial use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally-generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the separate statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the separate statements of income consistent with the function of the intangible asset.

The capitalized costs of intangible assets were incurred to develop the computer software until it can be used to render service to customers. The intangible assets are to be amortized over a period of ten (10) years using the straight-line method starting from the time the asset becomes available for use.

Impairment of Non-Financial Assets

The carrying amounts of prepayments and other current assets, investment in subsidiaries, property and equipment, intangible assets and investment property are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 separate statements of 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 separate statements of 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 Organization measures a number of 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 Organization.

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 Organization 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 separate 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 separate financial statements on a recurring basis, the Organization 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 Organization 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.

Deferred Income from Grants

Grants, including non-monetary grants at fair value, are recognized only when there is reasonable assurance that the Organization will comply with any conditions attached to the grant and the grant will be received.

Grants are recognized as income over the period necessary to match them with the related cost, for which they are intended to compensate, on a systematic basis and should not be credited directly to members' equity.

Provisions

Provisions are recognized when: (a) the Organization 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 includes one-time-payment of non-refundable membership fee, actuarial gains (losses) on retirement liability, and all appropriated and unappropriated current and prior period results.

Appropriated fund balance pertains to funds restricted for a particular purpose such as appropriation for building construction, contingency fund, and social development responsibility.

Unappropriated fund balance includes all current and prior period results as disclosed in the statement of comprehensive income and statement of changes in fund balance, free of any restriction.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense, including items previously presented under the separate statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income of the Organization pertains to actuarial gain (loss) on retirement liability and gain (loss) on financial assets through FVOCI.

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 Organization perform its obligations; (b) the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Organization's performance does not create an asset with an alternative use to the Organization and the Organization has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Organization also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Organization 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 and other receivables

Interest income on loans and other receivables is recognized in profit or loss for all financial instruments measured at amortized cost using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Organization estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs, and all other premiums or discounts.

Interest income on deposits and placements

Interest income on deposits and placements 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 deposits and placements in banks is presented net of applicable tax withheld by banks.

Service charges

Service charges are related to the administration and servicing of loans and are recognized when the service has been provided.

Dividend income

Dividend income from investment is recognized when the shareholder's right to receive payment has been established.

Other income

Other income is recognized when earned.

Interest Expense

Interest expense on members' deposits is recognized in profit or loss when incurred. It is calculated using the effective interest method based on the average daily balance and is credited to the members' accounts regularly.

Interest incurred on loans payable is recognized in profit or loss when incurred.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Operating Lease

Organization as Lessee. Leases which do not transfer to the Organization substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the separate statements of comprehensive income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Organization as Lessor. Leases where the Organization does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Taxes

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 separate statements of comprehensive income. The Organization 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.

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.

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 Organization 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.

The Organization has recognized deferred tax amounting to ₱1,424,456 and nil as at December 31, 2018 and 2017, respectively (see Note 21).

Current tax and deferred tax are recognized in the separate 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.

Contingencies

Contingent liabilities are not recognized in the separate financial statements. They are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to the separate financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Organization's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the separate 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 separate 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 Organization has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the separate financial statements:

Operating Lease Commitments. The Organization has entered into operating lease arrangements both as a lessee and as a lessor. Critical judgment was exercised by management to distinguish the lease agreement as either operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

The Organization has determined that all of its lease contracts (whether acting as a lessee or a lessor) are operating leases since there is no transfer of significant risks and rewards of ownership.

Rent expense recognized in the separate statements of comprehensive income amounted to ₱14,534,779 and ₱12,665,588 in 2018 and 2017 (see Notes 19, 20 and 24).

Rental income amounted to ₱1,200,000 and ₱1,430,000 for the years ended December 31, 2018 and 2017, respectively (see Notes 11, 18 and 24).

Leases accounted for as operating lease are disclosed in Note 24.

Evaluating Deferred Tax. In determining the amount of current and deferred tax, the Organization takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Organization believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Organization to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Contingencies. Judgment is exercised by management to distinguish between provision and contingencies. The Organization's policy on provisions and contingencies is discussed in Note 2. The Organization is a defendant in legal actions arising from normal business activities (see Note 24).

Estimates and Assumptions

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

Fair Value Measurements. A number of the Organization's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Organization uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (see Note 26).

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

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

Credit Losses on Financial Assets. The Organization reviews its debt financial assets subject to ECL on a regular basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers. The measurement of credit losses across all categories of such financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Organization's ECL calculation is based on the guidelines issued by the Microfinance Council of the Philippines, Inc., which is based on the age of the loans and other factors affecting the collectability of accounts. These factors include, but are not limited to, the length of the Organization'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, historical loss experience and forward-looking adjustments. The Organization calibrates the calculation to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. increase in inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

The amount and timing of the recorded expenses for any period would differ if the Organization 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 allowance for impairment losses on loans and other receivables amounted to ₱23,533,367 and ₱93,886,687 as at December 31, 2018 and 2017 (see Note 6).

The carrying amounts of loans and other receivables amounted to ₱1,404,040,436 and ₱1,327,517,424 as at December 31, 2018 and 2017, respectively (see Note 6).

Estimated Useful Lives of Property and Equipment, Intangible Assets and Investment Property. The Organization estimates the useful lives of property and equipment, intangible assets and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, intangible assets and investment property 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, intangible assets and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance 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 property and equipment, intangible assets and investment property would increase the recorded costs and expenses and decrease noncurrent assets.

The useful lives of the Organization's property and equipment, intangible assets and investment property are presented in Note 3.

Impairment of Non-Financial Assets. PFRS requires that an impairment review be performed on investments (excluding financial assets at FVOCI), property and equipment, intangible assets, investment property and investment in subsidiaries when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the separate financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

The carrying amount of property and equipment amounted to ₱164,291,386 and ₱104,347,208 as at December 31, 2018 and 2017, respectively (see Note 10).

The carrying amount of intangible assets amounted to nil and ₱2,544,605 as at December 31, 2018 and 2017, respectively (see Note 12).

The Organization assessed that its investment property amounting to ₱72,628,608 and ₱76,306,005 as at December 31, 2018 and 2017 is not impaired (see Note 11).

The carrying amount of investments in subsidiaries amounted to ₱34,150,000 as at December 31, 2018 and 2017 (see Note 9).

5. Cash on Hand and in Banks

This account consists of:

	2018	2017
Cash on hand	₱50,000	₱50,000
Cash in banks	415,965,773	310,769,296
Cash in bank - restricted	40,634,064	40,557,689
	₱456,649,837	₱351,376,985

Cash in banks generally earns interest at the daily bank deposit rates ranging from 0.10% to 6% and 0.10% to 5.25% per annum for the years ended December 31, 2018 and 2017, respectively. Interest earned in 2018 and 2017 amounted to ₱1,478,552 and ₱517,891, respectively (see Note 18).

Cash in bank - restricted pertains to funds appropriated by the Organization as special reserves for any probable contingency.

6. Loans and Other Receivables, Net

This account consists of:

	Note	2018	2017
Loans			
Micro-business loans (MBLs)		₱1,050,490,778	₱1,057,512,628
Multi-purpose loans (MPLs)		250,194,691	251,127,629
Staff loans		21,603,995	23,385,984
Finance lease receivable		5,367,167	2,672,293
Employee loans		4,523,224	160,810
Individual loans		1,955,851	2,606,794
Emergency loans		1,460,799	1,939,712
		1,335,596,505	1,339,405,850
Due from related parties	23	40,027,361	19,308,950
Interest receivable		26,113,591	23,442,995
Accounts receivable		25,836,346	39,246,316
		1,427,573,803	1,421,404,111
Allowance for impairment		(23,533,367)	(93,886,687)
		₱1,404,040,436	₱1,327,517,424

Loans and other receivables are classified as follows:

	2018	2017
Current	₱1,404,040,436	₱1,327,517,424
Noncurrent	-	-
	₱1,404,040,436	₱1,327,517,424

Loans receivable represents loans to members who are administered through the Savings and Loans System (SLS) that have been established through each of the 76 and 68 branches in 2018 and 2017, respectively. Each branch has 40 to 50 SLS under its supervision and each SLS may consist of a minimum of three (3) Guarantee Groups (GG) for new SLS, and six (6) GGs for old SLS with five members each.

Generally, loan products offered by the Organization has credit terms ranging from three (3) months to a maximum of twelve (12) months.

Through ARDCI's technical and financial assistance, the SLS groups identify, determine and implement financially viable micro-business to enable the farmers and fisher folks to save and manage their own resources efficiently, thus, growing into self-sustaining agri-entrepreneurs in Catanduanes.

MBLs are intended to increase the income-generating projects of the members with an interest rate of 24% and 34% per annum on the principal amount in Catanduanes and branches operating outside the province, respectively.

MPLs are intended for any emergency needs, house acquisition and/or improvements, acquisition of assets, hospitalization, etc. of SLS members, with interest at 24% and 34% per annum on the principal amount in Catanduanes and branches operating outside the province, respectively.

Staff loans are intended for the regular employees of the Organization with an interest rate of 10% per annum.

Finance lease receivable represents car and motorcycle loans granted to the Organization's employees particularly to Community Development Officers (CDOs) with an interest rate of 10% per annum. These loans are executed under a loan agreement with ARDCI employees. Car loan was offered to managerial and supervisory employees of the Organization. The motorcycles are initially registered under the Organization's name and upon full payment of the loan, the Certificate of Registration is transferred to the employees.

Employee loans are intended to extend viable credit to employees to reduce employee stress caused by financial obligations, to improve an employee's financial fitness through access to short term and affordable loans and to help those employees fill up the gap in their needs for additional capital to finance for existing business enterprise.

Individual loans are intended to make affordable credit facility to help micro entrepreneurs develop and expand their businesses and self-employment opportunities. These loans are with an interest rate of 24% and 34% per annum for branches located at Catanduanes and for those outside the province, respectively.

Emergency loans are intended to augment the needs of members in times of emergency with a maximum loanable amount of P10,000 payable depending on cash flow of the members.

Loans receivable amounting to P160,341,860 and P205,456,501 as at December 31, 2018 and 2017, respectively, has been pledged as collateral for loans from financial institutions (see Note 17).

Accounts receivable includes unliquidated cash advances, receivable from the insurance unit, receivable from Social Security System (SSS) for advances for maternity benefits and receivable from Philippine Life Financial Assurance Corp. (PhilLife) and Country Bankers Life Insurance Corporation (CBLIC).

The Organization collected accounts previously written-off from its members amounting to P8,521,431 and P788,440 for the years ended December 31, 2018 and 2017, respectively (see Note 18).

Interest earned from loans and other receivables for the years ended December 31, 2018 and 2017 amounted to P690,879,008 and P708,808,927 respectively (see Note 26).

The movements in allowance for impairment are as follows:

	2018	2017
At January 1	P93,886,687	P63,432,941
Provision	16,617,109	101,403,031
Write-off	(86,970,429)	(70,949,285)
At December 31	P23,533,367	P93,886,687

7. Prepayments and Other Current Assets

This account consists of:

	2018	2017
Stationery and supplies on hand	P16,805,532	P12,437,821
Prepayments	13,361,473	6,331,230
Advances to service provider	6,050,501	9,035,415
	P36,217,506	P27,804,466

Stationery and supplies on hand include unused passbooks, office and medicine supplies and promotional T-shirts and calendars.

Prepayments pertain to the unexpired portion of fidelity and health insurance of employees.

Advances to service provider pertains to a contract entered into by the Organization for the implementation of a new application system.

8. Financial Assets at FVOCI

This account consists of:

	2018	2017
Investment in stocks	P10,000,000	P-
Peso Diversified Value Fund	4,938,178	-
	P14,938,178	P-

On September 2018, the Organization subscribed and paid 10,000 shares of the 100,000 authorized common shares of Catanduanes Doctors Hospital, Inc. with a par value of P1,000 per share for P10,000,000. This represents 10.92% ownership in the issued and outstanding shares of the said company.

The carrying value of investment in stocks approximates its fair value as this is recently acquired in 2018

On August 2018, the Organization acquired 2,891,205 units of participation in a Peso Diversified Value Fund at net asset value per unit (NAVPU) of P1.751 amounting to P5,000,000. The fund is an open-ended pooled trust fund denominated in Peso which is operated and administered by a trust-entity and made available by participation. The units of participation represent the investor's appropriate beneficial share in the total value of the fund. As at December 31, 2018, NAVPU of the investment amounted to P1.708 and the fair value of the investment amounted to P4,938,178. An unrealized loss of P61,822 is recognized in other comprehensive income.

9. Investment in Subsidiaries

The account represents the Organization's investments in the shares of stock of ABI, APSS and ACI. This account consists of:

	2018	2017
Investment in:		
ARDCIBank, Inc. - A Rural Bank (ABI)	P20,250,000	P20,250,000
ARDCI Prime Security Services (APSS), Inc.	7,000,000	7,000,000
ARDCI Corporate Inn, Inc. (ACI)	6,900,000	6,900,000
	P34,150,000	P34,150,000

The investment in ABI represents the Organization's 79.66% ownership in the issued and outstanding shares of stocks of the ABI as at December 31, 2018 and 2017, respectively, which is accounted for using the cost method.

On April 11, 2017, ABI declared 100% stock dividends distributed to its common shareholders. The Organization received 202,500 shares accordingly and maintained its 79.66% ownership in ABI.

In 2017, the Organization subscribed to 35,000 common shares of APSS with a par value of P200 per share for P7,000,000. This represents 99.98% ownership in the issued and outstanding shares of APSS as at December 31, 2018 and 2017, respectively.

In 2015, the Organization subscribed to 50,000 common shares of the 200,000 authorized common shares of ACI with a par value of ₱100 per share for ₱5,000,000. An additional 19,000 common shares with a par value of ₱100 per share for ₱1,900,000 was subscribed to in 2016. The said subscription represents the Organization's 98.55% ownership in the issued and outstanding shares of stock of ACI as at December 31, 2018 and 2017, respectively.

10. Property and equipment

This account consists of the following as at December 31, 2018 and 2017:

Note	2018						Total
	Building	Land	Land Improvements	Furniture, Fixtures and Equipment	Construction in Progress		
Cost							
At January 1, 2017	₱42,058,324	₱18,153,309	₱5,255,480	₱64,103,806	₱4,425,333	₱133,996,252	
Additions	-	10,000,000	2,667,564	16,640,022	11,181,279	40,488,865	
Retirement	-	-	-	(1,974,793)	-	(1,974,793)	
Reclassification	10,352,069	-	-	-	(15,565,816)	(5,213,747)	
At December 31, 2017	52,410,393	28,153,309	7,923,044	78,769,035	40,796	167,296,577	
Additions	-	23,319,000	1,542,252	25,781,773	26,975,487	77,618,512	
Retirement	-	-	-	(1,741,479)	-	(1,741,479)	
At December 31, 2018	52,410,393	51,472,309	9,465,296	102,809,329	27,016,283	243,173,610	
Accumulated depreciation							
At January 1, 2017	9,588,485	-	352,597	43,113,484	-	53,054,566	
Depreciation 19,20	1,866,221	-	292,968	9,710,407	-	11,869,596	
Retirement	-	-	-	(1,974,793)	-	(1,974,793)	
At December 31, 2017	11,454,706	-	645,565	50,849,098	-	62,949,369	
Depreciation 19,20	2,275,536	-	231,449	15,167,349	-	17,674,334	
Retirement	-	-	-	(1,741,479)	-	(1,741,479)	
At December 31, 2018	13,730,242	-	877,014	64,274,968	-	78,882,224	
Net book value							
At December 31, 2018	₱38,680,151	₱51,472,309	₱8,588,282	₱38,534,361	₱27,016,283	₱164,291,386	
At December 31, 2017	₱40,955,687	₱28,153,309	₱7,277,479	₱27,919,937	₱40,796	₱104,347,208	

The Organization retired fully depreciated assets amounting to ₱1,741,479 and ₱1,974,793 as at December 31, 2018 and 2017, respectively.

The cost of fully depreciated assets of the Organization still in use amounted to ₱24,628,462 and ₱34,626,936 as at December 31, 2018 and 2017, respectively.

The Organization reclassified assets to investment property amounting to ₱5,213,747 in 2017 (see Note 11).

There are no items of property and equipment used as security for any liabilities of the Organization as at December 31, 2018 and 2017.

Management believes that there is no indication of impairment on the Organization's property and equipment as the net carrying amount is higher than its recoverable amount.

11. Investment Property, Net

The movements in investment property are as follows:

	Note	2018	2017
Cost			
At January 1		₱88,318,009	₱83,104,262
Reclassification from property and equipment	10	-	5,213,747
At December 31		88,318,009	88,318,009
Accumulated depreciation			
At January 1		12,012,004	8,478,292
Depreciation	19, 20	3,677,397	3,533,712
At December 31		15,689,401	12,012,004
Net book value		₱72,628,608	₱76,306,005

The fair value of the building cannot be readily determined based on observable market data because there are no comparable properties in its location.

The rental income from investment property amounted to ₱1,200,000 and ₱1,430,000 for the years ended December 31, 2018 and 2017, respectively (see Note 18).

The details of the operating expenses arising from the investment property are as follows:

	2018	2017
<i>Expenses that generated rental income during the period</i>		
Depreciation	₱3,677,397	₱3,533,712
Repairs and maintenance	2,672,197	574,717
Power, light and water	1,898,849	279,500
Security and janitorial services	719,009	839,682
Building insurance	122,864	166,577
	9,090,316	5,394,188
<i>Expenses that did not generate rental income during the period</i>		
Repairs and maintenance	1,068,879	112,304
Insurance	49,146	55,000
Security and janitorial services	-	188,859
Power, light and water	-	60,576
	1,118,025	416,739
	₱10,208,341	₱5,810,927

12. Intangible Assets

Intangible assets consist of costs incurred to develop a software. This account amounted to nil and ₱2,544,605 as at December 31, 2018 and 2017, respectively. The management assessed to write-off its intangible assets in 2018 as the developed software was not used by the Organization for its current operations

There are no intangible assets pledged as security for the Organization's liabilities.

13. Refundable Deposits

Refundable deposits pertain to deposits made with Electronic Network Cash Tellers, Inc. (ENCASH) for the Automated Teller Machine installed at branches in Caramoran, San Andres, Irosin, Caramoan, Viga and Tagkawayan. The contract is for five (5) years starting 2010, and shall be renewed for another five (5) years. The contract requires the Organization to pay a one-time license fee for each ATM amounting to US\$1,500, together with the corresponding US\$300 annual license fees, and refundable deposits amounting to ₱725,350 as at December 31, 2018 and 2017. These deposits will be refunded upon contract termination.

In 2015, the Organization did not renew the contract for the ATM installed in Viga and, thus, the refund was collected from ENCASH in 2016.

In 2017, the Organization opted not to renew the contract for the ATM installed in San Andres. The deposit pertaining to the contract was not yet collected as at December 31, 2018.

14. Members' Deposits

This account pertains to members' contributions in the form of compulsory and voluntary savings, each earning annual interest ranging from 3% to 5% and 5% to 7% for the years ended December 31, 2018 and 2017, respectively, computed based on the average daily balance. Compulsory savings are withdrawable upon termination of membership from the Organization and can be used to offset up to 90% of the members' outstanding loan balance. Voluntary deposits pertain to optional savings account of the members and are withdrawable anytime.

This account consists of:

	2018	2017
Compulsory	₱524,634,201	₱450,325,808
Voluntary	138,028,397	115,701,479
	₱662,662,598	₱566,027,287

Interest expense for the years ended December 31, 2018 and 2017 amounted to ₱19,110,657 and ₱26,183,596, respectively (see Note 26).

15. Accounts and Other Payables

This account consists of:

	Note	2018	2017
Accounts payable		₱49,982,910	₱62,544,003
Due to related parties	23	4,603,362	3,050,644
Government liabilities		3,721,313	2,960,596
Accrued expenses		2,878,948	2,868,218
Accrued interest payable		1,120,988	1,351,406
		₱62,307,521	₱72,774,867

Accounts payable includes the following: (a) liabilities to contractors, (b) liabilities to suppliers, (c) claims and (d) premiums and membership fees collected by the Organization from members, net of claims and administrative expenses to be remitted to PhilLife.

Due to related parties include the outstanding loan balances of deceased ABI members and former ABI employees already collected by the Organization but not yet remitted to ABI, unpaid hotel services of ACI provided to the Organization and unpaid security services of APSS provided to the Organization (see Note 23).

16. Deferred Income from Grants

In 2003, Catanduanes Agricultural Support Programme (CatAg) transferred its assets to the Organization through a deed of donation for the purpose of continuing the banking needs of CatAg's target group in Catanduanes. The transfer was credited as deferred income from government grants and is to be amortized as income for a period of 25 years.

The details of and movements in this account are as follows:

	Note	2018	2017
Cost		₱9,676,639	₱9,676,639
Accumulated amortization			
At January 1		5,420,938	5,032,030
Amortization	18	428,827	388,908
At December 31		5,849,765	5,420,938
Current portion		397,543	388,908
Non-current portion		3,429,331	3,866,793
Net book value		₱3,826,874	₱4,255,701

In 2018, the Organization entered into an agreement with Water.org, a not-for-profit corporation incorporated under the laws of the State of North Carolina in the United States of America. The Organization received grants amounting to ₱536,745. The Organization fully utilized the funds during the year.

17. Loans Payable

This account consists of:

	2018	2017
Banking institutions	₱92,564,711	₱120,383,183
Other financial institutions	67,777,149	85,073,318
	₱160,341,860	₱205,456,501

The movements in the account are as follows:

	2018	2017
Balance at January 1	₱205,456,501	₱413,542,774
Proceeds	191,244,663	136,443,360
Payments	(236,359,304)	(344,529,633)
Balance at December 31	₱160,341,860	₱205,456,501

Loans payable represents loan rediscounting facility availed from financial institutions with annual interest rates of 3.5% to 9% and 3.5% to 13% in 2018 and 2017, respectively.

The following table shows the breakdown of loans payable by contractual maturity dates:

	2018	2017
Due within one year	₱129,501,184	₱180,234,821
Due beyond 1 year but not more than 5 years	30,840,676	25,221,680
	₱160,341,860	₱205,456,501

Loans receivable amounting to ₱160,341,860 and ₱205,456,501 as at December 31, 2018 and 2017, respectively, has been pledged as collateral for said obligations (see Note 6).

Interest expense on loans payable for the years ended December 31, 2018 and 2017 amounted to ₱7,009,106 and ₱14,604,989, respectively.

No other assets and restrictions are pledged in relation to the loans availed as at December 31, 2018 and 2017.

18. Other Operating Income

The details of the account are as follows:

	<i>Notes</i>	2018	2017
Share in Group Life Insurance Coverage (GLIC)		₱17,195,141	₱10,845,357
Write-off of long outstanding liabilities		16,300,497	-
Recovery of previously written off accounts	6	8,521,431	788,440
Share in Credit Group Life Insurance (CGLI)		6,805,995	5,752,026
Share in Loan Protect Plus (LPP)		5,033,969	3,697,021
Service charges		857,924	658,153
Amortization of deferred income from grants	16	428,827	388,908
Other income from microfinance operations		55,143,784	22,129,905
Interest from deposits in banks	5, 26	1,478,552	517,891
Rental income	11,24	1,200,000	1,430,000
Reversal of retirement expense	22	337,200	-
Convenience charge		273,796	270,770
Miscellaneous income		4,428,295	764,990
Other income from nonmicrofinance operations		7,717,843	2,983,651
		₱62,861,627	₱25,113,556

The share in CGLI pertains to the Organization's 30% share in the CGLI premiums on loan releases. In 2017, the Organization transferred all of its members' insurance coverage to PhiLife and extended new micro-insurance products to its members per loan releases, GLIC and LPP. The share in GLIC pertains to the 10% collection fee earned by the Organization.

The share in LPP of the Organization refers to the 10% share of the Organization in the said premium during loan release.

Miscellaneous income pertains to overages and written-off long-outstanding payables.

19. Operating Expenses

The details of the account are as follows:

	<i>Notes</i>	2018	2017
Salaries, wages and employee benefits		₱200,727,440	₱167,115,631
Client community services		22,353,979	19,669,363
Transportation, fuel and oil		15,727,722	13,620,337
Taxes and licenses		14,456,303	18,348,265
General support services		14,321,195	10,640,606
Rental		13,484,794	11,536,270
Depreciation and amortization	<i>10,11,12</i>	10,753,351	6,343,341
Stationeries and office supplies		9,924,645	8,262,739
Information technology		8,927,298	1,224,466
Communication, light and water		7,250,799	5,935,142
Trainings, seminars and conferences		5,462,834	3,333,540
Insurance		5,301,943	3,310,528
Supervision and monitoring fees		2,553,393	1,350,331
Documentary stamp tax		1,834,230	610,505
Representation		1,554,351	1,610,858
Advertising		1,288,795	1,543,059
Fines, penalties and dues		1,201,653	1,246,539
Repairs and maintenance		988,212	838,147
Consultancy and professional fee		476,762	923,526
Research and development costs		260,541	340,288
Finance charges		129,233	118,927
Retirement	<i>22</i>	-	1,490,299
Miscellaneous		8,882,956	8,185,325
		₱347,862,429	₱287,598,032

Miscellaneous expenses include various expenses incurred by the Organization's head office and other branches and write-off of long-outstanding receivables.

20. General and Administrative Expenses

The details of the account are as follows:

	<i>Notes</i>	2018	2017
Salaries, wages and employee benefits		₱66,351,868	₱29,081,628
Depreciation and amortization	<i>10,11,12</i>	13,142,985	9,423,482
Repairs and maintenance		5,032,757	4,195,411
Information technology		3,825,985	524,771
General support services		3,533,126	2,749,671
Insurance		2,272,261	1,398,867
Communication, light and water		2,234,974	2,090,920
Transportation, fuel and oil		2,105,405	2,296,881
Stationeries and office supplies		1,666,704	514,193
Consultancy and professional fee		1,112,445	2,094,611
Rental		1,049,985	1,129,318
Charitable contributions		717,636	1,657,787
Fines, penalties and dues		566,157	844,905
Advertising		552,341	661,311
Representation		417,687	505,007
Finance charges		110,047	151,139
Retirement	<i>22</i>	-	638,699
Miscellaneous		387,660	2,685,291
		₱105,080,023	₱62,643,892

Miscellaneous expenses include various expenses incurred by the Organization's head office and other branches.

21. Income Taxes

In 2018, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) 92- 2018 which states that accredited Microfinance Non-Government Organizations (MF-NGOs) shall be liable to 2% special rate of income tax based on gross receipts for its revenues generated from purely microfinance operations and 30% regular rate of income tax or 2% minimum corporate income tax (MCIT) for those revenues not generated from microfinance operations.

- a. The components of the Organization's provision for income tax are as follows:

	2018
Current	P15,045,242
Deferred	(1,424,456)
	<u>P13,620,786</u>

- b. The reconciliation between the provision for income tax computed at special tax rate of 2% and the actual provision for income tax recognized in profit or loss follows:

	2018
Income before tax	<u>P260,933,615</u>
Income tax expense at special rate at 2%	5,218,672
Add tax effect of:	
Non-deductible expenses	9,707,371
	<u>P14,926,043</u>

The reconciliation between the benefit from income tax computed at regular tax rate of 30% and the actual benefit from income tax recognized in profit or loss follows:

	2018
Loss before tax	<u>(P2,872,304)</u>
Benefit from income tax at regular rate at 30%	(861,691)
Add (deduct) tax effect of:	
NOLCO	1,305,257
Income subject to final tax	(443,566)
MCIT	119,199
	<u>P119,199</u>

- c. Movements in income tax payable follows:

	2018
At January 1	P146,423
Charged to profit or loss	15,045,242
Income tax paid	(12,273,772)
Creditable withholding taxes	(60,000)
At December 31	<u>P2,857,893</u>

The Organization has recognized deferred tax asset from MCIT and NOLCO amounting to P1,424,456 as at December 31, 2018.

The Organization's MCIT and NOLCO amounting to P119,199 and P4,350,856, respectively incurred in 2018 will both expire in 2021.

In 2017, the Organization was liable for taxes arising from its income and gains on transactions outside the allowed activities of an entity registered under the Social Reform and Poverty Alleviation Act.

The Organization, being a non-stock, not-for-profit organization operating for social welfare purposes, is exempt from income tax pursuant to Section 30 (e) of the National Internal Revenue Code of 1997. However, income derived from whatever kind and character from any of their properties, real or personal, or from any of their activities conducted for profit, is subject to the regular income tax.

The Organization was granted a Certificate of Tax Exemption on July 24, 2002 pursuant to RA No. 8425, otherwise known as the Social Reform and Poverty Alleviation Act. On September 17, 2010, the Organization made amendments to its Articles of Incorporation including the change in corporate name. As a result, the Organization was required by the Bureau of Internal Revenue (BIR) to secure another Certificate of Tax Exemption. The Organization has been in compliance with the submission of requirements to secure the Certificate of Tax Exemption. The request for the new certificate, however, is still pending as of the date of the approval of the financial statements.

- a. The components of the Organization's provision for income tax are as follows:

	2017
Current	P759,034
Deferred	-
	<u>P759,034</u>

- a. The reconciliation between the provision for income tax computed at regular tax rate of 30% and the actual provision for income tax recognized in profit or loss follows:

	2017
Income before tax	<u>P241,488,943</u>
Income tax expense at special rate at 2%	72,446,683
Add (deduct) tax effect of:	
Non-taxable income	(219,262,344)
Non-deductible expenses	147,730,062
Income subject to final tax	(155,367)
	<u>P759,034</u>

- b. Movements in income tax payable follows:

	2017
At January 1	P1,211,856
Charged to profit or loss	759,034
Income tax paid	(1,752,967)
Creditable withholding taxes	(71,500)
At December 31	<u>P146,423</u>

22. Retirement Benefits

The Organization has a funded, non-contributory defined benefit plan covering all of its regular officers and employees. The plan provides for optional and normal retirement benefits, and death and disability benefits to its members. The normal retirement benefit is equivalent to 125% of plan salary for every year of credited service.

Actuarial Advisers, Inc., a SEC-registered firm of independent certified professional actuaries, made the latest actuarial valuation report as at December 31, 2018 based on the Projected Unit Credit Cost Method prescribed by PAS 19, as revised. The Organization obtains actuarial valuation report every two years except if any material transactions and other material changes in circumstances occur.

The retirement benefit asset recognized in the separate statements of financial position as at December 31 is as follows:

	2018	2017
Present value of defined benefit obligation (DBO) at December 31	P14,406,889	P19,255,446
Fair value of plan asset at December 31	(38,852,843)	(49,428,863)
Net retirement benefit asset at December 31	(P24,445,954)	(P30,173,417)

The movements in the net retirement benefit asset recognized in the statements of financial position are as follows:

	2018	2017
Retirement benefit asset at January 1	P30,173,417	P19,590,659
Transfer (to)/from a subsidiary	(2,215,646)	1,866,938
Amount recognized in profit or loss	337,200	(2,128,998)
Amount recognized in OCI - actuarial loss	(33,379,278)	(3,975,091)
Contributions	29,530,261	14,819,909
Retirement benefit asset at December 31	P24,445,954	P30,173,417

The changes in the present value of the DBO are as follows:

	2018	2017
Present value of DBO at January 1	P19,255,446	P16,737,189
Interest cost	853,633	840,207
Current service cost	1,626,612	3,112,449
Defined benefit cost recognized in profit or loss	2,480,245	3,952,656
Actuarial (gain) loss from:		
Changes in financial assumptions	(6,049,006)	(3,323,554)
Experience	(1,030,174)	1,903,801
Changes in demographic assumptions	-	-
Defined benefit cost recognized in OCI	(7,079,180)	(1,419,753)
Benefits paid	-	-
Transfer (to)/from a subsidiary	(249,622)	(14,646)
Present value of DBO at December 31	P14,406,889	P19,255,446

The changes in the fair value of plan assets are as follows:

	2018	2017
Fair value of plan assets at January 1	P49,428,863	P36,327,848
Interest income	2,817,445	1,823,658
Contributions	29,530,261	14,819,909
Remeasurement - plan assets recognized in OCI	(40,458,458)	(5,394,844)
Transfer from a subsidiary	(2,465,268)	1,852,292
Fair value of plan assets at December 31	P38,852,843	P49,428,863

There was no plan amendment, curtailment or settlement recognized in 2018 and 2017.

The defined benefit cost recognized in profit or loss is shown under operating expenses and general and administrative expenses.

The amount recognized in profit or loss is as follows:

	2018	2017
Current service cost	P1,626,612	P3,112,449
Net interest cost	(1,963,812)	(983,451)
	(P337,200)	P2,128,998

The amount recognized in OCI is as follows:

	2018	2017
Actuarial gain - DBO	P7,079,180	P1,419,753
Remeasurement - plan assets	(40,458,458)	(5,394,844)
	(P33,379,278)	(P3,975,091)

The accumulated actuarial losses in OCI amounted to P55,293,693 and P21,914,415 in 2018 and 2017, respectively.

The principal actuarial assumptions used to determine the present value of the DBO of the Organization as at December 31 are as follows:

	2018	2017
Discount rate	7.51%	5.70%
Salary increase rate	5.00%	5.00%

The sensitivity of the DBO to changes in the principal actuarial assumptions as at December 31, 2018 and 2017 follows:

Principal Assumptions	Increase (decrease) in Assumption	Effect on Retirement Liability	
		2018	2017
Discount rate	0.50%	P13,137,699	(P17,172,395)
	-0.50%	15,830,226	21,638,593
Salary increase rate	1%	17,400,145	24,241,549
	-1%	11,984,421	(15,362,969)

23. Related Party Disclosures

Transactions with related parties consist mainly of non-interest bearing cash advances to affiliates.

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

	Nature	Year	Transactions During the Year	Outstanding Balance
<i>Due from related parties</i>				
Subsidiaries	Expenses	2018	₱3,348,201	₱6,000,286
		2017	1,296,505	2,652,085
Affiliate	Advances	2018	17,370,210	34,027,075
		2017	(389,656)	16,656,865
		2018		₱40,027,361
		2017		₱19,308,950

	Nature	Year	Transactions During the Year	Outstanding Balance
<i>Due to related parties</i>				
Subsidiaries	Services	2018	₱1,552,718	₱4,603,362
		2017	2,958,105	3,050,644
Affiliate	Payments	2018	-	-
		2017	(9,933,673)	-
		2018		₱4,603,362
		2017		₱3,050,644

Due from related parties consist mainly of cash advances to affiliates and expenses paid by the Organization on behalf of its related parties.

Due to related parties consist mainly of unremitted membership fees, premiums and contributions and unpaid hotel and security services of the Organization rendered by its related parties.

The Organization has not recognized any provision for doubtful accounts in relation to the Organization's receivables from its related parties for the years ended December 31, 2018 and 2017.

Related party balances are non-interest bearing, unsecured and are payable on demand. The Organization has neither given nor received any guarantees in 2018 and 2017 for the related party balances. These are also expected to be settled in cash.

Key management is defined as those with position of area manager and above who are involved in the decision-making process of the Organization.

Compensation of key management personnel for the years ended December 31, 2018 and 2017 amounted to ₱5,179,407 and ₱3,753,540, respectively. The total staff loans receivable from key management amounted to ₱4,002,188 and ₱1,581,250 as at December 31, 2018 and 2017, respectively.

24. Contingencies and Commitments

Legal cases

The Organization is involved in cases that arise in the normal course of business. Management believes that the outcome of the cases will not materially affect the financial condition and performance of the Organization.

Leases

As a lessee

The Organization leases most of its program and field offices for a period of one year, renewable upon mutual agreement of the parties.

The future minimum lease payments as at December 31 are as follows:

Period	Amount	
	2018	2017
Not later than one year	₱4,828,101	₱3,156,776
Later than one year but not later than five years	-	-

Total rent expense recognized in profit or loss for the years ended December 31, 2018 and 2017 amounted to ₱14,534,779 and ₱12,665,588, respectively (see Notes 19 and 20).

As a lessor

Certain floors of the Organization's new corporate building are being leased out to its subsidiaries under operating lease. Details are as follows:

In 2013, ABI leased its office space from the Organization at a rate of ₱30,000 per month for a period of ten (10) years which commenced in December 2013 and will end in November 2023.

In 2013, ACI occupied fourth (4th) floor to seventh (7th) floor of the Organization's building at a total rate of ₱60,000 per month for a period of ten (10) years, which commenced in November 2013 and will end in October 2023.

In 2017, APSS leased its office space from the Organization at a rate of ₱10,000 per month for a period of ten (10) years, which commenced in April 2017 and will end in May 2027.

The future minimum lease payments receivable as at December 31 are as follows:

Period	Amount	
	2018	2017
Not later than one year	₱1,200,000	₱1,800,000
Later than one year but not later than five years	4,800,000	4,800,000
Later than five years	410,000	1,460,000

Rental income recognized for the years ended December 31, 2018 and 2017 amounted to ₱1,200,000 and ₱1,430,000, respectively (see Notes 11 and 18).

25. Financial Risk and Capital Management Objectives and Policies

The Organization is exposed to a variety of financial risks arising from its operating, investing and financing activities. The BOT is mainly responsible for the Organization's overall financial risk management, which includes establishment and approval of risk strategies, policies and limits. The main objective of the financial risk management is to minimize the adverse impact of financial risks on the Organization's financial performance and financial position due to the unpredictability of financial markets.

The Organization's principal financial instruments comprise mainly of cash in banks, loans and other receivables, financial assets at FVOCI, refundable deposits, members' deposits, accounts and other payables and loans payable. The main purpose of these financial instruments is to generate income and finance the Organization's operations.

The main risks arising from the Organization's financial instruments are credit risk, market risk and liquidity risk. The BOT reviews and approves the policies for managing these risks and they are summarized as follows:

a. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

To mitigate credit risk, the Organization adopted and implemented the poverty assessment tool and the cash flow assessment tool as part of its selection process to identify the member's business and/or other sources of income for loan repayment, the purpose of loan and measure the member's borrowing capacity.

Implementation of loan tracking mechanism to monitor loan status, Portfolio-at-Risk (PAR), portfolio quality, repayment performance and history is made to mitigate risk. Furthermore, strict adherence to credit discipline is observed.

The Organization recognizes the need to mitigate member's risk exposure in the form of introducing insurance as a form of protection against threat or possibility of loss.

The Organization adopts a strong Internal Audit Unit with clear audit plans and procedures to anticipate, detect and correct deviations from the system and ensure proper compliance with approved policies and procedures. Assurance that cash collection and disbursements are in place to minimize transaction costs and eliminate unnecessary costs. Regular spot audit of both branches and savings and loans system (SLS) is done by the Internal Audit Unit to eliminate irregularities that lead to fraud and losses. The Organization consistently reviews its delinquency management and loan recovery policies to support high repayment rates and operational viability.

The aging analyses as at December 31 of financial assets are as follows (gross of allowance for impairment):

		2018					2017						
		Neither impaired nor past due		Past due but not impaired	Past due and impaired			Neither impaired nor past due		Past due but not impaired	Past due and impaired		
Note	Total	1 - 30 days	31-60 days	61-90 days	> 90 days	1 - 30 days	31-60 days	61-90 days	> 90 days	1 - 30 days	31-60 days	61-90 days	> 90 days
Cash in banks	P456,599,837	P-	P-	P-	P-	P456,599,837	-	-	-	P-	P-	P-	P-
Loans and other receivables	1,427,573,803	-	8,971,512	792,228	1,170,668	1,404,036,289	792,228	1,170,668	12,603,105	-	-	-	-
Refundable deposits	725,350	-	-	-	-	725,350	-	-	-	-	-	-	-
	P1,884,898,990	P-	P8,971,512	P792,228	P1,170,668	P1,861,361,476	P792,228	P1,170,668	P12,603,105	P-	P19,575,263	P5,163,317	P71,411,380

Credit quality per class of financial assets

The credit quality of financial assets is determined based on the Organization's historical experience with the corresponding parties.

The bases in grading the Organization's financial assets are as follows:

High grade

These are financial assets which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security is readily enforceable.

Standard grade

These are financial assets where collections are probable due to the reputation and the financial ability of the counterparty to pay but with the experience of default.

Substandard grade

These are financial assets where the counterpart has the experience of default and probability of turning past due in the near future and/or are already past due.

Cash in banks - based on the nature of the counterparty and the Organization'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.

Refundable deposits - The counterparty has the apparent ability to satisfy its obligation with least likelihood of default.

The tables below show the credit quality by class of financial assets as at December 31:

	2018						Total
	Neither impaired nor past due			Past Due But Not Impaired	Past Due And Impaired		
	High Grade	Standard Grade	Substandard Grade				
Cash in banks	P456,599,837	P-	P-	P-		P456,599,837	
Loans and other receivables	1,404,036,289	-	-	-	23,537,514	1,427,573,803	
Refundable deposits	725,350	-	-	-	-	725,350	
	P1,861,361,476	P-	P-	P-	P23,537,514	P1,884,898,990	

	2017						Total
	Neither impaired nor past due			Past Due But Not Impaired	Past Due And Impaired		
	High Grade	Standard Grade	Substandard Grade				
Cash in banks	P351,326,985	P-	P-	P-		P351,326,985	
Loans and other receivables	1,321,316,618	-	-	-	100,087,493	1,421,404,111	
Refundable deposits	725,350	-	-	-	-	725,350	
	P1,673,368,953	P-	P-	P-	P100,087,493	P1,773,456,446	

b. Market risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes. The Organization's market risk is manageable within conservative bounds. As at December 31, 2018 and 2017, the Organization has not engaged in trading financial instruments.

Interest rate risk

Interest rate risk is the risk to earnings or capital resulting from adverse movements in interest rates. The economic perspective of interest rate risk focuses on the value of a financial instrument in the current interest rate environment and the sensitivity of that value to changes in interest rates.

The Organization has no significant exposure to interest rate risk because its financial instruments bears fixed interest rates and are measured at amortized cost.

Foreign exchange risk

The Organization has no significant exposure to foreign currency risks as most transactions are denominated in Philippine Peso, its functional currency. However, the Organization pays US\$300 to Electronic Network Cash Tellers, Inc. (ENCASH) for the annual license fee on the use of ATMs.

c. Liquidity risk

Liquidity risk is the risk from an entity's inability to meet obligations when they become due because of its inability to liquidate assets or obtain adequate funding. The Organization ensures that sufficient liquid assets are available to meet short-term funding and regulatory requirements.

The Organization's liquidity and cash positions are monitored on a daily basis. The Organization maintains sufficient liquidity reserves in the form of high-yielding deposits with banks. The Organization has also obtained sufficient liquidity lines from other banks and non-bank lending institutions that can relieve financial pressures in the event of an extraordinary demand for liquidity. Further, the Organization actively rediscounts loans with entities that have given the Organization more than sufficient rediscounting lines.

The following tables summarize the maturity profile of financial instruments that is used by the Organization to manage its liquidity risk based on contractual undiscounted cash flows (including interest):

		2018				
Note	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Total	
<i>Financial liabilities</i>						
Members' deposit	14	P662,662,598	P-	P-	-	P662,662,598
Accounts and other payables*	15	37,113,969	21,412,239	-	60,000	58,586,208
Loans payable	17	-	40,584,408	99,456,872	30,382,710	172,423,991
		P699,776,567	P61,996,647	P99,456,872	P30,442,710	P893,672,797

		2017				
Note	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Total	
<i>Financial liabilities</i>						
Members' deposit	14	P566,027,287	P-	P-	P-	P566,027,287
Accounts and other payables*	15	45,361,168	20,173,477	4,219,626	60,000	69,814,271
Loans payable	17	-	88,733,769	96,769,583	25,936,171	211,439,523
		P611,388,455	P108,907,246	P100,989,209	P25,996,171	P847,281,081

*Excluding government liabilities

The maturity grouping of financial instruments is based on the remaining period from the end of the financial reporting period to the contractual maturity date. For financial liabilities, when the counterparty has a choice of when the amount is to be paid, the liability is allocated to the earliest period in which the Organization can be required to pay.

Fund Management

The primary objective of the Organization's capital management is to ensure the ability of the Organization to have sufficient capital to underpin the Organization'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 Organization's capital structure and making the necessary adjustments to address the risks and adapt to changes in economic conditions and regulatory requirements.

The Organization regards the following items as the fund it manages as at December 31:

	2018	2017
Fund balance		
Appropriated	P30,503,215	P40,000,000
Unappropriated	1,342,367,265	1,088,199,096
	P1,372,870,480	P1,128,199,096

In its meeting held on December 18, 2014, the management, with the approval of the BOT, appropriated P40,000,000 of the fund as special reserves for any probable contingency.

On November 29, 2018, the Organization released P5,528,572 as payment for deficiency VAT and P3,968,213 as payment for deficiency income tax.

The movements in the unappropriated portion of members' equity are as follows:

	2018	2017
Balance as at January 1	P1,088,199,096	P847,242,217
Additional revolving fund	230,859	226,970
Net income for the year	244,440,525	240,729,909
Release of appropriated funds	9,496,785	-
Balance as at December 31	P1,342,367,265	P1,088,199,096

Revolving fund pertains to non-refundable membership fees collected from the new members.

26. Financial Assets and Financial Liabilities

The following table summarizes the carrying values of the Organization's financial assets and financial liabilities at December 31:

	Note	2018	2017
<i>Financial assets at amortized cost</i>			
Cash in banks	5	P456,649,837	P351,376,985
Loans and other receivables	6	1,404,040,436	1,327,517,424
Refundable deposits	13	725,350	725,350
Financial assets at FVOCI	8	14,938,178	-
		P1,876,303,801	P1,679,619,759
<i>Financial liabilities at amortized cost</i>			
Members' deposit	14	P662,662,598	P566,027,287
Accounts and other payables*	15	58,586,208	69,814,271
Loans payable	17	160,341,860	205,456,501
		P881,590,666	P841,298,059

*Excluding government liabilities

The carrying values of financial assets and financial liabilities, except for refundable deposits and loans payable, net of current portion, carried at amortized cost, approximate their fair values due to the relatively short-term nature of the financial instruments. As discussed in Note 2, the disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

The fair value of refundable deposits and loans payable, net of current portion are as follows:

	2018	2017
Financial asset		
Refundable deposits	P516,271	P575,318
Financial liability		
Loans payable, net of current portion	P24,461,570	P20,004,811

The carrying value of investment in shares of stocks presented under “Financial assets at FVOCI” approximates its fair value as at December 31, 2018 and is classified under Level 3 of the fair value hierarchy.

The carrying value of Peso Diversified Value Fund presented under “Financial assets at FVOCI” approximates its fair value as at December 31, 2018 and is classified under Level 2 of the fair value hierarchy.

Income, expense, gains or losses on financial instruments

Items of income, expense, gains or losses with respect to financial assets and financial liabilities in the separate statement of comprehensive income are as follows:

	Note	2018	2017
Interest income from:			
Loans and other receivables	6	P690,879,008	P708,808,927
Bank deposits	18	1,478,552	517,891
		P692,357,560	P709,326,818
Interest expense on:			
Members' deposits	14	P19,110,657	P26,183,596
Loans payable	17	7,009,106	14,604,989
		P26,119,763	P40,788,585
Provision for impairment on loans and receivables	6	P16,617,109	P101,403,031

27. Events After the Reporting Date

Post year-end events up to the date of the auditor’s report that provide additional information about the Organization’s position at financial reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

28. Reclassification of Prior Year’s Financial Statements

The following reconciliation shows the effect of the reclassification of account balances as at December 31, 2017 in conformity with the presentation of balances as at December 31, 2018.

Financial Statement Line Item	As Previously Reported	Effect of Reclassification	As Reclassified
Statement of comprehensive income			
Interest income	P708,775,620	P33,307	P708,808,927
Other operating income	25,146,863	(33,307)	25,113,556

29. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

Presented below is the supplementary information which is required by the BIR under its existing Revenue Regulations (RR) to be disclosed as part of the notes to financial statements in addition to the disclosures mandated under PFRS.

REVENUE REGULATIONS (RR) NO. 15-2010

In compliance with the requirements of RR No. 15-2010 issued on November 25, 2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year ended December 31, 2018:

1. Taxes and licenses

Permits and licenses	₱14,456,303
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2. Withholding taxes

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

a. Taxes on compensation and benefits	₱3,104,396
b. Expanded withholding taxes	664,480
	₱3,768,876

3. Tax cases/assessments

On July 24, 2014, the Organization received a Preliminary Assessment Notice from the BIR Revenue Region No. 10 Legazpi City, Albay ascertaining that the Organization is still liable for the total amount ₱40,663,852, inclusive of legal increments. On September 17, 2014, the Organization received a Formal Letter of Demand from the BIR Revenue Region No. 10 Legazpi City, Albay ascertaining that the total tax still due amounts to ₱41,460,662, inclusive of legal increments.

On October 24, 2014, the Organization sent a Request for Reconsideration and Reinvestigation to BIR's Formal Letter of Demand and received by the BIR Revenue Region No. 10 Legazpi City, Albay on October 29, 2014.

On September 24, 2015, the Organization paid deficiency tax on expanded withholding tax amounting to ₱324,719 and the corresponding surcharge and interest of ₱81,180 and ₱467,408, respectively.

On February 5, 2018, the Organization received the Notice of Decision for the alleged deficiency taxes for taxable year 2010, including interests and penalties, in the total amount of ₱41,460,662.

On November 29, 2018, the Organization paid ₱5,528,572 for deficiency VAT and ₱3,968,213 for deficiency income tax.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Trustees and Members
ARDCI Microfinance, Incorporated
3rd Floor, ARDCI Corporate Building
San Roque, Virac, Catanduanes

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of ARDCI Microfinance, Incorporated ("the Organization") as at and for the year ended December 31, 2018 included in this Audited Financial Statements (AFS) and have issued our report thereon dated April 11, 2019. Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The schedules listed in the Index to Separate Financial Statements and Supplementary Schedules in this AFS are presented for purposes of complying with the Securities Regulation Code (SRC) Rule 68, As Amended, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 4, Series of 2013 and are not part of the basic separate financial statements. Such schedules are the responsibility of management. The schedules have been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph Babor
Clark Joseph C. Babor
Partner

CPA Certificate No. 00119292

Tax Identification No. 248-709-974-000

PTR No. 7348358, issued on January 10, 2019, Makati City

PRC/BOA Accreditation No. 0005, issued on December 13, 2018,
effective until July 20, 2021

SEC Accreditation No. 1580-A (Individual), Group C, issued on August 30, 2016,
effective until August 30, 2019

SEC Accreditation No. 007-FR-5 (Firm), Group A, issued on July 5, 2018,
effective until July 4, 2021

BIR Accreditation No. 08-006635-1-2017, issued on January 23, 2017,
effective until January 22, 2020

IC Accreditation No. SP-2019-001-O, issued on January 31, 2019
effective until January 30, 2022

April 11, 2019
Makati City



ARDCI MICROFINANCE INCORPORATED
(formerly ARDCI NGO Group, Inc.)
Schedule of Standards and Interpretations
December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A : Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1 : Additional Exemptions for First-time Adopters			✓
	Amendments to PFRS 1 : Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1 : Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs			✓
	Amendments to PFRS 1: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Share-based Payment - Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
	Amendments to PFRS 3 and PFRS 11: Previously held interest in a joint operation***			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9 (2014)	Financial Instruments	✓		
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Original effective date has been deferred/postponed		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities			✓
	Amendments to PFRS 11: Accounting for Acquisitions of an Interest in a Joint Operation			✓
	Amendments to PFRS 3 and PFRS 11: Previously held interest in a joint operation***			✓
PFRS 12	Disclosure of Interest in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception	✓		
	Amendments to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers			✓
	Amendments to PFRS 15: Clarifications to PFRS 15			✓
PFRS 16	Leases*		✓	
PFRS 17	Insurance Contracts***			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1, Disclosure initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendments to PAS 12: Income tax consequences of payments on financial instruments classified as equity***	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
	Amendments to PAS 19, Plan Amendment, Curtailment or Settlement***	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
	Amendments to PAS 23: Borrowing costs eligible for capitalization***			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Original effective date has been deferred/postponed		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets and Financial Liabilities	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38 : Revaluation Method -Proportionate Restatement Of Accumulated Amortization	✓		
	Amendments to PAS 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement contains a Lease	✓		
IFRIC 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyper Inflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirements			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of a Non-cash Assets to Owners			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Considerations			✓
IFRIC 23	Uncertainty Over Income Tax Treatments***			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets—Web Site Costs			✓

*Standards and interpretations whose mandatory adoption date is after December 31, 2018.

**Standards and interpretations whose original effective date has been deferred/postponed by FRSC.

***Standards and interpretations adopted by FRSC and is subject for approval by the Board of Accountancy



COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

I 1 9 9 8 - 0 0 2 7 7

COMPANY NAME

A R D C I M I C R O F I N A N C E ,
I N C O R P O R A T E D (A N o n - s t o c k ,
N o n - p r o f i t , O r g a n i z a t i o n)

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

S A N R O Q U E , V I R A C , C A T A N D U A N E S

Form Type

S S C E P

Department requiring the report

M R D

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

ardci_oceo@yahoo.com

Company's Telephone Number/s

N/A

Mobile Number

09088130551; 09178073463

No. of Stockholders

N/A

Annual Meeting (Month / Day)

3RD TUESDAY OF APRIL

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

MS. EVELYN T. TEVES

Email Address

ardci_finance@yahoo.com.ph

Telephone Number/s

N/A

Mobile Number

0917-807-3463

CONTACT PERSON'S ADDRESS

CAVINITAN, VIRAC, CATANDUANES

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 within information and complete contact details of the new contact person designated.

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.



ARDCI MICROFINANCE, INCORPORATED
 (Formerly: ARDCI NGO Group, Incorporated)
 SEC Registration No. 11998-00277
 3/f ARDCI Corporate Bldg., San Roque, Virac, Catanduanes 4800
 Mobile no. 09178073463 visit us @www.ardci.org.ph



RECEIPTS

Interest income	P690,879,008
Other operating income	62,861,267
TOTAL RECEIPTS	753,740,275

DISBURSEMENTS

Cost of services	
Interest expense	26,119,763
Operating Expenses	
Salaries, wages and employee benefits	200,727,440
Client community services	22,353,979
Transportation, fuel and oil	15,727,722
Taxes and licenses	14,456,303
General support services	14,321,195
Rental	13,484,794
Stationeries and office supplies	9,924,645
Information technology	8,927,298
Communication, light and water	7,250,799
Trainings, seminars and conferences	5,462,834
Insurance	5,301,943
Supervision and monitoring fees	2,553,393
Documentary stamp tax	1,834,230
Representation	1,554,351
Advertising	1,288,795
Fines, penalties and dues	1,201,653
Repairs and maintenance	988,212
Consultancy and professional fee	476,762
Research and development coats	260,541
Finance Charges	129,233
Miscellaneous	8,882,956
	337,109,078

General and administrative expenses

Salaries, wages and employee benefits	66,351,868
Repairs and maintenance	5,032,757
Information technology	3,825,985
General support services	3,533,126
Insurance	2,272,261
Communication, light and water	2,234,974
Transportation, fuel and oil	2,105,405
Stationeries and office supplies	1,666,704
Consultancy and professional fee	1,112,445
Rental	1,049,985
Charitable contributions	717,636
Fines, penalties and dues	566,157
Advertising	552,341
Representation	417,687
Finance Charges	110,047
Miscellaneous	387,660
	91,937,038

TOTAL DISBURSEMENTS

455,165,879

EXCESS OF RECEIPTS OVER DISBURSEMENTS

P298,574,396

NON-CASH DISBURSEMENTS

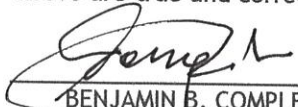
Provision for credit losses	16,617,109
Depreciation and amortization	23,896,336
	40,513,445

We, BENJAMIN B. COMPLETEO, BOT President of ARDCI MICROFINANCE, INCORPORATED (formerly ARDCI NGO Group, Incorporated), Filipino, of legal age, married and presently holding office at ARDCI CORPORATE Bldg., San Roque, Virac, Catanduanes;

AND

EVELYN T. TEVES, Treasurer of ARDCI MICROFINANCE, INCORPORATED (formerly ARDCI NGO Group, Incorporated), Filipino, of legal age, married and presently holding office at ARDCI CORPORATE Bldg., San Roque, Virac, Catanduanes,

after having been duly sworn to in accordance with law, do hereby certify that the above are true and correct.

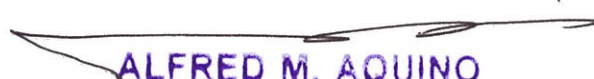

BENJAMIN B. COMPLETEO
President, BOT


EVELYN T. TEVES
Treasurer

SUBSCRIBED AND SWORN to before me this APR 11 2019, for and in Virac Catanduanes, affiants exhibiting to me his/her Taxpayer's Identification Card as follows:

Name	TIN	Place of Issue
BENJAMIN B. COMPLETEO	948419153	Virac, Catanduanes
EVELYN T. TEVES	102977872	Las Piñas, Metro Manila

Doc. No. 112
Page No. 24
Book No. 424
Series of 2019.


ALFRED M. AQUINO
Notary Public
Commission Expires December 31, 2020
San Jose St., Virac, Catanduanes
PTR No. 8459342W / January 3, 2019 / Virac, Cat.
IBP Lifetime No. 017855
MCLE Compliance No. VI-0016841 / Jan. 17, 2019
Roll No. 32981



ARDCI MICROFINANCE, INCORPORATED

(Formerly: ARDCI NGO Group, Incorporated)

SEC Registration No. 11998-00277

3rd ARDCI Corporate Bldg., San Roque, Virac, Catanduanes 4800

Mobile no. 09178073463 visit us @www.ardci.org.ph

NOTARIZED CERTIFICATION

We, BENJAMIN B. COMPLETEO, BOT President of ARDCI MICROFINANCE, INCORPORATED (formerly ARDCI NGO Group, Incorporated), Filipino, of legal age, married and presently holding office at ARDCI Corporate Bldg., San Roque, Virac, Catanduanes;

AND

EVELYN T. TEVES, Treasurer of ARDCI MICROFINANCE, INCORPORATED (formerly ARDCI NGO Group, Incorporated), Filipino, of legal age, married and presently holding office at ARDCI Corporate Bldg., San Roque, Virac, Catanduanes;

after having been duly sworn to in accordance with law, do hereby certify that the following are true and correct:

1) SCHEDULE OF RECEIPTS OR INCOME OTHER THAN CONTRIBUTIONS AND DONATIONS

Source	Unrestricted	Restricted		Total
		Permanent	Temporary	
<i>ActionAid:</i>				
Global Agriculture and Food Security Program (GAFSP) Grant	-	-	-	-
<i>Catholic Relief Services:</i>				
Fair Trade Program Grant	-	-	-	-
<i>International Monetary Fund:</i>				
Civic Program Grant	-	-	-	-
<i>Lannan Foundation:</i>				
Literary Program Grant	-	-	-	-
<i>Philippine Charity Sweepstakes Office (PCSO):</i>				
Endowment Program Grant	-	-	-	-
<i>Rockefeller Brothers Fund:</i>				
Charles E. Culpeper Arts and Culture Grants Program	-	-	-	-
<i>The Henry Smith Charity:</i>				
Medical Research Grant	-	-	-	-
<i>US Environmental Protection Agency:</i>				
Community Action for a Renewed Environment (CARE) Grant	-	-	-	-
<i>Worldbank:</i>				
Global Development Marketplace Grant	-	-	-	-
Social Development Civil Society Fund	-	-	-	-
The Education Service Contracting (ESC) Program Grant	-	-	-	-
Donations of P1,001 to 10,000	-	-	-	-
Donations of P1,000 or less	-	-	-	-
Total	-	-	-	-

SCHEDULE OF CONTRIBUTIONS/DONATIONS

Name of Foundation/Organization AEDCI MICROFINANCE, INCORPORATED	SEC Registration No. I1998-00277
For the year ended DECEMBER 31, 2018	

Part I Contributors/Donors¹

(a) No.	(b) Name and address	(c) Nationality ²	(d) Total Contributions	(e) Type of Contribution ³
1	N/A	N/A	P..... N/A	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
2			P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
3			P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
4			P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
5			P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
6			P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
7			P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
8			P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
9			P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
10			P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
11	Others (aggregate of all contributions which are individually below P100,000.00) - by nationality		P.....	Cash <input type="checkbox"/> Noncash <input type="checkbox"/>

¹ A contributor or donor includes individuals, partnerships, corporations, associations, trusts and organizations.

² If supranational organization, indicate place of principal office or domicile.

³ Contributions or donations reportable on the Schedule are contributions, donations, grants, bequests, devises, and gifts of money or property, amounting to P100,000.00 or more from each contributor or donor.

Name of Foundation/Organization ARDCI MICROFINANCE, INCORPORATED	SEC Registration No. I1998-00277
For the year ended DECEMBER 31, 2018	

Part II Noncash Property

(a) No. from Part I	(b) Description of noncash property given	(c) Fair Market Value (or estimate)	(d) Date received
1	N/A	P N/A	N/A
2		P	
3		P	
4		P	
5		P	
6		P	
7		P	
8		P	
9		P	
10		P	

Signed under oath by the following:

Signature

Printed Name of President BENJAMIN B. COMPTON

Signature

Printed Name of Treasurer EVELYN T. TEVES

Signed this 11 day of April, 2019