
From: eafs@bir.gov.ph <eafs@bir.gov.ph>
To: "jajabagadiong@yahoo.com" <jajabagadiong@yahoo.com>
Cc: "ardci_finance@yahoo.com.ph" <ardci_finance@yahoo.com.ph>
Sent: Wednesday, June 24, 2020, 5:04:15 PM GMT+8
Subject: Your BIR AFS eSubmission uploads were received

Hi ARDCIMICROFINANCE,

Valid files

- EAFS402793859AFS2019.pdf
- EAFS402793859OTH2019-01.pdf
- EAFS402793859ITR2019.pdf

Invalid file

- <None>

Transaction Code: **AFS-2019-3YYZ2NZX0BCAH98JLQNSPPR4408CB5GFL9**
Submission Date/Time: **Jun 24, 2020 04:54 PM**
Company TIN: **402-793-859**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
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LAND BANK OF THE PHILIPPINES

CONFIRMED PAYMENT ADVICE

Wednesday, May 13, 2020
08:59 AM

TIN	402-793-859-000
Taxpayer's Name	ARDCI MICROFINANCE, INCORPORATED
Account Number	0892-1062-90
Reference Number	122000035638782
Payment Transaction Number	204264850
Actual Amount Debited	4,012,032.00
Confirmation Number	00051320200859299170

This is an authorized system-generated message and will serve as your Official Receipt. Please print this confirmation advice for your record.

For inquiries, please call your depository branch.
Thank you for banking with us.



For BIR BCS/ Item

1702-MX06/13P1

<p>Republika ng Pilipinas Kagawaran ng Pananalapi Kawanihan ng Rentas Internas</p>	<h2 style="margin: 0;">Annual Income Tax Return</h2> <p style="font-size: small; margin: 0;">For Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or With Income Subject to SPECIAL/PREFERENTIAL RATE Enter all required information in CAPITAL LETTERS using BLACK Ink. Mark all applicable boxes with an "X" Two copies MUST be filed with the BIR and one held by the taxpayer.</p>	<p>BIR Form No. 1702-MX June 2013 Page 1.</p>
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<p>1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal</p> <p>2 Year Ended (MM/DD/YYYY) 12 / 2019</p>	<p>3 Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No</p>	<p>4 Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No</p>	<p>5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT) <input checked="" type="checkbox"/></p>
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Part I - Background Information

6 Taxpayer Identification Number (TIN) 402 - 793 - 859 - 000	7 RDO Code 069
8 Date of Incorporation/Organization (MM/DD/YYYY) 09/21/2010	
9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) ARDCI MICROFINANCE, INCORPORATED	
10 Registered Address (Indicate complete registered address) SAN ROQUE CATANDUANES 4800	
11 Contact Number 09178073463	12 Email Address jajabagadiong@yahoo.com
13 Main Line of Business OTHER CREDIT GRANTING N.E.C	14 PSIC Code 6619
15 Method of Deduction <input checked="" type="radio"/> Itemized Deduction [Section 34 (A-J), NIRC]	

Part II - Total Tax Payable

(Do NOT enter Centavos)

16 Total Income Tax Due (Overpayment) (From Part V Item 37D)	16,040,559
17 Less: Total Tax Credits/Payments (From Part V Item 38D)	12,028,527
18 Net Tax Payable (Overpayment) (Item 16 Less Item 17)	4,012,032
19 Add: Total Penalties (From Part V Item 43)	0
20 Total Amount Payable (Overpayment) (Sum of Items 18 & 19) or (From Part V Item 44)	4,012,032

21 If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable)

To be refunded To be issued a Tax Credit Certificate (TCC) To be carried over as a tax credit for next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief is true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)

 VICTOR J. BERNAL <small>Signature over printed name of Resident/Principal Officer/Authorized Representative</small>	 EVELYN M. TEVES <small>Signature over printed name of Treasurer/Assistant Treasurer</small>
Title of Signatory President	Number of pages filed 9

22 <input type="radio"/> Community Tax Certificate (CTC) Number <input checked="" type="radio"/> SEC Registration Number	1199800277	23 Date of Issue (MM/DD/YYYY) 09/11/1998	
24 Place of Issue LEGAZPI CITY	25 Amount, if CTC		

Part III - Details of Payment

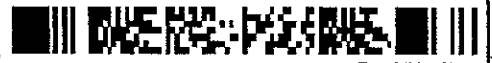
Details of Payment	Drawee Bank/ Agency	Number	Date (MM/DD/YYYY)	Amount
26 Cash/Bank Debit Memo				
27 Check				
28 Tax Debit Memo				
29 Others (Specify Below)				

Machine Validation/Revenue Official Receipt Details (if not filed with an Authorized Agent Bank)	Stamp of Receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)
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Annual Income Tax Return

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TIN				Registered Name			
402	-	793	-	859	-	000	ARDCI MICROFINANCE, INCORPORATED

Part IV - Basis of Tax Relief

30 Basis of Tax Relief under Special Law or International Tax Treaty
If there is only one activity/program under EXEMPT and SPECIAL Tax Regimes, fill up spaces below:
If there are more than one activities/programs under EXEMPT and SPECIAL Tax Regimes, use as many Mandatory Attachments per Activity (Part VIII) as necessary and mark "X" the box at the left.

	A. Exempt	B. Special Rate	C. Special Tax Relief (Under Regular/Normal Rate)
31 Investment Promotion Agency (IPA)/ Implementing Government Agency		BIR AND SEC	
32 Legal Basis		RA NO: 10693	
33 Registered Activity/Program (Reg. No.)		NA	
34 Special Tax Rate		2.0	
35 From (MM/DD/YYYY)		01/01/2019	
36 To (MM/DD/YYYY)		12/31/2021	

Part V - Computation of Amount Payable per Tax Regime

Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
37 TOTAL INCOME TAX DUE (OVERPAYMENT) <i>(From Schedule 1 Item 16B/16C/16D) (To Part II Item 16)</i>	0.00	15,934,142	108,417	16,040,559
38 Less: Tax Credits/Payments <i>(From Schedule 8 Item 13) (To Part II Item 17)</i>	0	11,729,775	298,752	12,028,527
39 NET TAX PAYABLE (OVERPAYMENT) <i>(Item 37 Less Item 38) (To Part II Item 18)</i>	0	4,204,367	(182,335)	4,012,032
Add Penalties				
40 Surcharge				0
41 Interest				0
42 Compromise				
43 Total Penalties (Sum of Items 40 to 42) <i>(To part II Item 19)</i>				0
44 TOTAL AMOUNT PAYABLE (OVERPAYMENT) <i>(Sum of Items 39 and 43) (To Part II Item 20)</i>				4,012,032

Part VI - Information - External Auditor/Accredited Tax Agent

45 Name of External Auditor/Accredited Tax Agent			
ROXAS CRUZ TAGLE AND CO.			
	46 TIN	004	-671 - 931 - 000
47 Name of Signing Partner (if External Auditor is a Partnership)			
JARRED D. PERENA			
	48 TIN	243	-146 - 342 - 000
49 BIR Accreditation No.	50 Issue Date (MM/DD/YYYY)		51 Expiry Date (MM/DD/YYYY)
08 - 001682 - 015 - 2019	10/22/2019		10/21/2022

Annual Income Tax Return

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1702-MX06/13P3

TIN				Registered Name	
402	- 793	- 859	- 000	ARDCI MICROFINANCE, INCORPORATED	

Instructions: A. Fill up the applicable columns below, if there is only one activity/program under EXEMPT and/or SPECIAL Tax Regimes.
B. Use as many Part VIII-Mandatory Attachments per Activity as necessary, if there are more than one activities/programs under EXEMPT and/or SPECIAL Tax Regimes. Consolidated amounts from Part VIII Mandatory Attachments PER TAX REGIME shall be reflected under the corresponding columns below.

Part VII - SCHEDULES

Schedule 1 - COMPUTATION OF TAX Per Tax Regime

Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Net Sales/Revenues/Receipts/Fees <i>(From Schedule 3 Item 6) and (From all of Part VIII Sched B Item 1)</i>	0	759,605,105	0	759,605,105
2 Less: Cost of Sales/Services <i>(From Schedule 3 Item 2) (From all of Part VIII Sched B Item 2)</i>	0	0	0	0
3 Gross Income from Operation <i>(Item 1 Less Item 2)</i>	0	759,605,105	0	759,605,105
4 Add: Other Taxable Income not Subjected to Final Tax <i>(From Schedule 4 Item 4) (From all of Part VIII Sched B Item 4)</i>	0	37,101,973	5,320,834	42,422,807
5 Total Gross Income/Gross Taxable Income <i>(Sum of Items 3 & 4)</i>	0	796,707,078	5,320,834	802,027,912
6 Ordinary Allowable Itemized Deductions <i>(From Schedule 5 Item 40) (From all of Part VIII Sched B Item 6)</i>	0	0	6,992,460	6,992,460
7 Special Allowable Itemized Deductions <i>(From Schedule 6 Item 5) (From all of Part VIII Sched B Item 7)</i>	0	0	0	0
8 NOLCO (only for those taxable under Sec. 27 (A to D); Sec 28(A)(1) & (A)(6)(b) of the Tax Code) <i>(From Schedule 7A Item 6D) (From all of Part VIII Sched B Item 8)</i>	0	0	0	0
9 Total Itemized Deductions <i>(Sum of Items 6, 7 & 8)</i>	0	0	6,992,460	6,992,460
10 Net Taxable Income/Net Income <i>(Item 5 Less Item 9)</i>	0	796,707,078	(1,671,626)	795,035,452
11 Applicable Income Tax Rate <i>(i.e., Special or Regular/Normal rate)</i>	0%	2.0 %	30.0 %	
12 Income Tax Due other than MCIT <i>(Item 5 OR Item 10 X Item 11)</i>	0	15,934,142	0	15,934,142
13 Less: Share of Other Govt. Agencies, if Remitted directly				
14 Net Income Tax Due to National Government <i>(Item 12 Less Item 13)</i>		15,934,142	0	15,934,142
15 MCIT (2% of Gross Income in Item 5)			106,417	106,417
16 Total Income Tax Due (Overpayment) <i>(Item 15B + Item 14B); (Item 15C = Normal Income Tax in Item 15C or MCIT in Item 15C, whichever is higher) (Item 16D = Sum of Items 15B & 15C) (To Part V Item 37B/37C/37D)</i>		15,934,142	106,417	16,040,559

Schedule 2 - Tax Relief Availment

Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Regular Income Tax Otherwise Due <i>(50% of the Net Taxable Income in Item 10A for Exempt Item 10B for Special Rate)</i>	0	239,012,123	0	239,012,123
2 Special Allowable Itemized Deductions <i>(50% of the applicable Total in Schedule 8 Item 5)</i>	0	0	0	0
3 Sub-Total (Sum of Items 1 & 2)	0	239,012,123	0	239,012,123
4 Less: Income Tax Due (From Sched 1 Item 16B)	0	15,934,142	0	15,934,142
5 Tax Relief Availment before Special Tax Credit <i>(Item 3 Less Item 4)</i>	0	223,077,981	0	223,077,981
6 Add: Special Tax Credits (From Schedule 8 Item 10)				
7 Total Tax Relief Availment (Sum of Items 5 & 6)	0	223,077,981	0	223,077,981

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TIN				Registered Name			
402	-	793	-	859	-	000	ARDCI MICROFINANCE, INCORPORATED

Schedule 3 - Sales/Revenues/Receipts/Fees	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Sales of Goods/Properties		759,605,105		759,605,105
2 Sales of Services				0
3 Lease of Properties				0
4 Total (Sum of Items 1 to 3)	0	759,605,105	0	759,605,105
5 Less: Sales Returns, Allowances & Discounts				0
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Schedule 1 Item 1)	0	759,605,105	0	759,605,105

Schedule 3A - Cost of Sales (For Those engaged in Trading)	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Merchandise Inventory, Beginning				0
2 Add: Purchases of Merchandise				0
3 Total of Goods Available for Sale (Sum of Item 1 & 2)	0	0	0	0
4 Less: Merchandise Inventory, Ending				0
5 Cost of Sales (Item 3 Less Item 4) (To Item 27)	0	0	0	0

Schedule 3B - Cost of Sales (For Those engaged in Manufacturing)	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
6 Direct Materials, Beginning				
7 Add: Purchases				
8 Materials Available for Use (Sum of Items 6 & 7)				
9 Less: Direct Materials, Ending				
10 Raw Materials Used (Item 8 Less Item 9)				
11 Direct Labor				
12 Manufacturing Overhead				
13 Total Manufacturing Cost (Sum of Items 10 to 12)				
14 Add: Work in Process, Beginning				
15 Less: Work in Process, Ending				
16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15)				
17 Add: Finished Goods, Beginning				
18 Less: Finished Goods, Ending				
19 Cost of Goods Manufactured & Sold (Sum of Items 16 & 17 Less Item 18) (To Item 27)				

Schedule 3C - Cost of Services (For Those engaged in Services. Indicate only those directly incurred or related to the gross revenue from rendition of services)	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
20 Direct Charges - Salaries, Wages & Benefits				
21 Direct Charges - Materials, Supplies & Facilities				
22 Direct Charges - Depreciation				
23 Direct Charges - Rental				
24 Direct Charges - Outside Services				
25 Direct Charges - Others				
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)				
27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Schedule 1 Item 2)	0	0	0	0

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1702-MX06/13P5

TIN	Registered Name
402 - 793 - 859 - 000	ARDCI MICROFINANCE, INCORPORATED

Schedule 4 - Other Taxable Income not Subjected to Final Tax <i>(Attach additional sheet/s, if necessary)</i>	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 SHARE IN GROUP LIFE INSURANCE		13,829,703		13,829,703
2 SHARE IN CREDIT GROUP LIFE INSURANCE		9,041,316		9,041,316
3 OTHERS		14,230,954	5,320,834	19,551,788
4 Total Other Taxable Income not Subjected to Final Tax <i>(Sum of Items 1 to 3) (To Schedule 1 Item 4)</i>	0	37,101,973	5,320,834	42,422,807

Schedule 5 - Ordinary Allowable Itemized Deductions <i>(Attach additional sheet/s, if necessary)</i>	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Advertising and Promotions				0
Amortizations (Specify on Items 2, 3 and 4)				
2				
3				
4				
5 Bad Debts				0
6 Charitable Contributions				0
7 Commissions				0
8 Communication, Light and Water				0
9 Depletion				0
10 Depreciation			4,345,577	4,345,577
11 Director's Fees				0
12 Fringe Benefits				0
13 Fuel and Oil				0
14 Insurance			172,010	172,010
15 Interest				0
16 Janitorial and Messengerial Services			1,315,333	1,315,333
17 Losses				0
18 Management and Consultancy Fee				0
19 Miscellaneous			92,669	92,669
20 Office Supplies				0
21 Other Services				0
22 Professional Fees				0
23 Rental				0
24 Repairs and Maintenance <i>(Labor or Labor & Materials)</i>			1,066,871	1,066,871
25 Repairs and Maintenance <i>(Materials/Supplies)</i>				0
26 Representation and Entertainment				0
27 Research and Development				0
28 Royalties				0
29 Salaries and Allowances				0
30 Security Services				0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions				0
32 Taxes and Licenses				0
33 Tolling Fees				0
34 Training and Seminars				0
35 Transportation and Travels				0

Annual Income Tax Return

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TIN	Registered Name
402 - 793 - 859 - 000	ARDCI MICROFINANCE, INCORPORATED

Schedule 5 - Ordinary Allowable Itemized Deductions (Continued from Previous Page)				
Others [Specify below; Attach additional sheet(s), if necessary]	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
36				
37				
38				
39				
40 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 39) (To Schedule 1 Item 6)	0	0	6,992,460	6,992,460

Schedule 6 - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)					
Description	Legal Basis	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1					
2					
3					
4					
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Schedule 1 Item 7)					

Schedule 7 - Computation of Net Operating Loss Carry Over (NOLCO) (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b))	
1 Gross Income	5,320,834
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	6,992,460
3 Net Operating Loss (Item 1 Less Item 2) (To Schedule 7A)	(1,671,626)

Schedule 7A - Computation of Available Net Operating Loss Carry Over (NOLCO)				
Net Operating Loss				B) NOLCO Applied Previous Year
Year Incurred	A) Amount			
4 2019	1,671,626			0
5 2018	4,350,856			
6				
7				

Continuation of Schedule 7A (Item numbers continue from table above)			
	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss(Unapplied)
4	0	0	1,671,626
5			4,350,856
6			0
7			0
8 Total NOLCO (Sum of Items 4D to 7D) (To Schedule 1 Item 8)		0	

Schedule 8 - Tax Credits/Payments				
	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Prior Year's Excess Credits Other Than MCIT				0
2 Income Tax Payments under MCIT from Previous Quarter/s				0
3 Income Tax Payments under Regular/Normal Rate from Previous Quarter/s			238,752	238,752
4 Excess MCIT Applied this Current Taxable Year (From Schedule 9 Item 4F)	0	0		0
5 Creditable Tax Withheld from Previous Quarter/s			45,000	45,000
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter			15,000	15,000

Annual Income Tax Return

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TIN				Registered Name	
402	- 793	- 859	- 000	ARDCI MICROFINANCE, INCORPORATED	

Schedule 8 - Tax Credits/Payments (Continued from Previous Page)

Description	A.Total Exempt	B.Total Special	C.Total Regular	D.Total All Columns
7 Foreign Tax Credits, if applicable				0
8 Tax Paid in Return Previously Filed, if this is an Amended Return				0
9 Income Tax Payments under Special Rate from Previous Quarter/s		11,729,775		11,729,775
10 Special Tax Credits (To Schedule 2 Item 6)				0
Other Credits/Payments (Specify Below):				
11				0
12				0
13 Total Tax Credits/Payments (Sum of Items 1 to 12) (To Part V Item 3B)	0	11,729,775	298,752	12,028,527

Schedule 9 - Computation of Minimum Corporate Income Tax (MCIT) (Applicable only to those taxable under Sec 27 (A to C) & Sec 28 (A)(2))

1	2018		119,199	119,199
2				
3				

Continuation of Schedule 9 (Item numbers continue from table above)

1				119,199
2				
3				
4	Total Excess MCIT (Sum of Column for Items 1F to 3F) (To Schedule 8 Item 4)			0

Schedule 10 - Reconciliation of Net Income per Books Against Taxable Income (Attach additional sheets, if necessary)

	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Net Income (Loss) per books		193,939,696	2,190,245	196,129,941
Add: Non-deductible Expenses/Taxable Other Income				
2 NON-DEDUCTIBLE EXPENSES		602,767,382		602,767,382
3				
4 Total (Sum of Items 1 to 3)	0	796,707,078	2,190,245	798,897,323
Less: A) Non-Taxable Income and Income Subjected to Final Tax				
5 INTEREST INCOME			3,419,491	3,419,491
6 RETIREMENT INCOME			442,380	442,380
B) Special Deductions				
7				
8				
9 Total (Sum of Items 5 to 8)	0	0	3,861,871	3,861,871
10 Net Taxable Income (Loss) (Item 4 Less Item 9)	0	796,707,078	(1,671,626)	795,035,452

Annual Income Tax Return

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1702-MX06/13P8

TIN				Registered Name			
402	-	793	-	859	-	000	ARDCI MICROFINANCE, INCORPORATED

Schedule 11 - Balance Sheet

Assets	
1 Current Assets	2,017,844,017.
2 Long-Term Investment	24,912,755
3 Property, Plant and Equipment - Net	259,699,972
4 Long-Term Receivables	
5 Intangible Assets	
6 Other Assets	164,141,305
7 Total Assets (Sum of Items 1 to 6)	2,466,598,049

Liabilities and Equity	
8 Current Liabilities	975,588,417.
9 Long-Term Liabilities	36,363,145
10 Deferred Credits	
11 Other Liabilities	
12 Total Liabilities (Sum of Items 8 to 11)	1,011,951,562
13 Capital Stock	
14 Additional Paid-in Capital	1,454,646,487.
15 Retained Earnings	0
16 Total Equity (Sum of Items 13 to 15)	1,454,646,487
17 Total Liabilities and Equity (Sum of Items 12 & 16)	2,466,598,049

Schedule 12- Stockholders Partners Members Information (Top 20 stockholders, partners or members)

(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN				Capital Contribution	% to Total
ROGELIO S. BITOME	175	995	617	000	0	0
CRISTY S. CORONEJO	272	768	456	000	0	0
ADELA G. CAMACHO	940	886	068	000	0	0
SALVE P. LOZADA	933	533	462	000	0	0
EVELYN C. MANGAPIS	704	594	361	000	0	0
RAPUNZEL T. TAPEL	741	923	855	000	0	0
CORAZON DL. ATANACIO	166	452	573	000	0	0
RAY B. BILON	118	529	675	000	0	0
MARILYN A. CARILLO	273	188	854	000	0	0
VICTOR T. BERNAL	176	716	173	000	0	0
EVELYN T. TEVES	102	977	872	000	0	0
MICHAEL ALEX R. TEVES	216	046	462	000	0	0
LYNN MARJORIE T. CAMSON	176	721	563	000	0	0
JAREAH T. PASTORPIDE	465	315	621	000	0	0
JUSTINNE FAUVE C. VEGA	415	339	346	000	0	0

Annual income Tax Return
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TIN				Registered Name	
402	- 793	- 859	- 000	ARDCI MICROFINANCE, INCORPORATED	

Schedule 13 - Supplemental Information (Attach additional sheet/s, if necessary)

i) Gross Income/Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests		4,274,364	854,873
2 Royalties			
3 Dividends			
4 Prizes and Winnings			

ii) Sale/Exchange of Real Properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property (e.g., land, improvement, etc.)		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No.		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

iii) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind (PS/CS)/Stock Certificate Series No.	PS ▼	PS ▼
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		0

IV) Other Income (Specify)	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended (Specify)		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld/Paid (Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)	854,873
--	---------

Schedule 14 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium (Actual Amount/Fair Market Value)	
--	--

i) Personal/Real Properties Received thru Gifts, Bequests, and Devises	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property (e.g. land, improvement, etc)		
3 Mode of Transfer (e.g. Donation)		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

ii) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended (Specify)		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income/Receipts Exempt from Income Tax (Sum of Items 1,5A,5B,7A,7B)	0
--	---



Certificate of Creditable Tax Withheld At Source

1. For the Period From **10 01 19** (MM/DD/YY) To **12 31 19** (MM/DD/YY)

Part I Payee Information

2 Taxpayer Identification Number **402 793 859 000**

3 Payee's Name **ARDCI MICROFINANCE INCORPORATED**
(Last Name, First Name, Middle Name for Individuals) (Registered Name for Non-Individuals)

4 Registered Address 4A Zip Code

5 Foreign Address 5A Zip Code

6 Taxpayer Identification Number **009 563 947 000**

7 Payor's Name **ARDCI PRIME SECURITY SERVICES (APSS), INC.**
(Last Name, First Name, Middle Name for Individuals) (Registered Name for Non-Individuals)

8 Registered Address **2nd Floor, ARDCI Corporate Bldg., San Roque, Virac, Catanduanes** 8A Zip Code **4800**

PART II Details of Monthly Income Payments and Tax Withheld for the Quarter

Income Payments Subject to Expanded Withholding Tax	ATC	AMOUNT OF INCOME PAYMENTS				Tax Withheld For the Quarter
		1st Month of the Quarter	2nd Month of the Quarter	3rd Month of the Quarter	Total	
Rentals	WC100	10,000.00	10,000.00	10,000.00	30,000.00	1,500.00
Total						1,500.00
Money Payments Subject to Withholding of Business Tax (Government & Private)						
Total						

We declare, under the penalties of perjury, that this certificate has been made in good faith, verified by me, and to the best of my knowledge and belief, is true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof.

JOHN EDWARDS T. SAN FELIPE
Payor/Payor's Authorized Representative/Accredited Tax Agent
(Signature Over Printed Name)

TIN of Signatory _____
Date of Issuance _____

SECURITY MANAGER
Title/Position of Signatory _____
Date of Expiry _____

Conforme: **ARDCI MICROFINANCE INCORPORATED**
Payee/Payee's Authorized Representative/Accredited Tax Agent
(Signature Over Printed Name)

TIN of Signatory _____
Date of Issuance _____

Title/Position of Signatory _____
Date Signed _____
Date of Expiry _____

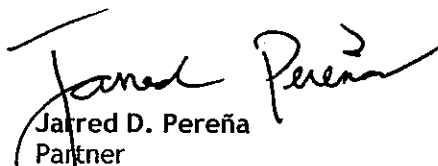
INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY INCOME TAX RETURN

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

We have audited the separate financial statements of ARDCI Microfinance, Incorporated (the "Organization") for the year ended December 31, 2019, on which we have rendered the attached report dated June 4, 2020.

In compliance with Revenue Regulations No. V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal member of the Organization.

ROXAS CRUZ TAGLE AND CO.



Jared D. Pereña
Partner

CPA Certificate No. 0109297

Tax Identification No. 243-146-342

SEC Accreditation No. 109297-SEC, Group A, issued on February 27, 2020,
effective until February 26, 2023

BIR Accreditation No. 08-001682-015-2019, issued on October 22, 2019,
effective until October 21, 2022

PTR No. 814-7808, issued on January 21, 2020, Makati City

June 4, 2020
Makati City





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

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

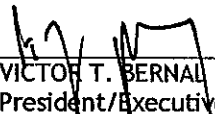
The management of ARDCI Microfinance, Incorporated (the "Organization") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the Value-Added Tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Organization, complete and correct in all material respects. Management likewise affirms that:

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



ROGELIO S. BITOME
Chairman of the Board



VICTOR T. BERNAL
President/Executive



EVELYN T. TEVES
Treasurer

**katuwang
—sa—
kabuhayan**

INDEPENDENT AUDITOR'S REPORT

The Members and the Board of Trustees
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, 2019 and 2018, 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, 2019 and 2018, 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 (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate 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.



Auditor's 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

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

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information as disclosed in Note 27 to the separate financial statements is presented for purposes of filing with the BIR and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic 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.



Jarred D. Pereña
Partner

CPA Certificate No. 0109297

Tax Identification No. 243-146-342

SEC Accreditation No. 109297-SEC, Group A, issued on February 27, 2020,
effective until February 26, 2023

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effective until October 21, 2022

PTR No. 814-7808, issued on January 21, 2020, Makati City

June 4, 2020
Makati City



ARDCI MICROFINANCE, INCORPORATED
(A non-stock, non-profit Organization)

SEPARATE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	Note	2019	2018
ASSETS			
Current assets			
Cash on hand and in banks	5	P496,810,373	P456,649,837
Loans and other receivables, net	6	1,487,322,138	1,404,040,436
Prepayments and other current assets	7	33,711,506	36,217,506
Total current assets		2,017,844,017	1,896,907,779
Noncurrent assets			
Financial assets at fair value through other comprehensive income (FVOCI)	8	24,912,755	14,938,178
Investment in subsidiaries	9	69,149,800	34,150,000
Property and equipment, net	10	259,699,972	164,291,386
Investment property, net	11	68,283,031	72,628,608
Retirement benefit asset, net	21	23,950,762	24,445,954
Refundable deposits	12	725,350	725,350
Deferred tax asset	20	2,032,361	1,424,456
Total noncurrent assets		448,754,031	312,603,932
		P2,466,598,048	P2,209,511,711
LIABILITIES AND FUND BALANCE			
Current liabilities			
Members' deposits	13	P768,642,987	P662,662,598
Accounts and other payables	14	82,703,267	62,307,521
Deferred income from grants	15	387,066	397,543
Loans payable	16	119,843,064	129,501,184
Income tax payable	20	4,012,032	2,857,893
Total current liabilities		975,588,416	857,726,739
Noncurrent liabilities			
Deferred income from grants, net of current portion	15	2,886,864	3,429,331
Loans payable, net of current portion	16	33,476,281	30,840,676
Total noncurrent liabilities		36,363,145	34,270,007
Total Liabilities		1,011,951,561	891,996,746
Fund balance			
Accumulated income			
- Appropriated	24	-	30,503,215
- Unappropriated		1,553,794,570	1,342,367,265
Accumulated other comprehensive loss	8,21	(99,148,083)	(55,355,515)
Total Fund Balance		1,454,646,487	1,317,514,965
		P2,466,598,048	P2,209,511,711

See Notes to the Separate Financial Statements.



ARDCI MICROFINANCE, INCORPORATED
(A non-stock, non-profit Organization)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	2019	2018
Interest income	6	P759,605,105	P690,879,008
Interest expense	13,16	(29,254,957)	(26,119,763)
Net interest income		730,350,148	664,759,245
Provision for impairment losses	6	(34,101,753)	(16,617,109)
Net interest income after provision for impairment losses		696,248,395	648,142,136
Other operating income	17	46,284,678	62,861,627
Operating expenses	18	(423,278,766)	(347,862,429)
Income from operations		319,254,307	363,141,334
General and administrative expenses	19	(123,124,366)	(105,080,023)
Income before income tax		196,129,941	258,061,311
Benefit from (provision for) income tax	20		
Current		(16,040,559)	(15,045,242)
Deferred		607,905	1,424,456
		(15,432,654)	(13,620,786)
Net Income		180,697,287	244,440,525
Other comprehensive loss			
Item that may subsequently be reclassified to profit or loss			
Change in net unrealized loss on financial assets at FVOCI	8	(25,423)	(61,822)
Item that will not be reclassified to profit or loss			
Change in remeasurement loss on retirement liability	21	(43,767,145)	(33,379,278)
		P136,904,719	P210,999,425

See Notes to the Separate Financial Statements.



ARDCI MICROFINANCE, INCORPORATED
(A non-stock, non-profit Organization)

SEPARATE STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	2019	2018
ACCUMULATED INCOME			
Appropriated			
At January 1		P30,503,215	P40,000,000
Release of appropriated funds	24	(30,503,215)	(9,496,785)
At December 31		-	30,503,215
Unappropriated			
At January 1		1,342,367,265	1,088,199,096
Additional revolving fund	24	226,803	230,859
Release of appropriated funds	24	30,503,215	9,496,785
Net income for the year		180,697,287	244,440,525
At December 31		1,553,794,570	1,342,367,265
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Unrealized loss on financial assets at FVOCI			
At January 1		(61,822)	-
Unrealized loss on financial assets at FVOCI	8	(25,423)	(61,822)
At December 31		(87,245)	(61,822)
Actuarial loss on retirement liability			
At January 1		(55,293,693)	(21,914,415)
Actuarial loss on retirement liability	21	(43,767,145)	(33,379,278)
At December 31		(99,060,838)	(55,293,693)
		(99,148,083)	(55,355,515)
TOTAL FUND BALANCE		P1,454,646,487	P1,317,514,965

See Notes to the Separate Financial Statements.



ARDCI MICROFINANCE, INCORPORATED
(A non-stock, non-profit Organization)

SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	2019	2018
Cash flows from operating activities			
Income before income tax		P196,129,941	P258,061,311
Adjustments for:			
Provision for impairment losses	6	34,101,753	16,617,109
Depreciation	10,11	23,764,691	21,351,731
Amortization of deferred income from grants	15,17	(552,944)	(428,827)
Retirement income	17,21	(442,380)	(337,200)
Amortization of intangible asset	18,19	-	2,544,605
Operating income before working capital changes		253,001,061	297,808,729
Decrease (increase) in:			
Loans and other receivables		(117,383,455)	(90,924,475)
Prepayments and other current assets		2,446,000	(8,473,040)
Increase (decrease) in:			
Members' deposits		105,980,389	96,635,311
Accounts and other payables		20,395,746	(10,467,346)
Cash generated from operations		264,439,741	284,579,179
Income taxes paid	20	(14,826,420)	(12,273,772)
Contributions to retirement fund	21	(42,737,336)	(29,530,261)
Payment of retirement	21	(92,237)	-
Net cash flows provided by operating activities		206,783,748	242,775,146
Cash flows from investing activities			
Acquisition of shares of stocks of subsidiaries	9	(35,000,000)	-
Withdrawal of investment in a subsidiary	9	200	-
Acquisition of investment in financial assets at FVOCI	8	(10,000,000)	(15,000,000)
Acquisition of property and equipment	10	(114,827,700)	(77,618,512)
Net cash flows used in investing activities		(159,827,500)	(92,618,512)
Cash flows from financing activities			
Proceeds from loan availments	16	143,315,585	191,244,663
Payment of loans	16	(150,338,100)	(236,359,304)
Additional revolving fund	24	226,803	230,859
Net cash flows used in financing activities		(6,795,712)	(44,883,782)
Net increase in cash on hand and in banks		40,160,536	105,272,852
Cash on hand and in banks			
At January 1		P456,649,837	351,376,985
At December 31	5	P496,810,373	P456,649,837
Information on significant non-cash transactions:			
Release of appropriation of funds	24	P30,503,215	P9,496,785
Transfer of retirement liability to a subsidiary	21	-	2,215,646
Operational cash flows from interest:			
Interest received		P758,065,482	P689,686,964
Interest paid		29,253,328	26,350,181

See Notes to the Separate Financial Statements.



ARDCI MICROFINANCE, INCORPORATED
(A non-stock, non-profit Organization)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

ARDCI Microfinance, Incorporated (the "Organization"), 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 per SEC Registration No. I199800277. 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 92 and 76 branches as at December 31, 2019 and 2018, 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, Negros, Iloilo and Palawan. The Organization has a membership of 189,210 and 150,973 in 2019 and 2018, respectively.

The Organization currently holds interest in five (5) subsidiaries as follows:

Subsidiaries	Line of Business	Effective Percentage of Controlling Interest	
		2019	2018
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%
ARDCI Abaca Trading Corporation (ATC)	Retail	99.89%	-
ARDCI Credit Corporation (ACC)	Financing	99.88%	-



ARDCIBank, Inc. - A Rural Bank

ABI was incorporated in the Philippines pursuant to 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 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, 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.

ARDCI Abaca Trading Corporation

ATC was registered in SEC on July 26, 2019 with primarily purpose to engage in Abaca Trading activities. As at December 31, 2019, it has not yet started its operation.

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

ARDCI Credit Corporation

ACC was registered in SEC on October 22, 2019 with primarily purpose to engage in business of financing company. As at December 31, 2019, it has not yet started its operation.

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

The separate financial statements were approved and authorized for issuance in accordance with a resolution by the BOT on June 4, 2020.

2. Basis of Preparation and Statement of Compliance

Statement of compliance

The accompanying separate 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 separate 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.

Functional and Presentation Currency

The separate financial statements are presented in Philippine Peso (₱), which is the functional currency of the Organization. All values are rounded off to the nearest peso.

3. 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, 2010:

- PFRS 16, *Leases* - PFRS 16 supersedes PAS 17 *Leases*, International Financial Reporting Interpretations Committee (IFRIC) 4 *Determining whether an Arrangement contains a Lease*, Standing Interpretations Committee (SIC) Interpretation No 15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases to 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 under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Organization is the lessor.

The adoption of PFRS 16 has no significant impact to the Organization.

The Organization elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Organization recognized the lease payments associated with lease contracts as an expense on a straight-line basis over the lease term.

- IFRIC Interpretation 23, *Uncertainty over Income Tax Treatment* - The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
 - Whether an entity considers uncertain tax treatments separately
 - The assumptions an entity makes about the examination of tax treatments by taxation authorities
 - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
 - How an entity considers changes in facts and circumstances

The Organization determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.



The Organization applies significant judgement in identifying uncertainties over income tax treatments.

- Amendments to PFRS 9: *Prepayment Features with Negative Compensation* - Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the "SPPI" criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the separate financial statements of the Organization.

- Amendments to PAS 19: *Plan Amendment, Curtailment or Settlement* - The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the separate financial statements of the Organization as it did not have any plan amendments, curtailments, or settlements during the period.

- Annual Improvements 2015-2017 Cycle
 - PAS 12, *Income Taxes* - The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Organization's current practice is in line with these amendments, they had no impact on the separate financial statements of the Organization.

- PAS 23, *Borrowing Costs* - The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.



Since the Organization's current practice is in line with these amendments, they had no impact on the separate financial statements of the Organization.

The adoption of the foregoing new and amended PFRS did not have any material effect on the separate financial statements of the Organization.

Amended PFRS issued but not yet effective

Relevant amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the separate financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1 and PAS 8, *Definition of Material* - The amendments address the definition of material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity

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 amended PFRS is not expected to have any material effect on the separate 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 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 SPPI 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.

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 (EIR). 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.

The Organization's cash on hand and in banks, loans and other receivables and refundable deposits are included under this category (see Notes 5, 6 and 12).

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 SPPI 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 EIR 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 other comprehensive income 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 separate statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

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 EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Organization's liabilities arising from its members' deposits, accounts and other payables (excluding government liabilities), and loans payable are included under this category (see Notes 13, 14 and 16).

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 other comprehensive income.

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

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk of the financial asset since origination. Otherwise if a significant increase in credit risk is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Organization's credit exposure are loans and accounts receivables and refundable deposits. Loan and other receivables may be availed by specific individuals. Financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"

The Organization defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower delays on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Organization also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Organization carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Significant increase in credit risk

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Organization assesses whether there has been a significant increase in credit risk since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Organization's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than a specified day past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a significant increase in credit risks since initial recognition, the Organization shall revert to recognizing a 12-month ECL.



Staging assessment

For non-credit-impaired financial assets:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a significant increase in credit risk since initial recognition. The Organization recognizes a 12-month ECL for Stage 1 financial assets.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a significant increase in credit risk since initial recognition. The Organization recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. The ECL model requires a lifetime ECL for impaired financial assets.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Assessment of ECL on a collective basis

The Organization calculates ECL either on an individual or a collective basis. The Organization performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Organization segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default.



LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held. The Organization applies a simplified ECL approach for its loans and accounts receivables wherein the Organization uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

Forward-looking information

The Organization incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Financial assets at FVOCI

The ECL for financial assets at FVOCI do not reduce the carrying amount of these financial assets in the statements of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated loss amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.

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 separate 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 EIR, 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 separate 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 separate 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 separate 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.

Cash on hand and in banks

Cash includes cash on hand and in banks which are subject to insignificant risks of changes in value. Cash in banks earn interest at prevailing bank deposit rates.

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 comprehensive 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:

<u>Property classification</u>	<u>Estimated useful life</u>
Building	25 years
Land improvements	5 years
Furniture, fixtures and equipment	3 - 5 years

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.

Construction in progress

Construction in progress 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.

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 comprehensive 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.

Impairment of non-financial assets

The carrying amounts of prepayments and other current assets, investment in subsidiaries, property and equipment, 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 comprehensive income in those expense categories consistent with the function of the impaired asset.

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



Fair value measurements

The 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.

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.

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 separate statements of comprehensive income and separate statements of changes in fund balance, free of any restriction.

Other comprehensive loss

Other comprehensive income comprises items of income and expense, including items previously presented under the separate statements of changes in fund balance, that are not recognized in profit or loss for the year. Other comprehensive loss of the Organization pertains to actuarial loss on retirement liability and net unrealized 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 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.

Rental income. Revenue from operating lease is recognized on a straight-line basis over the related lease terms.

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.

Employee benefits

Short-term benefits. The Organization recognizes a liability, net of amounts already paid and an expense for services rendered by employees during the period. Unpaid benefits at the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that these will lead to a reduction in future payments. Short-term benefits given by the Organization to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Retirement benefits. The Organization has a funded, non-contributory defined benefit plan covering all of its regular officers and employees. Benefits are based on the employee's years of service and final plan salary. The actuarial present value of the retirement benefit obligation under the plan is measured in terms of actuarial assumptions of mortality, investment yield and salary increase rates. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

The retirement asset recognized in the separate statements of financial position is the present value of the Organization's fair value of plan assets at the end of the financial reporting period less the defined benefit obligation (DBO). The retirement asset is adjusted for any effect of limiting it to the asset ceiling, which is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The DBO is calculated by an independent actuary using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rate on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.



Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

Leases

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

- the contract involves an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Organization has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Organization has the right to direct the use of the asset. The Organization when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Organization has the right to direct the use of the asset of either:
 - the Organization has the right to operate the asset; or
 - the Organization designed the asset in a way that predetermines how and for what purpose it will be used.

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

Organization as lessee. The Organization applies the short-term lease recognition exemption to its short-term leases of office spaces and staff houses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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.

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.

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 Estimates and Assumptions, and Judgments

The preparation of the separate financial statements in accordance with PFRS requires management to make estimates and assumptions, and judgments 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 estimates and assumptions, and judgments could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.



Estimates and judgments 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 estimates and judgments are revised and in any future period affected.

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 25).

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.

Allowance for ECL on loans and other receivables. 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 ₱50,751,382 and ₱23,533,367 as at December 31, 2019 and 2018 (see Note 6).

The carrying amounts of loans and other receivables amounted to ₱1,487,322,138 and ₱1,404,040,436 as at December 31, 2019 and 2018, respectively (see Note 6).

Impairment on financial assets at FVOCI. Impairment loss on financial assets at FVOCI are assessed when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Organization evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

No impairment loss was recognized in 2019 and 2018.

The carrying amount of financial assets at FVOCI amounted to ₱24,912,755 and ₱14,938,178 as at December 31, 2019 and 2018, respectively (see Note 8).

Estimated useful lives of property and equipment and investment property. The Organization estimates the useful lives of property and equipment 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 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 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 and investment property would increase the recorded costs and expenses and decrease noncurrent assets.

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

Impairment of non-financial assets. PFRS requires that an impairment review be performed on investments in subsidiaries, property and equipment and investment property 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 non-financial assets are as follow:

	Note	2019	2018
Property and equipment	10	₱259,699,972	₱164,291,386
Investment property	11	68,283,031	72,628,608
Investments in subsidiaries	9	69,149,800	34,150,000
		₱397,132,803	₱271,069,994



Non-financial assets are not impaired based on Organization assessment as at December 31, 2019 and 2018.

Present value of retirement liability. The present value of the DBO depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for retirement include among others, the discount rate and salary increase rate. Any changes in the assumptions will impact the carrying amount of the retirement obligation.

The Organization determines the appropriate discount rate at the end of each financial reporting period. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligation. In determining the appropriate discount rate, the Organization considers the interest rate on government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement obligation.

Other key assumptions for retirement obligation are based in part on current market conditions. Additional information is disclosed in Note 21.

While the Organization believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of retirement benefits and related obligations.

Retirement income recognized in profit or loss in 2019 and 2018 amounted to ₱442,380 and ₱337,200, respectively (see Notes 17 and 21).

As at December 31, 2019 and 2018, the present value of DBO of the Organization amounted to ₱28,888,397 and ₱14,406,889, respectively (see Note 21).

Realizability of deferred tax assets. The Organization reviews its deferred tax assets at each reporting date and reduces the carrying amount 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 assets to be utilized. The Organization's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Estimates of future taxable income indicate that the temporary differences will be realized in the future. The Organization recognized deferred tax assets of ₱2,032,361 and ₱1,424,456 as at December 31, 2019 and 2018, respectively (see Note 20).

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:

Determining whether an arrangement contains a lease. The Organization assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Organization elected to apply the practical expedient on the assessment of which transactions are considered leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRC 4 were not reassessed if there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The details of these lease agreements are disclosed in Note 23.



Organization as lessor. The Organization has entered into lease agreements as a lessor. The Organization has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rental income amounted to ₱1,200,000 in 2019 and 2018 (see Notes 11, 17 and 23).

Determining the lease term of contracts with renewal and termination options - Organization as lessee. The Organization determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Organization has a lease contract that includes a renewal option subject to the mutual agreement of both lessee and lessor. The Organization applies judgement in evaluating whether it is reasonably certain whether the lease contract will be renewed or terminated. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Organization reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Based on Organization's judgment, lease contract shall be treated as a short-term lease since renewal option of the lease is not yet enforceable and consent of both parties is needed for it to be exercised.

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.

Classifying financial instruments. The Organization exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

Contingencies. Judgment is exercised by management to distinguish between provision and contingencies. The Organization's policy on provisions and contingencies is discussed in Note 3. The Organization is a defendant in legal actions arising from normal business activities (see Note 23).

5. Cash on Hand and in Banks

This account consists of:

	2019	2018
Cash on hand	₱50,000	₱50,000
Cash in banks	496,760,373	456,599,837
	₱496,810,373	₱456,649,837



Cash in banks earns interest at the prevailing bank deposit rates. Interest earned in 2019 and 2018 amounted to ₱3,419,491 and ₱1,478,552, respectively (see Note 17).

6. Loans and Other Receivables, Net

This account consists of:

	<i>Note</i>	2019	2018
Loans			
Micro-business loans (MBLs)		₱1,087,853,806	₱983,806,998
Multi-purpose loans (MPLs)		289,614,336	316,878,471
Wash loans		35,990,791	-
Staff loans		25,387,252	21,603,995
Finance lease receivable		8,774,848	5,367,167
Employee loans		6,623,015	4,523,224
Individual loans		2,772,192	1,955,851
Emergency loans		1,923	1,460,799
		1,457,018,163	1,335,596,505
Due from related parties	22	38,883,467	40,027,361
Interest receivable		31,072,705	26,113,591
Accounts receivable		11,099,185	25,836,346
		1,538,073,520	1,427,573,803
Allowance for impairment		(50,751,382)	(23,533,367)
		₱1,487,322,138	₱1,404,040,436

Loans and other receivables are classified as current asset.

Loans receivable represents loans to members who are administered through the SLS that have been established through each of the 92 and 76 branches in 2019 and 2018, 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 Organization'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.

In October 2018, with partnership with Water.org, BOT approved and offered new loan product to members, wash loans. Wash loans are intended to address major barriers to safe water and sanitation with an interest rate of 18% per annum and maximum loanable amount of ₱25,000.

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 Organization's 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 ₱10,000 payable depending on cash flow of the members.

Loans receivable amounting to ₱153,319,435 and ₱160,341,860 as at December 31, 2019 and 2018, respectively, has been pledged as collateral for loans from financial institutions (see Note 16).

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 ₱6,671,144 and ₱8,521,431 for the years ended December 31, 2019 and 2018, respectively (see Note 17).

Interest earned from loans and other receivables for the years ended December 31, 2019 and 2018 amounted to ₱759,605,105 and ₱690,879,008 respectively.

The movements in allowance for impairment are as follows:

	2019	2018
At January 1	₱23,533,367	₱93,886,687
Provision	34,101,753	16,617,109
Write-off	(6,883,738)	(86,970,429)
At December 31	₱50,751,382	₱23,533,367



7. Prepayments and Other Current Assets

This account consists of:

	2019	2018
Stationery and supplies on hand	₱16,841,675	₱16,805,532
Prepayments	14,256,498	13,361,473
Advances to service provider	2,613,333	6,050,501
	₱33,711,506	₱36,217,506

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:

	2019	2018
Investment in unquoted shares	₱8,831,763	₱10,000,000
Peso Diversified Value Fund	16,080,992	4,938,178
	₱24,912,755	₱14,938,178

In September 2018, the Organization subscribed and paid 10,000 shares of the 100,000 authorized common shares of hospital with a par value of ₱1,000 per share for ₱10,000,000. This represents 10.92% ownership in the issued and outstanding shares of the said company. An unrealized loss of ₱1,168,237 in 2019 was recognized in other comprehensive loss.

In 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 ₱1.751 amounting to ₱5,000,000. 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. In February 2019, the Organization acquired 5,662,514 additional units of ₱1.77 amounting to ₱10,000,000. The units of participation represent the investor's appropriate beneficial share in the total value of the fund. NAVPU of the investment amounted to ₱1.88 and ₱1.71 in 2019 and in 2018, respectively. An unrealized gain (loss) of ₱1,142,814 and (₱61,822) in 2019 and 2018, respectively are recognized in other comprehensive loss.

The movements in unrealized loss on financial assets at FVOCI are as follows:

	2019	2018
Beginning at January 1	₱61,822	₱-
Unrealized loss recognized in OCI	25,423	61,822
Balance at December 31	₱87,245	₱61,822



9. Investment in Subsidiaries

This account consists of:

	2019	2018
Investment in shares of stock of:		
ARDCI Credit Corporation (ACC)	₱25,000,000	₱-
ARDCIBank, Inc. - A Rural Bank (ABI)	20,250,000	20,250,000
ARDCI Abaca Trading Corporation (ATC)	10,000,000	-
ARDCI Prime Security Services, Inc. (APSS)	6,999,800	7,000,000
ARDCI Corporate Inn, Inc. (ACI)	6,900,000	6,900,000
	₱69,149,800	₱34,150,000

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, 2019 and 2018.

The investment in ABI represents the Organization's 79.66% ownership in the issued and outstanding shares of stocks of ABI as at December 31, 2019 and 2018. 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 ₱200 per share for ₱7,000,000. This represents 99.98% ownership in the issued and outstanding shares of APSS as at December 31, 2019 and 2018. In 2019, the Organization withdrew ₱200 from its investment in APSS.

On July 26, 2019, the Organization subscribed to 100,000 common shares of the 400,000 authorized common shares of ATC with a par value of ₱100 per share for ₱10,000,000. The said subscription represents the Organization's 98.89% ownership in the issued and outstanding shares of stock of ATC as at December 31, 2019.

On October 22, 2019, the Organization subscribed to 500,000 common shares of the 1,000,000 authorized common shares of ACC with a par value of ₱100 per share. As at December 31, 2019, the Organization has paid ₱25,000,000 from the subscribed shares of stocks. This represents the Organization's 99.88% ownership in the issued and outstanding shares of stocks of ACC.



10. Property and Equipment, Net

This account consists of the following as at December 31, 2019 and 2018:

	Building	Land	Land Improvements	Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost						
At January 1, 2018	₱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
Additions	-	12,450,000	160,913	43,521,750	58,695,037	114,827,700
Retirement	-	-	-	(22,000)	-	(22,000)
At December 31, 2019	52,410,393	63,922,309	9,626,209	146,309,079	85,711,320	357,979,310
Accumulated depreciation						
At January 1, 2018	11,454,706	-	645,565	50,849,098	-	62,949,369
Depreciation	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
Depreciation	3,626,510	-	1,029,819	14,762,785	-	19,419,114
Retirement	-	-	-	(22,000)	-	(22,000)
At December 31, 2019	17,356,752	-	1,906,833	79,015,753	-	98,279,338
Net book value						
At December 31, 2019	₱35,053,641	₱63,922,309	₱7,719,376	₱67,293,326	₱85,711,320	₱259,699,972
At December 31, 2018	₱38,680,151	₱51,472,309	₱8,588,282	₱38,534,361	₱27,016,283	₱164,291,386



Depreciation is allocated as follows:

	<i>Note</i>	2019	2018
Operating expense	18	₱8,738,601	₱7,953,450
General and administrative expense	19	10,680,513	9,720,884
		₱19,419,114	₱17,674,334

There are no items of property and equipment used as security for any liabilities of the Organization as at December 31, 2019 and 2018.

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:

	2019	2018
Cost		
December 31	₱88,318,009	₱88,318,009
Accumulated depreciation		
At January 1	15,689,401	12,012,004
Depreciation	4,345,577	3,677,397
At December 31	20,034,978	15,689,401
Net book value	₱68,283,031	₱72,628,608

Depreciation is allocated as follows:

	<i>Note</i>	2019	2018
Operating expense	18	₱1,955,510	₱1,654,829
General and administrative expense	19	2,390,067	2,022,568
		₱4,345,577	₱3,677,397

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 for the years ended December 31, 2019 and 2018 (see Notes 17 and 23).



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

	2019	2018
<i>Expenses that generated rental income during the year</i>		
Depreciation	P4,345,577	P3,677,397
Repairs and maintenance	1,066,871	2,672,197
Security and janitorial services	939,521	719,009
Building insurance	120,407	122,864
Power, light and water	-	1,898,849
	6,472,376	9,090,316
<i>Expenses that did not generate rental income during the year</i>		
Security and janitorial services	375,812	-
Building insurance	51,603	49,146
Repairs and maintenance	-	1,068,879
	427,415	1,118,025
	P6,899,791	P10,208,341

12. 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 P725,350 as at December 31, 2019 and 2018. 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, 2019.

13. 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% for the years ended December 31, 2019 and 2018, 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:

	2019	2018
Compulsory	P601,582,431	P524,634,201
Voluntary	167,060,556	138,028,397
	P768,642,987	P662,662,598

Interest expense in 2019 and 2018 amounted to P22,192,597 and P19,110,657, respectively.



14. Accounts and Other Payables

This account consists of:

	<i>Note</i>	2019	2018
Accounts payable		₱63,412,294	₱49,982,910
Accrued expenses		11,141,949	2,878,948
Government liabilities		6,719,193	3,721,313
Accrued interest payable		1,122,617	1,120,988
Due to related parties	22	307,214	4,603,362
		₱82,703,267	₱62,307,521

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 22).

15. Deferred Income from Grants

In 2003, Catanduanes Agricultural Support Programme (CatAg) transferred its assets to the Organization through grant for the purpose of continuing support to CatAg's target group in Catanduanes. The transfer was credited as deferred income from 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:

	<i>Note</i>	2019	2018
Cost		₱9,676,639	₱9,676,639
Accumulated amortization			
At January 1		5,849,765	5,420,938
Amortization	17	552,944	428,827
At December 31		6,402,709	5,849,765
Current portion		387,066	397,543
Noncurrent portion		2,886,864	3,429,331
Net book value		₱3,273,930	₱3,826,874

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.



16. Loans Payable

This account consists of:

	2019	2018
Banking institutions	₱49,702,258	₱92,564,711
Other financial institutions	103,617,087	67,777,149
	₱153,319,345	₱160,341,860

The movements in the account are as follows:

	2019	2018
Balance at January 1	₱160,341,860	₱205,456,501
Proceeds	143,315,585	191,244,663
Payments	(150,338,100)	(236,359,304)
Balance at December 31	₱153,319,345	₱160,341,860

Loans payable represents loan rediscounting facility availed from financial institutions with annual interest rates of 4.55% to 7.25% and 3.5% to 9% in 2019 and 2018, respectively.

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

	2019	2018
Due within one year	₱119,843,064	₱129,501,184
Due beyond 1 year but not more than 5 years	33,476,281	30,840,676
	₱153,319,345	₱160,341,860

Loans receivable amounting to ₱153,319,345 and ₱160,341,860 as at December 31, 2019 and 2018, respectively, has been pledged as collateral for said obligations (see Note 6).

Interest expense on loans payable for the years ended December 31, 2019 and 2018 amounted to ₱7,062,360 and ₱7,009,106, respectively.

No other assets and restrictions are pledged in relation to the loans availed as at December 31, 2019 and 2018.



17. Other Operating Income

The details of the account are as follows:

	<i>Note</i>	2019	2018
Share in Group Life Insurance Coverage (GLIC)		₱13,829,703	₱17,195,141
Share in Credit Group Life Insurance (CGLI)		9,041,316	6,805,995
Recovery of previously written-off accounts	<i>6</i>	6,671,144	8,521,431
Share in Loan Protect Plus (LPP)		5,619,949	5,033,969
Service charges		1,081,277	857,924
Amortization of deferred income from grants	<i>15</i>	552,944	428,827
Write-off of long outstanding liabilities		-	16,300,497
Other income from microfinance operations		36,796,333	55,143,784
Interest from deposits in banks	<i>5</i>	3,419,491	1,478,552
Rental income	<i>11,23</i>	1,200,000	1,200,000
Retirement income	<i>21</i>	442,380	337,200
Convenience charge		68,116	273,796
Miscellaneous income		4,358,358	4,428,295
Other income from non-microfinance operations		9,488,345	7,717,843
		₱46,284,678	₱62,861,627

The share in GLIC pertains to the 10% collection fee earned by the Organization.

The share in CGLI pertains to the Organization's 30% share in the CGLI premiums on loan releases.

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.



18. Operating Expenses

The details of the account are as follows:

	<i>Note</i>	2019	2018
Salaries, wages and employee benefits		₱248,586,847	₱200,727,440
Client community services		38,063,263	22,353,979
Transportation, fuel and oil		17,187,001	15,727,722
Rental	23	16,588,421	13,484,794
General support services		16,012,549	14,321,195
Stationeries and office supplies		13,047,612	9,924,645
Taxes and licenses		11,457,020	14,456,303
Depreciation	10,11	10,694,111	9,608,279
Trainings, seminars and conferences		9,521,644	5,462,834
Communication, light and water		8,992,430	7,250,799
Information technology		8,710,657	8,927,298
Insurance		4,794,917	5,301,943
Supervision and monitoring fees		3,977,708	2,553,393
Documentary stamp tax		1,797,933	1,834,230
Consultancy and professional fee		1,620,165	476,762
Fines, penalties and dues		1,610,809	1,201,653
Advertising		1,599,878	1,288,795
Repairs and maintenance		1,125,441	988,212
Research and development costs		468,306	260,541
Representation		377,359	1,554,351
Finance charges		143,380	129,233
Amortization of intangible asset		-	1,145,072
Miscellaneous		6,901,315	8,882,956
		₱423,278,766	₱347,862,429

Intangible asset pertains to developed software which is fully depreciated as at December 31, 2019 and 2018.

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



19. General and Administrative Expenses

The details of the account are as follows:

	<i>Note</i>	2019	2018
Salaries, wages and employee benefits		₱81,629,320	₱66,351,868
Depreciation	10, 11	13,070,580	11,743,452
Repairs and maintenance		4,938,855	5,032,757
General support services		4,232,114	3,533,126
Information technology		3,728,298	3,825,985
Transportation, fuel and oil		2,462,497	2,105,405
Communication, light and water		2,287,672	2,234,974
Insurance		2,054,964	2,272,261
Stationeries and office supplies		1,402,249	1,666,704
Charitable contributions		1,311,867	717,636
Rental	23	984,962	1,049,985
Consultancy and professional fee		694,357	1,112,445
Advertising		643,384	552,341
Fines, penalties and dues		518,600	566,157
Finance charges		155,250	110,047
Representation		78,152	417,687
Amortization of intangible asset		-	1,399,533
Miscellaneous		2,931,245	387,660
		₱123,124,366	₱105,080,023

Intangible asset pertains to developed software which is fully depreciated as at December 31, 2019 and 2018.

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

20. 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% MCIT for those revenues not generated from microfinance operations.

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

	2019	2018
Current	₱16,040,559	₱15,045,242
Deferred	(607,905)	(1,424,456)
	₱15,432,654	₱13,620,786



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:

	2019	2018
Income before tax	₱193,939,696	₱260,933,615
Income tax expense at special rate at 2%	3,878,794	5,218,672
Tax effect of non-deductible expenses	12,055,348	9,707,371
	₱15,934,142	₱14,926,043

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

	2019	2018
Income (loss) before tax	₱2,190,245	(₱2,872,304)
Benefit from income tax at regular rate at 30%	657,074	(861,691)
Deduct tax effect of:		
Income subject to final tax	(1,025,848)	(443,566)
Retirement income	(132,714)	-
	(₱501,488)	(₱1,305,257)

The components of the Organization's deferred tax assets are as follows:

	2019	2018
NOLCO	₱1,806,745	₱1,305,257
MCIT	225,616	119,199
	₱2,032,361	₱1,424,456

The details of the Organization's NOLCO which can be claimed as a deduction from regular taxable income are as follows:

Year incurred	Valid until	Beginning	Incurred	Expired	End
2018	2021	₱4,350,856	₱-	₱-	₱4,350,856
2019	2022	-	1,671,626	-	1,671,626
		₱4,350,856	₱1,671,626	₱-	₱6,022,482

The details of the Organization's MCIT which can be claimed as a deduction from regular taxable income are as follows:

Year incurred	Valid until	Beginning	Incurred	Expired	End
2018	2021	₱119,199	₱-	₱-	₱119,199
2019	2022	-	106,417	-	106,417
		₱119,199	₱106,417	₱-	₱225,616

The deferred tax assets are the tax effect of expected future income tax benefit relating to NOLCO and MCIT which can be used as deduction against taxable income for the three (3) immediately succeeding taxable years.



Movements in income tax payable follows:

	2019	2018
At January 1	P2,857,893	P146,423
Charged to profit or loss	16,040,559	15,045,242
Income tax paid	(14,826,420)	(12,273,772)
Creditable withholding taxes	(60,000)	(60,000)
At December 31	P4,012,032	P2,857,893

21. 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.

The plan typically exposes the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. As of valuation date, the retirement plan is 100% funded.

Interest rate risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of the plan members (widow and orphan benefits) is re-insured by an external insurance company.

No other post-retirement benefits are provided to these employees.

The Organization has engaged the services of an independent actuarial consulting firm to perform the actuarial valuation of the Organization's retirement liability as at December 31, 2019 and 2018. The valuation results were computed using the projected unit credit method as prescribed by the accounting standards. The latest actuarial valuation is as at December 31, 2019.



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

	2019	2018
Present value of DBO at December 31	P28,888,397	P14,406,889
Fair value of plan asset at December 31	(52,839,159)	(38,852,843)
Net retirement benefit asset at December 31	(P23,950,762)	(P24,445,954)

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

	<i>Note</i>	2019	2018
Retirement benefit asset at January 1		P24,445,954	P30,173,417
Transfer to a subsidiary		-	(2,215,646)
Benefit paid		92,237	-
Amount recognized in profit or loss	17	442,380	337,200
Amount recognized in OCI - actuarial loss		(43,767,145)	(33,379,278)
Contributions		42,737,336	29,530,261
Retirement benefit asset at December 31		P23,950,762	P24,445,954

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

	2019	2018
Present value of DBO at January 1	P14,406,889	P19,255,446
Interest cost	1,081,956	853,633
Current service cost	1,393,512	1,626,612
Defined benefit cost recognized in profit or loss	2,475,468	2,480,245
Actuarial (gain) loss from:		
Changes in financial assumptions	10,564,944	(6,049,006)
Experience	1,533,333	(1,030,174)
Defined benefit cost recognized in OCI	12,098,277	(7,079,180)
Benefits paid	(92,237)	-
Transfer to a subsidiary	-	(249,622)
Present value of DBO at December 31	P28,888,397	P14,406,889

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

	2019	2018
Fair value of plan assets at January 1	P38,852,843	P49,428,863
Interest income	2,917,848	2,817,445
Contributions	42,737,336	29,530,261
Remeasurement - plan assets recognized in OCI	(31,668,868)	(40,458,458)
Transfer from a subsidiary	-	(2,465,268)
Fair value of plan assets at December 31	P52,839,159	P38,852,843

There was no plan amendment, curtailment or settlement recognized in 2019 and 2018.



The amount recognized in profit or loss is as follows:

	2019	2018
Current service cost	P1,393,512	P1,626,612
Net interest cost	(1,835,892)	(1,963,812)
	(P442,380)	(P337,200)

The amount recognized in OCI is as follows:

	2019	2018
Actuarial gain (loss) - DBO	(P12,098,277)	P7,079,180
Remeasurement - plan assets	(31,668,868)	(40,458,458)
	(P43,767,145)	(P33,379,278)

The accumulated actuarial losses in OCI amounted to P99,060,838 and P55,293,693 in 2019 and 2018, respectively.

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

	2019	2018
Discount rate	5.18%	7.51%
Salary increase rate	5.00%	5.00%

The sensitivity of the DBO to changes in the principal actuarial assumptions as at December 31, 2019 and 2018 follows:

Principal Assumptions	Increase (decrease) in Assumption	Effect on Retirement Liability	
		2019	2018
Discount rate	0.50%	P26,101,394	P13,137,699
	-0.50%	32,038,583	15,830,226
Salary increase rate	1%	35,382,364	17,400,145
	-1%	23,687,555	11,984,421

The maturity analysis of the undiscounted benefit payments as at December 31 follows:

	2019	2018
1 year and less	P-	P122,668
More than 1 year to 5 years	1,163,758	-
More than 5 years to 10 years	7,660,069	7,905,893
More than 10 years to 15 years	9,929,493	9,320,831
More than 15 years to 20 years	43,705,070	33,007,788
More than 20 years	513,578,871	409,688,150



22. 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:

Name of related party	Relationship	Year	Transactions During the Year	Outstanding Balance
<i>Due from related parties</i>				
ARDCI MBA, Inc.	Affiliate	2019	₱381,382	₱34,408,455
		2018	17,370,210	34,027,073
ARDCIBank, Inc. - A Rural Bank	Subsidiary	2019	(₱644,820)	₱2,281,762
		2018	2,876,422	2,926,582
ARDCI Credit Corporation	Subsidiary	2019	₱1,112,297	₱1,112,297
		2018	-	-
ARDCI Prime Security Services, Inc.	Subsidiary	2019	₱272,554	₱843,240
		2018	(690,440)	570,686
ARDCI Abaca Trading Corporation	Subsidiary	2019	₱237,713	₱237,713
		2018	-	-
ARDCI Corporate Inn, Inc.	Subsidiary	2019	(₱2,503,020)	₱-
		2018	1,162,223	2,503,020
		2019		₱38,883,467
		2018		₱40,027,361

Name of related party	Relationship	Year	Transactions During the Year	Outstanding Balance
<i>Due to related parties</i>				
ARDCI Corporate Inn, Inc.	Subsidiary	2019	(₱120,901)	₱275,648
		2018	203,385	396,549
ARDCIBank, Inc - A Rural Bank	Subsidiary	2019	(₱2,092,845)	₱30,848
		2018	229,847	2,123,693
ARDCI Prime Security Services, Inc.	Subsidiary	2019	(₱2,082,402)	₱718
		2018	1,119,037	2,083,120
		2019		₱307,214
		2018		₱4,603,362

Transactions with related parties are non-interest bearing, unsecured and payable on demand.

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 recognized provision for impairment amounted to ₱23,894,372 for ARDCI MBA, Inc. in 2019.

As at December 31, 2019 and 2018, the Organization's allowance for impairment relating to amounts owed by related parties amounted to ₱23,894,372 and nil, respectively.

Related party balances are non-interest bearing, unsecured and are payable on demand. The Organization has neither given nor received any guarantees in 2019 and 2018 for the related party balances. These are also expected to be settled in cash.

Key management personnel

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

Details of key management compensation follow:

	2019	2018
Short-term employee benefits	₱6,805,882	₱5,179,407
Long-term employee benefits	-	-

The total staff loans receivable from key management amounted to ₱4,648,854 and ₱4,002,188 as at December 31, 2019 and 2018, respectively.

23. 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	
	2019	2018
Not later than one year	₱12,483,731	₱4,828,101
Later than one year but not later than five years	3,232,814	-

Total rent expense recognized in profit or loss for the years ended December 31, 2019 and 2018 amounted to ₱17,573,383 and ₱14,534,779, respectively (see Notes 18 and 19).

Rent expense is allocated as follows:

	Note	2019	2018
Operating expense	18	₱16,588,421	₱13,484,794
General and administrative expense	19	984,962	1,049,985
		₱17,573,383	₱14,534,779



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 commitment as at December 31 are as follows:

Period	Amount	
	2019	2018
Not later than one year	₱1,200,000	₱1,200,000
Later than one year but not later than five years	4,800,000	4,800,000
Later than five years	290,000	410,000

Rental income recognized for the years ended December 31, 2019 and 2018 amounted to ₱1,200,000 (see Notes 11 and 17).

24. 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 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 Organization's maximum exposure to credit risk before collateral held or other credit enhancements as at December 31 follows (gross of allowance for impairment):

	2019				2018			
	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral Enhancement	Net Exposure	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral Enhancement	Net Exposure
Loans and other receivables	₱1,538,073,520	₱12,948,752	₱12,948,752	₱1,525,124,768	₱1,427,573,803	₱142,757,380	₱1,284,816,423	
Financial assets at FVOCI	24,912,755	-	-	24,912,755	14,938,178	-	14,938,178	
Refundable deposits	725,350	-	-	725,350	725,350	-	725,350	
	₱1,563,711,625	₱12,948,752	₱12,948,752	₱1,550,762,873	₱1,443,237,331	₱142,757,380	₱1,300,479,951	

The credit risk for cash in banks is considered negligible, since the counterparties are reputable entities with high quality external credit ratings. The aging analyses as at December 31 of financial assets are as follows (gross of allowance for impairment):

	Note	2019				Impaired
		Total	Neither impaired nor past due			
			1 - 30 days	31-60 days	61-90 days	
Cash in banks	5	₱496,760,373	₱496,760,373	₱-	₱-	₱-
Loans and other receivables	6	1,538,073,520	1,495,201,226	5,414,890	618,672	173,406
Financial assets at FVOCI	8	24,912,755	24,912,755	-	-	-
Refundable deposits	12	725,350	725,350	-	-	-
		₱2,060,471,998	₱2,017,599,704	₱5,414,890	₱618,672	₱173,406
						₱36,665,326

	Note	2018				Impaired
		Total	Neither impaired nor past due			
			1 - 30 days	31-60 days	61-90 days	
Cash in banks	5	₱456,599,837	₱456,599,837	₱-	₱-	₱-
Loans and other receivables	6	1,427,573,803	1,406,106,588	8,971,512	792,228	1,170,668
Financial assets at FVOCI	8	14,938,178	14,938,178	-	-	-
Refundable deposits	12	725,350	725,350	-	-	-
		₱1,899,837,168	₱1,878,369,953	₱8,971,512	₱792,228	₱1,170,668
						₱10,532,807



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.

Financial assets at FVOCI - standard and medium risk accounts are neither past due nor impaired accounts and the counterparty has the experience of default.

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:

	2019					
	Neither impaired nor past due			Past due but Not Impaired	Past due and Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks	₱496,760,373	₱-	₱-	₱-	₱-	₱496,760,373
Loans and other receivables	1,495,201,226	-	-	6,206,968	36,665,326	1,538,073,520
Financial assets at FVOCI	-	24,912,755	-	-	-	24,912,755
Refundable deposits	725,350	-	-	-	-	725,350
		₱24,912,755				
	₱1,992,686,949	5	₱-	₱6,206,968	₱36,665,326	₱2,060,471,998

	2018					
	Neither impaired nor past due			Past due but Not Impaired	Past due and Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks	₱456,599,837	₱-	₱-	₱-	₱-	₱456,599,837
Loans and other receivables	1,406,106,588	-	-	10,934,408	10,532,807	1,427,573,803
Financial assets at FVOCI	-	14,938,178	-	-	-	14,938,178
Refundable deposits	725,350	-	-	-	-	725,350
	₱1,863,431,775	₱14,938,178	₱-	₱10,934,408	₱10,532,807	₱1,899,837,168



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 exchanges rates, equity prices and other market changes. The Organization's market risk is manageable within conservative bounds. As at December 31, 2019 and 2018, 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.

Price risk

The Organization's market price risk arises from its financial assets at FVOCI. The Organization manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

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):

	Note	2019				Total
		On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	
<i>Financial liabilities</i>						
Members' deposit	13	₱768,642,987	₱-	₱-	₱-	₱768,642,987
Accounts and other payables*	14	39,965,552	35,958,522	-	60,000	75,984,074
Loans payable	16	-	34,087,077	90,822,299	34,532,227	159,441,603
		₱808,608,539	₱70,045,599	₱90,822,299	₱34,592,227	₱1,004,068,664



	Note	2018				Total
		On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	
<i>Financial liabilities</i>						
Members' deposit	13	₱662,662,598	₱-	₱-	₱-	₱662,662,598
Accounts and other payables*	14	37,113,969	21,412,239	-	60,000	58,586,208
Loans payable	16	-	40,584,408	99,456,872	32,382,711	172,423,991
		₱699,776,567	₱61,996,647	₱99,456,872	₱32,442,711	₱893,672,797

*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:

	2019	2018
Fund balance		
Appropriated	₱-	₱30,503,215
Unappropriated	1,553,794,570	1,342,367,265
	₱1,553,794,570	₱1,372,870,480

On November 29, 2018, the Organization released ₱5,528,572 as payment for deficiency value-added tax (VAT) and ₱3,968,213 as payment for deficiency income tax.

In 2019, the Organization released its appropriated fund amounted to ₱1,553,794,570. Final settlement of deficiency taxes were made on December 20, 2019 amounted to ₱15,194,856.

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

	2019	2018
Balance as at January 1	₱1,342,367,265	₱1,088,199,096
Additional revolving fund	226,803	230,859
Net income for the year	180,697,287	244,440,525
Release of appropriated funds	30,503,215	9,496,785
Balance as at December 31	₱1,553,794,570	₱1,342,367,265

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



25. 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	2019	2018
Financial assets at amortized cost			
Cash on hand and in banks	5	₱496,810,373	₱456,649,837
Loans and other receivables	6	1,487,322,138	1,404,040,436
Refundable deposits	12	725,350	725,350
Financial assets at FVOCI			
	8	24,912,755	14,938,178
		₱2,009,770,616	₱1,876,353,801
Financial liabilities at amortized cost			
Members' deposit	13	₱768,642,987	₱662,662,598
Accounts and other payables*	14	75,984,074	58,586,208
Loans payable	16	153,319,345	160,341,860
		₱997,946,406	₱881,590,666

*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 3, 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:

	2019	2018
Financial asset		
Refundable deposits	₱594,439	₱516,271
Financial liability		
Loans payable, net of current portion	₱27,434,511	₱21,950,997

The carrying value of investment in shares of stocks presented under "Financial assets at FVOCI" approximates its fair value as at December 31, 2019 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, 2019 and is classified under Level 1 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 statements of comprehensive income are as follows:

	<i>Note</i>	2019	2018
Interest income from:			
Loans and other receivables	6	₱759,605,105	₱690,879,008
Bank deposits	5,17	3,419,491	1,478,552
		₱763,024,596	₱692,357,560
Interest expense on:			
Members' deposits	13	₱22,192,597	₱19,110,657
Loans payable	16	7,062,360	7,009,106
		₱29,254,957	₱26,119,763
Loans and other receivables:			
Provision for impairment losses	6,17	₱34,101,753	₱16,617,109
Recovery of previously written-off accounts	6,17	6,671,144	8,521,431
		₱40,772,897	₱25,138,540

26. Events After the Financial Reporting Date

On March 11, 2020, the World Health Organization assessed that the novel coronavirus of 2019 (COVID-19) has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, the Government issued Presidential Proclamation No. 929 on March 16, 2020. The Proclamation declared a State of Calamity throughout the Philippines for a period of six months and imposed enhanced community quarantine, among others. These measures affected economic activities and business operations in an unprecedented manner as the effects continue to evolve. On March 17, 2020, no loan releases and collections were made. No cash inflows were expected until May 31, 2020, however, the Organization has enough assets to cover the cash outflows during the quarantine period.

The effects of the pandemic are considered by the Organization as non-adjusting subsequent events because these have no impact to the financial statements as at and for the year ended December 31, 2019. The Organization, however, is still determining the impact of the pandemic to its 2020 financial statements. Management believes that the Organization will continue as a going concern despite the effects of the pandemic.



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

The Bureau of Internal Revenue (BIR) has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the financial statements in addition to the disclosures mandated under PFRS. Presented below is the supplementary information required under RR 15-2010:

1. Value-added tax (VAT)

BIR issued RR 3-2017 which a registered and accredited microfinance NGO must pay 2% tax in lieu of all national taxes based on gross receipts from microfinance operations. Hence, no VAT was paid/accrued for the year.

2. Taxes and licenses

Permits and licenses	₱11,457,020
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3. Withholding taxes

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

Taxes on compensation and benefits	₱4,118,543
Expanded withholding taxes	1,570,317
	₱5,688,860

4. 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.

On December 20, 2019, the Organization paid ₱8,845,715 for deficiency VAT and ₱6,349,141 for deficiency income tax along with the notice of issuance of authority to cancel the remaining tax assessment.

