The following document has been received:

Receiving: ICTD ERMD
Receipt Date and Time: June 21, 2024 06:04:57 PM

Company Information

SEC Registration No.: I199800277
Company Name: ARDCI MICROFINANCE, INCORPORATED
Industry Classification: K74999
Company Type: Non-stock Corporation

Document Information

Document ID: OST10621202482754288
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Parent, AFS with NSPO Form 1, 2 and 3
Remarks: None

Acceptance of this document is subject to review of forms and contents

Subject: Your BIR AFS eSubmission uploads were received

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: Friday, June 21, 2024 at 04:28:02 PM GMT+8
Subject: Your BIR AFS eSubmission uploads were received

Hi ARDCI MICROFINANCE, INCORPORATED,

Valid files

- EAFS402793859ITRTY122023.pdf
- EAFS402793859TCRTY122023-01.pdf
- EAFS402793859RPTTY122023.pdf
- EAFS402793859OTHTY122023.pdf
- EAFS402793859AFSTY122023.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-8KL7HELD0MSW1VSZSPXWWXWYX0ZYTRS4W**
Submission Date/Time: **Jun 21, 2024 04:27 PM**
Company TIN: **402-793-859**

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

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

This is a system-generated e-mail. Please do not reply.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

I 1 9 9 8 - 0 0 2 7 7

C O M P A N Y   N A M E

ARDCI Microfinance, Incorporated
(A Non-stock, Non-profit Organization)

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

ARDCI Corporate Building, San Roque,
Virac, Catanduanes

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

C O M P A N Y   I N F O R M A T I O N

Organization's Email Address	Organization's Telephone Number/s	Mobile Number
ardcimfi@gmail.com	N/A	+639097343148

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
N/A	3rd Tuesday of April	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Victor T. Bernal	oed@ardcimfi.org.ph	N/A	+639178073463

CONTACT PERSON'S ADDRESS

ARDCI Corporate Building, San Roque, Virac, Catanduanes

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

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

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

INDEX TO THE AUDITED SEPARATE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

Separate Financial Statements

Supplementary Schedules

ARDCI MICROFINANCE, INCORPORATED
SEC Registration No. 11998-00277

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ARDCI Microfinance, Incorporated** (the "Organization") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Roxas Tabamo & Co. *(formerly Roxas Cruz Tagle and Co.)*, the independent auditor appointed by the members for the years ended December 31, 2023 and 2022, has audited the financial statements of the Organization in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ROGELIO S. BITOME
Chairman of the Board

VICTOR T. BERNAL
President

EVELYN T. TEVES
Treasurer

Signed this 9th day of May, 2024

MOORE Roxas Tabamo & Co.

Roxas Tabamo & Co.

2nd Floor Multinational Bancorporation Centre,
6805 Ayala Avenue, Makati City 1226 Philippines

T: +632 8844 2016
E: info@roxastabamo.com

roxastabamo.com

INDEPENDENT AUDITOR'S REPORT

The Members and the Board of Trustees
ARDCI Microfinance, Incorporated
(*A Non-stock, Non-profit Organization)*
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, 2023 and 2022, 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 material 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

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

- 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 28 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 TABAMO & CO.

Jarred D. Pereña
Partner
CPA Certificate No. 0109297
Tax Identification No. 243-146-342
BIR Accreditation No. 08-001682-015-2024, issued on March 22, 2024,
effective until March 21, 2027
PTR No. 10079591, issued on January 5, 2024, Makati City

May 9, 2024
Makati City

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

SEPARATE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	Notes	**2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	*5*	**₱294,106,852**	₱323,591,101
Loans and other receivables, net	*6*	**1,872,201,160**	1,655,004,914
Short-term investments	*7*	**63,853,686**	27,124,546
Prepayments and other current assets	*8*	**55,479,705**	41,634,463
Total Current Assets		**2,285,641,403**	2,047,355,024
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	*9*	**46,353,297**	42,047,431
Investment in subsidiaries	*10*	**260,145,900**	177,248,100
Long-term investments	*11*	**30,000,000**	30,000,000
Property and equipment, net	*12*	**171,946,788**	162,583,197
Investment property, net	*13*	**200,062,709**	266,032,353
Retirement benefit asset, net	*23*	**63,999,900**	52,904,933
Other noncurrent assets	*14*	**9,145,059**	107,075
Total Noncurrent Assets		**781,653,653**	730,923,089
		₱3,067,295,056	₱2,778,278,113
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Members' deposits	*15*	**₱1,017,111,803**	₱881,857,718
Accounts and other payables	*16*	**117,765,433**	77,617,625
Deferred income from grants	*17*	**1,006,070**	277,782
Loans payable	*18*	**223,911,615**	236,035,044
Income tax payable	*22*	**11,450,581**	4,760,207
Total Current Liabilities		**1,371,245,502**	1,200,548,376
Noncurrent Liability			
Loans payable, net of current portion	*18*	**43,211,476**	49,907,229
Total Liabilities		**1,414,456,978**	1,250,455,605
Fund Balance			
Accumulated income		**1,815,049,901**	1,673,396,238
Accumulated other comprehensive loss	*9,23*	**(162,211,823)**	(145,573,730)
Total Fund Balance		**1,652,838,078**	1,527,822,508
		₱3,067,295,056	₱2,778,278,113

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, 2023 AND 2022

	Notes	**2023**	2022
Interest income	*6*	**₱948,203,724**	₱773,354,417
Interest expense	*15,18*	**(47,368,138)**	(36,204,055)
Net interest income		**900,835,586**	737,150,362
Reversal of (Provision for) impairment losses	*6*	**(30,375,555)**	817,997
Net interest income after reversal of (provision for) impairment losses		**870,460,031**	737,968,359
Other operating income	*19*	**63,598,654**	79,232,720
Operating expenses	*20*	**(541,360,055)**	(470,575,705)
Income from operations		**392,698,630**	346,625,374
General and administrative expenses	*21*	**(222,727,790)**	(178,380,284)
Income before income tax		**169,970,840**	168,245,090
Provision for income tax	*22*		
Current		**(28,570,369)**	(18,318,071)
Deferred		**-**	(1,667,930)
		(28,570,369)	(19,986,001)
Net Income		**141,400,471**	148,259,089
OTHER COMPREHENSIVE LOSS			
Item that will be reclassified to profit or loss			
Unrealized loss on financial assets at FVOCI	*9*	**(694,133)**	(3,590,812)
Item that will not be reclassified to profit or loss			
Remeasurement loss on retirement liability	*23*	**(15,943,960)**	(5,883,518)
		₱124,762,378	₱138,784,759

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, 2023 AND 2022

	Note	**2023**	2022
ACCUMULATED INCOME			
At January 1		**₱1,673,396,238**	₱1,523,375,854
Additional revolving fund		**253,192**	355,262
Net income for the year		**141,400,471**	148,259,089
Reclassification from other comprehensive income	*9*	**-**	1,406,033
At December 31		**1,815,049,901**	1,673,396,238
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Unrealized Loss on Financial Assets at FVOCI			
At January 1		**(3,077,569)**	1,919,276
Unrealized loss on financial assets at FVOCI	*9*	**(694,133)**	(3,590,812)
Reclassification to accumulated income	*9*	**-**	(1,406,033)
At December 31		**(3,771,702)**	(3,077,569)
Actuarial Loss on Retirement Liability			
At January 1		**(142,496,161)**	(136,612,643)
Actuarial loss on retirement liability	*23*	**(15,943,960)**	(5,883,518)
At December 31		**(158,440,121)**	(142,496,161)
		(162,211,823)	(145,573,730)
TOTAL FUND BALANCE		**₱1,652,838,078**	₱1,527,822,508

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, 2023 AND 2022

	Notes	**2023**	2022
Cash flows from operating activities			
Income before income tax		**₱169,970,840**	₱168,245,090
Adjustments for:			
Depreciation	*12,13,20,21*	**35,578,490**	36,142,740
Provision for (Reversal of) impairment losses	*6*	**30,375,555**	(817,997)
Retirement expense	*23*	**3,964,412**	8,839,593
Gain on disposal and insurance settlement property and equipment	*12*	**-**	(5,645,596)
Loss on derecognition of building	*12,21*	**-**	2,417,368
Amortization of deferred income from grants	*17,19*	**-**	(129,022)
Reversal of deferred income from grants	*17,19*	**-**	(2,417,368)
Interest income from bank deposits	*19*	**(4,217,392)**	(4,201,531)
Operating income before working capital changes		**235,671,905**	202,433,277
Decrease (Increase) in:			
Loans and other receivables		**(247,571,800)**	(459,701,691)
Prepayments and other current assets		**(13,845,242)**	2,788,427
Other noncurrent assets		**(9,037,984)**	-
Increase (Decrease) in:			
Members' deposits		**135,254,085**	118,752,139
Accounts and other payables		**40,147,808**	(17,896,885)
Cash generated from (used for) operations		**140,618,772**	(153,624,733)
Interest income received	*19*	**4,217,392**	4,201,531
Benefits paid	*23*	**(1,230,798)**	-
Income taxes paid	*22*	**(21,879,995)**	(19,225,173)
Contributions to retirement fund	*23*	**(29,772,541)**	(61,263,818)
Net cash flows provided by (used in) operating activities		**91,952,830**	(229,912,193)
Cash flows from investing activities			
Other movements in property and equipment		**436,236**	-
Net withdrawal of (addition to) investments in financial assets at FVOCI	*9*	**(5,000,000)**	11,406,033
Additions to investment in subsidiaries		**(25,000,156)**	(71,848,300)
Withdrawal of (Addition to) short-term investments	*7*	**(36,729,140)**	58,207,943
Acquisition of property and equipment	*12*	**(37,306,317)**	(66,077,153)
Proceeds from sale of property and equipment	*12*	**-**	8,182,200
Net cash flows used in investing activities		**(103,599,377)**	(60,129,277)
Cash flows from financing activities			
Proceeds from loan availments	*18*	**337,800,322**	348,747,764
Payment of loans	*18*	**(356,619,504)**	(210,305,491)
Additional revolving fund		**253,192**	355,262
Receipt funds from grants	*17*	**728,288**	277,782
Net cash flows provided by (used in) financing activities		**(17,837,702)**	139,075,317
Net decrease in cash and cash equivalents		**(29,484,249)**	(150,966,153)
Cash and cash equivalents			
At January 1		**323,591,101**	474,557,254
At December 31	*5*	**₱294,106,852**	₱323,591,101
Operational cash flows from interest:			
Interest received		**₱942,202,640**	₱773,354,417
Interest paid		**₱47,461,122**	₱22,935,943

See Notes to the Separate Financial Statements.

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 ARDCI Corporate Building, 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 127 and 94 branches as at December 31, 2023 and 2022, respectively, in Catanduanes and in thirty-two (32) other provinces. The Organization has a membership of 228,000 and 218,253 in 2023 and 2022, respectively.

The Organization currently holds interest in seven (7) subsidiaries as follows:

		Effective Percentage of Controlling Interest	
Subsidiaries	**Line of Business**	**2023**	2022
ARDCIBank, Inc. – A Rural Bank (ABI)	Rural banking	**79.66%**	79.66%
ARDCI Hotel, Inc. (AHI)	Hotel and restaurant	**99.12%**	99.12%
ARDCI Prime Security Services (APSS), Inc.	Security agency	**99.92%**	99.92%
ARDCI Abaca Trading Corporation (ATC)	Retail	**99.89%**	99.89%
ARDCI Credit Corporation (ACC)	Financing	**99.94%**	99.94%
ARDCI Mart Inc. (AMI)	Retailing	**99.96%**	99.96%
ARDCI Business Development Corporation (ABDC)	Leasing	**99.97%**	99.97%

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 bank 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 Hotel, Inc.
AHI 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.

On June 3, 2022, AHI's Articles of Incorporation was amended and approved by the Board of Directors and an affirmative vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock. The amendment includes the change of corporate name to ARDCI Hotel, Inc. (formerly ARDCI Corporate Inn, Inc.) The SEC approved the amendment of Articles of Incorporation on September 4, 2022.

The principal office of AHI 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 Second (2nd) Floor, ARDCI Corporate Building, San Roque, Virac, Catanduanes.

ARDCI Abaca Trading Corporation
ATC was registered in SEC on July 26, 2019, with the primary purpose to engage in Abaca trading activities. The principal office of ATC is at ARDCI Corporate Building, Salvador A. Surtida Street, San Roque, Virac, Catanduanes.

On July 18, 2022, the Board of Directors (BOD) approved a resolution authorizing the dissolution of ATC due to its non-operation since its incorporation, and assessment that the abaca business is not feasible at the moment in the Province of Catanduanes. On August 31, 2022, the dissolution of the Corporation was approved by stockholders representing more than two-thirds of all members eligible to vote.

The ATC's management is in the process of preparing the requirements related to the dissolution of the Company.

ARDCI Credit Corporation
ACC was registered in SEC on October 22, 2019, with the primary purpose to engage in business of financing company. It started its operations in January 2020.

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

ARDCI Mart Inc.
AMI was registered with the SEC on December 22, 2021 to primarily engage in, conduct, and carry on the business of buying, selling, distributing, franchising, marketing at wholesale/ retail, in so far as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description such as but not limited to consumer goods, in traditional selling or various online platforms; to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity and manufacturer's representative, merchandise or products whether natural or artificial, food or non-food except as broker/dealer of securities. It started its operations on May 27, 2022.

Its principal place of business is located at G/F ARDCI Business Center, Moonwalk Road, Calatagan Proper, Virac, Catanduanes.

ARDCI Business Development Corporation
ABDC was registered with the SEC on December 21, 2021 to primarily engage, invest in and purchase or otherwise acquire and own land, hold, use, sell, assign, transfer, lease, except financial leasing, pledge, exchange, develop or otherwise, dispose or real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidence of indebtedness and other securities or obligation of any corporation or corporations, associations, domestic or foreign. It started its operations on May 27, 2022.

Its principal place of business is located at G/F ARDCI Business Center, Moonwalk Road, Calatagan Proper, Virac, Catanduanes.

Approval of the Separate Financial Statements
The separate financial statements were approved and authorized for issuance in accordance with a resolution by the BOT on May 9, 2024.

2. Basis of Preparation

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

Historical Cost Convention
The separate financial statements of the Organization have been prepared on a historical cost basis, except as disclosed in the accounting policies that follow.

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. Material Accounting Policies

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

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

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

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

- Amendments to PAS 12, *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction.* The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

  These amendments had no impact 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, 2023 and have not been applied in preparing the separate financial statements are summarized below.

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 – *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*. The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute 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 costs.

"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 the observable market, the Organization recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Organization deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Organization determines the appropriate method of recognizing the "Day 1" difference.

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

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

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

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

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

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

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

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

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through the amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 and 2022, the Organization's cash and cash equivalents, loans and other receivables, net, short-term and long-term investments and other noncurrent assets are included under this category (see Notes 5, 6, 7, 11 and 14).

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

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

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

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

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

As at December 31, 2023 and 2022, The Organization's Peso Asia Pacific Property Income Fund and investments in unquoted shares are included under "Financial Assets at FVOCI" account are classified under this category (see Note 9).

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

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

As at December 31, 2023 and 2022, 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 15, 16, and 18).

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

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

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

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

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

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

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

Impairment of Financial Assets

Overview of the Expected Credit Loss (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 other noncurrent assets. 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 unlikeliness 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 a 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 effective interest rate (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 separate financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Debt Investment Securities Measured at FVOCI

The ECL for debt securities at FVOCI does not reduce the carrying amount of these financial assets in the separate 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 impairment 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 effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Organization could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the 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 and Cash Equivalents
Cash includes cash on hand and in banks which are subject to insignificant risks of changes in value.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

Short-term/Long-term Investments
Short-term/Long-term Investments represent time deposits in local banks. This is initially recognized and carried at face value of the investment. Subsequently, these shall be measured at amortized cost using effective interest method. Investments that are classified as current assets shall be measured at the undiscounted amount of the cash or other consideration expected to be received.

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 other current assets and the amount can be measured reliably.

Investment 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. Land is stated at cost less any impairment in value.

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:

Property classification	Estimated useful life
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 comprehensive 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 Properties
Investment properties consist of properties 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 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.

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 non-financial assets 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.

Loans Payable

Loans payable is recognized initially at the transaction price (that is, the present value of cash payable to the creditors, including transaction costs). Loans payable is subsequently stated at amortized cost. Interest expense is recognized using the effective interest method.

Loans payable is classified as current liabilities unless the Organization has an unconditional right to defer settlement of the liability for at least twelve months after the financial reporting date.

All costs directly attributable to loans are recognized in profit or loss in the period in which they are incurred.

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 and all current and prior period results of operation.

Other Comprehensive Loss

Other comprehensive loss 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 gain on financial assets at FVOCI.

Unrealized gain (loss) on financial assets at FVOCI is recognized when there is an increase or decrease in the fair value of financial assets during the year.

Actuarial loss arise from experience adjustments and changes in actuarial assumptions are charged to OCI in the period in which they arise.

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 Organizations is presented net of applicable tax withheld by Organizations.

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.

Expenses
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 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.

<u>Leases</u>
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). Lease payments on short-term leases 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.

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

Current tax relating to items recognized directly in equity is recognized in equity and not in the 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 Financial Reporting Date

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

4. Use of Judgments, Estimates and Assumptions

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

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

Judgments

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

Determination of control over the investee. The determination of control over the investee, other than the rebuttable presumption of ownership over fifty percent (50%), requires significant judgment. In making judgment, the Organization evaluates whether the investor controls an investee and identified the following factors:

a. power over the investee;
b. exposure, or rights, to variable returns from its involvement with the investee;
c. the ability to use its power over the investee to affect the amount of the investor's returns.

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. 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.

The Organization reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The details of these lease agreements are disclosed in Note 25.

Organization as lessee. The Organization has determined that the lessor retains all significant risks and rewards of ownership of the properties which are on an operating lease agreement.

Rental expense amounted to ₱27,846,000 and ₱23,141,214 in 2023 and 2022, respectively (see Note 25).

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 ₱1,993,500 and ₱1,652,000 in 2023 and 2022, respectively (see Notes 13, 19 and 25).

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 25).

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 27).

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 ₱98,451,892 and ₱70,928,874 as at December 31, 2023 and 2022, respectively (see Note 6).

The carrying amounts of loans and other receivables amounted to ₱1,872,201,160 and ₱1,655,004,914 as at December 31, 2023 and 2022, respectively (see Note 6).

Estimating market loss on financial asset at FVOCI. The Organization determines market loss on financial asset at FVOCI when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Organization evaluates among other factors, the normal volatility in share price.

The carrying amount of financial assets at FVOCI amounted to ₱46,353,297 and ₱42,047,431 as at December 31, 2023 and 2022, respectively (see Note 9).

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 non-financial assets 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.

Non-financial assets are not impaired based on Organization's assessment as at December 31, 2023 and 2022.

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 23.

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 expense recognized in profit or loss in 2023 and 2022 amounted to ₱3,964,412 and ₱8,839,593, respectively (see Note 23).

As at December 31, 2023 and 2022, the present value of DBO of the Organization amounted to ₱126,056,737 and ₱101,623,328, respectively (see Note 23).

5. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	**₱128,866**	₱172,957
Cash in banks	**273,856,209**	271,307,034
Cash equivalents	**20,121,777**	52,111,110
	₱294,106,852	₱323,591,101

Cash in banks earns interest at the prevailing bank deposit rates.

Cash equivalents pertain to the time deposits with varying periods of up to three (3) months and earn interest ranging from 0.375% to 5.25% per annum in 2023 and 2022.

Interest earned in 2023 and 2022 amounted to ₱2,374,906 and ₱2,459,910, respectively (see Note 19).

6. **Loans and Other Receivables, Net**

This account consists of:

	Note	**2023**	2022
Loans			
Micro-business loans (MBLs)		**₱1,376,774,829**	₱1,199,741,798
Multi-purpose loans (MPLs)		**372,613,078**	297,237,322
Wash loans		**32,477,759**	40,561,218
Staff loans		**39,511,120**	25,013,369
Finance lease receivable		**13,649,376**	10,363,578
Employee loans		**389,373**	2,054,556
Individual loans		**79,524**	337,420
		1,835,495,059	1,575,309,261
Due from related parties	*24*	**46,781,703**	56,991,973
Interest receivable		**34,705,197**	28,704,113
Other receivables		**53,671,093**	64,928,441
		1,970,653,052	1,725,933,788
Allowance for impairment		**(98,451,892)**	(70,928,874)
		₱1,872,201,160	₱1,655,004,914

Loans receivable represents loans to members who are administered through the SLS that have been established through each of the 127 and 94 branches in 2023 and 2022, 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. These loans are subject to 16% - 17% interest annually in 2023 and 2022.

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.

Loans receivable amounting to ₱267,123,091 and ₱285,942,273 as at December 31, 2023 and 2022, respectively, has been pledged as collateral for loans from financial institutions (see Note 18). Loans receivable pledged as collateral are mainly MBLs.

Other receivables include 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 ₱3,003,074 and ₱6,790,772 for the years ended December 31, 2023 and 2022, respectively (see Note 19).

Interest earned from loans receivables for the years ended December 31, 2023 and 2022 amounted to ₱948,203,724 and ₱773,354,417, respectively.

The movements in allowance for impairment are as follows:

	2023	2022
At January 1	**₱70,928,874**	₱73,808,424
Provision (Reversal) during the year	**30,375,555**	(817,997)
Write-off	**(2,852,537)**	(2,061,553)
At December 31	**₱98,451,892**	₱70,928,874

7. Short-Term Investments

This account consists of time deposits in local banks.

The movements of the account are as follows:

	2023	2022
At January 1	**₱27,124,546**	₱85,332,489
Additions (Withdrawals)	**36,729,140**	(58,207,943)
At December 31	**₱63,853,686**	₱27,124,546

These short-term investments have original maturity of less than to not more than twelve months from the date of placement with interest rate ranging from 1.5% to 6% in 2023 and 2022.

Interest earned in 2023 and 2022 amounted to ₱1,372,134 and ₱1,271,269, respectively (see Note 19).

8. Prepayments and Other Current Assets

This account consists of:

	2023	2022
Prepaid expenses	**₱29,987,650**	₱20,777,903
Stationery and supplies on hand	**21,625,858**	16,990,363
Advances to service provider	**2,679,133**	2,679,133
Others	**1,187,064**	1,187,064
	₱55,479,705	₱41,634,463

Prepaid expenses pertain to the unexpired portion of fidelity and health insurance of employees, advance payment to suppliers for the purchase of materials and supplies, and payment for professional fees.

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

Advances to service provider pertain advance payment for a contract entered into by the Organization for the implementation of an application system.

Others mainly include cash and performance bond held by the government for land conversion in Moonwalk, Virac.

9. Financial Assets at FVOCI

This account consists of:

	2023	2022
Peso Asia Pacific Property Income Fund	**₱36,107,011**	₱31,801,145
Investment in unquoted shares	**10,246,286**	10,246,286
	₱46,353,297	₱42,047,431

In March 2021, the Organization acquired 11,531,891 units of participation in a Peso Asia Pacific Property Income Fund at NAVPU of ₱0.88 amounting to ₱10,125,000 including the start bonus received upon investment. The fund is an open-end unit trust fund that gives access to a diversified portfolio of exchange-listed Real Estate Investment Trusts (REITs) in Asia Pacific region. In May and July 2021, the Organization acquired a total of 21,431,186 additional units with an offer price of ₱0.91 to ₱0.97 amounting to ₱20,000,000.

In 2022, the Organization acquired 5,537,099 additional units with an offer price of ₱0.903 amounting to ₱5,000,000. Additional units amounting to ₱5,000,000 was acquired in 2023. NAVPU of the investment amounted to ₱0.812 in 2023 and ₱0.826 in 2022. An unrealized loss of ₱694,134 and ₱3,590,812 in 2023 and 2022, respectively are recognized in other comprehensive income.

In September 2018, the Organization subscribed and paid 10,000 shares of the 100,000 authorized common shares of a 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 hospital. No unrealized gain/(loss) was recognized in 2023 and 2022 in other comprehensive income.

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.

In 2022, the Organization withdrawn its total investment of ₱16,406,033 and recognized a realized loss on withdrawal of ₱1,214,189 (see Note 21).

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

	2023	2022
Balance at January 1	**(₱3,077,569)**	₱1,919,276
Unrealized loss recognized in OCI	**(694,133)**	(3,590,812)
Reclassification to accumulated income	**-**	(1,406,033)
Balance at December 31	**(₱3,771,702)**	(₱3,077,569)

The objective of the Organization is to hold and sell these financial assets in order to collect contractual cash flows.

10. **Investment in Subsidiaries**

This account consists of:

	2023	2022
Investment in shares of stock of:		
ARDCI Business Development Corporation (ABDC)	**₱85,996,100**	₱18,098,300
ARDCI Mart Inc. (AMI)	**65,000,000**	60,000,000
ARDCI Credit Corporation (ACC)	**60,000,000**	50,000,000
ARDCIBank, Inc. – A Rural Bank (ABI)	**20,250,000**	20,250,000
ARDCI Hotel Inc. (AHI)	**11,900,000**	11,900,000
ARDCI Abaca Trading Corporation (ATC)	**10,000,000**	10,000,000
ARDCI Prime Security Services, Inc. (APSS)	**6,999,800**	6,999,800
	₱260,145,900	₱177,248,100

In 2021, the Organization subscribed to 250,000 common shares of the 1,000,000 authorized common shares of ABDC with a par value of ₱100 per share. As at December 31, 2021, the Organization has paid ₱6,250,000 from the subscribed shares of stocks. In 2022, the Organization subscribed additional shares of 749,700 common shares and paid ₱11,848,300 from the subscribed shares of stocks of ABDC. In 2023, the Organization transferred cash and the right of building ownership to ABDC as payment for 678,978 shares with a par value of ₱100 per share for ₱67,897,800. The said subscriptions represent the Organization's 99.97% ownership in the issued and outstanding shares of stock of ABDC as at December 31, 2023 and 2022, respectively.

In 2021, the Organization subscribed to 500,000 common shares of the 750,000 authorized common shares of AMI with a par value of ₱100 per share. As at December 31, 2021, the Organization has paid ₱12,500,000 from the subscribed shares of stocks. In 2023 and 2022, the Organization paid an additional ₱5,000,000 and ₱47,500,000, respectively, from the subscribed shares of stocks of AMI. The said subscriptions represent the Organization's 99.96% ownership in the issued and outstanding shares of stock of AMI as at December 31, 2023 and 2022, respectively.

In 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. In 2020, the Organization paid ₱12,500,000 from the subscribed shares of stocks of ACC. In 2023 and 2022, the Organization paid an additional ₱10,000,000 and ₱12,500,000, respectively, from the subscribed shares of stocks of ACC. The said subscriptions represent the Organization's 99.94% ownership in the issued and outstanding shares of stock of ACC as at December 31, 2023 and 2022.

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, 2023 and 2022. 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 2015, the Organization subscribed to 50,000 common shares of the 200,000 authorized common shares of AHI 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. This represents the Organization's 98.55% ownership in the issued and outstanding shares of stocks of AHI. In 2021, the Organization subscribed additional 50,000 common shares with a par value of ₱100 per share for ₱5,000,000. The said subscription represents the Organization's 99.12% ownership in the issued and outstanding shares of stock of AHI as at December 31, 2023 and 2022.

In 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 99.89% ownership in the issued and outstanding shares of stock of ATC as at December 31, 2023 and 2022.

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 99.92% ownership in the issued and outstanding shares of APSS as at December 31, 2023 and 2022.

11. **Long-Term Investments**

This account consists of time deposits in local banks amounting to ₱30,000,000 as at December 31, 2023 and 2022 with interest rate of 1.2%. These long-term investments have maturity of more than twelve months from the date of placement. Interest earned in 2023 and 2022 amounted to ₱470,352 (see Note 19).

12. **Property and Equipment, Net**

The details and movements of the account are as follows:

	Note	Building	Land	Land Improvements	Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost							
At January 1, 2022		₱52,410,393	₱93,497,309	₱11,642,145	₱141,628,890	₱163,717,062	₱462,895,799
Additions		-	4,151,500	8,703,364	19,378,137	33,844,152	66,077,153
Reversal/Disposal		(9,676,639)	(2,353,270)	-	(16,002,508)	-	(28,032,417)
Transfer from construction in progress		197,385,163	-	-	-	(197,385,163)	-
Transfer to investment properties	*13*	(188,750,040)	(25,185,000)	-	-	-	(213,935,040)
At December 31, 2022		51,368,877	70,110,539	20,345,509	145,004,519	176,051	287,005,495
Additions		12,447,261	-	3,943,625	20,915,431	-	37,306,317
Reversal/Disposal		(3,150,637)	-	-	(3,012,270)	-	(6,162,907)
Transfer from construction in progress		176,051	-	-	-	(176,051)	-
At December 31, 2023		**60,841,552**	**70,110,539**	**24,289,134**	**162,907,680**	**-**	**318,148,905**
Accumulated depreciation							
At January 1, 2022		21,743,993	-	2,821,808	95,694,396	-	120,260,197
Depreciation		1,859,934	-	1,314,311	24,066,301	-	27,240,546
Reversal/Disposal		(7,259,271)	-	-	(15,819,174)	-	(23,078,445)
At December 31, 2022		16,344,656	-	4,136,119	103,941,523	-	124,422,298
Depreciation		2,080,557	-	1,979,161	23,446,772	-	27,506,490
Reversal/Disposal		(2,306,229)	-	-	(3,012,270)	-	(5,318,499)
Adjustment		-	-	-	(408,172)	-	(408,172)
At December 31, 2023		**16,118,984**	**-**	**6,115,280**	**123,967,853**	**-**	**146,202,117**
Net book value							
At December 31, 2023		**₱44,722,568**	**₱70,110,539**	**₱18,173,854**	**₱38,939,827**	**₱-**	**₱171,946,788**
At December 31, 2022		₱35,024,221	₱70,110,539	₱16,209,390	₱41,062,996	₱176,051	₱162,583,197

Depreciation is allocated as follows:

	Note	2023	2022
Operating expense	*20*	**₱5,944,554**	₱8,442,737
General and administrative expense	*21*	**21,561,936**	18,797,809
		₱27,506,490	₱27,240,546

On May 2022, the Organization derecognized the building in relation to the received grant with net book value of ₱2,417,368 and recognized as loss on reversal (see Notes 17 and 21).

In 2022, the Organization sold a real property with a net book value of ₱2,353,270 for a selling price of ₱6,000,000 resulting to a gain of ₱3,646,730 and various vehicles with a net book value ₱183,334 for a selling price of ₱2,182,200 resulting to a gain of ₱1,998,866 (see Note 19).

In 2022, upon completion of the newly constructed buildings the Organization assessed and reclassified them as part of Investment properties amounted to ₱188,750,040 and land amounted to ₱25,185,000 (see Note 13).

There are no items of property and equipment used as security for any liabilities of the Organization as at December 31, 2023 and 2022.

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.

13. Investment Properties, Net

Investment properties of the Organization consist of land and buildings held to earn rentals. The movements in investment properties are as follows:

	Note	Land	Buildings	Total
Cost				
At January 1, 2022		₱-	₱88,318,009	₱88,318,009
Transfer from property and equipment	*12*	25,185,000	188,750,040	213,935,040
At December 31, 2022		25,185,000	277,068,049	302,253,049
Disposal		-	(60,310,049)	(60,310,049)
At December 31, 2023		**25,185,000**	**216,758,000**	**241,943,000**
Accumulated Depreciation				
At January 1, 2022		-	27,318,502	27,318,502
Depreciation		-	8,902,194	8,902,194
At December 31, 2022		-	36,220,696	36,220,696
Depreciation		-	8,072,000	8,072,000
Disposal		-	(2,412,405)	(2,412,405)
At December 31, 2023		**-**	**41,880,291**	**41,880,291**
Net Book Value				
At December 31, 2023		**₱25,185,000**	**₱174,877,709**	**₱200,062,709**
At December 31, 2022		₱25,185,000	₱240,847,353	₱266,032,353

Depreciation is allocated as follows:

	Note	2023	2022
Operating expense	*20*	**₱1,663,241**	₱1,663,241
General and administrative expense	*21*	**6,408,759**	7,238,953
		₱8,072,000	₱8,902,194

The fair value of the building cannot be readily determined based on observable market data because there are no comparable properties in its location. No valuation by an independent appraiser was made for the investment property in 2023 and 2022.

The rental income from investment property amounted to ₱1,993,500 and ₱1,652,000 for the years ended December 31, 2023 and 2022, respectively (see Notes 19 and 25).

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

	2023	2022
Expenses that generated rental income during the year		
Depreciation	**₱8,072,000**	₱8,902,194
Repairs and maintenance	**4,006,795**	4,282,273
Security and janitorial services	**4,999,857**	3,035,356
	17,078,652	16,219,823
Expenses that did not generate rental income during the year		
Repairs and maintenance	**1,602,718**	1,712,909
Security and janitorial services	**1,999,943**	1,319,439
	3,602,661	3,032,348
	₱20,681,313	₱19,252,171

14. Other Noncurrent Assets

This account consists of:

	Note	**2023**	2022
Investment in Swine Hub	*24*	**₱9,037,984**	₱-
Refundable deposits		**107,075**	107,075
		₱9,145,059	₱107,075

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

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, 2023.

15. Members' Deposits

This account pertains to members' contributions in the form of compulsory and voluntary savings, each earning annual interest of 3% for the years ended December 31, 2023 and 2022 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:

	2023	2022
Compulsory	**₱809,267,395**	₱701,506,756
Voluntary	**207,844,408**	180,350,962
	₱1,017,111,803	₱881,857,718

Interest expense in 2023 and 2022 amounted to ₱28,011,487 and ₱24,123,493, respectively.

16. Accounts and Other Payables

This account consists of:

	Note	2023	2022
Accounts payable		**₱83,565,752**	₱63,061,880
Accrued expenses		**5,409,004**	5,862,588
Government liabilities		**24,433,916**	4,077,490
Due to related parties	24	**2,919,629**	3,085,551
Accrued interest payable		**1,437,132**	1,530,116
		₱117,765,433	₱77,617,625

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 unremitted collections from insurance company on behalf of ACC, unpaid hotel services to AHI, unpaid security services to APSS, unpaid goods to AMI, advances to ABDC, and contributions to ARDCI EMULCO.

17. 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 initially credited as deferred income from grant at a cost of ₱9,676,639 and is to be amortized as income for a period of 25 years.

The movements of this grant are as follows:

	Note	2023	2022
At January 1		**₱-**	₱2,546,390
Amortization	19	**-**	(129,022)
Reversal	19	**-**	(2,417,368)
At December 31		**₱-**	₱-

On January 17, 2022, the Organization received a notice from the Office of the Sangguniang Bayan notifying them to vacate the lot within ninety (90) days from the date of the notice due to the departure of the Organization from the main purpose for which the lot was intended. The Sanggunian has adopted a resolution requesting an amendment and renegotiation on the initial contract, but the Organization failed to concur. The Organization agreed to vacate the lot as instructed by the Sanggunian through its Resolution No. 014-2022. In 2022, the Organization derecognized the remaining balance of deferred income and its corresponding asset received (See Note 12).

On December 16, 2022, 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 whereby commits the maximum total grant of US$14,000 for a period of one (1) year.

Water.org disbursed the grant of US$7,000 upon signing the agreement and another half US$7,000 on the following quarter, on March 16, 2023. Water.org reserves the right to be reimbursed or, if reimbursement is not possible, to adjust future disbursements if WASH (Water Access, Sanitation and Hygiene) loans are found to have defaulted or written-off, not constructed as improved facilities, or fraudulent. The Organization has unutilized fund amounting to ₱1,006,070 and ₱277,782 in 2023 and 2022, respectively.

18. **Loans Payable**

This account consists of:

	2023	2022
Banking institutions	**₱93,908,486**	₱113,078,007
Other financial institutions	**173,214,605**	172,864,266
	₱267,123,091	₱285,942,273

The movements in the account are as follows:

	2023	2022
Balance at January 1	**₱285,942,273**	₱147,500,000
Availments	**337,800,322**	348,747,764
Payments	**(356,619,504)**	(210,305,491)
Balance at December 31	**₱267,123,091**	₱285,942,273

Loans payable represents loan rediscounting facility availed from financial institutions with annual interest rates of 4.69% to 6.27% and 2% to 6.50% in 2023 and 2022, respectively.

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

	2023	2022
Due within one year	**₱223,911,615**	₱236,035,044
Due beyond 1 year but not more than 5 years	**43,211,476**	49,907,229
	₱267,123,091	₱285,942,273

Loans receivable amounting to ₱267,123,091 and ₱285,942,273 as at December 31, 2023 and 2022, respectively, has been pledged as collateral for said obligations (see Note 6).

Interest expense on loans payable for the years ended December 31, 2023 and 2022 amounted to ₱19,356,651 and ₱12,080,562, respectively.

19. **Other Operating Income**

The details of the account are as follows:

	Notes	2023	2022
Share in Group Life Insurance Coverage (GLIC)		**₱24,518,048**	₱20,630,363
Share in Credit Group Life Insurance (CGLI)		**10,107,363**	7,513,339
Share in Loan Protect Plus (LPP)		**6,731,961**	5,960,624
Recovery of previously written-off accounts	*6*	**3,003,074**	6,790,772
Service charges		**941,618**	755,279
ID/Passbook		**369,529**	321,049
Reversal of deferred income from grants	*17*	**-**	2,417,368
Amortization of deferred income from grants	*17*	**-**	129,022
Miscellaneous income from operations		**7,282,631**	5,343,250
Other income from microfinance operations		**52,954,224**	49,861,066
Interest from deposits in banks	*5,7,11*	**4,217,392**	4,201,531
Rental income	*13,25*	**1,993,500**	1,652,000
Gain on sale of property and equipment	*12*	**-**	5,645,596
Cash benefit received from matured policy		**-**	9,252,400
Excess insurance deposits		**-**	7,304,662
Miscellaneous income from non-microfinance operations		**4,433,538**	1,315,465
Other income from non-microfinance operations		**10,644,430**	29,371,654
		₱63,598,654	₱79,232,720

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 from operations pertains to overages and reversal of long outstanding member deposits and insurance liabilities.

20. Operating Expenses

The details of the account are as follows:

	Notes	**2023**	2022
Salaries, wages and employee benefits		**₱396,506,757**	₱326,384,969
Rental	*25*	**27,056,072**	22,331,099
Transportation, fuel and oil		**21,582,117**	17,015,939
Stationeries and office supplies		**18,513,529**	16,581,267
Communication, light and water		**12,277,152**	11,012,486
General support services		**9,882,234**	6,464,100
Depreciation	*12,13*	**7,607,795**	10,105,978
Taxes and licenses		**6,944,456**	7,761,673
Trainings, seminars and conferences		**6,132,903**	9,630,961
Information technology		**5,299,251**	3,068,803
Consultancy and professional fee		**4,831,886**	2,997,147
Representation		**3,923,639**	5,998,754
Advertising		**2,920,615**	2,222,083
Retirement	*23*	**2,775,088**	7,419,546
Repairs and maintenance		**1,776,512**	1,999,504
Finance charges		**303,002**	110,878
Research and development costs		**135,395**	242,105
Fines, penalties and dues		**132,055**	166,498
Client community services		**8,794**	3,825,568
Documentary stamp tax		**4,310**	2,831,332
Supervision and monitoring fees		**-**	1,333,240
Organization charges		**-**	70,000
Miscellaneous		**12,746,493**	11,001,775
		₱541,360,055	₱470,575,705

21. General and Administrative Expenses

The details of the account are as follows:

	Notes	**2023**	2022
Salaries, wages and employee benefits		**₱94,484,906**	₱83,338,236
Depreciation	*12,13*	**27,970,695**	26,036,762
Taxes and licenses		**15,205,177**	-
Insurance		**11,825,469**	12,026,564
Charitable contributions		**8,879,155**	8,326,534
Fines, penalties and dues		**8,636,345**	8,905,371
Client community services		**6,711,562**	-
Repairs and maintenance		**5,609,513**	11,168,953
General support services		**5,260,534**	4,354,795
Transportation, fuel and oil		**3,956,767**	4,430,520
Communication, light and water		**3,203,157**	2,702,814
Trainings, seminars and conferences		**3,121,005**	547,198
Documentary stamp tax		**2,528,951**	-
Information technology		**2,271,107**	1,315,201

Forward

	Notes	2023	2022
Representation		**₱1,681,560**	₱2,570,895
Consultancy and professional fee		**1,543,615**	1,284,491
Advertising		**1,251,693**	952,321
Retirement	*23*	**1,189,324**	1,420,047
Freight charges		**1,112,734**	-
Stationeries and office supplies		**800,169**	2,112,657
Rental	*25*	**789,928**	810,115
Finance charges		**58,999**	135,601
Loss on derecognition of building	*12*	**-**	2,417,368
Realized loss on withdrawal of financial assets at FVOCI	*9*	**-**	1,214,189
Miscellaneous		**14,635,425**	2,309,652
		₱222,727,790	₱178,380,284

22. Income Taxes

The Organization was registered and accredited by Microfinance NGO Regulatory Council (MNRC) and subject to a preferential tax rate of 2% based on its gross receipts from microfinance operations in lieu of all national taxes and regular tax on its non-microfinance activities. However, on September 27, 2023, its MNRC accreditation was revoked resulting to an increase in tax rate from 2% to 25%. As of the opinion date, the Organization is processing the requirements for re-accreditation.

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:

	2023	2022
Income before tax	**₱114,419,301**	₱149,299,938
Income tax expense at special rate at 2%	**2,288,386**	2,985,999
Add (Deduct) tax effect of:		
Tax effect of non-deductible expenses	**13,448,446**	13,330,457
Non-taxable reversal of impairment loss	**-**	(16,360)
	₱15,736,832	₱16,300,096

The reconciliation between provision for income tax computed at regular tax rate and the actual provision for income tax recognized in profit or loss follows:

	2023	2022
Income before income tax	**₱55,551,539**	₱18,945,152
Income tax at statutory income tax rate of 25%	**13,887,885**	4,736,288
Deduct tax effect of:		
Income subject to final tax	**(1,054,348)**	(1,050,383)
	₱12,833,537	₱3,685,905

Movements in income tax payable follow:

	2023	2022
At January 1	**₱4,760,207**	₱5,667,309
Charged to profit or loss	**28,570,369**	18,318,071
Income tax paid	**(21,879,995)**	(19,225,173)
At December 31	**₱11,450,581**	₱4,760,207

23. **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 Organization 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 asset.

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 Organization.

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, 2023 and 2022. 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, 2023.

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

	2023	2022
Present value of DBO at December 31	**₱126,056,737**	₱101,623,328
Fair value of plan asset at December 31	**(190,056,637)**	(154,528,261)
Net retirement benefit asset at December 31	**(₱63,999,900)**	(₱52,904,933)

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

	Notes	**2023**	2022
Retirement benefit asset at January 1		**₱52,904,933**	₱6,364,226
Contributions		**29,772,541**	61,263,818
Benefits paid		**1,230,798**	-
Amount recognized in profit or loss	*20,21*	**(3,964,412)**	(8,839,593)
Amount recognized in OCI – actuarial loss		**(15,943,960)**	(5,883,518)
Retirement benefit asset at December 31		**₱63,999,900**	₱52,904,933

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

	2023	2022
Present value of DBO at January 1	**₱101,623,328**	₱107,732,521
Interest cost	**7,316,880**	5,494,359
Current service cost	**7,773,567**	9,164,168
Defined benefit cost recognized in profit or loss	**15,090,447**	14,658,527
Changes in financial assumptions	**26,312,771**	(41,944,268)
Experience	**(15,739,011)**	21,176,548
Defined benefit cost (benefit) recognized in OCI	**10,573,760**	(20,767,720)
Benefits paid	**(1,230,798)**	-
Present value of DBO at December 31	**₱126,056,737**	₱101,623,328

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

	2023	2022
Fair value of plan assets at January 1	**₱154,528,261**	₱114,096,747
Interest income	**11,126,035**	5,818,934
Contributions	**29,772,541**	61,263,818
Remeasurement – plan assets recognized in OCI	**(5,370,200)**	(26,651,238)
Fair value of plan assets at December 31	**₱190,056,637**	₱154,528,261

The retirement plan has no specific matching strategy between the plan assets and the defined benefit obligation under the plan.

The fair value of plan assets mainly consists of cash and cash equivalents, and investments in 2023 and 2022.

The amount recognized in profit or loss is as follows:

	2023	2022
Current service cost	**₱7,773,567**	₱9,164,168
Net interest cost	**(3,809,155)**	(324,575)
	₱3,964,412	₱8,839,593

Retirement expenses is allocated as follows:

	Note	2023	2022
Operating expense	*20*	**₱2,775,088**	₱7,419,546
General and administrative expense	*21*	**1,189,324**	1,420,047
		₱3,964,412	₱8,839,593

The amount recognized in OCI is as follows:

	2023	2022
Actuarial gain (loss) – DBO	**(₱10,573,760)**	₱20,767,720
Remeasurement – plan assets	**(5,370,200)**	(26,651,238)
	(₱15,943,960)	(₱5,883,518)

The accumulated actuarial losses in OCI amounted to ₱158,440,121 and ₱142,469,161 in 2023 and 2022, respectively.

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

	2023	2022
Discount rate	**6.10%**	7.20%
Salary increase rate	**5.00%**	5.00%

The sensitivity of the DBO to changes in the principal actuarial assumptions as at December 31, 2023 and 2022 follows:

	Increase (decrease)	**Effect on Retirement Liability**	
Principal Assumptions	in Assumption	**2023**	2022
Discount rate	+1%	**₱114,858,386**	₱61,464,783
	-1%	**139,256,109**	42,895,997
Salary increase rate	+1%	**138,448,914**	43,461,147
	-1%	**115,375,286**	61,098,704

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

	2023	2022
1 year and less	**₱-**	₱-
More than 1 year to 5 years	**62,487,991**	59,477,084
More than 5 years to 10 years	**60,343,171**	54,810,691
More than 10 years to 15 years	**80,754,250**	64,780,128
More than 15 years	**373,731,190**	348,660,911

24. Related Party Disclosures

The details of related parties are as follows:

Name of related party	Relationship	Nature of Transactions	Year	Transactions During the Year	Outstanding Balance	Terms and conditions	Security	Nature of consideration to be provided in settlement	Details of guarantees given or received	Provision for credit losses	Allowance for expected credit losses
Due from related parties (Note 6)											
ARDCI MBA, Inc.	Affiliate	Expenses paid on behalf of related party	**2023**	**₱18,518**	**₱40,095,831**					**₱-**	**₱24,186,624**
			2022	₱-	₱40,077,313					₱-	₱24,186,624
ARDCIBank, Inc. – A Rural Bank	Subsidiary	Cash advances	**2023**	**(2,181,454)**	**65,106**					**-**	**-**
			2022	(20,267)	2,246,560					-	-
ARDCI Credit Corporation	Subsidiary	Expenses paid on behalf of related party	**2023**	**(1,852)**	**166,256**					**-**	**-**
			2022	(3,639)	168,108					-	-
ARDCI Prime Security Services, Inc.	Subsidiary	Expenses paid on behalf of related party	**2023**	**(4,178,896)**	**4,066,074**					**-**	**-**
			2022	708,745	8,244,970					-	-
ARDCI Abaca Trading Corporation	Subsidiary	Expenses paid on behalf of related party	**2023**	**-**	**600**					**-**	**-**
			2022	-	600					-	-
ARDCI Hotel, Inc.	Subsidiary	Expenses paid on behalf of related party	**2023**	**(1,302,914)**	**1,539,428**					**-**	**-**
			2022	2,353,851	2,842,342					-	-
ARDCI Mart Inc.	Subsidiary	Expenses paid on behalf of related party	**2023**	**(957,248)**	**352,646**					**-**	**-**
			2022	1,121,784	1,309,894					-	-
ARDCI Business Development Corp.	Subsidiary	Cash advances	**2023**	**(1,406,647)**	**250,976**					**-**	**-**
			2022	1,453,113	1,657,623					-	-
ARDCI Foundation Inc.	Under common control	Expenses paid on behalf of related party	**2023**	**(199,777)**	**244,786**	Non-interest bearing, payable on demand	Unsecured	Cash	N/A	**-**	**-**
			2022	394,508	444,563					-	-
			2023		**₱46,781,703**						**₱24,186,624**
			2022		₱56,991,973						₱24,186,624

Name of related party	Relationship	Nature of Transactions	Year	Transactions During the Year	Outstanding Balance	Terms and conditions	Security	Nature of consideration to be provided in settlement	Details of guarantees given or received
Due to related parties (Note 16)									
ARDCI Hotel, Inc.	Subsidiary	Purchase of goods and services	**2023**	**(₱533,402)**	**₱-**	Non-interest bearing, payable on demand	Unsecured	Cash	N/A
			2022	(₱1,638)	₱533,402				
ARDCI Employees' Multi-purpose Cooperative (ARDCI EMULCO)	Affiliate	Contributions	**2023**	**1,230,908**	**1,230,908**				
			2022	-	-				
ARDCI Credit Corporation	Subsidiary	Unremitted collections from Insurance company	**2023**	**-**	**-**				
			2022	(7,875)	-				
ARDCI Prime Security Services, Inc.	Subsidiary	Purchase of security services	**2023**	**(613,835)**	**1,185,106**				
			2022	1,205,363	1,798,941				
ARDCI Business and Development Corporation	Subsidiary	Advances	**2023**	**399,619**	**399,619**				
			2022	-	-				
ARDCI Mart Inc.	Subsidiary	Purchase of goods	**2023**	**(649,212)**	**103,996**				
			2022	753,208	753,208				
			2023		**₱2,919,629**				
			2022		₱3,085,551				

Investment in Swine Hub (see Note 14)
On December 15, 2022, the Organization entered into Implementation Management Agreement with the Department of Agriculture along with the Provincial Government of Catanduanes, wherein the Organization will serve as the Proponent Group in the implementation of ARDCI Catanduanes Swine Hub (the Project).

The Project Cost is estimated at ₱14,922,850 net of Organization's equity of ₱9,001,263. Balance of investment in Swine Hub amounting to ₱9,037,984 and nil as at December 31, 2023 and 2022, respectively.

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:

	2023	2022
Short-term employee benefits	**₱9,024,195**	₱12,150,003

Details of staff loans receivable from key management are as follows:

Related party	**Year**	**Transactions during the year**	**Balance**	**Terms and conditions**	**Security**	**Nature of consideration to be provided in settlement**	**Details of guarantees given or received**	**Provision for credit losses**	**Allowance for expected credit losses**
Key Management Personnel	**2023**	**₱2,005,862**	**₱9,024,195**	Interest bearing, 6 months to 5 years	Unsecured	Cash	N/A	**₱-**	**₱70,183**
	2022	₱12,121	₱7,018,333					₱121	₱70,183

25. **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 ranging from 1 to 5 years, renewable upon mutual agreement of the parties.

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

	Amount	
Period	**2023**	2022
Not later than one year	**₱2,840,388**	₱15,513,163
Later than one year but not later than five years	**-**	2,840,388
	₱2,840,388	₱18,353,551

Total rent expense recognized in profit or loss for the years ended December 31, 2023 and 2022 amounted to ₱27,846,000 and ₱23,141,214, respectively.

Rent expense is allocated as follows:

	Note	**2023**	2022
Operating expense	*20*	**₱27,056,072**	₱22,331,099
General and administrative expense	*21*	**789,928**	810,115
		₱27,846,000	₱23,141,214

As a lessor

Certain floors of the Organization's corporate buildings are being leased out to its subsidiaries, branch and third parties 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 2021, ABI agreed to modify the term of lease and extend for another five (5) years commencing on March 15, 2021 for the same monthly rental rate.

In 2013, AHI occupied fourth (4^{th}) floor to seventh (7^{th}) 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 2020, the Organization granted a form of rent concession to the lessee since the latter was not able to operate for a significant period due to the effects of COVID-19 pandemic. On October 15, 2020, the Organization agreed to reduce the amount of rental from ₱60,000 to ₱20,000 that will be applied retroactively from April 2020 to December 2020. In 2021, another rent reduction was granted by the Organization from ₱20,000 to 10,000, still due to the continuing effects of pandemic until March 2022 and mutually agreed to terminate the contract.

In March 2022, AHI and the Organization entered to a new contract to occupy several floors in the Organization's buildings with a total monthly rate of ₱70,000 commencing on April 1, 2022, renewable every year.

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.

In 2021, ACC leased its office space from the Organization at a rate of ₱15,000 per month renewable every year.

In 2021, ARDCI Foundation Inc. leased its office space from the Organization at a rate of ₱3,000 per month for a period of one (1) year commencing on August 1, 2021. No contract renewal happened on August 1, 2022, but both parties verbally agreed that the ARDCI Foundation will continue its lease agreement until December 31, 2022. In 2023, the Foundation renewed the lease contract for a period of (1) one year commencing on January 1, 2023.

In November 2021, Philippine Life Financial Assurance Corporation leases its office space from the Organization at a rate of ₱18,000 per month for a period of two (2) years commencing on January 1, 2022 and is renewable thereafter.

The future minimum lease commitment as at December 31 is as follows:

	Amount	
Period	**2023**	2022
Not later than one year	**₱895,000**	₱906,000
Later than one year but not later than five years	**450,000**	480,000
Later than five years	**-**	50,000
	₱1,345,000	₱1,436,000

Rental income recognized for the years ended December 31, 2023 and 2022 amounted to ₱1,993,500 and ₱1,652,000, respectively (see Notes 13 and 19).

26. Financial Risk and Fund 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 and cash equivalents, loans and other receivables, short-term investments, financial assets at FVOCI, long-term investments, other noncurrent assets, 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):

	2023				2022			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Cash and cash equivalents*	**₱293,977,986**	**₱-**	**₱-**	**₱293,977,986**	₱323,418,144	₱-	₱-	₱323,418,144
Loans and other receivables	**1,970,653,052**	**3,885,611**	**3,885,611**	**1,966,767,441**	1,725,933,788	3,496,238	3,496,238	1,722,437,550
Short-term investments	**63,853,686**	**-**	**-**	**63,853,686**	27,124,546	-	-	27,124,546
Long-term investments	**30,000,000**	**-**	**-**	**30,000,000**	30,000,000	-	-	30,000,000
Other noncurrent assets	**9,145,059**	**-**	**-**	**9,145,059**	107,075	-	-	107,075
	₱2,367,629,783	**₱3,885,611**	**₱3,885,611**	**₱2,363,744,172**	₱2,106,583,553	₱3,496,238	₱3,496,238	₱2,103,087,315

**Excluding cash on hand*

The credit risk for cash in banks and equivalents are 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):

		2023						
				Past due but not impaired				
	Note	**Total**	**Neither impaired nor past due**	**1 - 30 days**	**31-60 days**	**61-90 days**	**> 90 days**	**Impaired**
Cash in banks and equivalents*	*5*	**₱293,977,986**	**₱293,977,986**	**₱-**	**₱-**	**₱-**	**₱-**	**₱-**
Loans and other receivables	*6*	**1,970,653,052**	**1,885,136,426**	**1,502,997**	**1,937,050**	**2,681,379**	**29,232,694**	**50,162,506**
Short-term investments	*7*	**63,853,686**	**63,853,686**	**-**	**-**	**-**	**-**	**-**
Long-term investments	*11*	**30,000,000**	**30,000,000**	**-**	**-**	**-**	**-**	**-**
Other noncurrent assets	*14*	**9,145,059**	**9,145,059**	**-**	**-**	**-**	**-**	**-**
		₱2,367,629,783	**₱2,282,113,157**	**₱1,502,997**	**₱1,937,050**	**₱2,681,379**	**₱29,232,694**	**₱50,162,506**

**Excluding cash on hand*

		2022						
			Neither impaired	Past due but not impaired				
	Note	Total	nor past due	1 - 30 days	31-60 days	61-90 days	> 90 days	Impaired
Cash in banks and equivalents*	*5*	₱323,418,144	₱323,418,144	₱-	₱-	₱-	₱-	₱-
Loans and other receivables	*6*	1,725,933,788	1,665,470,908	2,004,483	2,374,329	920,258	26,490,784	28,673,026
Short-term investments	*7*	27,124,546	27,124,546	-	-	-	-	-
Long-term investments	*11*	30,000,000	30,000,000	-	-	-	-	-
Other noncurrent assets	*14*	107,075	107,075	-	-	-	-	-
		₱2,106,583,553	₱2,046,120,673	₱2,004,483	₱2,374,329	₱920,258	₱26,490,784	₱28,673,026

**Excluding cash on hand*

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 and cash equivalents, short-term investments and long-term investments - 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.

Other noncurrent assets - 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:

	2023					
	High Grade	**Standard Grade**	**Substandard Grade**	**Past due but Not Impaired**	**Past due and Impaired**	**Total**
Cash and cash equivalents*	**₱293,977,986**	**₱-**	**₱-**	**₱-**	**₱-**	**₱293,977,986**
Loans and other receivables	**1,885,136,426**	**-**	**-**	**35,354,120**	**50,162,506**	**1,970,653,052**
Short-term investments	**63,853,686**	**-**	**-**	**-**	**-**	**63,853,686**
Long-term investments	**30,000,000**	**-**	**-**	**-**	**-**	**30,000,000**
Other noncurrent assets	**9,145,059**	**-**	**-**	**-**	**-**	**9,145,059**
	₱2,282,113,157	**₱-**	**₱-**	**₱35,354,120**	**₱50,162,506**	**₱2,367,629,783**

**Excluding cash on hand*

	2022					
	High Grade	Standard Grade	Substandard Grade	Past due but Not Impaired	Past due and Impaired	Total
Cash and cash equivalent*	₱323,418,144	₱-	₱-	₱-	₱-	₱323,418,144
Loans and other receivables	1,665,470,908	-	-	31,789,854	28,673,026	1,725,933,788
Short-term investments	27,124,546	-	-	-	-	27,124,546
Long-term investments	30,000,000	-	-	-	-	30,000,000
Other noncurrent assets	107,075	-	-	-	-	107,075
	₱2,046,120,673	₱-	₱-	₱31,789,854	₱28,673,026	₱2,106,583,553

**Excluding cash on hand*

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, 2023 and 2022, 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 and receives a fund from Water Org. amounting to US$14,000 for 2023 and 2022 (see Note 17).

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 Organizations. The Organization has also obtained sufficient liquidity lines from other Organizations and non-Organization 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):

		2023				
	Note	**On Demand**	**Less Than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Financial liabilities						
Members' deposit	*15*	**₱1,017,111,803**	**₱-**	**₱-**	**₱-**	**₱1,017,111,803**
Accounts and other payables*	*16*	**31,889,049**	**43,233,621**	**18,208,847**	**-**	**93,331,517**
Loans payable	*18*	**-**	**-**	**223,911,615**	**43,211,476**	**267,123,091**
		₱1,049,000,852	**₱43,233,621**	**₱242,120,462**	**₱43,211,476**	**₱1,377,566,411**

**Excluding government liabilities*

		2022				
	Note	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial liabilities						
Members' deposit	*15*	₱881,857,718	₱-	₱-	₱-	₱881,857,718
Accounts and other payables*	*16*	62,864,288	928,589	9,747,258	-	73,540,135
Loans payable	*18*	-	-	236,035,044	49,907,229	285,942,273
		₱944,722,006	₱928,589	₱245,782,302	₱49,907,229	₱1,241,340,126

**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 fund 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 item as the fund it manages as at December 31:

	2023	2022
Accumulated income	**₱1,815,049,901**	₱1,673,396,238

The movements in the accumulated income portion of fund balance are as follows:

	2023	2022
Balance as at January 1	**₱1,673,396,238**	₱1,523,375,854
Additional revolving fund	**253,192**	355,262
Net income for the year	**141,400,471**	148,259,089
Reclassification from other comprehensive income	**-**	1,406,033
Balance as at December 31	**₱1,815,049,901**	₱1,673,396,238

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

27. 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	**2023**	2022
Financial assets at amortized cost			
Cash and cash equivalents	*5*	**₱294,106,852**	₱323,591,101
Loans and other receivables, net	*6*	**1,872,201,160**	1,655,004,914
Short-term investments	*7*	**63,853,686**	27,124,546
Long-term investments	*11*	**30,000,000**	30,000,000
Other noncurrent assets	*14*	**9,145,059**	107,075
Financial assets at FVOCI	*9*	**46,353,297**	42,047,431
		₱2,315,660,054	₱2,077,875,067
Financial liabilities at amortized cost			
Members' deposit	*15*	**₱1,017,111,803**	₱881,857,718
Accounts and other payables*	*16*	**93,331,517**	73,540,135
Loans payable	*18*	**267,123,091**	285,942,273
		₱1,377,566,411	₱1,241,340,126

**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:

	2023	2022
Financial asset		
Refundable deposits	**₱78,262**	₱78,262
Financial liability		
Loans payable, net of current portion	**₱29,757,049**	₱31,368,209

The carrying value of Peso Asia Pacific Property Income Fund and Peso Diversified Value Fund presented under “Financial assets at FVOCI” approximates its fair value as at December 31, 2023 and 2022 and is classified under Level 1 of the fair value hierarchy.

The carrying value of investment in shares of stocks presented under “Financial assets at FVOCI” approximates its fair value as at December 31, 2023 and 2022 and is classified under Level 3 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:

	Notes	2023	2022
Interest income from:			
Loans and other receivables	*6*	**₱948,203,723**	₱773,354,417
Bank deposits	*5*	**2,374,906**	2,459,910
Short-term investments	*7*	**1,372,134**	1,271,269
Long-term investments	*11*	**470,352**	470,352
		₱952,421,115	₱777,555,948
Interest expense on:			
Members’ deposits	*15*	**₱28,011,487**	₱24,123,493
Loans payable	*18*	**19,356,651**	12,080,562
		₱47,368,138	₱36,204,055
Loans and other receivables:			
Reversal of (Provision for) impairment losses	*6*	**(₱30,375,555)**	₱817,997
Recovery of previously written-off accounts	*6,19*	**3,003,074**	6,790,772
		(₱27,372,481)	₱7,608,769

28. **Supplementary Information Required by Bureau of Internal Revenue**

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

REVENUE REGULATION (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 separate 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

a. Local	
Percentage tax	**₱13,301,371**
Permits and licenses	**8,726,762**
b. National	
BIR annual registration	**121,500**
	₱22,149,633

3. Documentary Stamp Tax (DST)

DST on contract of loans at ₱1.50 every ₱200	**₱2,528,951**

4. Withholding taxes

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

Taxes on compensation and benefits	**₱986,063**
Expanded withholding taxes	**86,623**
	₱1,072,686

5. Tax cases/assessments

On August 11, 2023, the Organization received a tax assessment notice from the BIR for the year ended December 31, 2022. The Organization has already submitted the required documents to the BIR.

On November 29, 2023, the Organization received the notice of discrepancy with summary of tax liabilities amounting to ₱4,999,956. The Organization submitted the required documents to the BIR to reconcile and refute the noted discrepancies.

REVENUE REGULATION NO. 34-2020

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

The Organization is covered by the requirements and procedures for related party transactions provided under RR 34-2020 for the year ended December 31, 2023.

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

FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2023 AND 2022

		2023	2022
1	**Current/Liquidity ratios**		
	Current ratio	**1.67**	1.71
	Current assets	**2,285,641,403**	2,047,355,024
	Current liabilities	**1,371,245,502**	1,200,548,376
	Quick ratio	**1.63**	1.67
	Quick assets	**2,230,161,698**	2,005,720,561
	Current liabilities	**1,371,245,502**	1,200,548,376
2	**Solvency ratios/debt-to-equity ratios**		
	Solvency ratio	**0.15**	0.16
	After tax net profit + non-cash expenses	**211,318,928**	194,840,793
	Total liabilities	**1,414,456,978**	1,250,455,605
	Debt-to-equity ratio	**0.86**	0.82
	Total liabilities	**1,414,456,978**	1,250,455,605
	Total equity	**1,652,838,078**	1,527,822,508
3	**Asset-to-equity ratio**		
	Asset-to-equity ratio	**1.86**	1.82
	Total assets	**3,067,295,056**	2,778,278,113
	Total equity	**1,652,838,078**	1,527,822,508
4	**Interest rate coverage ratio**		
	Interest rate coverage ratio	**4.59**	5.65
	Earnings before interest and tax	**217,338,978**	204,449,145
	Interest expense	**47,368,138**	36,204,055

	2023	2022
5 Profitability ratios		
Return on equity	**0.09**	0.10
Net profit	**141,400,471**	148,259,089
Total equity	**1,652,838,078**	1,527,822,508
Return on asset	**0.05**	0.05
Net profit	**141,400,471**	148,259,089
Total asset	**3,067,295,056**	2,778,278,113
Gross margin	**0.95**	2.38
Gross profit	**900,835,586**	737,150,362
Revenue	**948,203,724**	309,292,214
Net margin	**0.15**	0.48
Net profit	**141,400,471**	148,259,089
Revenue	**948,203,724**	309,292,214

NSPO Form-1

SWORN STATEMENT

We, **VICTOR T. BERNAL** and **EVELYN T. TEVES** President and Treasurer, respectively, of **ARDCI Microfinance, Incorporated** with address at **ARDCI Corporate Building San Roque, Virac, Catanduanes** hereby depose and state that:

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

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

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

In witness thereof, we have hereunto affixed our signature this ________ day of 20 JUN 2024, at Virac, Catanduanes, Philippines.

VICTOR T. BERNAL
President

EVELYN T. TEVES
Treasurer

Subscribed and sworn to before me, a Notary Public for and in ____________________ City, on 20 JUN 2024 affiants personally, exhibiting their respective competent evidence of identification Card PDL: E06-97-004343 and DL: E06-19-000689 issued at ______________________ issued on ______________.

NOTARY PUBLIC

ATTY. JOHN RUSSEL A. BRIONES
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024

Doc. No. 316
Page No. 65
Book No. 23
Series of 2024

NSPO Form-2

REPUBLIC OF THE PHILIPPINES)
Virac, Catanduanes) S.S.

AFFIDAVIT OF WILLINGNESS TO BE AUDITED BY THE COMMISSION

I, **EVELYN T. TEVES**, of legal age, Filipino and resident of **Cavinitan, Virac, Catanduanes**, after having been sworn to in accordance with law hereby depose and state:

I am the Treasurer/Chief Finance Officer of **ARDCI Microfinance, Incorporated**, a non- stock non-profit Organization registered with the Security and Exchange Commission.

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

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

In witness whereof, I hereby sign this affidavit this ____ day of 20 JUN 2024 20___ at Virac, Catanduanes.

EVELYN T. TEVES
Affiant

SUBSCRIBED AND SWORN to before me this 20 JUN 2024, affiant exhibiting to me his DL: E06-19-0006689 issued on ____________ at ______________ as competent evidence of identity.

Doc. No. 317
Page No. 65
Book No. 23
Series of 20 24

ATTY. JOHN RUSSEL A. BRIONES
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024
Roll of Attorneys No. 60884
IBP No. 3[illegible] Catanduanes
PTR No. 3[illegible] Catanduanes
MCLE Compliance No. VII-[illegible]15339
2nd Floor, Soparca Shop Bldg.
Cavinitan, Virac, 4800 Catanduanes

NSPO Form-3

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

Name of Organization **ARDCI MICROFINANCE, INCORPORATED**	**SEC Registration No.** **I1998-00277**
For the year ended **December 31,2023**	

Receipts or Income or Sources of funds

(a) No.	(b) Description of Income	(c) Source	(d) Amount (Indicate by footnote if other than Philippine currency, then translate in this column)	(e) Date Received/Period Covered
1	Interest Income	Income generated from member's loan	₱948,203,724	January 1 - December 31, 2023
2	Share in Group Life Insurance Coverage (GLIC)	Commission on insurance	24,518,048	January 1 - December 31, 2023
3	Share in Credit Group Life Insurance (CGLI)	Commission on insurance	10,107,363	January 1 - December 31, 2023
4	Share in Loan Protect Plus (LPP)	Commission on insurance	6,731,961	January 1 - December 31, 2023
5	Interest from bank deposits	Deposits in banks	4,217,392	January 1 - December 31, 2023
6	Recovery of previously written-off accounts	Income generated from write-off accounts	3,003,074	January 1 - December 31, 2023
7	Rental income	Generated income from rental of office space	1,993,500	January 1 - December 31, 2023
8	Service charges	Generated upon members availment of loan	941,618	January 1 - December 31, 2023

9	ID/Passbook	Income generated from members' deposits	369,529	January 1 - December 31, 2023
10	Miscellaneous income from operations	Income generated from overages, reversal of long outstanding member's deposits and insurance liabilities	7,282,631	January 1 - December 31, 2023
11	Miscellaneous income from non-microfinance operations	Income generated from gain on disposal and insurance settlement of property and equipment, and other non-microfinance income.	4,433,538	January 1 - December 31, 2023
12	Others (aggregate of all sources of income which are individually below P100,000)		-	

(Use separate sheet if necessary)