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SECURITIES AND EXCHANGE COMMISSION

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ASA Philippines Foundation
For The Poor With Heartfelt Dedication

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ASA Philippines Foundation, Inc.** is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2014 (including comparatives as of December 31, 2013) in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Punongbayan & Araullo, the independent auditors appointed by the members, has examined the financial statements of the Foundation in accordance with Philippine Standards on Auditing and, and in its report to the Board of Trustees and members, has expressed its opinion on the fairness of presentation upon completion of such examination.

KAMRUL H. TARAFDER
President

FLORINDA M. LACANLALAY
Treasurer

EDWARD S. GO
Chairman

BUREAU OF INTERNAL REVENUE
RDO NO. 043A
EAST PASIG CITY
RECEIVED
MAR 16 2015
BY: ALVARO C. ESTANDARTE

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ASA Philippines Foundation
For The Poor With Heartfelt Dedication

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Punongbayan & Araullo

An instinct for growth™

Financial Statements and Independent Auditors' Report

ASA Philippines Foundation, Inc.

December 31, 2014 and 2013

Punongbayan & Araullo
An instinct for growth™

Report of Independent Auditors

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The Board of Trustees
ASA Philippines Foundation, Inc.
(A Nonstock, Nonprofit Organization)
Unit 509 Prestige Tower, F. Ortigas Jr. Street
Ortigas Center, Pasig City

Report on the Financial Statements

We have audited the accompanying financial statements of ASA Philippines Foundation, Inc., which comprise the statements of assets, liabilities and fund balance as at December 31, 2014 and 2013, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

BUREAU OF INTERNAL REVENUE
RDO NO. 043A
EAST PASIG CITY
RECEIVED
BY: ALVARO C. ESTANDARTE
MAR 16 2015

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and fund balance of ASA Philippines Foundation, Inc. as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

BUREAU OF INTERNAL REVENUE
RDO NO. 043A
EAST PASIG CITY
RECEIVED MAR 16 2015
BY: ALVARO C. ESTANDARTE

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2014 required by the Bureau of Internal Revenue as disclosed in Note 20 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Mar. 31, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 4, 2015

RDO NO. 143A
RECEIVED
BY: ALVARO C. ESTANDARTE
MAR 16 2015

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2014	2013
A S S E T S			
CASH	5	P 484,032,509	P 460,527,318
LOANS RECEIVABLE - Net	6	3,299,500,700	2,480,867,727
OTHER RECEIVABLES	6	84,310,903	58,379,319
PROPERTY AND EQUIPMENT - Net	7	97,237,400	37,176,600
RENTAL DEPOSITS	18	11,980,049	8,832,354
TOTAL ASSETS		P 3,977,061,561	P 3,045,783,318
LIABILITIES AND FUND BALANCE			
LOANS PAYABLE	9	P 364,600,000	P 298,500,000
CAPITAL BUILD-UP AND LOCKED IN CAPITAL BUILD-UP	8	2,158,054,220	1,635,005,080
POST-EMPLOYMENT DEFINED BENEFIT OLBIGATION	15	120,232,500	85,318,000
OTHER LIABILITIES	10	718,552,176	518,648,314
TOTAL LIABILITIES		3,361,438,896	2,537,471,394
FUND BALANCE		615,622,665	508,311,924
TOTAL LIABILITIES AND FUND BALANCE		P 3,977,061,561	P 3,045,783,318

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2014	2013
REVENUES			
Service fees	6	P 1,550,038,120	P 1,259,930,261
Other revenues	11	14,385,635	7,990,150
		1,564,423,755	1,267,920,411
OPERATING EXPENSES			
Project costs	13	1,153,125,521	827,297,991
General and administrative expenses	14	304,746,493	334,905,612
	12	1,457,872,014	1,162,203,603
EXCESS OF REVENUES OVER EXPENSES		106,551,741	105,716,808
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment defined benefit plan	15	759,000	(5,915,000)
TOTAL COMPREHENSIVE INCOME		P 107,310,741	P 99,801,808

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Note	2014	2013
GRANTS AND CONTRIBUTIONS		**P 41,360,000**	P 41,360,000
CUMULATIVE RESULTS OF OPERATIONS			
Balance at beginning of year		**456,515,924**	350,799,116
Excess of revenues over expenses		**106,551,741**	105,716,808
Balance at end of year		**563,067,665**	456,515,924
REMEASUREMENT OF POST-EMPLOYMENT DEFINED BENEFIT PLAN			
Balance at beginning of year		**10,436,000**	16,351,000
Other comprehensive income (loss)	15	**759,000**	(5,915,000)
Balance at end of year		**11,195,000**	10,436,000
TOTAL FUND BALANCE		**P 615,622,665**	P 508,311,924

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses		P 106,551,741	P 105,716,808
Adjustments for:			
Impairment loss on loans receivable	6	38,000,000	-
Depreciation and amortization	7	19,601,433	17,826,327
Finance costs	9, 13	17,766,174	14,095,045
Gain on sale of property and equipment	7, 11	(3,635,600)	-
Interest income	5, 11	(2,447,873)	(1,281,358)
Excess of revenues over expenses before working capital changes		175,835,875	136,356,822
Increase in loans receivable		(855,524,486)	(604,655,090)
Increase in other receivables		(21,731,584)	(12,643,975)
Increase in rental deposits		(3,147,695)	(2,427,765)
Increase in capital build-up and locked in capital build-up		523,049,140	432,765,310
Increase in post-employment defined benefit obligation		31,134,582	23,495,167
Increase in other liabilities		199,903,862	240,520,141
Cash generated from operations		49,519,694	213,410,610
Interest received		2,447,873	1,281,358
Cash paid for final taxes		(1,108,487)	(256,272)
Net Cash From Operating Activities		50,859,080	214,435,696
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	7	(84,526,633)	(19,987,827)
Proceed from sale of property and equipment	7	4,300,000	-
Net Cash Used in Investing Activities		(80,226,633)	(19,987,827)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments	9	271,600,000	260,500,000
Payments of loans	9	(205,500,000)	(189,297,950)
Interest paid		(13,227,256)	(11,120,212)
Net Cash From Financing Activities		52,872,744	60,081,838
NET INCREASE IN CASH		23,505,191	254,529,707
CASH AT BEGINNING OF YEAR		460,527,318	205,997,611
CASH AT END OF YEAR		P 484,032,509	P 460,527,318

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Foundation Information

ASA Philippines Foundation, Inc. (the Foundation or ASA) was incorporated as a nonstock, nonprofit organization and registered with the Philippine Securities and Exchange Commission on July 9, 2004 with Registration Certificate No. CN 2004-09459. As a non-stock, non-profit organization, the Foundation aims to: (a) provide efficient and affordable financial services to the poor for their income-generating activities; (b) build an effective and efficient microfinance institution for sustainable delivery of microfinance services to the entrepreneurial poor; and, (c) facilitate the convergence and provision of other social services for the poor.

The ASA Program provides:

(a) Microfinance services to qualified poor, low-income women engaged in micro and small scale enterprises;

(b) Financial and other forms of assistance to its members in case of sickness, death and calamities and college scholarship for deserving children of members, as part of social services to the poor; and,

(c) Business development services for the members to improve efficiency and effectiveness in enterprise management.

As of December 31, 2014, the Foundation has 600 branches operating in various locations within Metro Manila and provincial areas.

The Foundation's registered office, which is also its principal place of business, is located at Unit 509 Prestige Tower, F. Ortigas Jr. Street, Ortigas Center, Pasig City.

1.2 Approval of Financial Statements

The financial statements of the Foundation as of and for the year ended December 31, 2014 (including the comparative financial statements for December 31, 2013) were authorized for issue by the Foundation's Board of Trustees (BOT) on March 4, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Foundation have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy (BOA).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Foundation presents all items of income and expenses in a single statement of comprehensive income.

The Foundation presents a third statement of assets, liabilities and fund balance as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of assets, liabilities and fund balance at the beginning of the preceding period. The related notes to the third statement of assets, liabilities and fund balance are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Foundation's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Foundation are measured using its functional currency. Functional currency is the primary economic environment in which the Foundation operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2014 that are Relevant to the Foundation

In 2014, the Foundation adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Foundation and effective for financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. The Foundation's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Foundation's financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets.* The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied by management should be provided in the financial statements. This amendment did not result in additional disclosures in the financial statements since the Foundation does not have any impaired non-financial assets.

(iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting.* The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Foundation neither enters into transactions involving derivative instruments nor does it applies hedge accounting, the amendment did not have any impact on the Foundation's financial statements.

(iv) Philippine Interpretation IFRIC 21, *Levies.* This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for a levy imposed by the government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Foundation's financial statements.

(b) Effective in 2014 but are not Relevant to the Foundation

Among the amendments to PFRS which are effective for the annual period beginning or after January 1, 2014, the Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*, in relation to the exception from consolidation for an investment entity of its investments in subsidiaries are not relevant to the Foundation.

(c) *Effective Subsequent to 2014 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are issued by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Foundation's financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that the principle of materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented in the statement of comprehensive income based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation* (effective from January 1, 2016). The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. It also clarifies that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, do not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Foundation does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Foundation and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(v) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Foundation but management does not expect a material impact on the Foundation's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment.* The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

(c) PFRS 13 (Amendment), *Fair Value Measurement.* The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvement to PFRS (2011-2013 Cycle)

PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PFRS 7 (Amendment), *Financial Instruments – Disclosures.* The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) PAS 19 (Amendment), *Employee Benefits.* The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Financial Assets

Financial assets are recognized when the Foundation becomes a party to the contractual terms of the financial instruments. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

The Foundation's financial assets are categorized as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Foundation provides money, goods or services directly to a debtor with no intention of trading the receivables.

The Foundation's financial assets categorized as loans and receivables are presented as Cash, Loans Receivable, Other Receivables and Rental Deposits in the statement of assets, liabilities and fund balance. Cash includes cash on hand and demand deposits which generally earn interest at daily bank deposit rates and are subject to insignificant changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is any objective evidence that the Foundation will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of General and Administrative Expenses account under the Operating Expenses section in the statement of comprehensive income.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. All expenses relating to financial assets are recognized in profit or loss.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Foundation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Foundation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Foundation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Foundation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.4 Other Assets

Other assets pertain to other resources controlled by the Foundation as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Foundation and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Foundation beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.5 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building	15 years
Office improvements	5 years
Equipment and vehicles	5 years
Furniture and fixtures	3 years

Office improvements are amortized over the estimated useful life of the improvements or the term of the lease, whichever is shorter.

The Foundation's property and equipment are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment loss for property and equipment is recognized for the amount by which the asset's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from such asset and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Foundation's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors determined reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Property and equipment is subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the recoverable amount of the property and equipment exceeds its carrying amount.

The residual values, estimated useful lives, and depreciation and amortization method of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.6 Financial Liabilities

Financial liabilities, which include Capital Build-up (CBU) and Locked in Capital Build-up (LCBU), Loans Payable and Other Liabilities (excluding tax-related liabilities) are recognized when the Foundation becomes a party to the contractual terms of the instrument. These are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

All interest-related charges incurred on financial liabilities are recognized as expense in profit or loss as part of Project Costs account under Operating Expenses section in the statement of comprehensive income.

Loans payable are raised for support of long-term funding of operations. This is recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are derecognized from the statement of assets, liabilities and fund balance only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of assets, liabilities and fund balance when the Foundation currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Foundation that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Foundation can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.9 Revenue and Expense Recognition

Revenue comprises revenue earned related to rendering of services (i.e., extending loans) measured by reference to the fair value of consideration received or receivable by the Foundation for services provided, excluding any rebates.

Revenue is recognized to the extent that revenue can be reliably measured; it is probable that the economic benefits will flow to the Foundation; and the cost incurred or to be incurred can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Service fees* – Revenue is recognized when the lending services are provided which is generally during the month when the loan is disbursed to members.

(b) *Interest* – Revenue is recognized as interest accrues taking into account the effective yield of the asset.

Costs and expenses are recognized in profit or loss upon utilization of the goods and/or services or at the date they are incurred. Any finance costs are reported in profit or loss on an accrual basis, except any borrowing costs that is related to a qualifying asset that is capitalized as part of the cost of the asset (see Note 2.12).

2.10 Leases – Foundation as Lessee

Lease, which do not transfer to the Foundation substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Foundation determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.11 Employee Benefits

The Foundation provides post-employment benefits to employees through a defined benefit plan, defined contribution plans, and other employee benefits which are recognized as follows:

(a) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Foundation, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Foundation's defined benefit pension plan covers all regular full-time employees.

The liability recognized in the statement of assets, liabilities and fund balance for a defined benefit plan solely pertains to the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds as published by the Philippine Dealing and Exchange Corporation, 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 post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of assets, liabilities and fund balance with a charge or credit recognized in other comprehensive income in the period in which they arise. Interest expense is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability during the period as a result of benefit payments. Interest expense is reported as part of Project Costs account under Operating Expenses section in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Foundation pays fixed contributions into an independent entity [such as the Social Security System (SSS)]. The Foundation has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Foundation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Foundation recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to their present value.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Other Liabilities account in the statement of assets, liabilities and fund balance at the undiscounted amount that the Foundation expects to pay as a result of the unused entitlement.

2.12 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.13 Fund Balance

Grants and contributions represent the initial contribution received by the Foundation at the start of its operations.

Cumulative results of operations represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

Remeasurement of post-employment defined benefit plan pertains to the cumulative balance of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of the post-employment defined benefit obligation.

2.14 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Foundation and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Foundation; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Foundation that gives them significant influence over the Foundation and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.15 Events after the End of the Reporting Period

Any post-year-end event that provides additional information about the Foundation's statement of assets, liabilities and fund balance at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Foundation's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Foundation's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial estimates:

(a) Distinguishing Operating and Finance Leases

The Foundation has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has assessed that its existing lease agreements qualify as operating leases.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.8 and relevant disclosures are presented in Note 18.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Loans and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Foundation evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Foundation's relationship with the members, the members' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Foundation to reduce any differences between loss estimates and actual loss experience.

The carrying value of loans and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(b) Estimating Useful Lives of Property and Equipment

The Foundation estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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.

The carrying amounts of property and equipment are analyzed in Note 7. Based on management's assessment as of December 31, 2014 and 2013, there is no change in estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Impairment of Property and Equipment

The Foundation's policy on estimating the impairment of property and equipment is discussed in detail in Note 2.5. Though management believes that the assumptions used in the estimation of the carrying amount of the assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that there are no indications of impairment on the Foundation's property and equipment at the end of each reporting period; hence, no impairment losses are required to be recognized on those assets in both years.

(d) *Valuation of Post-employment Defined Benefit*

The determination of the Foundation's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation as well as the analysis of the sensitivity of such obligation to the changes in significant assumptions are presented in Note 15.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Foundation is exposed to a variety of financial risks which result from its operating and financing activities. The Foundation's risk management is coordinated with its BOT, and focuses on actively securing the Foundation's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Foundation does not engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Foundation is exposed to are described below.

4.1 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Foundation. The Foundation is exposed to this risk for financial instruments arising from granting loans and advances to its members and employees, and placing deposits to various local banks.

The Foundation continuously monitors default of its members and other counterparties, identified individually or by group, and incorporate the information into its credit risk controls. The Foundation's policy is to deal only with creditworthy counterparties. In addition, loans and other receivables are secured by CBU and LCBU of members which can be applied against any amounts due in cases of default on loan payments.

The maximum credit exposure of financial assets is the carrying amount of the financial assets as shown in the statements of assets, liabilities and fund balance or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	2014	2013
Cash	5	**P 484,032,509**	P 460,527,318
Loans receivable - net	6	**3,299,500,700**	2,480,867,727
Other receivables	6	**84,310,903**	58,379,319
Rental deposits	18	**11,980,049**	8,832,354
		P 3,879,824,161	P3,008,606,718

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

Total past due loans amounting to P1.3 million for 258 members and P0.6 million for 164 members as of December 31, 2014 and 2013, respectively, have been fully provided with adequate amount of allowance for impairment.

In respect of loans receivable and other receivables, the Foundation is not exposed to any significant credit risk exposure to any single counterparty. Significant portion of the Foundation's loans receivable pertains to claims from various groups of members with similar characteristics. However, the Foundation has no experience of significant members' default and historical losses from any single group of counterparties.

4.2 Liquidity Risk

The Foundation manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Foundation maintains cash to meet its liquidity requirements for up to 60-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to consistently maintain an effective collection turn-over.

As at December 31, 2014, the Foundation's financial liabilities have contractual maturities which are presented below.

	Notes	Current	Non-current
CBU and LCBU	8	P 2,158,054,220	P -
Loans payable	9	296,958,556	77,288,125
Other liabilities	10	678,814,825	-
		P 3,133,827,601	P 77,288,125

This compares to the maturity of the Foundation's financial liabilities in the previous reporting period as follows:

	Notes	Current	Non-current
CBU and LCBU	8	P 1,635,005,080	P -
Loans payable	9	239,393,403	70,147,000
Other liabilities	10	518,648,314	-
		P 2,393,046,797	P 70,147,000

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

4.3 Categories and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of assets, liabilities and fund balance are shown below (amounts in thousands).

		2014		2013	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash	5	P 484,033	P 484,033	P 460,527	P 460,527
Loans receivable - net	6	3,299,501	3,299,501	2,480,868	2,480,868
Other receivables	6	84,311	84,311	58,379	58,379
Rental deposits	18	11,980	11,980	8,832	8,832
		P 3,879,825	P 3,879,825	P 3,008,606	P 3,008,606
Financial Liabilities					
At amortized cost:					
CBU and LCBU	8	P 2,158,054	P 2,158,054	P 1,635,005	P 1,635,005
Loans payable	9	364,600	364,600	298,500	298,500
Other liabilities	10	678,815	678,815	439,440	439,440
		P 3,201,469	P 3,201,469	P 2,372,945	P 2,372,945

Management considers that the carrying amount of the Foundation's financial assets and financial liabilities measured at amortized cost approximates the fair values.

4.4 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with gross amounts presented in the statements of assets, liabilities and fund balance are subject to offsetting, enforceable master netting arrangements and similar agreements (amounts in thousands):

		December 31, 2014			
			Related amounts not set off in the statement of assets, liabilities and fund balance		
	Notes	Gross amounts recognized in the statement of assets, liabilities, and fund balance	Financial instruments	Collateral received	Net amount
Loans receivables	6,8,9	P 3,299,501	(P 2,381,054)	P -	P 918,447
Other receivables	6,10	84,311	(46,873)	-	37,438
Total		P 3,383,812	(P 2,427,927)	P -	P 955,885

	Notes	Gross amounts recognized in the statement of assets, liabilities, and fund balance	Related amounts not set off in the statement of assets, liabilities and fund balance: Financial instruments	Collateral received	Net amount
		December 31, 2013			
Loans receivables	6,8,9	P 2,480,868	(P 1,861,005)	P -	P 619,863
Other receivables	6,10	58,379	(34,716)	-	23,663
Total		P 2,539,247	(P 1,895,721)	P -	P 643,526

The following financial liabilities with gross amounts presented in the statements of assets, liabilities and fund balance are subject to offsetting, enforceable master netting arrangements and similar agreements (amounts in thousands):

	Note	Gross amounts recognized in the statement of assets, liabilities and fund balance	Related amounts not set off in the statement of assets, liabilities and fund balance: Financial instruments	Collateral received	Net amount
		December 31, 2014			
Loans payable	9	P 364,600	(P 223,000)	P -	P 141,600

	Note	Gross amounts recognized in the statement of assets, liabilities, and fund balance	Related amounts not set off in the statement of assets, liabilities and fund balance: Financial instruments	Collateral received	Net amount
		December 31, 2013			
Loans payable	9	P 298,500	(P 226,000)	P -	P 72,500

For the financial assets and financial liabilities (i.e., loans and other receivables and the related loans payable, CBU and LCBU balance and Staff CBU) subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Foundation and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

5. CASH

Cash includes the following components:

	2014	2013
Cash on hand	P -	P 69,755
Cash in banks	484,032,509	460,457,563
	P 484,032,509	P 460,527,318

Cash on hand represents revolving fund used for minimal and immediate operational needs of the Foundation. Cash in banks generally earn interest at rates based on daily bank deposit rates.

Interest earned from cash in banks amounted to P2.4 million and P1.3 million in 2014 and 2013, respectively, and is presented as part of Other Revenues in the statements of comprehensive income (see Note 11).

None of the Foundation's savings deposits were held as security for any of the Foundation's liabilities at the end of the reporting period.

6. LOANS AND OTHER RECEIVABLES

These accounts include the following:

6.1 Loans Receivable

Loans receivable as at December 31 consist of:

	2014	2013
Loans receivable	**P 4,111,561,550**	P3,137,833,900
Unearned service charges	**(536,290,610)**	(409,282,683)
	3,575,270,940	2,728,551,217
Allowance for impairment	**(275,770,240)**	(247,683,490)
	P 3,299,500,700	P2,480,867,727

Loans receivable represent microfinance loans granted to the Foundation's members. These loans have terms of six months and are partially secured by the carrying amounts of CBU and LCBU of the members (see Note 8). These loans are subject to 15% service charges all throughout the six-month term. Service fees earned from these loans amounted to P1,550.0 million and P1,259.9 million in 2014 and 2013, respectively, and are shown as Service Fees in the statements of comprehensive income.

As of December 31, 2014 and 2013, the Foundation has 849,232 and 701,779 active members, respectively.

The Foundation's loans receivable have been reviewed for indications of impairment. Certain receivables were found to be impaired; hence, adequate amount of allowance for impairment has been recognized accordingly.

A reconciliation of the allowance for impairment at the beginning and end of 2014 and 2013 is shown below.

	Note	2014	2013
Balance at beginning of year		**P 247,683,490**	P 272,817,070
Impairment loss during the year	12	**38,000,000**	-
Write-off of receivables previously provided with allowance		**(9,913,250)**	(25,133,580)
Balance at end of year		**P 275,770,240**	P 247,683,490

Loans receivable written-off in 2014 and 2013 pertain to the outstanding balance of loans granted to 3,830 and 9,697 members, respectively.

Certain loans receivable of the Foundation amounting to P626.3 million and P510.9 million as of December 31, 2014 and 2013, respectively, are held as security to the Foundation's borrowings from local banks (see Note 9).

6.2 Other Receivables

Other receivables consist of personal and mobility loans, and non-interest bearing advances granted to the Foundation's personnel with total carrying amount of P84.3 million and P58.4 million as of December 31, 2014 and 2013, respectively. Personal and mobility loans granted to employees are charged with service fee of 10% for six-month term in 2014 and 2013 (see Note 11). The total amount of Other Receivables as of December 31, 2014 also includes the remaining consideration from the disposal of the Foundation's previously occupied office space amounting to P4.2 million (see Note 7).

The Foundation's other receivables have been reviewed for indications of impairment. No other receivables were found to be impaired as of December 31, 2014 and 2013 based on the assessment of management.

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2014 and 2013 are shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
December 31, 2014				
Cost	P 65,678,584	P 87,299,609	P 10,725,701	P 163,703,894
Accumulated depreciation and amortization	(2,351,184)	(58,514,569)	(5,600,741)	(66,466,494)
Net carrying amount	**P 63,327,400**	**P 28,785,040**	**P 5,124,960**	**P 97,237,400**
December 31, 2013				
Cost	P 18,401,107	P 66,045,115	P 7,632,146	P 92,078,368
Accumulated depreciation and amortization	(9,443,552)	(40,818,398)	(4,639,818)	(54,901,768)
Net carrying amount	P 8,957,555	P 25,226,717	P 2,992,328	P 37,176,600
January 1, 2013				
Cost	P 18,401,107	P 46,089,288	P 7,600,146	P 72,090,541
Accumulated depreciation and amortization	(6,135,643)	(27,233,418)	(3,706,380)	(37,075,441)
Net carrying amount	P 12,265,464	P 18,855,870	P 3,893,766	P 35,015,100

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2014 and 2013 is shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 8,957,555	P 25,226,717	P 2,992,328	P 37,176,600
Additions	60,178,584	21,254,494	3,093,555	84,526,633
Disposals	(4,864,400)	-	-	(4,864,400)
Depreciation and amortization charges for the year	(944,339)	(17,696,171)	(960,923)	(19,601,433)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 63,327,400	P 28,785,040	P 5,124,960	P 97,237,400
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 12,265,464	P 18,856,870	P 3,892,766	P 35,015,100
Addition	-	19,955,827	32,000	19,987,827
Depreciation and amortization charges for the year	(3,307,909)	(13,585,980)	(932,438)	(17,826,327)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 8,957,555	P 25,226,717	P 2,992,328	P 37,176,600

In December 2014, the Foundation acquired a new business office where its head office operations are conducted. Such newly owned property was purchased for P60.2 million and was already settled in full as of the end of the reporting period. In connection with this, in September 2014, by way of a Deed of Absolute Sale and a Memorandum of Agreement entered into with a third party, the Foundation has disposed of the offices that it previously occupied as its place of business for a total consideration of P8.5 million resulting in the recognition of P3.6 million gain on sale which is shown as part of Other Revenues in the 2014 statement of comprehensive income (see Note 11). As part of the settlement term of the selling price, the Foundation has received a P4.3 million downpayment while the remaining consideration amounting to P4.2 million is made on credit through a letter of guaranty executed by a local bank in favor of the Foundation. Such remaining balance is payable in April 2015 and is presented as part of Other Receivables in the 2014 statement of assets, liabilities and fund balance (see Note 6.2).

The amount of depreciation and amortization is allocated and reported in the statements of comprehensive income as follows:

	Notes	2014	2013
Project costs	13	**P 15,569,237**	P 12,062,979
General and administrative	14	**4,032,196**	5,763,348
	12	**P 19,601,433**	P 17,826,327

8. CAPITAL BUILD-UP AND LOCKED IN CAPITAL BUILD-UP

This account is broken down as follows:

	Notes	2014	2013
CBU	6	**P 1,787,174,290**	P1,365,706,870
LCBU	13	**370,879,930**	269,298,210
		P 2,158,054,220	P1,635,005,080

CBU contributions will be offset against the outstanding loan balance in cases of default in loan payments of group members.

LCBU contributions are used as safeguard from risk of the group members' family. In case of death, the accumulated LCBU amount will be given to the nominated member of the family together with other benefits from the Foundation such as burial, hospitalization and calamity financial assistance.

As of December 31, 2014 and 2013, the Foundation had 849,232 and 701,779 members, respectively, who have CBU and LCBU contributions.

9. LOANS PAYABLE

This account includes outstanding balance of the borrowings from the following:

	2014	2013
Philippine National Bank (PNB)	**P 125,000,000**	P 72,500,000
Landbank of the Philippines (LBP)	**100,000,000**	-
Bank of the Philippine Islands (BPI)	**80,000,000**	80,000,000
Banco de Oro Unibank (BDO)	**30,000,000**	80,000,000
Philippine Business for Social Progress, Inc. (PBSP)	**16,600,000**	-
Standard Chartered Bank (SCB)	**13,000,000**	66,000,000
	P 364,600,000	P 298,500,000

To provide microfinance loans to members in accordance with the Foundation's microfinance program, the Foundation as part of its cash management obtains financing through bank loans from various financial institutions and/or organization as described below.

a) On December 17, 2014, the Foundation obtained an unsecured loan from PNB amounting to P125.0 million. The loan is payable monthly in arrears of P5.0 million and will commence in the third month subsequent to the date of loan availment. The loan bears an interest of 4.5% for one year, subject to repricing every year thereafter. On September 6, 2013, the Foundation also obtained an P80.0 million unsecured loan from the same bank which is payable monthly in arrears of P2.5 million. The loan bears an interest of 5.0% per annum.

b) On September 29, 2014, the Foundation obtained a loan from LBP amounting to P100.0 million. The loan is payable on February 13, 2015 and bears interest of 4.5% per annum. The loan is secured by assignment of certain receivables of the Foundation amounting to P137.1 million (see Note 6.1).

c) On December 19, 2013, the Foundation obtained a loan from BPI amounting to P80.0 million which was originally payable on December 12, 2014 but renewed and extended until December 12, 2015 as mutually agreed with the bank. The loan bears an interest of 4.5% per annum. The loan is secured through the assignment of some of the Foundation's loans receivable amounting to P194.9 million (see Note 6.1).

d) On April 10, 2013 and December 20, 2013, the Foundation obtained short-term loans from BDO amounting to P30.0 million and P50.0 million, respectively. The loans carried interests of 4.3% and 4.5% per annum, respectively, which were payable monthly in arrears and were subjected to quarterly review.

Prior to full settlement in 2014, these loans were secured by assignment of certain receivables of the Foundation amounting to at least 3.31 times of the outstanding loans receivable balance amounting to P264.8 million (see Note 6.1). On March 7, 2014, the Foundation obtained a new loan from BDO amounting to P30.0 million. The loan is payable on maturity on March 2, 2015 and bears interest of 4.25% per annum. The loan is secured by assignment of certain receivables of the Foundation amounting to P83.9 million (see Note 6.1).

e) On December 18, 2014, the Foundation obtained an unsecured and non-interest bearing loan from PBSP, a not-for-profit organization, amounting to P16.6 million. This loan is payable on December 18, 2015.

f) On July 17, 2013, the Foundation obtained a loan from SCB amounting to P80.0 million which is payable in quarterly payments. The loan bears interest of 6.0% per annum. The balance of the loan as of December 31, 2014 and 2013 is P13.0 million and P66.0 million, respectively. The loan is secured by assignment of certain receivables of the Foundation amounting to P180.8 million (see Note 6.1).

The maturity profile of the foregoing loans is presented below.

	2014	2013
Within one year	**P 289,600,000**	P 232,500,000
One to two years	**75,000,000**	66,000,000
	P 364,600,000	P 298,500,000

Interest expense on interest-bearing loans amounted to P13.2 million and P11.1 million in 2014 and 2013, respectively, and is presented part of Finance Costs under Project Costs in the statements of comprehensive income (see Note 13).

As of December 31, 2014 and 2013, the Foundation is compliant with all the security requirements and covenants imposed by the respective creditor.

10. OTHER LIABILITIES

This account includes the following:

	2014	2013
Beneficiary program and support trust fund (BPSTF)	**P 326,057,410**	P 203,890,600
Accrued expenses	**153,359,514**	141,430,575
Staff cash bond	**90,558,900**	67,578,900
Staff benevolent fund	**84,257,300**	62,687,500
Staff CBU	**46,872,650**	34,716,120
Accounts payable	**17,446,402**	8,344,619
	P 718,552,176	P 518,648,314

BPSTF represents 0.5% of the principal amount of loan released to each member. This is used to cover the payment of a loan in case of death of a member, provide assistance to members in cases of fire, and cover losses in case of robbery and ghold-up of collection from members. Effective on January 1, 2012, a new policy was implemented by the Foundation requiring each new group member to contribute P30 as group members' contribution. The contributions form part of the BPSTF as additional fund for health-care program, scholarship to the children of the members, and provision for distribution of relief goods and other livelihood support intervention in time of calamities such as typhoons, fires, earthquakes and floods.

Accrued expenses include accruals for various expenses for the operations of the Foundation such as taxes and licenses, light and reimbursable expenses, travel, and repairs and maintenance.

Staff cash bond represents refundable security deposits made by employees.

Staff benevolent fund includes amounts set aside for employee hospitalization, employee death aid, and employee welfare and benefits.

Staff CBU are mandatory but withdrawable contributions made by the Foundation's employees that earn interest of 7% per annum. This also serves as the Foundation's credit protection strategy for any uncollectible advances provided to its personnel in cases of default on payment.

11. OTHER REVENUES

This account includes the following:

	Notes	2014	2013
Service charges on employee loans	6.2	P 7,693,722	P 6,106,852
Gain on sale of property and equipment	7	3,635,600	-
Interest income on bank deposits	5	2,447,873	1,281,358
Gain from recovery of written-off accounts		608,440	601,940
		P 14,385,635	P 7,990,150

Service charges on employee loans pertain to 10% service fees earned from personal and motorcycle advances granted by the Foundation to its personnel (see Note 6.2).

12. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2014	2013
Employee benefits	15.1	P 756,368,490	P 573,800,775
Travel and transportation		259,453,379	158,991,147
Taxes and licenses	20.1*(f)*	111,248,765	175,646,513
Repairs and maintenance		69,218,818	84,605,356
Office rental	18	67,691,820	53,121,623
Impairment loss	6.1	38,000,000	-
Staff development and conference		35,580,393	22,048,167
Office supplies and reproduction		27,733,990	23,531,930
Depreciation and amortization	7	19,601,433	17,826,327
Finance costs	9, 15.2	17,766,174	14,095,045
Light and water		13,399,031	10,681,011
Grants and donations		12,640,401	6,616,000
Postage and telephone		9,983,146	6,424,765
Professional fees		7,248,149	4,561,014
Miscellaneous		11,938,025	10,253,930
		P 1,457,872,014	P 1,162,203,603

These expenses are classified and reported in the statements of comprehensive income as follows:

	Notes	2014	2013
Project costs	13	P 1,153,125,521	P 827,297,991
General and administrative expenses	14	304,746,493	334,905,612
		P1,457,872,014	P 1,162,203,603

13. PROJECT COSTS

This account includes the following:

	Notes	2014	2013
Employee benefits	15.1	**P 650,314,554**	P 478,959,702
Travel and transportation		**227,009,884**	135,556,633
Office rental	18	**61,152,852**	49,485,037
Repairs and maintenance		**52,796,216**	71,236,681
Impairment loss	6.1	**38,000,000**	-
Staff development and conference		**30,096,965**	15,898,021
Office supplies and reproduction		**26,549,021**	22,500,149
Finance costs	9,15.2	**17,766,174**	14,095,045
Depreciation and amortization	7	**15,569,237**	12,062,979
Light and water		**13,102,620**	10,452,399
Taxes and licenses	20.1*(f)*	**8,199,774**	7,531,625
Postage and telephone		**3,463,270**	2,775,500
Miscellaneous		**9,104,954**	6,744,220
		P 1,153,125,521	P 827,297,991

On January 7, 2013, the Foundation issued Administrative Order No. 001-13 regarding the recording and treatment of LCBU benefits. In accordance with this new policy, LCBU benefits are treated as deductions from service charges (see Note 6) earned and collected by the Foundation from its loan receivables.

14. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are shown below.

	Notes	2014	2013
Employee benefits	15.1	**P 106,053,936**	P 94,841,073
Taxes and licenses	20.1*(f)*	**103,048,991**	168,114,888
Travel and transportation		**32,443,495**	23,434,514
Repairs and maintenance		**16,422,602**	13,368,675
Grants and donations		**12,640,401**	6,616,000
Professional fees		**6,951,767**	4,561,014
Office rental	18	**6,538,968**	3,636,586
Postage and telephone		**6,519,876**	3,649,265
Staff development and conference		**5,483,428**	6,150,146
Depreciation and amortization	7	**4,032,196**	5,763,348
Office supplies and reproduction		**1,184,969**	1,031,781
Miscellaneous		**3,425,864**	3,738,322
		P 304,746,493	P 334,905,612

15. EMPLOYEE BENEFITS

15.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are presented below.

	Note	2014	2013
Salaries and wages		**P 650,351,894**	P 479,447,428
SSS, HDMF, Philhealth contributions		**48,478,934**	37,621,280
Post-employment benefits	15.2	**31,574,282**	23,783,467
Staff benevolent fund		**25,963,380**	32,948,600
		P 756,368,490	P 573,800,775

The amounts of employee benefits are allocated and reported in the statements of comprehensive income as follows:

	Notes	2014	2013
Project costs	13	**P 650,314,554**	P 478,959,702
General and administrative	14	**106,053,936**	94,841,073
		P 756,368,490	P 573,800,775

15.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Foundation maintains an unfunded and noncontributory post-employment defined benefit plan covering all regular full-time employees. It accrues the estimated cost of retirement benefits required by the provisions of Republic Act (RA) No. 7641, *The Retirement Pay Law*. Under RA No. 7641, the Foundation is required to provide minimum retirement benefits to qualified employees but the Foundation is not required to make funding of such benefit.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and obligation. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2014 and 2013.

Post-employment defined benefit obligation recognized in the statements of assets, liabilities, and fund balance amounts to P120.2 million and P85.3 million as of December 31, 2014 and 2013, respectively.

The movements in the present value of the post-employment defined benefit obligation recognized in the statements of assets, liabilities, and fund balance are as follows:

	2014	2013
Balance at beginning of year	P 85,318,000	P 52,933,000
Current service cost	31,574,282	23,783,467
Interest expense	4,538,918	2,974,833
Remeasurements - actuarial losses (gains) arising from:		
Changes in financial assumptions	9,219,009	2,402,755
Experience adjustments	(9,978,009)	3,512,245
Benefits paid	(439,700)	(288,300)
Balance at end of year	P 120,232,500	P 85,318,000

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	2014	2013
Reported in profit or loss:		
Current service cost	P 31,574,282	P 23,783,467
Interest expense	4,538,918	2,974,833
	P 36,113,200	P 26,758,300
Reported in other comprehensive income:		
Actuarial losses (gains) arising from changes in:		
Financial assumptions	P 9,219,009	P 2,402,755
Experience adjustments	(9,978,009)	3,512,245
	(P 759,000)	P 5,915,000

Current service cost is allocated and presented in the statements of comprehensive income under the following accounts:

	2014	2013
Project costs	P 18,944,569	P 19,910,160
General and administrative	12,629,713	3,873,307
	P 31,574,282	P 23,783,467

The interest expense on the obligation is included as part of Finance Costs under the Project Costs account in the statements of comprehensive income (see Note 13).

Amounts recognized in other comprehensive income or loss were included within item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment defined benefit obligation, the following significant actuarial assumptions were used:

	2014	2013
Discount rates	**4.5%**	5.3%
Expected rate of salary increases	**12.0%**	12.0%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 34.8 for males and 34.9 for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Other information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31, 2014 and 2013:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2014			
Discount rate	**+9.2%/- 10.3%**	**(P 11,002,742)**	**P 12,331,867**
Salary growth rate	**+8.5%/-7.8%**	**10,188,615**	**(9,401,683)**
December 31, 2013			
Discount rate	+9.0%/- 10.1%	(P 7,706,032)	P 8,622,523
Salary growth rate	+8.4%/- 7.8%	7,178,706	(6,629,730)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the post-employment defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the post-employment defined benefit obligation at the end of the reporting period has been calculated using the projected unit credit method, which is the same as that applied in calculating the post-employment defined benefit obligation recognized in the statement of assets, liabilities, and fund balance.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Funding Arrangements and Expected Contribution

At the end of the reporting period, the Foundation has no formal plan of funding its post-employment defined benefit obligation yet. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 5 years' time when a significant number of employees is expected to retire.

In one to five years, the Foundation's undiscounted expected benefit payments from the plan amounts to P3.2 million and P4.1 million at the end of 2014 and 2013, respectively.

The weighted average duration of the post-employment defined benefit obligation at the end of the reporting period is eight years.

16. RELATED PARTY TRANSACTIONS

The Foundation's related party includes its key management personnel. The compensation given to key management personnel in the form of short-term benefits amounted to P44.9 million in 2014 and P40.0 million in 2013 and is presented as part of Employee Benefits account under Operating Expenses section in the statements of comprehensive income.

17. INCOME TAX AND INCOME TAX EXEMPTION

The Foundation is a nonstock, nonprofit corporation and the primary purpose of which is one of those enumerated in Section 30 of the Tax Reform Act of 1997 (RA No. 8424). Moreover, no part of the excess of revenues over expenses of the Foundation inures to the benefit of any of its members. The trustees do not receive any compensation. In case of dissolution, the assets of the Foundation shall be transferred to a similar institution or to the government. Accordingly, management continues to avail the Foundation's exemption from income taxes. However, income derived by the Foundation from its properties, real or personal, or from any of its activities not covered by the exemption or activities conducted for profit regardless of the disposition made of such income, is subject to tax.

18. COMMITMENTS AND CONTINGENCIES

18.1 Operating Lease Commitments – Foundation as Lessee

The Foundation has operating lease agreements covering various office spaces occupied by the Foundation and its branches for a period of six months to two years. The lease agreements require the Foundation to pay rental deposits. Outstanding rental deposits as of December 31, 2014 and 2013 amounted to P12.0 million and P8.8 million, respectively, and are shown as Rental Deposits in the statements of assets, liabilities and fund balance.

The future minimum lease payments under these non-cancellable operating leases are as follows as of December 31:

	2014	2013
Within one year	**P 40,966,908**	P 38,419,841
After one year but not more than five years	**544,600**	6,495,850
	P 41,511,508	P 44,951,691

Rent expense recognized related to these operating leases amounted to P67.7 million in 2014 and P53.1 million in 2013, which are allocated to both Project Costs and General and Administrative Expenses under Operating Expenses section in statements of comprehensive income(see Notes 12, 13 and 14).

18.2 Others

There are other commitments and contingencies that arise in the normal course of the Foundation's operations which are not reflected in the financial statements. As of December 31, 2014, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Foundation's financial statements.

19. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Foundation's capital management objectives are to generate funds to expand its microfinance operations by pricing services commensurately with the level of risk, to facilitate the convergence and provision of other social services to the poor, and to ensure the Foundation's ability to continue as a going concern.

The Foundation monitors capital on the basis of the carrying amount of the fund balance as presented in the statements of assets, liabilities, and fund balance.

The Foundation sets the amount of capital in proportion to its overall financing structure, i.e., fund balance and loans from third parties. The Foundation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	2014	2013
Total loans from third parties	**P 364,600,000**	P 298,500,000
Total fund balance	**615,622,665**	508,311,924
Debt-to-fund ratio	**0.59:1:00**	0.59:1:00

The Foundation has satisfactorily complied with its covenant obligations related to its interest-bearing loans as of the end of each reporting period.

20. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS. All information are presented in their absolute amounts.

20.1 Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

(a) Output Value-added Tax (VAT)

The Foundation has not incurred any output tax liability for the year ended December 31, 2014 as it has no revenue transactions subject to VAT (see Note 17).

(b) Input VAT

The Foundation did not recognize any input VAT. It records as expense all input VAT on purchases of goods and services since it would not be recovered from setting-off with any output tax liability in the future.

(c) Documentary Stamp Tax

The Foundation paid documentary stamp tax (DST) in 2014 amounting to P1,291,309 which is related to the several loans originated during the year [see Note 20.1(f)].

(d) Taxes on Importation

The Foundation did not incur or pay any customs' duties and tariff fees as it did not have any importation for the year ended December 31, 2014.

(e) Excise Tax

The Foundation did not have any transactions in 2014 which are subject to excise tax.

(f) Taxes and Licenses

The details of Taxes and Licenses account in 2014 are shown below.

	Note	
BIR assessment		P 100,042,733
Licenses and permits		7,642,827
Real estate taxes		1,652,984
DST	20.1*(c)*	1,291,309
Capital gains tax		618,912
		P 111,248,765

The amounts of taxes and licenses are allocated and presented in the 2014 statement of comprehensive income as follows (see Notes 13 and 14):

Project costs	P 8,199,774
General and administrative expenses	103,048,991
	P 111,248,765

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2014 are shown below.

Compensation and employee benefits	P 26,072,554
Expanded	5,418,306
Final	158,775
	P 31,649,635

20.2 Requirements under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below and in the succeeding pages are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2014 statement of comprehensive income.

(a) Exempt Revenues

The Foundation's exempt revenues for the year ended December 31, 2014 amounted to P1,550,038,120 pertaining to service fees collected from borrowers.

(b) Exempt Non-operating and Other Income

The composition of the Foundation's exempt non-operating and other income for the year ended December 31, 2014 is presented below.

Service charges on employee loans	P	7,693,722
Gain from recovery of written-off accounts		608,440
	P	8,302,162

(c) Itemized Deductions

The details of the Foundation's itemized deductions under exempt transactions for the year ended December 31, 2014 are as follows:

Employee benefits	P	705,233,908
Travel and transportation		259,453,379
Repairs and maintenance		69,218,818
Office rental		67,691,820
Staff development and conference		35,580,393
Office supplies and reproduction		27,733,990
Taxes and licenses		25,330,419
Depreciation and amortization		19,601,433
Light and water		13,399,031
Grants and donations		12,640,401
Postage and telephone		9,983,146
Professional fees		7,248,149
Association dues		1,195,416
Interest on borrowed funds		807,798
Entertainment, amusement and recreation		629,694
Miscellaneous		9,319,040
	P	1,265,066,835

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Report of Independent Auditors to Accompany Schedule of Philippine Financial Reporting Standard Filed Separately from the Basic Financial Statements

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We have audited in accordance with Philippine Standards on Auditing, the financial statements of ASA Philippines Foundation, Inc. for the year ended December 31, 2014, on which we have rendered our report dated March 4, 2015. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2014, is presented for purposes of additional analysis in compliance with the requirement under the Securities Regulation Code Rule 68, and is not a required part of the basic financial statements in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Mar. 31, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 4, 2015

ASA Philippines Foundation, Inc.
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception * *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12: Investment Entities			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception * *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2018)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative * *(effective January 1, 2016)*			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions * *(effective July 1, 2014)*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2014 and are not early adopted by the Foundation.

** These standards have been adopted in the preparation of financial statements but the Foundation has no significant transactions covered in both years presented.