KPMG
cutting through complexity

# AHON SA HIRAP, INC.
(A Nonstock, Nonprofit Organization)

## FINANCIAL STATEMENTS
December 31, 2014 and 2013

R.G. Manabat & Co.

KPMG

**R.G. Manabat & Co.**
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone: +63 (2) 885 7000
Fax: +63 (2) 894 1985
Website: www.kpmg.com.ph
E-mail: ph-inquiry@kpmg.com

Branches · Subic · Cebu · Bacolod · Iloilo

# REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members of
Ahon Sa Hirap, Inc.
(A Nonstock, Nonprofit Organization)

## Report on the Financial Statements

We have audited the accompanying financial statements of Ahon Sa Hirap, Inc. (the "Organization"), a nonstock, nonprofit organization, which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of receipts and expenses and other comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes, comprising 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 (PFRSs), 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.

*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 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 auditors' 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 auditors consider 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 qualified audit opinion.



PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

KPMG

*Basis for Qualified Opinion*

As discussed in Note 16 to the financial statements, the Organization's actuarial valuation report as at December 31, 2014 resulted to a retirement liability of P20.01 million. The Organization deferred the full recognition of retirement expense of P7.45 million in 2014 and instead recognized this on a staggered basis. PFRSs require the outright recognition of retirement expenses in the period incurred. Had the Organization fully recognized the retirement expense when these were incurred, the retirement liability would have increased by P8.04 million while the total fund balance would have been lower by the same amount. The statement of receipts and expenses and other comprehensive income would have decreased by P8.04 million as at December 31, 2014.

*Qualified Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ahon Sa Hirap, Inc. as at 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.

**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. Manabat & Co.

April 30, 2015
Makati City, Metro Manila

AHON SA HIRAP INC.
(A Nonstock, Nonprofit Organization)

## STATEMENTS OF FINANCIAL POSITION

| | Note | December 31 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *4, 5* | **P146,851,576** | P142,774,357 |
| Financial assets held at fair value through profit or loss | *4* | **10,395,749** | 9,769,622 |
| Loans receivable - net | *4, 6* | **304,937,399** | 274,015,877 |
| Installment contracts receivable - current | *4, 7* | **1,392,019** | 16,704,233 |
| Other receivables | *4, 8* | **18,094,042** | 18,478,316 |
| Prepaid expenses and other current assets | *9* | **3,080,335** | 3,047,154 |
| **Total Current Assets** | | **484,751,120** | 464,789,559 |
| **Noncurrent Assets** | | | |
| Property and equipment - net | *10* | **22,041,813** | 16,411,153 |
| Computer software - net | *11* | **706,948** | 714,382 |
| Installment contracts receivable - noncurrent | *4, 7* | **-** | 4,176,059 |
| Other noncurrent assets | *12* | **6,430,436** | 6,376,787 |
| **Total Noncurrent Assets** | | **29,179,197** | 27,678,381 |
| | | **P513,930,317** | P492,467,940 |
| **LIABILITIES AND FUND BALANCE** | | | |
| **Current Liabilities** | | | |
| Payables and accrued expenses | *4, 13* | **P4,377,825** | P8,170,823 |
| Interest payable | *4* | **2,831,973** | 3,431,377 |
| Loans payable - current | *4, 15* | **161,002,506** | 112,812,243 |
| Fund savings - current | *4, 14* | **13,926,318** | 10,072,337 |
| **Total Current Liabilities** | | **182,138,622** | 134,486,780 |
| **Noncurrent Liabilities** | | | |
| Fund savings - noncurrent | *4, 14* | **59,508,779** | 62,801,469 |
| Loans payable - noncurrent | *4, 15* | **130,788,865** | 156,679,573 |
| Retirement benefits liability | *16* | **11,969,983** | 12,561,950 |
| Resilience fund | | **319,962** | - |
| **Total Noncurrent Liabilities** | | **202,587,589** | 232,042,992 |
| **Total Liabilities** | | **384,726,211** | 366,529,772 |
| **Fund Balance** | | | |
| Members' contribution | | **1,753,128** | 1,282,192 |
| Donated equity | | **8,201,771** | 8,201,771 |
| Reserve for retirement plan | | **(2,715,521)** | (2,715,521) |
| Other reserves | | **831,819** | 831,819 |
| Net surplus | | **121,132,909** | 118,337,907 |
| **Total Fund Balance** | | **129,204,106** | 125,938,168 |
| | | **P513,930,317** | P492,467,940 |

*See Notes to the Financial Statements.*

## AHON SA HIRAP, INC.
### (A Nonstock, Nonprofit Organization)
## STATEMENTS OF RECEIPTS AND EXPENSES AND OTHER COMPREHENSIVE INCOME

| | Note | Years Ended December 31 2014 | 2013 |
|---|---|---|---|
| **RECEIPTS** | | | |
| Finance income | *19* | **P102,997,906** | P87,788,292 |
| Service charges - Salamat Fund | | **20,191,744** | 26,760,257 |
| Income from unreleased Kabalikat Fund | | **7,623,830** | - |
| Grants | *17* | **180,600** | 5,048,995 |
| Donations | *17* | **155,088** | 1,071,826 |
| Loss on foreign exchange difference | | **(29,130)** | - |
| Other receipts | | **979,037** | 1,118,881 |
| | | **132,099,075** | 121,788,251 |
| **EXPENSES** | | | |
| Personnel expenses | *18* | **64,328,329** | 57,922,484 |
| Administrative expenses | *20* | **33,791,463** | 24,657,803 |
| Finance cost | *19* | **27,516,073** | 29,311,779 |
| Program expenses | *21* | **3,668,208** | 5,300,613 |
| | | **129,304,073** | 117,192,679 |
| **EXCESS OF RECEIPTS OVER EXPENSES** | | **2,795,002** | 4,595,572 |
| **OTHER COMPREHENSIVE LOSS** | | | |
| **Item that will never be reclassified to profit or loss** | | | |
| Remeasurements of retirement benefits liability | *16* | **-** | (1,497,799) |
| **TOTAL COMPREHENSIVE INCOME** | | **P2,795,002** | P3,097,773 |

*See Notes to the Financial Statements.*

# AHON SA HIRAP, INC
## (A Nonstock, Nonprofit Organization)
## STATEMENTS OF CHANGES IN FUND BALANCE
## FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

| | Members' Contribution | Donated Equity | Reserve for Retirement Plan | Other Reserves | Net Surplus | Total Equity |
|---|---|---|---|---|---|---|
| **As at January 1, 2014** | **P1,282,192** | **P8,201,771** | **(P2,715,521)** | **P831,819** | **P118,337,907** | **P125,938,168** |
| Excess of receipts over expenses before reclassifications | - | - | - | - | 2,795,002 | 2,795,002 |
| Increase in members' contribution and donated equity | 470,936 | - | - | - | - | 470,936 |
| **As at December 31, 2014** | **P1,753,128** | **P8,201,771** | **(P2,715,521)** | **P831,819** | **P121,132,909** | **P129,204,106** |
| As at January 1, 2013 | P10,917,808 | P8,201,771 | (P1,217,722) | P831,819 | P113,742,335 | P132,476,011 |
| Transfer of Salamat Fund to Net surplus | (9,635,616) | - | - | - | - | (9,635,616) |
| Deficiency of receipts over expenses before reclassifications | - | - | - | - | (5,040,044) | - |
| Transfer of Salamat Fund to Net surplus | - | - | - | - | 9,635,616 | - |
| Excess of receipts over expenses after reclassifications | - | - | - | - | 4,595,572 | 4,595,572 |
| Remeasurements of retirement benefits liability | - | - | (1,497,799) | - | - | (1,497,799) |
| Total comprehensive income for the year | - | - | (1,497,799) | - | 4,595,572 | 3,097,773 |
| As at December 31, 2013 | P1,282,192 | P8,201,771 | (P2,715,521) | P831,819 | P118,337,907 | P125,938,168 |

*See Notes to the Financial Statements.*

**AHON SA HIRAP, INC.**
**(A Nonstock, Nonprofit Organization)**
**STATEMENTS OF CASH FLOWS**

| | Note | Years Ended December 31 2014 | 2013 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Excess of receipts over expenses | | **P2,795,002** | P4,595,572 |
| Adjustments for: | | | |
| Interest expense | *19* | **24,017,094** | 22,817,942 |
| Impairment of advances | | **4,440,767** | - |
| Depreciation and amortization | *10, 11, 20* | **2,961,520** | 2,686,682 |
| Retirement benefits expense | *16* | **1,325,033** | 1,508,494 |
| Impairment loss on loans receivables | *6* | **-** | 3,302,994 |
| Unrealized foreign exchange loss | | **29,130** | - |
| Unrealized gain on FVPL | | **(626,127)** | (463,564) |
| Interest income | *5* | **(103,350,817)** | (88,443,609) |
| Excess of receipts over expenses before working capital changes | | **(68,408,398)** | (53,995,489) |
| Decrease (increase) in: | | | |
| Installment contract receivable | | **15,312,214** | 16,704,234 |
| Other receivables | | **384,274** | (13,132,262) |
| Prepaid expenses and other current assets | | **(33,181)** | (282,995) |
| Loans receivable - net | | **(27,276,271)** | (24,796,449) |
| Increase (decrease) in: | | | |
| Fund savings | | **561,291** | 7,046,008 |
| Payables and accrued expenses | | **(8,233,765)** | (837,793) |
| Net cash used in operations | | **(87,693,836)** | (69,294,746) |
| Interest received | | **99,705,567** | 86,337,993 |
| Benefits paid to employees | | **(1,917,000)** | - |
| Interest paid | | **(24,616,499)** | (22,218,538) |
| Net cash used in operating activities | | **(14,521,768)** | (5,175,291) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Decrease in installment contract receivable - noncurrent | | **4,176,059** | - |
| Increase in other noncurrent assets | | **(53,649)** | (65,849) |
| Acquisition of computer software | *11* | **(206,522)** | - |
| Acquisition of property and equipment | *10* | **(8,378,224)** | (1,709,667) |
| Net cash used in investing activities | | **(4,462,336)** | (1,775,516) |

*Forward*

| | Note | Years Ended December 31 2014 | 2013 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from loan | | **P48,190,263** | P11,922,757 |
| Increase (decrease) in member's contribution | | **470,936** | (9,635,616) |
| Increase in resilience fund | | **319,962** | - |
| Payment of loans payable | | **(25,890,708)** | (3,592,752) |
| Net cash provided by (used in) financing activities | | **23,090,453** | (1,305,611) |
| **NET INCREASE (DECREASE) CASH AND CASH EQUIVALENTS** | | **4,106,349** | (8,256,418) |
| **FOREIGN EXCHANGE LOSS** | | **(29,130)** | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | *5* | **142,774,357** | 151,030,775 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | *5* | **P146,851,576** | P142,774,357 |

*See Notes to the Financial Statements.*

**AHON SA HIRAP, INC.**
**(A Nonstock, Nonprofit Organization)**

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Reporting Entity

Ahon Sa Hirap, Inc. (the "Organization" or "ASHI") was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on July 24, 1991 as a nonstock, nonprofit organization. It is primarily engaged in providing loans, savings and other services to the marginalized sector. Its purpose is to help alleviate extreme poverty in the countrysides and urban areas, promote the generation of employment and regular income-generating activities (IGA's) among poor households, contribute to the reduction of rural to urban migration, conceptualize and propose project studies to develop the poor rural/urban areas. Its non-governmental organization (NGO) status allows it to enter into contract and loan arrangements, as well as to receive grants and donations from various local and international agencies.

Grants are utilized to finance the Organization's APROOT (ASHI Project Relief and Rebuilding to Overcome Ondoy's Tragedy) Program.

The Organization is exempt from income tax pursuant to Section 30 (G) of the National Internal Revenue Code (NIRC) but interest income from deposit with banks is subject to final withholding tax.

The Organization's registered office address is at No. 76, 8th Avenue, Cubao, Quezon City.

## 2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consists of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Functional and Presentation Currency

The financial statements are presented in Philippine peso (PHP), which is also the Organization's functional currency. All financial information presented has been rounded off to the nearest peso, unless otherwise indicated.

Basis of Measurement

The financial statements have been prepared on the historical cost basis of accounting except for financial assets at fair value through profit or loss (FVPL) which is measured at fair value.

Use of Estimates and Judgments
The preparation of the Organization's financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, the following are the information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements:

Judgments
*Determination of Functional Currency*
Based on the economic substance of the underlying circumstances relevant to the Organization, the functional currency has been determined to be the PHP. It is the currency that mainly influences the operating costs and expenses of the Organization.

*Evaluating Lease Arrangements*
The Organization entered into several lease agreements for the lease of office buildings of the branches. The Organization has determined that the risks and rewards of ownership of the leased properties are retained by the lessor; hence, accounted for as operating lease.

Rental expense recognized in statements of receipts and expenses and other comprehensive income amounted to P2,906,796 and P2,447,791 in 2014 and 2013, respectively (see Note 22).

Estimates
*Estimating Allowance for Impairment Losses on Loans Receivable*
The Organization maintains an allowance for impairment losses on loans receivable at a level considered adequate to provide for potential uncollectible loans receivable. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. The Organization reviews the age and status of loans receivable, and identifies accounts that are to be provided with allowance on a regular basis.

The allowance for impairment losses on loans receivable amounted to P14,168,342 and P14,421,888 as at December 31, 2014 and 2013, respectively. The carrying amount of loans receivable amounted to P304,937,399 and P274,015,877 as at December 31, 2014 and 2013, respectively (see Note 6).

*Estimating Useful Life of Property and Equipment and Computer Software*
The Organization's estimate of the useful life of its property and equipment and computer software is based on the period over which the assets are expected to be available for use. The Organization reviews annually the residual values and estimated useful lives of property and equipment and computer software based on factors that include asset utilization, internal technical evaluation, technological changes, environment changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. There is no change in the estimated useful life of property and equipment and computer software based on management's review at the reporting date.

The carrying amount of property and equipment amounted to P22,041,813 and P16,411,153 as at December 31, 2014 and 2013, respectively (see Note 10). On the other hand, the carrying amount of the computer software as at December 31, 2014 and 2013 amounted to P706,948 and P714,382, respectively (see Note 11).

*Estimating Allowance for Impairment Losses on Nonfinancial Assets*
The carrying values of nonfinancial assets such as property and equipment and computer software are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of future cash flows are appropriate and reasonable, significant changes in these assumptions may materially affect the Organization's assessments of the recoverable amounts and may lead to future impairment loss that could have a material adverse impact on the financial position and financial performance of the Organization.

As at December 31, 2014 and 2013, there is no indication of impairment on the Organization's nonfinancial assets.

*Estimating Retirement Benefits Liability*
The determination of the retirement benefits liability is dependent on the selection of certain assumptions used by the actuary in using the projected unit credit method. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rate. These estimates and assumptions directly influence the amount of the retirement fund payable recognized in the statements of financial condition.

The retirement benefits liability as at December 31, 2014 and 2013 amounted to P11,969,983 and P12,561,950, respectively (see Note 16).

Approval of Issuance of Financial Statements
The accompanying financial statements were authorized for issuance by the Board of Trustees (BOT) on April 30, 2015.

## 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Organization has adopted the following amendments to standards and interpretations starting January 1, 2014 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Organization's financial statements.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments to PAS 32 clarifies that:

  - an entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

- *Measurement of short-term receivables and payables (Amendment to PFRS 13).* The amendment clarifies that, in issuing PFRS 13, *Fair Value Measurements,* and making consequential amendments to PAS 39 and PFRS 9, *Financial Instruments,* the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

- *Recoverable Amount Disclosures for Non-financial Assets (Amendments to PAS 36).* These narrow-scope amendments to PAS 36, *Impairment of Assets,* address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

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

*Initial Recognition of Financial Instruments*
Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for financial instruments at FVPL.

The Organization classifies its financial assets in the following categories: FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The Organization classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Organization has no financial assets classified as AFS and HTM and no financial liabilities at FVPL as at December 31, 2014 and 2013.

*Determination of Fair Value*
The Organization measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Organization.

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

<u>Financial Assets</u>
*Financial Assets Held at Fair Value through Profit or Loss*
Financial assets held at fair value through profit or loss is recorded in the statements of financial position at fair value. Changes in fair value relating to the FVPL positions are recognized in "receipts" under the statements of receipts and expenses and other comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" account in the statements of receipts and expenses and other comprehensive income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the statements of receipts and expenses and other comprehensive income. Gains or losses are recognized in statements of receipts and expenses and other comprehensive income when loans and receivables are derecognized or impaired, as well as through the amortization process.

*Cash.* Cash includes cash on hand and in banks and is stated at its face value.

The Organization's cash and cash equivalents, loans receivable, installment contracts receivable, other receivables and security deposits are included in this category.

Financial Liabilities

*Other Financial Liabilities.* This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate (EIR) of the liability.

The Organization's liabilities arising from its trade and borrowings such as payables and accrued expenses, loans payable, fund savings and interest payable are included under this category (see Notes 13, 14 and 15).

*Impairment of Financial Assets*

The Organization assesses at each reporting date whether there is objective evidence that a financial asset or group financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Organization first assesses whether objectives evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Organization determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, the assets are grouped on the basis of similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Provision for impairment losses on loans receivable amounted to nil and P3,302,994 for the years ended December 31, 2014 and 2013, respectively (see Note 6). Impairment of advances amounted to P4,440,767 and nil as at December 31, 2014 and 2013, respectively (see Note 20).

Derecognition of Financial Assets and Financial Liabilities

*Financial Assets*

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

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

When the Organization has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Organization's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Organization could be required to pay.

*Financial Liabilities*

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

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position, if an only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Prepaid expenses

Prepaid expenses are paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time through use or consumption.

Property and Equipment

Property and equipment, except land which is carried at cost, are carried at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the assets to working condition for its intended use.

Depreciation is computed using the straight-line method over estimated useful lives of the related assets as follows:

| | Number of Years |
|---|---|
| Building and structures | 10 - 20 |
| Transportation equipment | 5 - 10 |
| Office equipment | 2 - 5 |
| Office furniture and fixtures | 2 - 5 |

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Organization. All subsequent expenditures are recognized as expense in the period in which those are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and the resulting gain or loss, which is determined by comparing the proceeds with carrying amount, is charged to the statements of receipts and expenses and other comprehensive income.

Intangible Assets

An organization shall recognize an intangible as an asset if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Organization; and

(b) the cost or value of the asset can be measured reliably.

The Organization shall measure an intangible asset initially at cost.

Expenditure on an intangible item that was initially recognized as an expense shall not be recognized at a later date as part of the cost of an asset. The Organization shall measure intangible assets at cost less any accumulated amortization and any accumulated impairment losses. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the Organization expects to use the asset. If the Organization is unable to a make a reliable estimate of the useful life of an intangible asset, the life shall be presumed to be ten (10) years. Amortization begins when the intangible asset is available for use, i.e., when it is in location and condition necessary for it to be usable in the manner intended by management. Amortization ceases when the asset is derecognized.

The Organization uses straight-line method on amortizing intangible asset with an estimated useful life of five (5) years.

The Organization shall derecognize an intangible asset, and shall recognize gain or loss in the statements of receipts and expenses and other comprehensive income:

(a) on disposal; or

(b) when no future economic benefits are expected from its use or disposal.

Other Noncurrent Assets

Other noncurrent assets are initially recognized at transaction cost and subsequently measured at amortized cost less any impairment loss, if any. Other noncurrent assets pertain to APROOT Rebuilding Program, Philippine Long Distance Telephone (PLDT) Subscribers Investment Plan and investment in Microfinance Data Sharing Systems, Inc. (MIDAS). APROOT Rebuilding Program are funds use by the Organization to help the Members, specifically the victims of Typhoon Ondoy, to recover from the tragic incident caused by the Typhoon Ondoy through the development of their family livelihood, health and sanitation, and living conditions. PLDT Subscribers Investment Plan is the investment of the Organization in the PLDT Company. The investment in MIDAS Foundation is the Organization's contribution as one of the founding members of the Microfinance Credit Bureau.

Impairment of Nonfinancial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying amount of an assets exceeds its recoverable amount, the asset or the cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher between the asset or CGU's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the estimated cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is charged to expense immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognized revaluation surplus for the same asset.

There are no impairment losses recognized for the years ended December 31, 2014 and 2013.

Resilience Fund

Resilience fund pertains to donations from Jollibee Food Foundation which is intended for livelihood projects for the victims of typhoon Yolanda in Antique.

Fund Savings

Fund savings pertain to accumulated savings by the Members which can be withdrawn and earn interest in accordance with the Organization's fund savings policy (see Note 14).

Fund Balance

*Members' Contribution* is unrestricted fund generated from internal sources. This represents accumulated membership fees.

*Kabalikat Membership Fee* is collected from members either as one-time lump-sum payment of P100 or in installment payments. The fee is compulsory for one to be an official member of the Organization. Subsequently, official members have to pay annual dues of P20.

*Donated Equity* is unrestricted fund received from external sources such as funders and grantors. The amount donated is for a specific program, project or activity to be carried out through or in partnership with the Organization. Any expenditure related to the carryout of the specific program, project or activity is charged directly to Donated Equity.

*Other Reserves* is a restricted fund appropriated by the Organization for such other specific purposes as deemed necessary to carry out the Organization's mission and vision. Any expenditure related to the carryout of the aforementioned specific purpose is charged directly to this account.

Unrestricted Fund

*Net Surplus (Unrestricted)* is an unrestricted fund and represents accumulated excess of receipts over expenses of the Organization.

Provisions

Provisions are recognized when the Organization has a present obligation legal or constructive as a result of a past event, it is probable that an outflow of assets embodying economic benefits embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

When the Organization expects some or all of a provision to be reimbursed, the reimbursement is recorded as a separate asset only when the reimbursement is virtually certain.

The Organization has no present obligations as a result of past events that would require recognition of provision as at December 31, 2014 and 2013, respectively.

Receipts and Expenses Recognition

*Receipts* are recognized only when it is probable that the economic benefits associated with the transaction will flow to the Organization and the amount of the receipts can be measured reliably.

*Finance Income* represents interest earned on loans and receivables and is recognized as it accrues using effective interest rate method.

*Service Charges from Salamat Fund* represents service fees charged to members that are recognized as "receipts" in the statements of receipts and expenses upon release of the loan. These fees are equivalent to 5% of the original general and group fund loans granted during the year and amounted to P20,191,744 and P26,760,257 as at December 31, 2014 and 2013, respectively.

*Grants and Donations* donated by funders and grantors in support of the Organization's cause that are unrestricted are recognized as income when cash is received. Grants and donations that are restricted for a particular project or activity are initially recognized as liability until the conditions have been substantially met or conditions have been explicitly waived by the funders or grantors.

*Other Receipts* pertain to other contributions received in the course of the performance of certain projects and activities of the Organization.

Cost and expenses are recognized when incurred.

Leases

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement; or

b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; or

c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. There is a substantial change to the asset.

Where a re-assessment is made, lease accounting shall commence or cease from the date when the change in a circumstance gave rise to the re-assessment for any of the scenarios (a), (c), or (d) above, and the date of renewal or extension period for the scenario (b).

Leases where the lessor retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of receipts and expenses and other comprehensive income on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies (i.e. currencies other than PHP) are recorded using the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated again to the functional currency at the closing exchange rate prevailing at reporting date. Foreign exchange gains or losses are taken directly to the statements of receipts and expenses and other comprehensive income.

Employee Benefits

*Short-term Benefits*

Wages, salaries, bonuses and social security contribution are recognized as an expense in the year in which the associated services are rendered by the employees of the Organization.

Retirement Benefits
The Organization's obligation with respect to its retirement benefits plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Future benefits are discounted to determine its present value. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of retirement benefit liability, which comprise actuarial gains and losses, is recognized immediately in other comprehensive income (OCI). The Organization determines the interest expense on the retirement benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined liability during the period as a result benefit payments. Interest expense and other expenses related to defined benefit plans are recognized in personnel expenses in the statements of receipts and expenses.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of receipts and expenses at the earlier of the following:

- When the related restructuring costs are recognized;
- When the related termination benefits are recognized; and
- When the plan amendment or curtailment occurs.

The Organization recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Related Party
Related party relationship exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise or between and/or among the reporting enterprise and their key management personnel (KMP), directors or their shareholders.

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

*New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not applied in preparing these financial statements. The Organization is assessing the potential impact on its financial statements resulting from the application of the new standards.

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, *Share-based Payment*, PAS 16, *Property, Plant and Equipment*, PAS 38, *Intangible Assets* and PAS 40, *Investment Property*. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Organization:

    - *Definition of 'related party' (Amendment to PAS 24, Related Party Disclosures).* The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

    The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

    The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Organization's financial assets but will potentially have no impact on the classification and measurement of financial liabilities. The Organization does not plan to adopt this standard early.

## 4. Financial Risk Management Objectives and Policies

The main risks arising from the Organization's financial instruments are credit risk, liquidity risk and market risk. The Organization's overall risk management program seeks to minimize potential adverse effects on the financial performance and to make an optimal contribution to the Organization's receipts by managing these risks.

The Organization's risk management, vested thru the Board of Trustees, focuses on actively securing its short to medium-term cash flows by minimizing the exposure to financial risks. Long-term financial investments are managed to generate sustainable returns.

Credit Risk

Credit risk is the risk of financial loss to the Organization if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Organization's loans receivables from members and other receivables from other debtors and is monitored on an ongoing basis. The objective is to reduce the risk of loss through default by members and other debtors.

The aging of the Organization's receivables as at December 31, 2014 and 2013 follows:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | Neither Past | Past Due but not Impaired | | | |
| **December 31, 2014** | **Total** | **Due nor Impaired** | **<90 Days** | **91 - 365 Days** | **> 365 Days** | **Impaired** |
| **Cash and cash equivalent** | **P146,851,576** | **P146,851,576** | **P -** | **P -** | **P -** | **P -** |
| **Financial Assets held at FVPL** | **10,395,749** | **10,395,749** | **-** | **-** | **-** | **-** |
| **Loans receivable - gross** | **319,105,741** | **291,691,278** | **P3,618,695** | **P2,827,401** | **P6,800,025** | **P14,168,342** |
| **Installment contract receivable** | **1,392,019** | **1,392,019** | **-** | **-** | **-** | **-** |
| **Other receivables** | **18,094,042** | **18,094,042** | **-** | **-** | **-** | **-** |
| **Security deposit*** | **542,160** | **542,160** | **-** | **-** | **-** | **-** |
| **Total** | **P496,381,287** | **P468,966,824** | **P3,618,695** | **P2,827,401** | **P6,800,025** | **P14,168,342** |

** under prepaid expenses and other current assets*

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | Neither Past | Past Due but not Impaired | | | |
| December 31, 2013 | Total | Due nor Impaired | <90 Days | 91 - 365 Days | > 365 Days | Impaired |
| Cash and cash equivalent | P142,774,357 | P142,774,357 | P - | P - | P - | P - |
| Financial Assets held at FVPL | 9,769,622 | 9,769,622 | - | - | - | - |
| Loans receivable - gross | 288,437,765 | 251,662,513 | P5,072,836 | P7,763,265 | P9,517,263 | P14,421,888 |
| Installment contract receivable | 20,880,292 | 20,880,292 | - | - | - | - |
| Other receivables | 18,478,316 | 18,478,316 | - | - | - | - |
| Security deposit* | 514,800 | 514,800 | - | - | - | - |
| Total | P480,855,152 | P444,079,900 | P5,072,836 | P7,763,265 | P9,517,263 | P14,421,888 |

** under prepaid expenses and other current assets*

The table below shows the credit quality of the Organization's financial assets based on their historical experience with the corresponding debtors.

| | As at December 31, 2014 | | | |
|---|---|---|---|---|
| | **Grade A** | **Grade B** | **Grade C** | **Total** |
| Cash and cash equivalents | **P146,851,576** | **P -** | **P -** | **P146,851,576** |
| Financial Assets at FVPL | **10,395,749** | **-** | **-** | **10,395,749** |
| Loans receivable - net | **291,691,278** | **3,618,695** | **9,627,426** | **304,937,399** |
| Other receivables | **18,094,042** | **-** | **-** | **18,094,042** |
| Security deposit* | **542,160** | **-** | **-** | **542,160** |
| | **P467,574,805** | **P3,618,695** | **P9,627,426** | **P480,820,926** |

** under prepaid expenses and other current assets*

| | As at December 31, 2013 | | | |
|---|---|---|---|---|
| | Grade A | Grade B | Grade C | Total |
| Cash and cash equivalents | P142,774,357 | P - | P - | P142,774,357 |
| Financial Assets at FVPL | 9,769,622 | - | - | 9,769,622 |
| Loans receivable - net | 251,662,513 | 5,072,836 | 17,280,528 | 274,015,877 |
| Other receivables | 18,478,316 | - | - | 18,478,316 |
| Security deposit* | 514,800 | - | - | 514,800 |
| | P423,199,608 | P5,072,836 | P17,280,528 | P445,552,972 |

** under prepaid expenses and other current assets*

- Grade A receivables pertains to those receivables from members who always pay on time or even before the maturity date. This also includes financial assets with minimal exposure as these are transacted with counterparties having good credit standing;

- Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Organization; and

- Grade C includes receivables that are collected consistently beyond their due dates and require persistent effort from the Organization.

The Organization manages credit risk as follows:

*Cash and Cash Equivalent*
Cash and fixed deposits are placed with banks which are regulated. The maximum exposure is the carrying amount of this financial asset in the statements of financial position.

*Financial Assets Held at FVPL*
The Organization's investment in financial assets held at FVPL pertains to investment in Unit Investment Trust Fund (UITF) that is managed and administered by a local insurance company. This investment is exposed to minimal credit risk as the Insurance Commission requires insurance companies offering these types of products to hold these funds in segregated accounts and can only be used for its intended purpose and not be made available to the general creditors of the insurance companies.

*Receivables*
The Organization's receivables are regularly reviewed and settled within the prescribed term of collection not to exceed one year unless the amounts are specifically intended to be long-term in nature.

Management has a credit policy in place and the exposure to credit risk of the Organization's loans receivables is monitored on an ongoing basis. Credit evaluations are performed on all members requiring credit over a certain amount to ensure that social mission is achieved while maintaining sufficient base funds available to future qualified beneficiaries.

The Organization establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of loans receivables and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as shown in the statements of financial position before deducting any impairment allowance.

At the reporting date, the Organization has no concentration of credit risks as members who belong to the same target group are generally not considered counterparties with similar economic characteristics. They are grouped in clusters where cluster members are guarantors of each of the other cluster member's loans.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they fall due. The Organization manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, including principal and interest payments. Management closely monitors the Organization's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies

The Organization monitors its liquidity risk and maintains a level of cash deemed adequate by management to finance the Organization's operations and to mitigate the effects of fluctuations in cash flows. The Organization's practice is to regularly monitor its liquidity requirements and its compliance with lending covenants, if any, including the terms of borrowings from other group entities, to ensure that it maintains sufficient reserves of cash, readily realizable marketable securities or committed lines of funding (from major financial institutions, donors or others) to satisfy its contractual and reasonably foreseeable obligations as they fall due.

The following are the contractual maturities of financial liabilities, excluding the impact of netting agreements:

| | **As at December 31, 2014** | | | | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Contractual Cash Flow** | **1 Year or Less** | **1-2 Years** | **More than 2 Years** |
| Payables and accrued expenses* | **P4,160,730** | **P4,160,730** | **P4,160,730** | **P -** | **P -** |
| Interest payable | **2,831,973** | **2,831,973** | **2,831,973** | **-** | **-** |
| Loans payable | **291,791,371** | **291,791,371** | **161,002,506** | **10,836,267** | **119,952,598** |
| Fund savings | **73,435,097** | **73,435,097** | **13,926,318** | **-** | **59,508,779** |

* *Excluding statutory payables amounting to P217,095 in 2014.*

| | As at December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Contractual Cash Flow | 1 Year or Less | 1-2 Years | More than 2 Years |
| Payables and accrued expenses* | P7,971,560 | P7,971,560 | P7,971,560 | P - | P - |
| Interest payable | 3,431,377 | 3,431,377 | 3,431,377 | - | - |
| Loans payable | 269,491,816 | 269,491,816 | 112,812,243 | 73,949,944 | 82,729,629 |
| Fund savings | 72,873,806 | 72,873,806 | 10,072,337 | - | 62,801,469 |

* *Excluding statutory payables amounting to P199,263 in 2013.*

Market Risk

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

*Foreign Currency Risk*

In the normal course of business, the Organization enters into transactions denominated in various foreign currencies. As a result, the Organization is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Organization regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.

The Organization's exposure to foreign currency risk as at December 31, 2014 and 2013 are as follows:

| | **December 31, 2014** | | |
|---|---|---|---|
| **Currency** | **Current Assets** | **Exchange Rate** | **PHP Equivalent** |
| US dollar (USD) | **2,651** | **44.720** | **P118,553** |
| Euro (EUR) | **35,700** | **54.465** | **1,944,401** |
| | | | **P2,062,954** |

| | December 31, 2013 | | |
|---|---|---|---|
| Currency | Current Assets | Exchange Rate | PHP Equivalent |
| USD | 4,833 | 44.395 | P214,561 |
| EUR | 76,182 | 60.816 | 4,633,085 |
| | | | P4,847,646 |

*Sensitivity Analysis*

The following table illustrates the sensitivity of the Organization's excess of receipts over expenses in 2014 and 2013 with respect to changes in PHP against foreign currencies exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 99% confidence level.

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Reasonably Possible Change** | **Effect in Profit Before Tax** | Reasonably Possible Change | Effect in Profit Before Tax |
| PHP-USD | **1.55%** | **P1,838** | 13.12% | 15,019 |
| PHP-EUR | **4.29%** | **83,415** | 1.40% | 324,316 |
| | | **P85,253** | | P339,335 |

Price Risk

The Organization's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices.

Such financial assets are subject to price risk due to changes in the Net Asset Value (NAV) of the funds as a result of the fluctuations in the market value of the underlying assets.

The Organization's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments.

The analysis below is performed for a reasonably possible movement of the NAV per unit with all other variables held constant, on the statements of receipts and expenses and other comprehensive income. There is no other impact on the Organization's equity other than those already affecting the statements of receipts and expenses and other comprehensive income

| | Change in NAV | Impact on Excess of Receipts Over Expenses |
|---|---|---|
| **2014** | **4.21%** | **P437,661** |
| | **-4.21%** | **(437,661)** |
| 2013 | 5.19% | 507,043 |
| | -5.19% | (507,043) |

The impact is arrived at using the reasonably possible change of NAV and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

Capital Risk Management

The primary objective of the Organization's management is to ensure the Organization's ability to continue as a going concern and maintain healthy capital ratios in order to support advocacy and mission. The Organization's President sets strategies to the Organization with the objective of establishing a versatile and resourceful financial management and capital structure

The Organization monitors capital on the basis of the carrying amount of fund balance as presented in the statements of financial position. Details of debt to equity ratios follow:

| | **2014** | 2013 |
|---|---|---|
| Total liabilities | **P384,726,211** | P366,529,772 |
| Total fund balance | **129,204,106** | 125,938,168 |
| Debt to equity ratio | **2.98:1** | 2.91:1 |

The Organization is not subject to externally-imposed capital requirements.

The Organization defines capital as the total fund balance in the statements of financial position.

Fair Value of Financial Assets and Liabilities
The carrying amount of cash and cash equivalent approximates its fair value as it is immediately available for use.

The loans receivable - net, other receivables, payables and accrued expenses, interest payable, current portion of loans payable and fund savings approximate their carrying amounts due to the relatively short-term nature of these financial instruments.

The carrying amounts of other non-current assets approximate their fair values as the effect of discounting is not significant.

The recurring fair values of financial asset at FVPL are determined by reference to quoted market prices, at close of business as on the reporting date.

The noncurrent portion of loans payable has been calculated as the sum of future cash outflows discounted using the prevailing market rate of interest for instruments with similar maturities as of transaction date. The fair value of the noncurrent portion of loans payable as of reporting date is not significantly different from its carrying value given the minimal change in interest rates.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

## 5. Cash and Cash Equivalents

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Cash in banks | **P141,822,721** | P137,758,436 |
| Cash equivalents | **5,028,855** | 5,015,921 |
| | **P146,851,576** | P142,774,357 |

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term time deposits made for varying periods of up to three months depending on the immediate cash requirements of the Organization and earn interest at the respective short-term deposit rates.

## 6. Loans Receivable

This account consists of:

| | 2014 | 2013 |
|---|---|---|
| Regular loan - net | | |
| General loan: | | |
| ASHI 1, 2, 3 | **P190,141,273** | P171,329,898 |
| Flexible (Special loan) | **17,222,289** | 13,894,335 |
| | **207,363,562** | 185,224,233 |
| Incentive loan: | | |
| Educational loan | **18,582,852** | 16,517,316 |
| House repair loan | **48,322,594** | 41,328,048 |
| | **66,905,446** | 57,845,364 |
| Other loans: | | |
| Enterprise loan | **13,234,228** | 16,106,301 |
| Rebuilding (APRROOT) | **2,313,132** | 3,199,142 |
| AGAP loan | **2,301,522** | 1,443,405 |
| Others | **2,413,799** | 975,303 |
| | **20,262,681** | 21,724,151 |
| | **294,531,689** | 264,793,748 |
| Less allowance for impairment losses | **13,489,961** | 13,239,687 |
| | **281,041,728** | 251,554,061 |
| Special loan - net | | |
| Group fund loan | **24,181,975** | 22,238,623 |
| Staff micro loans | **392,077** | 1,405,394 |
| | **24,574,052** | 23,644,017 |
| Less allowance for impairment losses | **678,381** | 1,182,201 |
| | **23,895,671** | 22,461,816 |
| | **P304,937,399** | P274,015,877 |

Loans receivable are broadly classified into four main categories:

| Category | Type | Terms | Condition | Source |
|---|---|---|---|---|
| General | ASHI 1 | payable in 25, 50 or 100 weeks<br>25% per annum | The applicant must be a poor woman (bottom 50% poor); maximum loanable amount of P20,000; unsecured; not subject to loan restructuring.<br><br>Loanable amount per cycle:<br>Cycle 1: 5,000<br>Cycle 2: 10,000<br>Cycle 3: 15,000<br>Cycle 4: 20,000 | PCFC**, OIKO Credit, Grameen Credit Agricole |
| | ASHI 2 | payable in 25, 50 or 120 weeks<br>25% per annum | The applicant must be a poor woman (bottom 50% poor); maximum loanable amount of P40,000; unsecured; not subject to loan restructuring<br><br>Loanable amount per cycle:<br>Cycle 1: 25,000<br>Cycle 2: 30,000<br>Cycle 3: 35,000<br>Cycle 4: 40,000 | PCFC**, OIKO Credit, Grameen Credit Agricole |
| | ASHI 3 | payable in 25, 50 or 100 weeks<br>25% per annum | The applicant must be a poor woman (bottom 50% poor); maximum loanable amount of P50,000; unsecured; not subject to loan restructuring<br><br>Loanable amount per cycle:<br>Cycle 1: 45,000<br>Cycle 2: 50,000 | PCFC**, OIKO Credit, Grameen Credit Agricole |
| | Flexible | payable in 25 weeks (Assessment every after 6 months)<br>Interest rates are according to promissory notes | Active members that fall into deep distress (sickness, calamity) eventuated to loss of business; maximum loanable amount is according to the promissory note; unsecured; Not subject to loan restructuring | PCFC**, OIKO Credit, Grameen Credit Agricole |

| Category | Type | Terms | Condition | Source |
|---|---|---|---|---|
| Incentive | Educational | payable in 25 or 50 weeks; 25% per annum | The applicant must have a current Individual Credit Rating of 98%-100% and must be in the ASHI-1 Loan Cycle 1. The General Loan must be current. It requires at least 4 complete groups within the Center; maximum loanable amount is P20,000 unsecured; not subject to loan restructuring | PCFC**, OIKO Credit, Grameen Credit Agricole |
| | House repair | payable in 50 or 100 weeks; 25% per annum | The applicant must have a current Individual Credit Rating of 98%-100% and must be in the ASHI-1 Loan Cycle1. The General Loan must be current. It requires at least 4 complete groups within the Center; maximum loanable amount is P20,000 unsecured; not subject to loan restructuring | PCFC**, OIKO Credit, Grameen Credit Agricole |
| | Market day | payable in 1, 2, 3 or 4 weeks only; 6% per month | The applicant must have a current Individual Credit Rating of 98%-100% and must be in the ASHI-1 Loan Cycle 2. The General Loan must be current. It requires at least 4 complete groups within the Center; maximum loanable amount is P10,000 unsecured; not subject to loan restructuring | PCFC**, OIKO Credit, Grameen Credit Agricole |
| Other | Enterprise | payable in 3 months to 5 years; 3% per month | The applicant must be an ASHI or INSOL member or both. With 98-100% credit performance in ASHI. Enterprise Loan replaces the General Loan. She must at least 6 months members of INSOL and have attended trainings; maximum loanable amount is P250,000;covered by Post dated checks; not subject to loan restructuring | PCFC** |
| | Rebuilding (APROOT) | payable in 1 year to 10 years 6% per annum | The applicant must be an ASHI member with an Attendance Rate of 98% and Repayment Rate of 100%. She must be a victim of Calamity or her house is situated in a Danger Zone area and willing to undergo "Bayanihan or Sweat Equity" and must be in a Loan Cycle 2; maximum loanable amount is P110,000; unsecured; not subject to loan restructuring | CORDAID-PEF |
| | AGAP* | Full payment upon Harvest of crops. 3% per month | The applicant must be an AGAP Member and willing to undergo training. He/she must belong in a farming sector with a land of up to 5 hectares and below. Maximum loanable amount is P25,000; unsecured; not subject to loan restructuring | NLDC*** |
| | Others | payable in 2 to 5 years 13% per annum | Other loans from other fund pertains to loans extended to members for housing, agriculture, microenterprises. not subject to loan restructuring. | PCFC** |

| Category | Type | Terms | Condition | Source |
|---|---|---|---|---|
| Special | Group fund loan | Depending on amount, subject to 5% salamat fund. | The Group Fund Loan can be used for all types of personal and emergency needs. There must be at least 3 active members in a group, all five members may avail at the same time. Only 50% of the Group savings balance may be outstanding at one time. | Compulsory Fund |
| | Staff micro | payable in 2 to 5 years<br>13% per annum | The applicant must be an Organization's Employee with a good track record. Maximum loanable amount is P150,000; deducted from salary and covered by postdated checks.; not subject to loan restructuring. No longer available. | PCFC** |

** AGAP - ASHI Grameen Agricultural Program*
*** PCFC - People's Credit and Finance Corporation*
**** NDLC - National Livelihood and Development Corporation*

For the purposes of managing risks, loans receivable are divided into two types as regular portfolio and special portfolio.

The Special Portfolio (Staff Micro Loans and Group Fund Loans) is funded by donated equity and members' contribution (Compulsory Savings), respectively. This is separately reported from the Regular Portfolio.

The movements in the allowance for impairment losses are as follows:

| | **2014** | 2013 |
|---|---|---|
| Balance at beginning of year | **P14,421,888** | P14,057,862 |
| Provision during the year | **-** | 3,302,994 |
| Write-offs/Corrections | **(253,546)** | (2,938,968) |
| Balance at end of year | **P14,168,342** | P14,421,888 |

Loans receivable earns interest ranging from 12.5% to 37.5% per annum and normally settled within one to three years except for the following:

- Enterprise loans, which are covered by post-dated checks, and due in up to five (5) years,

- Market day loans, which are usually taken during Christmas seasons, town fiestas, all Saints Day, and other special day by members who take the opportunity to earn more and for which the related loan is repaid in full when the occasion is over.

Loans receivable have no collateral but are guaranteed by co-members who, in the event of default, shall assume the loan.

## 7. Installment Contracts Receivable

The account represents the receivable from the sale of land for Tulong Pabahay Program. The proceeds are covered by post-dated checks to be collected in thirty six (36) monthly installments until March 8, 2015.

The timing of collection determines the classification of installment contracts receivable as follows:

| | 2014 | 2013 |
|---|---|---|
| Current | **P1,392,019** | P16,704,233 |
| Noncurrent | **-** | 4,176,059 |
| | **P1,392,019** | P20,880,292 |

## 8. Other Receivables

This account consists of:

| | 2014 | 2013 |
|---|---|---|
| Accounts receivable | **P9,687,212** | P9,220,716 |
| Accrued interest receivables | **5,750,866** | 2,105,616 |
| Advances to officers and employees | **1,523,527** | 1,621,005 |
| Loans to employees | **740,811** | 513,407 |
| Branch personnel unliquidated advances | **391,626** | 5,017,572 |
| | **P18,094,042** | P18,478,316 |

Accounts receivable comprise collectibles from employees, individuals and other organizations for the payment of expenses such as telephone bills, insurance premiums, and social security system (SSS) sickness/maternity paid or advanced by the Organization on their behalf. These receivables are non-interest bearing and are collectible within one (1) year.

Accrued interest receivables pertain to interest income earned but are uncollected as at reporting date.

Advances to officers and employees are cash advances to employees subject to liquidation. Liquidation determines allowed operating expenses and residual receivables from concerned officers and employees. These residual receivables are non-interest bearing and collectible either as deduction from take home pay under prescribed periods or on terms within 30 days from the date the advance is granted but not to exceed one (1) year from the date of such advance.

Loans to employees include personal loans of employees from the Organization. These are non-interest bearing and are usually funded from the ASH Funds (for medical and educational purposes).

Branch personnel unliquidated advances represent advances to cover reimbursable expenses related to branch activities. These are normally liquidated within 30 days from date of the grant of the advance.

## 9. Prepaid Expenses and Other Current Assets

This account consists of:

| | *Note* | **2014** | 2013 |
|---|---|---|---|
| Prepaid supplies | | **P1,365,156** | P1,400,478 |
| Prepaid insurance | | **1,115,875** | 1,115,875 |
| Security deposits | *22* | **542,160** | 514,800 |
| Prepaid - others | | **57,144** | 16,001 |
| | | **P3,080,335** | P3,047,154 |

## 10. Property and Equipment - net

The movements and balances of this account consist of:

| | Buildings and Structures | Office Equipment | Office, Furniture and Fixtures | Transportation | Land | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, December 31, 2013 | P19,650,349 | P7,319,920 | P1,954,911 | P367,550 | P5,115,736 | P34,408,466 |
| Additions | 7,065,456 | 1,047,653 | 265,115 | - | - | 8,378,224 |
| **Balance, December 31, 2014** | **26,715,805** | **8,367,573** | **2,220,026** | **367,550** | **5,115,736** | **42,786,690** |
| **Accumulated Depreciation** | | | | | | |
| Balance, December 31, 2013 | 11,992,199 | 4,627,546 | 1,310,069 | 67,499 | - | 17,997,313 |
| Depreciation | 1,222,427 | 1,175,525 | 259,232 | 90,380 | - | 2,747,564 |
| **Balance, December 31, 2014** | **13,214,626** | **5,803,071** | **1,569,301** | **157,879** | - | **20,744,877** |
| **Carrying Amount** | | | | | | |
| **December 31, 2014** | **P13,501,179** | **P2,564,502** | **P650,725** | **P209,671** | **P5,115,736** | **P22,041,813** |
| December 31, 2013 | P7,658,150 | P2,692,374 | P644,842 | P300,051 | P5,115,736 | P16,411,153 |

## 11. Computer Software - net

This account pertains to the cost of internally developed computer software for customization of the Organization's loan tracking and accounting system.

| | | 2014 | 2013 |
|---|---|---|---|
| **Cost** | | | |
| Balance at beginning of the year | | **P932,706** | P932,706 |
| Additions | | **206,522** | - |
| Balance at end of the year | | **1,139,228** | 932,706 |
| **Accumulated amortization** | | | |
| Balance at beginning of the year | | **218,324** | 31,783 |
| Amortization during the year | *20* | **213,956** | 186,541 |
| Balance at end of year | | **432,280** | 218,324 |
| | | **P706,948** | P714,382 |

## 12. Other Noncurrent Assets

This account consists of:

| | 2014 | 2013 |
|---|---|---|
| APROOT rebuilding program | **P5,928,486** | P5,911,947 |
| Investment in shares of stocks | **400,000** | 400,000 |
| Other noncurrent assets | **101,950** | 64,840 |
| | **P6,430,436** | P6,376,787 |

APROOT rebuilding program represents contributed fund by the Organization to a project to construct 167 houses in partnership with Peace and Equity Foundation (PEF). This has maturity of 4 years pursuant to the terms of Catholic Organization for Relief and Development Aid (PEF-CORDAID), the entity which provided the fund to ASHI.

Investment in shares of stocks represents ordinary investments in MIDAS and represents 16.67% share in the investee.

## 13. Payables and Accrued Expenses

This account consists of:

| | 2014 | 2013 |
|---|---|---|
| Accounts payable | **P3,471,072** | P6,857,977 |
| Accrued expenses | **689,658** | 276,250 |
| Statutory payables | **217,095** | 199,263 |
| Micro-insurance partnership payable | **-** | 837,333 |
| | **P4,377,825** | P8,170,823 |

Accounts payable pertains mostly to retention fee for construction projects which will be paid upon final inspection of the work done and refund payments of Tulong Pabahay Program Members. This is expected to be given back to members in the next 12 months.

Accrued expenses account pertains to accruals of professional fees which are individually immaterial.

The Micro-insurance partnership payable account, previously classified as Damayan Fund (equity account), was reclassified to liability pursuant to the directive of National Insurance Commission's mandate that micro insurance companies must be administered by an accredited insurance organization or by a Mutual Benefit Association.

## 14. Fund Savings

Fund savings are accumulated savings by members which can be withdrawn and can earn interest in accordance with fund savings policy.

This account consists of:

| | 2014 | 2013 |
|---|---|---|
| Voluntary savings: | | |
| Personal fund | **P4,127,733** | P3,001,323 |
| Children's fund | **2,160,354** | 1,169,588 |
| | **6,288,087** | 4,170,911 |
| Compulsory savings: | | |
| Kabalikat fund | **26,700,859** | 31,453,377 |
| Compulsory fund | **32,807,920** | 31,348,092 |
| KMSB fund | **324,451** | 324,451 |
| | **59,833,230** | 63,125,920 |
| Special savings fund: | | |
| Center fund | **1,497,543** | 1,043,354 |
| Trust funds | **5,501,718** | 4,100,692 |
| Philhealth fund | **314,519** | 432,929 |
| | **7,313,780** | 5,576,975 |
| | **P73,435,097** | P72,873,806 |

The timing of payment determines the classification of fund savings as follows:

| | 2014 | 2013 |
|---|---|---|
| Current | **P13,926,318** | P10,072,337 |
| Noncurrent | **59,508,779** | 62,801,469 |
| | **P73,435,097** | P72,873,806 |

The following are the three types of fund savings:

1. Voluntary Savings

1.1 Personal Fund is a type of voluntary savings fund where Members can place savings at variable amounts and withdraw certain portion at any time. Savings can earn interest of 4% per annum provided P500 is maintained as average daily balance.

1.2 Children's Fund is a voluntarily savings by Members specifically for the purpose of saving for the education of Members' children. This is restricted from withdrawal of up to two (2) years and earns interest of 4% per annum. Pre-termination fee will be imposed for withdrawal before maturity.

2. Compulsory Savings

2.1 Kabalikat Fund is a non-interest bearing fund collected from members amounting to P5 per week at every center meeting. It is a contribution pooled to cover for any loss the Organization may suffer from any uncollected loan outstanding balances for all types of loans of Members in the event of death. The remaining savings balance, if any, may be returned to the beneficiaries and/or heirs of Members subject to the governing policies of the Organization.

2.2 Compulsory Fund is a non-interest bearing fund collected from members amounting to P5 per week at every center meeting. It is a contribution to the Group Fund and pooled as internally generated fund available for borrowings from Members subject to the Organization's policy. This can only be withdrawn upon resignation of Members or termination of Membership from the Organization.

2.3 Kabalikat Micro-insurance Savings Benefit Fund (KSMB) is a non-interest bearing fund out of optional fixed deposits by Members. This operates on some optional schemes which may be availed of considering varied benefits available for each option. Options 1 and 2 are funds kept intended to cover pension benefit and/or life insurance of availing Members. Pooled funds are remitted by the Organization to identified insurance companies and represents premium coverage paid for pension and/or life insurance policy of availing Members. This fund, at certain conditions, may be kept in restricted bank accounts of the Organization. This fund is non-interest earning.

2.4 Micro-insurance Partnership Payable is originally of similar nature to the Center Fund. This was pooled from Members and used to contribute to a member's family upon death of a member. This was institutionalized in 2006 through a one-time Membership fee of P250 for all ASHI Members.

On April 1, 2010, the Organization modified its program to comply with Government Framework for Micro-insurance of the National Insurance Commission. The Organization operates the micro insurance through a "PARTNERSHIP MODEL" either through an insurance intermediary or underwriters recognized by insurance commission to carry "micro-insurance services for microfinance." Up until the first quarter of 2013 ASHI has partnership with MICROENSURE, an accredited intermediary. In April 2013, ASHI entered ito a new partnership direct to the duly accredited underwriter, PIONEER, an insurance company that pioneered micro-insurance products for the poor, to comply with such regulations. A weekly compulsory contribution amounting P20 is made by all Members at every center meeting. This fund is being remitted by the branches to the head office of the Organization. The Social Protection Department based in the Head Office administers the processing of claims and the release of benefits subject to the governing policies of the Organization on claims processing such as required attendance, exclusivity of membership among others

3. Special Savings Fund

3.1 Center Fund represents pooled funds out of collections of the Organization from the members and remitted to the head office based on agreed amounts and timing of remittance. This is used to defray necessary costs to support all activities of the Organization such as assemblies, meetings, trainings and workshops.

3.2 Trust Funds are pooled funds based on prescribed fixed amount per member and restricted as to withdrawal upon issuance of center resolution signed by the members. The trust fund was created with Board Approval to cover for the expenses for general assembly, national anniversary and regional consultation. The funds are kept in a separate bank account and interest earned per annum are booked as an addition to the fund.

3.3 Philhealth Fund represents voluntary savings by members for premium payment to Philhealth. The amount is being collected during center meetings and remitted to the Head Office. Head office remits to Philhealth the annual premium of P2,400 per member. This is an assistance by ASHI to promote health security among members.

## 15. Loans Payable

This account consists of:

| | 2014 | 2013 |
|---|---|---|
| Current | **P161,002,506** | P112,812,243 |
| Noncurrent | **130,788,865** | 156,679,573 |
| | **P291,791,371** | P269,491,816 |

This account pertains to loans availed to finance the Organization's working capital requirements.

| Creditor | Interest Rate per Amount | 2014 | 2013 |
|---|---|---|---|
| People's Credit and Finance Corporation (PCFC) | 10% | **P235,344,251** | P211,812,097 |
| Oikocredit, EDCS, UA | 8.5% | **56,212,120** | 36,000,000 |
| Fr. Raymon D. Bodson, CICM | Nil | **180,000** | 180,000 |
| Generoso G. Octavio | Nil | **55,000** | 55,000 |
| National Livelihood and Development Corporation | 9% | - | 10,444,719 |
| Grameen Credit Agricole Microfinance Foundation | 6.7% | - | 6,000,000 |
| Peace and Equity Foundation | 5% | - | 5,000,000 |
| | | **P291,791,371** | P269,491,816 |

Interest expense recognized in statements of receipts and expenses and other comprehensive income amounted to P24,017,094 and P22,817,942 in 2014 and 2013, respectively (see Note 19).

## 16. Retirement Benefits

The Organization has an unfunded, noncontributory defined benefit retirement plan covering its permanent employees. Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The retirement benefit is solely based on the requirement under Republic Act 7641 which is equivalent to one-half month's salary for every year of service, with six months or more service considered as one year.

As at and for the year ended December 31, 2014, the Organization recognized retirement liability, retirement expense, and other comprehensive income amounted to P11,969,983, P1,325,033 and nil, respectively.

Based on the result of the actuarial valuation dated April 17, 2015 that was prepared by a qualified independent actuary, the retirement liability as at December 31, 2014 was estimated to be P20,013,433 net of the actual benefits paid to the qualified employees of P1,917,000 in 2014. Had the Organization followed the requirements of PAS 19 as amended, the retirement liability and related retirement expense should have been higher by P8,043,450 and P6,123,508, respectively while other comprehensive income should have been lower by P1,919,942.

The differences noted above resulted from the Organization's decision to defer the full recognition of retirement expense of P7,448,541 in 2014 and instead, recognized this on a staggered basis.

As at December 31, 2013, the Organization's retirement liability amounted to P12,561,950 based on the actuarial report prepared by a qualified independent actuary dated January 22, 2014.

The reconciliation of the liability recognized in the statements of financial position at December 31, 2013 is shown below:

| | 2013 |
|---|---|
| Present value of defined benefit obligation | P12,561,950 |

The movements in the present value of defined benefit obligation are shown below:

| | 2013 |
|---|---|
| Balance at beginning of year | P9,555,657 |
| Current service cost | 971,466 |
| Interest cost | 537,028 |
| Benefits paid | - |
| Actuarial loss | 1,497,799 |
| Balance at end of year | P12,561,950 |

The retirement benefit expense recognized in statements of receipts and expenses and other comprehensive income are as follows:

| | *Note* | 2013 |
|---|---|---|
| Current service cost | | P971,466 |
| Interest cost | | 537,028 |
| Retirement benefits expense | *18* | P1,508,494 |

The principal actuarial assumptions used in the latest actuarial valuation obtained by the Organization for the year ended December 31, 2014, were as follows:

| | 2013 |
|---|---|
| Discount rate | 5.32% |
| Future salary increases | 3.00% |

Assumptions regarding future mortality have been based on published statistics and mortality tables. As at December 31, 2013, the weighted average duration of the defined benefit obligation is 19.4 years.

The Organization's mode of financing the retirement plan is lump-sum benefit payment.

The defined benefit obligation is exposed to interest rate, actuarial and longevity risks.

Financial Assets held at FVPL
The Organization's financial assets at FVPL pertain to investments in a mutual fund that primarily invests in fixed income and equity securities. As at December 31, 2014 and 2013, investment in FVPL amounted to P10,395,749 and P9,769,622 comprising of 3,318,283 units with a net asset value per unit (NAVPU) of P3.13 and P2.94, respectively. Fair value of the FVPL is categorized under level 1 of the fair value hierarchy.

The Organization is currently in the process of establishing a trust fund to secure its retirement plan assets to settle future retirement obligations and intends to transfer its investment in financial assets held at FVPL once the trust fund is established.

Had the Organization's succeeded in establishing its trust fund to hold its retirement plan assets in 2014 and transferred its investments in financial assets held at FVPL, its retirement liability, total current assets and total non-current liability would have been lower by P9,617,684.

## 17. Grants and Donations

### A. 2014

| Sources | Amounts of Grants and Donations | Activities |
|---|---|---|
| **Grants:** | | |
| National Livelihood and Development Corporation (NLDC) | **P135,600** | FLRP Programs and activities and end client program. |
| OIKO Credit | **45,000** | Staff Capacity Building |
| | **P180,600** | |
| **Donations:** | | |
| Kimberly Dawn Nabalan | **P87,235** | For FLRP activities and Program |
| ASHI members | **18,873** | For Branch anniversary |
| Philippine Crop Insurance Companay (PCIC) | **15,942** | For AGAP activities |
| Baao Parish Multi-Purpose Cooperative | **10,000** | For Typhoon Yolanda |
| Alice Lucindo Del Rosario | **8,993** | For Typhoon Yolanda |
| Anonymous | **8,545** | For Typhoon Yolanda |
| People's Credit Financing Corporation (PCFC) | **3,500** | PCFC Staff exposure fee |
| Mercedes R. Abad | **2,000** | For ASH Fund and Christmas Party |
| | **P155,088** | |

B. 2013

| Sources | Amounts of Grants and Donations | Activities |
|---|---|---|
| Grants: | | |
| TRIAS (a Belgian based NGO) | P2,950,145 | ▪ Local Economic Development (LED) Program in Antique and Metro Manila.<br>▪ Antique-LED Coordination Activities and Farmers Enrepreneurship Program counterpart.<br>▪ ASHI Grameen Agricultural Program (AGAP) visioning and planning for sustainability workshop.<br>▪ Area Survey, PPI, Projection Meeting in hard to reach areas in Central Antique<br>▪ Planning with other LED actor in Antique.<br>▪ Financial Literacy program,<br>▪ Representation to Social Performance<br>▪ Taskforce, Documentation of Manuals for Risk management, Planning and Evaluation, regional consultations.<br>▪ Disaster Risk Reduction training for center chief and staff. |
| TRIAS (a Belgian based NGO) | 1,785,550 | For rehabilitation loans of Yolanda victims. This will be set up as Resilience Fund once reflows are received. |
| PEF | 256,500 | Skills training of Housing Program Members in Pakil |
| National Livelihood and Development Corporation (NLDC) | 56,800 | Farmer's Literacy Workshop in Antique |
| | P5,048,995 | |
| Donations: | | |
| ASHI-members | P680,914 | For Typhoon Yolanda and program expenses |
| Oikocredit, EDCS, UA | 297,343 | For Typhoon Yolanda |
| ASHI-personnel | 44,979 | For Typhoon Yolanda |
| People's bank of CARAGA | 10,000 | For Typhoon Yolanda |
| Angeline Jose | 38,590 | For Typhoon Yolanda |
| | P1,071,826 | |

## 18. Personnel Expenses

This account consists of:

| | Note | 2014 | 2013 |
|---|---|---|---|
| Salaries and wages | | **P42,121,033** | P38,585,857 |
| Staff benefits and other allowance | | **12,333,234** | 11,229,357 |
| SSS, Philhealth and HDMF | | **3,849,032** | 3,250,576 |
| Training expenses | | **2,894,645** | 1,617,599 |
| Insurance | | **1,755,602** | 1,704,201 |
| Retirement benefits expense | *16* | **1,325,033** | 1,508,494 |
| Psychological and training fee | | **49,750** | 26,400 |
| | | **P64,328,329** | P57,922,484 |

## 19. Finance Income and Finance Cost

Finance income pertains to the interest income earned from loans amounting to P102,997,906 and P87,788,292 for the years ended December 31, 2014 and 2013, respectively.

Finance cost consists of:

| | *Note* | **2014** | 2013 |
|---|---|---|---|
| Interest expense on loans payable | *15* | **P24,017,094** | P22,817,942 |
| Other financing cost | | **3,277,854** | 3,140,364 |
| Interest Expense on Members Fund/Deposits | | **120,321** | - |
| Bank charges | | **100,804** | 50,479 |
| Impairment losses on loans receivable | *6* | **-** | 3,302,994 |
| | | **P27,516,073** | P29,311,779 |

## 20. Administrative Expenses

This account consists of:

| | *Note* | **2014** | 2013 |
|---|---|---|---|
| Transportation and travel | | **P7,617,798** | P7,276,908 |
| Impairment of advances | | **4,440,767** | - |
| Office supplies | | **3,245,259** | 2,488,821 |
| Meetings and representation | | **3,172,304** | 3,462,710 |
| Depreciation and amortization | *10, 11* | **2,961,520** | 2,686,682 |
| Rent | *22* | **2,906,796** | 2,447,791 |
| Utilities Expense | | **1,996,129** | 1,631,860 |
| Communication | | **1,165,231** | 1,256,514 |
| Repairs and maintenance | | **1,064,688** | 913,225 |
| Professional & consultancy fees | | **987,581** | - |
| Notarial and documentary stamps | | **980,566** | 535,493 |
| Auditing and accounting fees | | **570,272** | 611,696 |
| Taxes and licenses | | **479,893** | 310,222 |
| Security services | | **196,950** | 244,000 |
| Contributions and donations | | **119,896** | 654,565 |
| Insurance cost | | **60,397** | 27,778 |
| Subscriptions | | **4,596** | 57,779 |
| Other administrative expenses | | **1,820,820** | 51,759 |
| | | **P33,791,463** | P24,657,803 |

Impairment of advances pertains to the impairment recognized by the Organization from the advances made to its members as settlement of certain insurance claims in 2012 that were not refunded by the partner-insurer.

## 21. Program Expenses

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Planning and evaluation expenses | **P1,834,220** | P715,581 |
| Micro-credit program development | **541,701** | 384,887 |
| Anniversary and general assembly meeting expenses | **402,749** | 1,309,111 |
| Members' micro enterprise trainings and workshops | **366,894** | 1,517,691 |
| Competency based training | **327,373** | 179,733 |
| Gifts and giveaways | **162,143** | 383,321 |
| Continuing education | **33,128** | 237,317 |
| Networking meetings and meals | - | 307,569 |
| Books and publications | - | 240,814 |
| Networking dues and fees | - | 24,589 |
| | **P3,668,208** | P5,300,613 |

## 22. Leases

The Organization leases premises occupied by most of its branches and its regional offices for one year, renewable upon mutual agreement of both parties. The related security deposit amounting to P542,160 and P514,800 is classified under "Prepaid expenses and other current assets" in 2014 and 2013, respectively (see Note 9).

Rent expense recognized in administrative expenses amounted to P2,906,796 and P2,447,791 as at December 31, 2014 and 2013, respectively (see Note 20).

The future minimum lease payments for the various lease contracts are as follows:

| | **2014** | 2013 |
|---|---|---|
| Within one year | **P1,144,850** | P1,936,700 |
| After one year but not more than five years | **517,400** | 978,690 |
| | **P1,662,250** | P2,915,390 |

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following are the tax information required for the taxable year ended December 31, 2014 based on Revenue Regulations No. 15-2010:

### A. Documentary Stamp Tax

| | |
|---|---|
| On loan instruments | **P980,566** |

B. **Withholding Taxes**

| | |
|---|---|
| Tax on compensation and benefits | **P2,972,292** |
| Creditable withholding taxes | **66,333** |
| Final withholding taxes | **562,921** |
| | **P3,601,546** |

C. **All Other Taxes (Local and National)**

| | |
|---|---|
| ***Other taxes paid during the year recognized under "Taxes and licenses" account under Expenses*** | |
| License and permit fees | **P449,619** |
| Others | **30,274** |
| | **P479,893** |