COVER SHEET

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S.E.C. Registration Number

ASA PHILIPPINES FOUNDATION INC

(Company's Full Name)

UNIT - 509 PRESTIGE TOWER F ORTIGAS JR ST ORTIGAS CENTER PASIG CITY

(Business Address : No. Street City / Town / Province)

FLORINDA M. LACANLALAY	(+632) 687 7558
Contact Person	Company Telephone Number

1 2	3 1	AFS		
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring the Doc

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ASA Philippines Foundation, Inc.** is responsible for all information and representations contained in the financial statements for the year ended December 31, 2010. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The President and the Treasurer review the financial statements before such statements are approved and submitted to the Board of Trustees.

Punongbayan & Araullo, a member firm of Grant Thornton International, the independent auditors and appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to Board of Trustees.

KAMRUL H. TARAFDER	**FLORINDA M. LACANLALAY**
President	Treasurer

EDWARD S. GO
Chairman

Punongbayan & Araullo

Member of Grant Thornton International Ltd

Financial Statements and Independent Auditors' Report

ASA Philippines Foundation, Inc.

December 31, 2010 and 2009

Punongbayan & Araullo

Report of Independent Auditors

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The Enterprise Center
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1200 Makati City
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The Board of Trustees
ASA Philippines Foundation, Inc.
(A Nonstock, Nonprofit Organization)
Unit 509 Prestige Tower, F. Ortigas Jr. Street
Ortigas Center, Pasig City

Report on the Financial Statements

We have audited the accompanying financial statements of ASA Philippines Foundation, Inc., which comprise the statements of assets, liabilities and fund balance as at December 31, 2010 and 2009, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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EAST PASIG CITY
MAR 29 2011

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities, and fund balance of ASA Philippines Foundation, Inc. as of December 31, 2010 and 2009, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2010 required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 19 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 2641864, January 3, 2011, Makati City
Partner's SEC Accreditation No. 1036-A (until Sept. 29, 2013)
BIR AN 08-002511-32-2011 (until Feb. 3, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

February 23, 2011

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE
DECEMBER 31, 2010 and 2009
(Amounts in Philippine Pesos)

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	Notes	2010	2009
ASSETS			
CASH AND CASH EQUIVALENTS	5	P 76,478,334	P 54,759,980
LOANS RECEIVABLE - Net	6	820,828,617	501,604,579
OTHER RECEIVABLES	6	26,602,078	17,943,688
PROPERTY AND EQUIPMENT - Net	7	23,050,000	12,394,440
RENTAL DEPOSITS	17	3,156,490	2,334,941
TOTAL ASSETS		P 950,115,519	P 589,037,628
LIABILITIES AND FUND BALANCE			
LOANS PAYABLE	9	P 125,197,950	P 74,436,265
CAPITAL BUILD-UP AND LOCKED IN CAPITAL BUILD-UP	8	525,853,490	326,748,762
RETIREMENT BENEFIT OBLIGATION	14	28,046,000	14,152,000
OTHER LIABILITIES	10	109,378,125	60,030,126
TOTAL LIABILITIES		788,475,565	475,367,153
FUND BALANCE		161,639,954	113,670,475
TOTAL LIABILITIES AND FUND BALANCE		P 950,115,519	P 589,037,628

See Notes to Financial Statements.

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ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009
(Amounts in Philippine Pesos)

	Notes	2010	2009
REVENUES			
Service fees	6	P 398,500,114	P 240,331,747
Admission fees		14,241,740	12,244,850
Others	11	3,345,136	7,265,491
		416,086,990	259,842,088
OPERATING EXPENSES			
Project cost	12	303,273,546	206,127,527
General and administrative expenses	13	64,843,965	21,338,451
		368,117,511	227,465,978
EXCESS OF REVENUES OVER EXPENSES		47,969,479	32,376,110
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		P 47,969,479	P 32,376,110

See Notes to Financial Statements.

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ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009
(Amounts in Philippine Pesos)

	2010	2009
GRANTS AND CONTRIBUTIONS	P 41,360,000	P 41,360,000
RESULTS OF OPERATIONS		
Balance at beginning of year	72,310,475	39,934,365
Total comprehensive income	47,969,479	32,376,110
Balance at end of year	120,279,954	72,310,475
TOTAL FUND BALANCE	P 161,639,954	P 113,670,475

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009
(Amounts in Philippine Pesos)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses		P 47,960,479	P 32,376,110
Adjustments for:			
Impairment loss	4	45,845,690	30,951,720
Interest on borrowed funds	12	7,194,685	2,202,511
Depreciation	7	6,823,732	3,797,543
Amortization of discounts on interest-free loans	7	4,263,735	1,448,880
Interest income	5	(757,187)	(552,835)
Fair value gains on interest-free loans	11	-	(4,832,771)
Operating excess of revenues over expenses before working capital changes		111,340,134	65,391,158
Increase in loans receivable		(359,629,982)	(238,446,922)
Increase in other receivables		(34,098,136)	(5,439,740)
Increase in rental deposits		(821,449)	(945,541)
Increase in capital build-up and locked-in capital build-up		199,104,728	133,732,028
Increase in retirement benefit obligation		13,994,000	4,325,600
Increase in other liabilities		49,537,296	21,405,643
Cash used in operations		(673,509)	(19,976,880)
Cash paid for income taxes	14	(189,297)	(138,209)
Net Cash Used in Operating Activities		(862,806)	(20,115,089)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	7	(17,479,292)	(13,611,733)
Interest received		757,187	552,835
Net Cash Used in Investing Activities		(16,722,105)	(13,058,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments	10	122,297,950	72,500,000
Payment of loans		(75,900,000)	(16,295,960)
Interest paid		(7,194,685)	(2,202,511)
Net Cash From Financing Activities		39,203,265	54,001,529
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,718,354	20,827,542
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		54,759,980	33,932,438
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 76,478,334	P 54,759,980

See Notes to Financial Statements.

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ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Foundation Information

ASA Philippines Foundation, Inc. (the Foundation or ASA) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 9, 2004 with Registration Certificate No. CN200409459, and with the objectives to (a) provide efficient and affordable financial services to the poor for their income-generating activities; (b) build an effective and efficient microfinance institution for sustainable delivery of microfinance services to the entrepreneurial poor; and (c) facilitate the convergence and provision of other social services for the poor.

The ASA Program provides:

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

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

(c) Business development services for the member clients to improve efficiency in enterprise management.

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

1.2 Authorization for the Issuance of Financial Statements

The financial statements of the Foundation for the year ended December 31, 2010 (including the comparatives for the year ended December 31, 2009) were authorized for issue by the Foundation's Board of Trustees on February 23, 2011.

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RDO43A
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ASSESSMENT SECTION
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements*. The Foundation presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the statement of financial position (statement of assets, liabilities and fund balance) when the Foundation applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(c) Functional and Presentation Currency

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

Items included in the financial statements of the Foundation are measured using its functional currency.

2.2 *Adoption of New Interpretations, Revisions and Amendments to PFRS*

(a) Effective in 2010 that is Relevant to the Foundation

There are new PFRS, interpretations, revisions, amendments and annual improvements to existing standards which are effective for financial statements for the annual period beginning on or after January 1, 2010. These include *Improvements to PFRS 2009* adopted by FRSC which became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, the following amendments were identified to be relevant to the Foundation but which did not have any material impact on its financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements* (effective from January 1, 2010). The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.

(ii) PAS 7 (Amendment), *Statement of Cash Flows* (effective from January 1, 2010). The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Foundation as cash flow from investing activities.

(iii) PAS 17 (Amendment), *Leases* (effective from January 1, 2010). The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17.

(iv) PAS 18 (Amendment), *Revenue* (effective from January 1, 2010). The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Presently, the Foundation acts as a principal in its undertakings.

(b) Effective in 2010 but are not Relevant to the Foundation

The following PFRS, amendments, interpretations and improvements to published standards are mandatory for accounting periods beginning on or after January 1, 2009 but are not relevant to the Foundation's financial statements:

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 1 (Amendment)	:	Additional Exemptions for First-time Adopters
PFRS 2 (Amendment)	:	Group Cash-settled Share Based Payment Transactions
PFRS 3 (Revised 2008)	:	Business Combinations

Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 9	:	Embedded Derivatives – Amendment to IFRIC 9 and PAS 39
IFRIC 16	:	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	:	Transfers of Assets from Customers
2009 Annual Improvements		
PFRS 5 (Amendment)	:	Non-current Asset Held for Sale and Discontinued Operations
PFRS 8 (Amendment)	:	Operating Segments
PAS 36 (Amendment)	:	Impairment of Assets
PAS 38 (Amendment)	:	Intangible Assets

(b) *Effective Subsequent to 2010*

There are new PFRS, interpretations and revisions to existing standards that are effective for periods subsequent to 2010. Management has initially determined the following, among others, to be relevant to its financial statements to which the Foundation will apply in accordance with its transitional provisions:

(i) PAS 24 (Revised), *Related Party Disclosures* (effective from January 1, 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. Earlier application of the standard, in whole or in part, is permitted but the Foundation opted not to early adopt the standard. The Foundation, however, is currently reviewing the impact of this revised standard on its related party disclosures in time for its adoption of the revised standard in 2011.

(ii) Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to PAS 19, *Employee Benefits*, surplus for defined benefit plans that are subject to a minimum funding requirement. Management does not expect that its future adoption of the amendment will have a material effect on its financial statements because it does not usually make substantial advance contributions to its retirement fund.

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011). The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of the reporting period. The Foundation believes that adoption of the amendments in 2012 will not have any significant effect on its financial statements as this only affect disclosures and the Foundation usually provides adequate information in its financial statements in compliance with disclosure requirements.

(iv) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are still being developed.

Management is yet to assess the impact that this amendment is likely to have on the financial statements of the Foundation. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published, at which time the Foundation expects it can comprehensively assess the impact of the revised standard.

(v) 2010 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2010* (the 2010 Improvements). Most of these amendments became effective for annual periods beginning on or after July 1, 2010, or January 1, 2011. The 2010 Improvements amend certain provisions of PFRS 3 (Revised 2008), clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Foundation's preliminary assessments indicate that the 2010 Improvements will not have a material impact on its financial statements.

2.3 Financial Assets

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

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

The financial asset category that is currently relevant to the Foundation is loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Foundation's loans and receivables is presented as Cash and Cash Equivalents, Loans Receivable, Other Receivables and Rental Deposits in the statement of assets, liabilities and fund balance. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and other receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses except when these are due within one year, in which case, they are stated at their nominal values. Any change in their value is recognized in profit or loss.

Impairment loss is provided when there is objective evidence that the Foundation will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows. Impairment loss is presented as part of Project Cost in the statement of comprehensive income.

When a receivable item is uncollectible, it is written off against the related allowance for impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for receivable impairment in the statement of comprehensive income.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.4 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

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

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

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

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.

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

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

Property and equipment is subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

2.5 Financial Liabilities

Financial liabilities include capital build-up (CBU) and locked in capital build-up (LCBU), loans payable, and other liabilities, which are measured at amortized cost using the effective interest method.

Financial liabilities are recognized when the Foundation becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense and included under Project Cost account in the statement of comprehensive income.

Loans payable are raised for support of funding of operations. They are recognized at proceeds received, net of direct issue costs.

Other liabilities are recognized initially at their fair value and subsequently measured at amortized cost less settlement payments except when these are due within one year, in which case, they are stated at their nominal values.

Financial liabilities are derecognized from the statement of assets, liabilities and fund balance only when the obligations are extinguished either through discharge, cancellation or expiration.

2.6 Provisions

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

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

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

2.7 Revenue and Expense Recognition

Revenue comprises of revenue from rendering of services (extending loans) measured by reference to the fair value of consideration received or receivable by the Foundation for services provided.

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

(a) *Service fees* – Revenue is recognized as service fees accrue.

(b) *Admission fees* – Revenue is recognized when admission fees are received or accrued whichever comes first.

(c) *Grants* – Revenue is recognized in the period of notification or actual receipt of grants, whichever is earlier.

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

Costs and expenses are recognized in profit or loss upon utilization of goods or services at the date they are incurred. Any finance costs are reported in profit or loss on an accrual basis.

2.8 Leases

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

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

2.9 Post-employment Benefits

Post-employment benefits are provided to employees through a defined benefit plan, as well as a defined contribution plan.

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

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period together with adjustments for unrecognized actuarial gains or losses and past-service costs. The DBO is calculated by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets, if any. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in profit or loss, unless the changes to the post-employment plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

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

2.10 Fund Balance

Fund balance is composed of grants and contributions and results of operations.

Results of operations include all current and prior period results as disclosed in profit or loss in the statement of comprehensive income.

2.11 Related Party Transactions

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Foundation's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Operating and Finance Leases

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

(b) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.6 and relevant disclosures are presented in Note 17.

3.2 Key Sources of Estimation Uncertainty

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

(a) Useful Lives of Property and Equipment

The Foundation estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are analyzed in Note 7. Based on management's assessment as at December 31, 2010 and 2009, there is no change in estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(b) Allowance for Impairment of Loans and Other Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Foundation evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Foundation's relationship with the clients, the clients' current credit status, average age of accounts, collection experience and historical loss experience.

Impairment loss on loans receivable amounted to P45.8 million and P31.0 million in 2010 and 2009, respectively. Receivables written-off amounted to P3.6 million and P4.3 million in 2010 and 2009, respectively. Loans receivable, net of allowance for impairment, amounted to P820.8 million and P501.6 million as at December 31, 2010 and 2009, respectively (see Note 6). No impairment loss on other receivables was recorded both in 2010 and 2009.

(c) Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Foundation's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.10. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Foundation's property and equipment assets in 2010 and 2009.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The most significant financial risks to which the Foundation is exposed to are described in the following paragraphs.

4.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Foundation is exposed to this risk for various financial instruments, for example by providing loans and advances to clients and employees, and placing deposits.

The Foundation continuously monitors default of its clients and other counterparties, identified individually or by group, and incorporate the information into its credit risk controls. The Foundation's policy is to deal only with creditworthy counterparties.

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

	Notes	2010	2009
Cash and cash equivalents	5	P 76,476,358	P 54,729,378
Loans receivable	6	820,828,617	501,604,579
Other receivables	6	26,602,078	17,943,688
		P 923,907,053	P 574,277,645

Loans receivable and other receivables are secured by CBU and LCBU of borrowers. Cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, are still subjected to credit risk.

Past due loans amounting to P543,100 and P42,720 as of December 31, 2010 and 2009, respectively, have been fully provided with allowance for impairment.

In respect of loans receivable and other receivables, the Foundation is not exposed to any significant credit risk exposure to any single counterparty. Significant portion of the Foundation's loans receivable pertains to claims from various groups of borrowers with similar characteristics. However, the Foundation has no experience of significant borrowers' default and historical losses from those counterparties. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks.

4.2 Liquidity Risk

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

The Foundation maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2010, the Foundation's financial liabilities have contractual maturities which are presented below:

	Notes	Current	Non-current
CBU and LCBU	8	P 525,853,490	P -
Loans payable	9	94,214,726	41,945,563
Other liabilities	10	108,728,221	-
		P 728,796,437	P 41,945,563

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

	Notes	Current	Non-current
CBU and LCBU	8	P 326,748,762	P -
Loans payable	9	17,087,586	68,250,395
Other liabilities	10	59,698,018	-
		P 403,534,366	P 68,250,935

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

4.3 Categories and Fair Values of Financial Assets and Liabilities

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

	Notes	2010 Carrying Values	2010 Fair Values	2009 Carrying Values	2009 Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 76,478,334	P 76,478,334	P 54,759,980	P 54,759,980
Loans receivable - net	6	820,828,617	820,828,617	501,604,579	501,604,579
Other receivables	6	26,602,078	26,602,078	17,943,688	17,943,688
		P 923,909,029	P 923,909,029	P 574,308,247	P 574,308,247
Financial Liabilities					
Financial liabilities at amortized cost:					
Current:					
CBL and LCBL	8	P 525,853,490	P 525,853,490	P 526,748,762	P 526,748,762
Loans payable	9	125,197,950	125,197,950	74,436,265	74,436,265
Other liabilities	10	108,728,221	108,728,221	50,698,018	50,698,018
		P 759,779,661	P 759,779,661	P 651,883,045	P 651,883,045

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2010	2009
Cash on hand	P 1,976	P 30,602
Cash in banks	76,476,358	54,729,378
	P 76,478,334	P 54,759,980

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest earned from cash and cash equivalents amounted to P757,187 and P552,835 in 2010 and 2009, respectively, and is presented as part of Other Income in the statements of comprehensive income (see Note 11).

6. LOANS AND OTHER RECEIVABLES

6.1 Loans Receivable

Loans receivable at December 31 consist of:

	2010	2009
Loans receivable	P1,066,613,450	P 644,136,400
Unearned service charges	(139,123,493)	(78,118,181)
Allowance for impairment	(106,661,340)	(64,413,640)
	P 820,828,617	P 501,604,579

Loans receivable represent microfinance loans to borrowers. These loans have terms of six months and are partially secured by the CBU and LCBU of the borrowers (see Note 8). These loans are subject to 15% effective service charge all throughout the six months term. Service fees earned from loans, net of corresponding rebates, amounted to P398,500,114 and P240,351,747 in 2010 and 2009, respectively, and are shown as Service Fees in the statements of comprehensive income.

All of the Foundation's receivables are usually due within six months. These loans receivable have been reviewed for indicators of impairment. Certain receivables were found to be impaired and allowance for impairment has been recorded accordingly.

A reconciliation of the allowance for impairment at beginning and end of 2010 and 2009 is shown below.

	Note	2010	2009
Balance at beginning of year		P 64,413,640	P 37,715,260
Write-off during the year		(3,597,990)	(4,253,340)
Impairment loss during the year	12	45,845,690	30,951,720
Balance at end of year		P 106,661,340	P 64,413,640

Certain loans receivable of the Foundation amounting to P164.6 million and P49.9 million as of December 31, 2010 and 2009, respectively, are held as security to the Foundation's loans with a local bank and other creditors (see Note 9.1).

6.2 Other Receivables

Other receivables consist of personal and motorcycle loans, and advances granted to the Foundation's personnel with total carrying amount of P26,602,078 and P17,943,688 as of December 31, 2010 and 2009, respectively. Personal and motorcycle loans to employees are charged with service fee of 10% both in 2010 and 2009 (see Note 11).

The Foundation's other receivables have been reviewed for indicators of impairment. No other receivables were found to be impaired as of December 31, 2010 and 2009 based on the assessment of the management.

The net carrying value of loans and other receivables is considered a reasonable approximation of fair value.

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2010 and 2009 are shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
December 31, 2010				
Cost	P 17,397,800	P 17,389,060	P 3,749,146	P 38,536,006
Accumulated depreciation and amortization	(2,171,000)	(11,212,480)	(2,102,526)	(15,486,006)
Net carrying amount	P 15,226,800	P 6,176,580	P 1,646,620	P 23,050,000
December 31, 2009				
Cost	P 7,474,494	P 10,313,551	P 3,268,669	P 21,056,714
Accumulated depreciation and amortization	(407,694)	(6,747,431)	(1,507,149)	(8,662,274)
Net carrying amount	P 7,066,800	P 3,566,120	P 1,761,520	P 12,394,440
January 1, 2009				
Cost	P -	P 6,034,654	P 1,410,327	P 7,444,981
Accumulated depreciation and amortization	-	(3,863,254)	(1,001,477)	(4,864,731)
Net carrying amount	P -	P 2,171,400	P 408,850	P 2,580,250

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2010 and 2009 is shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 7,066,800	P 3,566,120	P 1,761,520	P 12,394,440
Additions	9,923,306	7,075,509	480,477	17,479,292
Depreciation and amortization charges for the year	(1,763,306)	(4,465,049)	(595,377)	(6,823,732)
Balance at December 31, 2010, net of accumulated depreciation and amortization	P 15,226,800	P 6,176,580	P 1,646,620	P 23,050,000
Balance at January 1, 2009, net of accumulated depreciation and amortization	P -	P 2,171,400	P 408,850	P 2,580,250
Additions	7,474,494	4,278,897	1,858,342	13,611,733
Depreciation and amortization charges for the year	(407,694)	(2,884,177)	(505,672)	(3,797,543)
Balance at December 31, 2009, net of accumulated depreciation and amortization	P 7,066,800	P 3,566,120	P 1,761,520	P 12,394,440

The amount of depreciation and amortization is allocated as follows:

	Notes	2010	2009
Project cost	12	P 4,129,459	P 2,838,090
General and administrative	13	2,694,273	959,453
		P 6,823,732	P 3,797,543

8. **CBU AND LCBU**

	2010	2009
CBU	P 444,792,580	P 278,857,042
LCBU	81,060,910	47,891,720
	P 525,853,490	P 326,748,762

CBU represents contributions made by borrowers for capital build-up purposes. Also, in cases of default in loan payments, the Foundation will offset the borrower's CBU balance against the outstanding loan balance. Borrowers earn rebates equivalent to 7% per annum of their outstanding CBU contributions which can also be deducted from future loan payments. Rebates amounted to P15,511,424 and P9,206,786 in 2010 and 2009, respectively, and are charged against Service Fees account in the statements of comprehensive income.

LCBU are non-interest earning compulsory savings made by borrowers as safeguard to their family's risk. In case of death, the accumulated LCBU amount will be given to the nominated member of the family together with other benefits from the Foundation.

9. **LOANS PAYABLE**

This account includes the following:

	2010	2009
Interest-bearing loans:		
Bank of the Philippine Islands (BPI) Globe Banko	P 80,000,000	P -
Oxfam Novib	32,297,950	-
BPI	12,900,000	14,100,000
National Livelihood Development Corporation (NLDC)	-	22,600,000
Oikocredit, Ecumenical Development Cooperative Society (EDCS), U.A.	-	2,500,000
Total interest-bearing loans *(balance carried forward)*	P 125,197,950	P 39,200,000

	2010	2009
Total interest-bearing loans *(balance brought forward)*	P 125,197,950	P 39,200,000
Noninterest-bearing loans:		
Assisi Development Foundation	-	16,000,000
Benigno S. Aquino, Jr. Foundation, Inc.	-	15,000,000
PLDT-SMART Foundation, Inc. (PSF)	-	5,000,000
Archdiocese of Lingayen-Dagupan	-	2,000,000
Pro-Life Philippines Foundation, Inc.	-	1,000,000
Team Ateneo, Inc.		500,000
	-	39,500,000
Unamortized discount	-	(4,263,735)
	-	35,236,265
	P 125,197,950	P 74,436,265

9.1 Interest-bearing Loans

On July 26, 2010 and September 9, 2010, the Foundation obtained loans from BPI Globe Banko amounting to P50.0 million and P30.0 million, respectively. The loans are payable in one year and bear interest based on the prevailing market rates which are payable monthly in arrears and subject to quarterly review. The loan is secured by assignment of certain receivables of the Foundation amounting to at least 1.20 times of the outstanding loan balance.

On April 16, 2010, the Foundation obtained a loan from Oxfam Novib amounting to European Union (EU) euro 535,000 or its equivalent peso amount of P32.3 million. The loan has term of three years until its maturity on April 15, 2013 and bears an annual interest of 8.65%. As indicated in the loan agreement with Oxfam Novib, the Foundation will repay the loan at maturity equivalent to the peso amount at the date of availment. The loan agreement with Oxam Novib prohibits the Foundation to sell, dispose and pledge the Foundation's loans receivable portfolio without the former's written approval and in no case shall the approved pledged amount exceed 25% of the Foundation's loan portfolio.

On August 9, 2010, the Foundation obtained another one-year P10.0 million loan from BPI. This loan bears an annual interest of 8.25% and is secured by the assignment of loans receivable amounting to P34.9 million.

On February 7, 2007, the Foundation obtained a P30.0 million loan from Oikocredit (EDCS) U.A., an ecumenical development cooperative society. The loan is payable in three years from the date of disbursal and has an interest rate of 10.8% on the first quarter, with such interest adjusted quarterly based on the spot rate paid by 91-day Philippine Treasury Bills plus 5.0% but at no point be lower than 10.0%. The main condition for this loan is that the proceeds be used to make capital available to projects promoting self-reliance of the poor, especially the developing countries. Outstanding balance of this loan as of December 31, 2009 amounted to P2.5 million and was fully paid in 2010.

On October 5, 2007, the Foundation secured a loan from National Livelihood Support Fund (now NLDC). The original loan is for P10.0 million payable in two years from the date of disbursal at semi-annual amortization for a fixed interest rate of 9.0%. This loan was fully settled in 2009.

Additional loans were obtained from NLDC, totaling P25.0 million in 2009. The loans carry an annual interest rate of 9.0% and are payable within two years at semi-annual amortization from the date of availment. These loans are secured by the continuing assignment of all Sub-loans or Sub-borrowers' promissory notes by and under the terms of the Deed of Assignment dated March 17, 2009 between the Foundation and NLDC. These loans had outstanding balance of P22.6 million as of December 31, 2009 and were paid in full in 2010.

The loans from BPI represent medium-term loan and revolving promissory note line with principal amount of P4.5 million and P10.0 million, respectively. The medium- term loan was used to finance the purchase of a condominium unit for use in the Foundation's operation and is subject to monthly principal payments within five years. The loan bears interest rate at prevailing market rate payable every month and is secured by a real estate mortgage on said property and assignment of receivables amounting to P2.24 million.

The revolving credit line was fully availed of in 2009 with interest based on the prevailing market rate and is payable within one year. The loan is covered by assignment of receivables with loan to collateral ratio of 50%. As of December 31, 2009, these loans have total outstanding balance of P14.1 million, of which P1.2 million were paid in 2010.

Interest expense on interest-bearing loans amounted to P7.0 million and P2.0 million in 2010 and 2009, respectively, and is presented as part of Interest on Borrowed Funds under Project Cost in the statements of comprehensive income (see Note 12).

9.2 Noninterest-bearing Loans

During 2007 to 2009, the Foundation obtained noninterest-bearing loans from different local organizations for the funding of its microfinance operations. These loans, however, were all fully settled by the Foundation on various dates in 2010.

On February 23, 2009, Assisi Development Foundation granted the Foundation an unsecured loan amounting to P15.0 million to help finance the Foundation's expansion of its branches. The loan was originally due within three years. Additional loan amounting to P1.0 million, bearing the same terms as the original, was obtained by the Foundation on July 6, 2009.

Unsecured loans from Benigno S. Aquino, Jr. Foundation, Inc. totaling P15.0 million with three-year term were availed of by the Foundation in 2009 to cover the fund requirements for expansion of the Foundation's branches in certain areas.

The P5.0 million loan from PSF was obtained on September 16, 2008 and was originally payable in three years from the date of disbursal. The proceeds of the loan were used exclusively for expanding the Foundation's microfinance program.

On August 2, 2007, the Foundation availed a P1.0 million loan from Pro-Life Philippines Foundation, Inc. to be used exclusively for the implemention of the Foundation's microfinance program.

The loan from Team Ateneo, Inc. was granted on May 17, 2007 with original term of three years. The proceeds of the loan were used to establish a microfinance program for the Payatas 13 Gawad Kalinga (GK) Village and for other Ateneo de Manila GK Villages in Payatas, Quezon City beginning with the Lower Molave GK Village depending on the sufficiency of the funds.

Interest-free loans were carried at amortized cost using various effective rates ranging from 3.36% to 9.10% based on the prevailing market rates at the time of release of loans. Fair value gains recognized by the Foundation from discounting of interest-free loans amounted to P4.8 million in 2009, and is presented as part of Other Income in the 2009 statement of comprehensive income (see Note 11). On various dates in 2010, all of the non-interest bearing loans outstanding as of December 31, 2009 were fully settled by the Foundation. As a result, the unamortized discounts at the beginning of the year amounting to P4.3 million were fully charged to interest expense during the year. In addition, interest expense recognized on these loans in 2009 amounted to P1.4 million. These interests are presented as part of Interest on Borrowed Funds under Project Cost in the statements of comprehensive income (see Note 12).

The maturity profile of these loans is presented below.

	2010	2009
Within one year	P 90,000,000	P 13,993,972
One year to two years	-	28,884,858
More than two years	35,197,950	31,557,435
	P 125,197,950	P 74,436,265

10. OTHER LIABILITIES

This account includes the following:

	2010	2009
Beneficiary program and support trust fund (BPSTF)	P 52,053,340	P 33,354,200
Staff cash bond	20,396,400	14,007,100
Staff benevolent fund	10,577,700	5,057,500
Accrued expenses	15,877,817	1,972,758
Staff CBU	7,212,305	3,139,190
Accounts payable	3,260,563	2,499,378
	P 109,378,125	P 60,030,126

BPSTF represents 1% of the principal amount of loans released. Effective June 1, 2010, the rate was lowered to .5%. This is used to cover the loan in case of the death of the borrower, provide assistance in cases of fire, and cover losses in case of robbery and hold-up of borrower.

Staff cash bond represents refundable security deposits made by employees and which entitles them to accrued cash benefit computed at 7% per annum.

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

Staff CBU refers to mandatory savings of the Foundation's personnel that entitles them accrued cash benefits computed at 7% per annum based on the outstanding Staff CBU balance.

11. OTHER INCOME

This account includes the following:

	Notes	2010	2009
Other service charges	6.2	P 2,479,404	P 1,716,215
Interest income	5	757,187	552,835
Bad debt collection		108,545	163,670
Fair value gains on interest-free loans	9	-	4,832,771
		P 3,345,136	P 7,265,491

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

12. PROJECT COST

This account includes the following:

	Notes	2010	2009
Employee benefits	14	P 153,722,548	P 111,112,703
Impairment loss	6	45,845,690	30,951,720
Travel and transportation		26,054,223	15,054,048
Office rental	17	14,798,252	10,002,702
LCBU benefit		11,540,000	6,332,000
Interest on borrowed funds	9	11,458,421	3,651,391
Repairs and maintenance		9,082,235	6,469,075
Security and janitorial		6,880,497	4,733,091
Office supplies and reproduction		5,817,781	4,496,072
Depreciation and amortization	7	4,129,459	2,838,090
Miscellaneous		13,944,440	10,486,635
		P 303,273,546	P 206,127,527

13. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are shown below.

	Notes	2010	2009
Employee benefits	14	P 43,447,335	P 10,987,548
Travel and transportation		5,548,738	1,830,848
License, insurance and professional fees		2,966,564	2,172,083
Grants and donations		2,857,600	2,103,300
Depreciation and amortization	7	2,694,273	959,453
Office supplies		1,664,470	315,369
Repairs and maintenance		1,267,215	450,495
Office rental	17	788,676	633,474
Entertainment, amusement and recreation		251,805	550,434
Miscellaneous		3,357,389	1,335,447
		P 64,843,965	P 21,338,451

14. EMPLOYEE BENEFITS

14.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries, employee benefits and retirement benefits are presented below.

	2010	2009
Salaries and wages	P 165,210,550	P 107,210,342
Staff retirement benefits	15,082,710	4,658,100
Security costs	11,209,173	7,730,109
Staff benevolent fund	5,667,450	2,501,700
	P 197,169,883	P 122,100,251

The amounts of employee benefits are allocated as follows:

	Notes	2010	2009
Project cost	12	P 153,722,548	P 111,112,703
General and administrative	13	43,447,335	10,987,548
		P 197,169,883	P 122,100,251

14.2 Post-employment Benefits

The Foundation maintains a noncontributory post-employment plan covering all regular full-time employees. In 2010, the Foundation obtained an actuarial valuation report to determine the balance of post-employment benefit obligation and the amount of post-employment benefit expense in accordance with PAS 19. In 2009, the amount of post-employment benefit obligation and expense recognized in the books were estimated by management which amounts approximate the amount determined by the actuary for December 31, 2009 valuation date. Actuarial valuations will be made regularly to update the retirement benefit costs and the amount of contributions.

The amounts of retirement benefit obligation recognized in the statements of assets, liabilities and fund balance are determined as follows:

	2010	2009
Present value of the obligation	P 29,949,645	P 14,152,000
Unrecognized actuarial gains	(1,903,645)	-
	P 28,046,000	P 14,152,000

The movements in the present value of retirement benefit obligation recognized in the books are presented below.

	2010	2009
Balance at beginning of year	P 14,152,000	P 9,826,400
Expense recognized	15,082,710	4,658,100
Benefits paid	(1,188,710)	(332,500)
Balance at end of year	P 28,046,000	P 14,152,000

The amounts of post-employment benefit recognized in profit or loss are presented below.

	2010	2009
Current service costs	P 13,896,178	P 4,658,100
Interest costs	1,186,532	-
	P 15,082,710	P 4,658,100

The Foundation plans to contribute P5.1 million to retirement benefit plan in 2011 based on the funding valuation recommended by the actuary.

In determining the retirement benefit obligation, the following actuarial assumptions were used:

	2010	2009
Discount rates	7.93%	9.28%
Expected rate of salary increases	10.00%	10.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the age of 60 is 26 for males and 25 for females.

15. RELATED PARTY TRANSACTIONS

The Foundation's related party includes its key management personnel. The compensation given to key management personnel in the form of short-term benefits amounted to P25,406,119 in 2010 and P18,496,500 in 2009.

16. INCOME TAX AND INCOME TAX EXEMPTION

The Foundation is a nonstock, nonprofit corporation, the primary purpose of which is one of those enumerated in Section 30 of the Tax Reform Act of 1997 (RA No. 8424). Moreover, no part of the excess of revenues over expenses of the Foundation inures to the benefit of any of its members. The trustees do not receive any compensation. In case of dissolution, the assets of the Foundation shall be transferred to a similar institution or to the government. Hence, the Foundation is exempt from income taxes. However, income derived by the Foundation from its properties, real or personal, or from any of its activities not covered by the exemption or activities conducted for profit regardless of the disposition made of such income, is subject to tax. The Foundation has no income earned from other activities not covered by its income tax exemption under RA No. 8424 in 2010 and 2009.

17. COMMITMENT AND CONTINGENCIES

17.1 Leases

The Foundation has lease agreements covering the office spaces occupied by the Foundation and its branches for a period of six months to one year. The lease agreements require the Foundation to pay rental deposits. Outstanding rental deposits as of December 31, 2010 and 2009 amounted to P3,156,490 and P2,334,941, respectively, are shown as Rental Deposits in the statements of assets, liabilities and fund balance.

Rent expense recognized related to these operating leases amounted to P15,586,928 in 2010 and P10,636,176 in 2009 which are allocated to both Project Cost and General and Administrative Expenses (see Notes 12 and 13).

17.2 Others

There are commitments and contingencies that arise in the normal course of the Foundation's operations which are not reflected in the accompanying financial statements. As of December 31, 2010, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Foundation's financial statements.

18. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

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

	2010	2009
Total loans from third parties	P 125,197,950	P 74,436,265
Total fund balance	161,659,954	113,670,475
Debt-to-fund ratio	0.77:1	0.65 : 1

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

19. SUPPLEMENTAL INFORMATION REQUIRED UNDER REVENUE REGULATION NO. 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued the Revenue Regulation (RR) No. 15-2010, which requires certain information on taxes, duties and license fees paid or accrued during the taxable year to be included as part of the notes to financial statements. RR 15-2010 is effective for financial statements for annual period beginning January 1, 2010. This supplemental information which is in addition to the disclosures required under PFRS, is presented below.

19.1 Output Value-Added Tax (VAT)

The Foundation has not incurred any ouput tax liability for the year ended December 31, 2010 as it has no any sales transactions subject to VAT.

Pursuant to section 106A, *VAT on Sale of Goods or Properties* of the National Internal Revenue Code of 1997, the Foundation does not have Zero-rated sales/receipt in 2010.

19.2 Input VAT

There were no movements in VAT input tax in 2010. The Foundation has recorded as expense all input VAT on purchases of goods and services since it would not be recoverable from any output tax liability.

19.3 Taxes on Importation

In 2010, the Foundation has not imported goods for business use. No customs duties and tariff fees were accrued or paid during the year.

19.4 Excise Tax

The Foundation does not have excise tax in 2010 since it does not have any transactions which are subject to excise tax.

19.5 Taxes and Licenses

The details of the Foundation's taxes and licenses paid during the year are as follows:

Licenses and permits	P	1,082,411
Real estate taxes		128,312
Local taxes		82,464
Miscellaneous		40,523
	P	1,333,710

The amounts of taxes and licenses are allocated as follows:

Project Cost	P	1,183,915
General and Administrative Expenses		149,795
	P	1,333,710

19.6 Withholding Taxes

The details of withholding taxes for the year ended December 31, 2010 are shown below.

Compensation and benefits	P	5,022,899
Final		189,297
	P	5,212,196

19.7 Deficiency Tax Assessment and Tax Cases

The Foundation does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR as of December 31, 2010.