ASA Philippines Foundation, Inc.

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ASA Philippines Foundation, Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

a. Schedule of PFRS Effective as of December 31, 2011
b. Schedule of Revenues and Expenditures

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

KAMRUL H. TARAFDER
President

FLORINDA M. LACANLALAY
Treasurer

EDWARD S. GO
Chairman

Punongbayan & Araullo

Member firm within Grant Thornton International Ltd

Financial Statements and Independent Auditors' Report

ASA Philippines Foundation, Inc.

December 31, 2011 and 2010

Punongbayan & Araullo

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of ASA Philippines Foundation, Inc., which comprise the statements of assets, liabilities and fund balance as at December 31, 2011 and 2010, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

BUREAU OF INTERNAL REVENUE
RECEIVED
110 PAYMENT RETURNS
DATE
3 0 MAR 2012
ASSESSMENT SECTION

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities, and fund balance of ASA Philippines Foundation, Inc. as of December 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

BUREAU OF INTERNAL REVENUE
RECEIVED
NO PAYMENT RETURNS
DATE
3 0 MAR 2012
DAHLIA V. MITURA
ASSESSMENT SECTION

Punongbayan & Araullo

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, 2011 required by the Bureau of Internal Revenue as 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 the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 3174906, January 2, 2012, Makati City
SEC Group A Accreditation
Partner - No. 1036-A (until Sept. 29, 2013)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2011 (until Feb. 3, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

February 29, 2012

BUREAU OF INTERNAL REVENUE - REVENUE REGION 7
RECEIVED
NO PAYMENT RETURNS
DATE
3 0 MAR 2012
ASSESSMENT SECTION

ASA PHILIPPINES FOUNDATION, INC.

(A Nonstock, Nonprofit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

DECEMBER 31, 2011 AND 2010

(Amounts in Philippine Pesos)

	Notes	2011	2010
ASSETS			
CASH AND CASH EQUIVALENTS	5	P 158,937,607	P 76,478,334
LOANS RECEIVABLE - Net	6	1,217,792,816	820,828,617
OTHER RECEIVABLES	6	44,121,342	26,602,078
PROPERTY AND EQUIPMENT - Net	7	26,700,000	23,050,000
RENTAL DEPOSITS	17	4,455,006	3,156,490
TOTAL ASSETS		P 1,452,006,771	P 950,115,519
LIABILITIES AND FUND BALANCE			
LOANS PAYABLE	9	P 188,297,950	P 125,197,950
CAPITAL BUILD-UP AND LOCKED IN CAPITAL BUILD-UP	8	769,543,370	525,853,490
RETIREMENT BENEFIT OBLIGATION	14	45,200,000	28,046,000
OTHER LIABILITIES	10	168,528,975	109,378,125
TOTAL LIABILITIES		1,171,570,295	788,475,565
FUND BALANCE		280,436,476	161,639,954
TOTAL LIABILITIES AND FUND BALANCE		P 1,452,006,771	P 950,115,519

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Amounts in Philippine Pesos)

	Notes	2011	2010
REVENUES			
Service fees	6	P 667,531,752	P 398,500,114
Membership fees	6	16,194,660	14,241,740
Other revenues	11	5,549,403	3,345,136
		689,275,815	416,086,990
OPERATING EXPENSES			
Project cost	12	498,659,059	303,273,546
General and administrative expenses	13	71,820,234	64,843,965
		570,479,293	368,117,511
EXCESS OF REVENUES OVER EXPENSES		118,796,522	47,969,479
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		P 118,796,522	P 47,969,479

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Amounts in Philippine Pesos)

	2011	2010
GRANTS AND CONTRIBUTIONS	P 41,360,000	P 41,360,000
RESULTS OF OPERATIONS		
Balance at beginning of year	120,279,954	72,310,475
Total comprehensive income	118,796,522	47,969,479
Balance at end of year	239,076,476	120,279,954
TOTAL FUND BALANCE	P 280,436,476	P 161,639,954

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Amounts in Philippine Pesos)

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses		P 118,796,522	P 47,969,479
Adjustments for:			
Impairment loss	6	63,989,157	45,845,690
Interest on borrowed funds	12	12,346,814	7,194,686
Depreciation and amortization	7	9,264,573	6,823,732
Interest income	5	(1,155,379)	(757,187)
Amortization of discounts on interest-free loans	9	-	4,263,735
Operating excess of revenues over expenses before working capital changes		203,241,687	111,340,135
Increase in loans receivable		(446,624,145)	(359,629,982)
Increase in other receivables		(31,617,400)	(14,098,136)
Increase in rental deposits		(1,298,515)	(821,549)
Increase in capital build-up and locked in capital build-up		243,689,880	199,104,728
Increase in retirement benefit obligation		17,154,000	13,894,000
Increase in other liabilities		59,150,850	49,537,295
Cash generated from (used in) operations		43,696,357	(673,509)
Interest received		1,155,379	757,187
Cash paid for income taxes		(231,076)	(189,297)
Net Cash From (Used in) Operating Activities		44,620,660	(105,619)
CASH FLOWS FROM INVESTING ACTIVITY			
Acquisitions of property and equipment	7	(12,914,573)	(17,479,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments		87,000,000	122,297,950
Payment of loans payable		(23,900,000)	(75,800,000)
Interest paid		(12,346,814)	(7,194,685)
Net Cash From Financing Activities		50,753,186	39,303,265
NET INCREASE IN CASH AND CASH EQUIVALENTS		82,459,273	21,718,354
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		76,478,334	54,759,980
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 158,937,607	P 76,478,334

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 on July 9, 2004 with Registration Certificate No. CN 2004-09459, 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 members in case of death and calamities and college scholarship for deserving children of members, as part of social services to the poor; and,

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

As of December 31, 2011, the Foundation has 290 branches operating in various locations within Metro Manila and provincial areas.

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

1.2 Approval of Financial Statements

The financial statements of the Foundation for the year ended December 31, 2011 (including the comparatives for the year ended December 31, 2010) were authorized for issue by the Foundation's Board of Trustees (BOT) on February 29, 2012.

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, *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. Functional currency is the primary economic environment in which the Foundation operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2011 that are Relevant to the Foundation

In 2011, the Foundation adopted the following amendments, interpretation, and annual improvements to PFRS that are relevant to the Foundation and effective for financial statements for the annual period beginning on or after January 1, 2011:

PAS 24 (Amendment)	:	Related Party Disclosures
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 14 (Amendment)	:	Prepayment of a Minimum Funding Requirement
Various Standards	:	2010 Annual Improvements to PFRS

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

(i) PAS 24 (Amendment), *Related Party Disclosures* (effective from January 1, 2011). The amendment simplifies and clarifies the definition of a related party by eliminating inconsistencies in determining related party relationships. The amendment also provides partial exemption from the disclosure requirements for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of this amendment did not result in any significant changes on the Foundation's disclosures of related parties in its financial statements.

(ii) Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement* (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 a surplus for defined benefit plans based on PAS 19, *Employee Benefits*, that are subject to a minimum funding requirement. The Foundation is not subject to minimum funding requirements and its retirement plan is currently unfunded, hence, the adoption of the revised standard has no material effect on its financial statements.

(iii) 2010 Annual Improvements to PFRS. The FRSC has adopted the *2010 Improvements to PFRS*. Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. Among those improvements, only the following amendments were identified to be relevant to the Foundation's financial statements but which did not have any material impact on its financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements: Clarification of Statement of Changes in Equity* (effective from July 1, 2010). The amendment clarifies that, for each component of fund balance, an entity may present an analysis of other comprehensive income either in the statement of changes in fund balance or in the notes to the financial statements. The amendment has no impact on the Foundation's financial statements since the Foundation does not have other comprehensive income in both years.

- PFRS 7 (Amendment), *Financial Instruments: Clarification of Disclosures* (effective from January 1, 2011). The amendment clarifies the disclosure requirements which emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks arising from financial instruments. It also amends the required disclosure of financial assets including the financial effect of collateral held as security. This amendment has no significant effect on the financial statements since the Foundation already provides adequate information in its financial statements in compliance with the disclosure requirements.

(b) *Effective in 2011 but are not Relevant to the Foundation*

The following amendments, interpretations and improvements to PFRS are mandatory for accounting periods beginning on or after January 1, 2011 but are not relevant to the Foundation's financial statements:

PAS 32 (Amendment)	:	Financial Instruments: Presentation - Classification of Rights Issues
Philippine Interpretation IFRIC 19	:	Extinguishing Financial Liabilities with Equity Instruments
PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Limited Exemption from PFRS 7 Comparative Disclosures
2010 Annual Improvements		
PAS 21 (Amendment)	:	The Effects of Changes in Foreign Exchange Rates
PAS 28 (Amendment)	:	Investment in Associates
PAS 31 (Amendment)	:	Interests in Joint Ventures
PAS 34 (Amendment)	:	Interim Financial Reporting – Significant Events and Transactions
PFRS 1 (Amendment)	:	First-time Adoption of PFRS
PFRS 3 (Amendment)	:	Business Combinations
IFRIC 13 (Amendment)	:	Customer Loyalty Programmes – Fair Value Award Credits

(c) Effective Subsequent to 2011 but not Adopted Early

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2011. Management has initially determined the following pronouncements, which the Foundation will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2011). The amendment requires an entity to group items presented in Other Comprehensive Income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment is not expected to have a significant impact on the Foundation's financial statements as it has no other comprehensive income.

(ii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets* (effective from July 1, 2011). The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Foundation does not usually enter into this type of arrangement with regard to transfer of financial asset, hence, the amendment may not significantly change the Foundation's disclosures in its financial statements.

(iii) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The Foundation is yet to assess the impact of this new standard.

(iv) PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39 in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

The Foundation does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Foundation and it plans to conduct a comprehensive study of the potential impact of this standard to assess the impact of all changes.

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 (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

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

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

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is an 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, discounted at the effective interest rate.

The Foundation's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Loans Receivable, and Other Receivables 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.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Project Costs.

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

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

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.

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

Property and equipment is subsequently reassessed for indications that an impairment loss previously recognized may no longer exist 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, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

2.5 Financial Liabilities

Financial liabilities, which include capital build-up (CBU) and locked in capital build-up (LCBU), loans payable, and other liabilities are recognized when the Foundation becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liabilities are recognized as expense in profit or loss under the caption Project Cost in the statement of comprehensive income.

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

Other liabilities and CBU and LCBU are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

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 and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive 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. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

2.7 Revenue and Expense Recognition

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

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

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

(b) *Membership fees* – Revenue is recognized when membership fees are received or accrued, whichever comes first.

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

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

2.8 Leases – Foundation as Lessee

Lease, which do not transfer to the Foundation substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments 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 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the statement of assets, liabilities and fund balance for 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.

(b) Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Foundation pays fixed contributions into an independent entity (such as the Social Security System). 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 Borrowing Costs

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

2.11 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 reported in the profit or loss section of the statement of comprehensive income.

2.12 Related Party Transactions

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

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

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

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) Allowance for Impairment of Loans and Other Receivables

Adequate amount of allowance is provided for specific and groups of accounts, where objective evidence of impairment exists. The Foundation evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Foundation's relationship with the members, the members' current credit status, average age of accounts, collection experience and historical loss experience.

The carrying value of loans receivables and the analysis of allowance for impairment of such financial assets are shown in Note 6. Impairment losses on other receivables amounting to P1.6 million was recognized in 2011.

(b) 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, 2011 and 2010, there is no change in estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Impairment of Property and Equipment

The Foundation's policy on estimating the impairment of property and equipment is discussed in detail in Note 2.4. 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 in 2011 and 2010.

(d) Post-employment Defined Benefit

The determination of the Foundation's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation are presented in Note 14.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

4.1 Credit Risk

Credit risk is the risk that counterparty fails to discharge an obligation to the Foundation. The Foundation is exposed to this risk for various financial instruments, for example by providing loans and advances to members and employees, and placing deposits to various local banks.

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

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	**2011**	2010
Cash and cash equivalents	5	**P 158,937,607**	P 76,478,334
Loans receivable	6	**1,217,792,816**	820,828,617
Other receivables	6	**44,121,342**	26,602,078
		P1,420,851,765	P 923,909,029

As part of Foundation's policy, bank deposits are only maintained with reputable financial institutions. Cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) 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 PDIC*, are still subjected to credit risk.

Total past due loans amounting to P0.7 million for 356 members and P0.3 million for 105 members as of December 31, 2011 and 2010, respectively, have been fully provided with adequate allowance for impairment.

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

4.2 Liquidity Risk

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

The Foundation maintains cash to meet its liquidity requirements for up to 60-day periods. 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 consistently maintain an effective collection turn-over.

As at December 31, 2011, the Foundation's financial liabilities have contractual maturities which are presented below.

	Notes	Current	Non-current
CBU and LCBU	8	P 769,543,370	P -
Loans payable	9	97,304,384	97,726,078
Other liabilities	10	167,818,996	-
		P1,034,666,750	P 97,726,078

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 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

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	2011		2010	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 158,937,607	P 158,937,607	P 76,478,334	P 76,478,334
Loans receivable - net	6	1,217,792,816	1,217,792,816	820,828,617	820,828,617
Other receivables	6	44,121,342	44,121,342	26,602,078	26,602,078
		P1,420,851,765	P1,420,851,765	P 923,909,029	P 923,909,029

	Notes	2011 Carrying Values	2011 Fair Values	2010 Carrying Values	2010 Fair Values
Financial Liabilities					
Financial liabilities at amortized cost:					
CBU and LCBU	8	P 769,543,370	P 769,543,370	P 525,853,490	P 525,853,490
Loans payable	9	188,297,950	188,297,950	125,197,950	125,197,950
Other liabilities	10	167,818,996	167,818,996	108,728,221	108,728,221
		P1,125,660,316	P1,125,660,316	P 759,779,661	P 759,779,661

5. CASH AND CASH EQUIVALENTS

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

	2011	2010
Cash on hand	P 14,770	P 1,976
Cash in banks	88,922,837	76,476,358
Short-term placements	70,000,000	-
	P 158,937,607	P 76,478,334

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have term of 14 days and earn effective interest of 4.4% in 2011. There were no short-term placements in 2010.

Interest earned from cash and cash equivalents amounted to P1.2 million and P0.8 million in 2011 and 2010, respectively, and is presented as part of Other Revenues in the statements of comprehensive income (see Note 11).

Certain savings deposit of the Foundation are held as security to the Foundation's loan with a local bank (see Note 9).

6. LOANS AND OTHER RECEIVABLES

These accounts include the following:

6.1 Loans Receivable

Loans receivable at December 31 consist of:

	2011	2010
Loans receivable	P1,582,442,650	P1,066,613,450
Unearned service charges	(206,405,564)	(139,123,493)
Allowance for impairment	(158,244,270)	(106,661,340)
	P1,217,792,816	P 820,828,617

Loans receivable represent microfinance loans to members. These loans have terms of six months and are partially secured by the carrying amounts of CBU and LCBU of the members (see Note 8). These loans are subject to 15% effective service charge all throughout the six months term. Service fees earned from these loans, net of corresponding rebates (see Note 8), amounted to P667.5 million and P398.5 million in 2011 and 2010, respectively, and are shown as Service Fees in the statements of comprehensive income. Moreover, new members are required to pay membership fee of P30 each. Membership fees amounted to P16.2 million and P14.2 million in 2011 and 2010, respectively, and are presented as Membership Fees in profit or loss section in the statements of comprehensive income.

The Foundation's loans receivable which are usually due within six months have been reviewed for indications of impairment. Certain receivables were found to be impaired, hence, adequate amount of allowance for impairment has been recognized accordingly.

As of December 31, 2011 and 2010, the Foundation has 417,850 and 299,433 active members, respectively.

A reconciliation of the allowance for impairment at beginning and end of 2011 and 2010 is shown below.

	Note	2011	2010
Balance at beginning of year		P 106,661,340	P 64,413,640
Impairment loss during the year	12	62,419,520	45,845,690
Write-off of receivables previously provided with allowance		(10,836,590)	(3,597,990)
Balance at end of year		P 158,244,270	P 106,661,340

Loans receivable written off in 2011 and 2010 pertain to 4,945 and 1,989 members, respectively.

Certain loans receivable of the Foundation amounting to P238.2 million and P164.6 million as of December 31, 2011 and 2010, respectively, are held as security to the Foundation's loans with a local bank and other creditors (see Note 9).

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 P44.1 million and P26.6 million as of December 31, 2011 and 2010, respectively. Personal and motorcycle loans granted to employees are charged with service fee of 10% for six month term in 2011 and 2010 (see Note 11).

The Foundation's other receivables have been reviewed for indications of impairment. No other receivables were found to be impaired as of December 31, 2011 and 2010 based on the assessment of management.

In 2011, the Foundation recognized P1.6 million impairment losses arising from direct write-off of certain other receivables which is presented as part of Miscellaneous under Project Cost in the 2011 statement of comprehensive income (see Note 12).

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2011 and 2010 are shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
December 31, 2011				
Cost	P 17,404,996	P 29,321,437	P 4,724,146	P 51,450,579
Accumulated depreciation and amortization	(4,244,796)	(17,611,747)	(2,894,036)	(24,750,579)
Net carrying amount	**P 13,160,200**	**P 11,709,690**	**P 1,830,110**	**P 26,700,000**
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
January 1, 2010				
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

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2011 and 2010 is shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
Balance at January 1, 2011, net of accumulated depreciation and amortization	P 15,226,800	P 6,176,580	P 1,646,620	P 23,050,000
Additions	7,196	11,932,377	975,000	12,914,573
Depreciation and amortization charges for the year	(2,073,796)	(6,399,267)	(791,510)	(9,264,573)
Balance at December 31, 2011, net of accumulated depreciation and amortization	**P 13,160,200**	**P 11,709,690**	**P 1,830,110**	**P 26,700,000**

	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

The amount of depreciation and amortization is allocated as follows:

	Notes	2011	2010
Project cost	12	**P 5,684,627**	P 4,129,459
General and administrative	13	**3,579,946**	2,694,273
		P 9,264,573	P 6,823,732

8. CBU AND LCBU

This account is broken down as follows:

	2011	2010
CBU	**P 642,694,100**	P 444,792,580
LCBU	**126,849,270**	81,060,910
	P 769,543,370	P 525,853,490

CBU represents contributions made by members for capital build-up purposes. Also, in cases of default in loan payments, the Foundation will offset the members' CBU balance against the outstanding loan balance. Members earn rebates equivalent to 7% per annum of their outstanding CBU contributions which may also be deducted from future loan payments. Rebates amounted to P24.9 million and P15.5 million in 2011 and 2010, respectively, and are charged against Service Fees account in the statements of comprehensive income.

LCBU are noninterest earning compulsory savings made by members 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 such as hospitalization and calamity financial assistance.

As of December 31, 2011 and 2010, the Foundation had 417,850 and 299,433 members, respectively, who have contributions on CBU and LCBU.

9. LOANS PAYABLE

This account includes the following:

	2011	2010
Bank of the Philippine Islands (BPI)		
Globe Banko	P 80,000,000	P 80,000,000
Citibank	47,000,000	-
Oxfam Novib	32,297,950	32,297,950
Allied Bank	29,000,000	-
BPI	-	12,900,000
	P 188,297,950	P 125,197,950

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 interests 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 loans receivable balance (see Note 6.1). On July 27, 2011, the Foundation renewed these loans for another year.

On February 23, 2011, the Foundation obtained a loan from Citibank amounting to P47.0 million. The loan has term of two years until its maturity on February 23, 2013. The interest rate is based on a three-month Philippine Dealing System Treasury-Fixing rate plus 335 basis points subject to quarterly repricing. The proceeds of the loan were used to provide microfinance loans to members in accordance with the Foundation's microfinance program. The loan is secured by assignment of certain loans receivable covering 1.50 times of the loan facility amounting to $1.2 million in its peso equivalent (see Note 6.1).

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 fixed 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 April 14, 2011, the Foundation obtained a loan from Allied Bank, amounting to P10.0 million which is payable in 90 days and bears interest of 4.22% per annum. The loan is secured by the Foundation's savings deposit (see Note 5). This loan was fully paid in 2011. On September 1, 2011, the Foundation obtained an unsecured loan from Allied Bank amounting to P30.0 million. The loan is payable in equal monthly payments of P1.0 million which will commence at the end of the third month from the date of loan availment. The loan earns interest of 6.0% per annum. The balance of the loan as of December 31, 2011 is P29.0 million.

As of December 31, 2010, the Foundation has outstanding loans payable to BPI totaling P12.9 million which included P2.9 million medium-term promissory note bearing interest rate at prevailing market rate and P10.0 million loan which bears an annual fixed interest of 8.25%. These loans were secured by a real estate mortgage on the Foundation's office premises and assignment of loans receivable totaling P37.8 million. The loans were fully paid in 2011.

As of December 31, 2011, the Foundation is compliant with all the security requirements and covenants imposed by the respective creditor.

Interest expense on interest-bearing loans amounted to P12.3 million and P7.2 million in 2011 and 2010, respectively, and is presented as Interest on Loans Payable under Project Cost in the statements of comprehensive income (see Note 12).

On various dates in 2010, all of the Foundation's noninterest-bearing loans outstanding as of December 31, 2009 were fully settled by the Foundation. As a result, the unamortized discounts at the beginning of 2010 amounting to P4.3 million were fully charged to interest expense during that year and are presented as part of Interest on Loans Payable under Project Cost in the statements of comprehensive income (see Note 12).

The maturity profile of these loans is presented below.

	2011	2010
Within one year	**P 92,000,000**	P 90,000,000
One year to two years	**96,297,050**	-
More than two years	**-**	35,197,950
	P 188,297,050	P 125,197,950

10. OTHER LIABILITIES

This account includes the following:

	2011	2010
Beneficiary program and support trust fund (BPSTF)	**P 69,149,220**	P 52,053,340
Staff cash bond	**31,937,600**	20,396,400
Accrued expenses	**26,161,229**	15,877,817
Staff benevolent fund	**22,714,100**	10,577,700
Staff CBU	**15,185,030**	7,212,305
Accounts payable	**3,381,796**	3,260,563
	P 168,528,975	P 109,378,125

BPSTF represents 0.5% of the principal amount of loan released to each member. This is used to cover the loan in case of the death of the member, provide assistance in cases of fire, and cover losses in case of robbery and hold-up of member.

Staff cash bond represents refundable security deposits made by employees and which entitles them to accrued cash benefit computed at 7.0% 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 7.0% per annum based on the outstanding Staff CBU balance.

11. OTHER REVENUES

This account includes the following:

	Notes	2011	2010
Service charges on employee loans	6.2, 19.2	**P 4,209,218**	P 2,479,404
Interest income on deposits	5	**1,155,379**	757,187
Bad debt collections	19.2	**184,806**	108,545
		P 5,549,403	P 3,345,136

Service charges on employee loans 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	2011	2010
Employee benefits	14	P 263,996,026	P 153,722,548
Impairment loss	6.1	62,419,520	45,845,690
Travel and transportation		48,734,994	26,054,223
LCBU benefits		24,248,000	11,540,000
Office rental	17	23,234,619	14,798,252
Repairs and maintenance		14,904,684	9,082,235
Interests on loans payable	9	12,346,814	11,458,421
Security and janitorial		10,990,316	6,880,497
Office supplies and reproduction		10,918,171	5,817,781
Depreciation and amortization	7	5,684,627	4,129,459
Taxes and licenses	19.1	1,988,710	1,183,915
Miscellaneous	6.2	19,192,578	12,760,525
		P 498,659,059	P 303,273,546

13. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are shown below.

	Notes	2011	2010
Employee benefits	14	P 42,150,849	P 43,447,335
Travel and transportation		9,722,509	5,548,738
Grants and donations		4,920,000	2,857,500
Depreciation and amortization	7	3,579,946	2,694,273
Professional fees		3,235,259	2,966,564
Repairs and maintenance		1,813,751	1,267,215
Office rental	17	1,476,541	788,676
Office supplies		1,165,128	1,664,470
Entertainment, amusement and recreation		560,763	251,805
Taxes and licenses	19.1	403,397	149,795
Miscellaneous		2,792,091	3,207,594
		P 71,820,234	P 64,843,965

14. EMPLOYEE BENEFITS

14.1 Salaries and Employee Benefits Expense

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

	2011	2010
Salaries and wages	**P 258,067,138**	P 165,210,550
Post-employment benefits	**18,128,200**	15,082,710
Security costs	**17,057,677**	11,209,173
Staff benevolent fund	**12,893,860**	5,667,450
	P 306,146,875	P 197,169,883

The amounts of employee benefits are allocated as follows:

	Notes	2011	2010
Project cost	12	**P 263,996,026**	P 153,722,548
General and administrative	13	**42,150,849**	43,447,335
		P 306,146,875	P 197,169,883

14.2 Post-employment Defined Benefit

The Foundation maintains a noncontributory and unfunded post-employment plan covering all regular full-time employees. In 2011, 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. Actuarial valuations are made regularly to update the retirement benefit costs and the amount of obligations.

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

	2011	2010
Present value of the obligation	**P 26,095,454**	P 29,949,645
Unrecognized actuarial gains (loss)	**19,104,546**	(1,903,645)
	P 45,200,000	P 28,046,000

The movements in the present value of post-employment benefit obligation recognized in the books are presented below.

	2011	2010
Balance at beginning of year	**P 28,046,000**	P 14,152,000
Expense recognized	**18,128,200**	15,082,710
Benefits paid	**(974,200)**	(1,188,710)
Balance at end of year	**P 45,200,000**	P 28,046,000

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

	2011	2010
Current service cost	P 15,753,193	P 13,896,178
Interest cost	2,375,007	1,186,532
	P 18,128,200	P 15,082,710

Presented below are the historical information related to the present value of the retirement benefit obligation as well as experience adjustments arising on plan obligations.

	2011	2010
Present value of the obligation	P 26,095,454	P 29,949,645
Fair value of the plan assets	-	-
Deficit in the plan	P 26,095,454	P 29,949,645
Experience adjustments arising on the plan obligations	(P 5,773,568)	(P 7,992,505)

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

	2011	2010
Discount rates	6.29%	7.93%
Expected rate of salary increases	10.00%	10.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25.2 for males and 24.6 for females. As of December 31, 2011 and 2010, the Foundation has 1,893 and 1,280 employees, respectively.

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 P37.1 million in 2011 and P25.4 million in 2010.

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.

17. COMMITMENTS AND CONTINGENCIES

17.1 Operating Lease Commitments – Foundation as Lessee

The Foundation has operating lease agreements covering the office spaces occupied by the Foundation and its branches for a period of six months to two years. The lease agreements require the Foundation to pay rental deposits. Outstanding rental deposits as of December 31, 2011 and 2010 amounted to P4.5 million and P3.2 million, respectively, and are shown as Rental Deposits in the statements of assets, liabilities and fund balance.

Rent expense recognized related to these operating leases amounted to P24.7 million in 2011 and P15.6 million in 2010, 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 financial statements. As of December 31, 2011, 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 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.

	2011	2010
Total loans from third parties	P 188,297,950	P 125,197,950
Total fund balance	280,436,476	161,639,954
Debt-to-fund ratio	0.67 : 1:00	0.77 : 100

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

19. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

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

19.1 Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 issued on November 25, 2010 are as follows:

(a) Output Value-added Tax (VAT)

The Foundation has not incurred any ouput tax liability for the year ended December 31, 2011 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 2011.

(b) Input VAT

The Foundation did not recognize any input VAT. It records as expense all input VAT on purchases of goods and services since it would not be recoverable from any output tax liability.

(c) Documentary Stamp Tax

The Foundation paid documentary stamp tax in 2011 amounting to P235,000 which is related to the loan obtained from Citibank (see Note 9).

(d) Taxes on Importation

The Foundation did not incur or pay any customs' duties and tariff fees as it did not have any importation for the year ended December 31, 2011.

(e) Excise Tax

The Foundation did not have any transactions in 2011 which are subject to excise tax.

(f) Taxes and Licenses

The details of Taxes and Licenses account in 2011 are shown below.

Licenses and permits	P	1,883,716
Documentary stamp tax		235,000
Real estate taxes		114,471
Local taxes		111,656
Miscellaneous		47,264
	P	**2,392,107**

The amounts of taxes and licenses are allocated and presented in the 2011 statement of comprehensive income as follows (see Notes 12 and 13):

Project Cost	P	1,988,710
General and Administrative Expenses		403,397
	P	**2,392,107**

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2011 are shown below.

Compensation and employee benefits	P	9,767,070
Final		89,850
Expanded		32,081
	P	**9,889,001**

(h) Deficiency Tax Assessment and Tax Cases

As of December 31, 2011, 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 in any of the open years.

19.2 Requirements under RR 19-2011

On December 9, 2011, the BIR issued RR 19-2011 which prescribes the new form that will be used for income tax filing covering and starting with periods ending December 31, 2011 and onwards. This recent RR requires schedules of taxable revenues and other non-operating income, costs of sales and services, and itemized deductions, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the 2011 statement of comprehensive income.

(a) Exempt Revenues

The composition of the Foundation's exempt revenues for the year ended December 31, 2011 is presented below.

Service fees	P 667,531,752
Membership fees	16,194,660
	P 683,726,412

(b) Exempt Non-operating and Other Income

The composition of the Foundation's exempt non-operating and other income for the year ended December 31, 2011 is presented below (see Note 11).

Service charges on employee loans	P 4,209,218
Bad debt collections	184,806
	P 4,394,024

(d) Itemized Deductions

The details of exempt itemized deductions for the year ended December 31, 2011 are as follows:

Employee benefits	P 288,992,875
Travel and transportation	58,457,503
Office rental	24,711,160
LCBU benefit	24,248,000
Repairs and maintenance	16,718,435
Security and janitorial	10,990,316
Office supplies and reproduction	10,918,171
Depreciation and amortization	9,264,573
Entertainment, amusement and recreation	5,835,813
Light and water	5,075,281
Grants and donations	4,920,000
Staff development and conference	4,092,783
Professional fees	3,259,567
Postage and telephone	2,846,800
Taxes and licenses	2,392,107
Office supplies	1,165,128
Miscellaneous	4,670,447
	P 478,558,959

Punongbayan & Araullo

Member of Grant Thornton International Ltd

Supplementary Information and Independent Auditors' Report

ASA Philippines Foundation, Inc.

December 31, 2011 and 2010

Punongbayan & Araullo

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of ASA Philippines Foundation, Inc. for the year ended December 31, 2011, on which we have rendered our report dated February 29, 2012. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following applicable supplementary information are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards:

a. Schedule of Philippine Financial Reporting Standards Effective as of December 31, 2011, and,
b. Schedule of Revenues and Expenditures for the Year Ended December 31, 2011

The supplementary information are the responsibility of management. Such supplementary information have 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 statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 3174906, January 2, 2012, Makati City
SEC Group A Accreditation
Partner - No. 1036-A (until Sept. 29, 2013)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2011 (until Feb. 3, 2014)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

February 29, 2012

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)

Schedule of Philippine Financial Reporting Standards Effective as of December 31, 2011

Standards and Interpretations		Adoption	Remarks

Philippine Financial Reporting Standards (PFRS)

PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	Adopted	
PFRS 2	Share-based Payment	Not Applicable	
PFRS 3	Business Combinations	Not Applicable	
PFRS 4	Insurance Contracts	Not Applicable	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not Applicable	
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable	
PFRS 7	Financial Instruments: Disclosures	Adopted	
PFRS 8	Operating Segments	Not Applicable	

Philippine Accounting Standards (PAS)

PAS 1	Presentation of Financial Statements	Adopted	
PAS 2	Inventories	Not Applicable	
PAS 7	Statement of Cash Flows	Adopted	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted	
PAS 10	Events after the Reporting Period	Adopted	
PAS 11	Construction Contracts	Not Applicable	
PAS 12	Income Taxes	Not Applicable	
PAS 16	Property, Plant and Equipment	Adopted	
PAS 17	Leases	Adopted	
PAS 18	Revenue	Adopted	
PAS 19	Employee Benefits	Adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable	
PAS 21	The Effects of Changes in Foreign Exchange Rates	Not Applicable	
PAS 23	Borrowing Costs	Adopted	
PAS 24	Related Party Disclosures	Adopted	
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Not Applicable	
PAS 27	Consolidated and Separate Financial Statements	Not Applicable	
PAS 28	Investments in Associates	Not Applicable	
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable	
PAS 31	Interests in Joint Ventures	Not Applicable	
PAS 32	Financial Instruments: Presentation	Adopted	
PAS 33	Earnings per Share	Not Applicable	
PAS 34	Interim Financial Reporting	Not Applicable	
PAS 36	Impairment of Assets	Adopted	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted	
PAS 38	Intangible Assets	Not Applicable	
PAS 39	Financial Instruments: Recognition and Measurement	Adopted	
PAS 40	Investment Property	Not Applicable	
PAS 41	Agriculture	Not Applicable	

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Not Applicable	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted	
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable	
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable	
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable	
IFRIC 9	Reassessment of Embedded Derivatives	Not Applicable	
IFRIC 10	Interim Financial Reporting and Impairment	Not Applicable	
IFRIC 12	Service Concession Arrangements	Not Applicable	
IFRIC 13	Customer Loyalty Programmes	Not Applicable	
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable	
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted	
IFRIC 18	Transfers of Assets from Customers	Not Applicable	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted	

Philippine Interpretations - Standard Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable	
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable	
SIC 12	Consolidation - Special Purpose Entities	Not Applicable	
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Not Applicable	
SIC 15	Operating Leases - Incentives	Not Applicable	
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Not Applicable	
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not Applicable	
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted	
SIC 29	Service Concession Arrangements: Disclosures	Not Applicable	
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable	
SIC 32	Intangible Assets - Web Site Costs	Not Applicable	

ASA Philippines Foundation, Inc.
Schedule of Revenues and Expenditures
December 31, 2011

Schedule of Revenues and Other Income

Nature of Revenues	Sources	Range of Individual Receipt	Number of Sources		Amounts
Service fees	Members	P300 to P30,000	839,255	P	667,531,752
Membership fees	Members	P30 per member	539,822		16,194,660
Other income	Various Sources				5,549,403
				P	689,275,815

Schedule of Expenditures

Nature of Expenses/Disbursements		Amounts
Salaries and wages	P	258,467,138
Impairment loss		62,419,520
Travel and transportation		58,457,503
Office rental		24,711,160
LCBC benefits		24,248,000
Staff retirement benefits		18,128,200
Employer's Contribution		17,057,677
Repairs and maintenance		16,718,435
Staff benevolent funds		12,895,860
Interest on borrowed funds		12,346,814
Office supplies and reproduction		12,083,299
Security and janitorial		11,146,650
Depreciation and amortization		9,264,573
Representation and entertainment		5,835,813
Light and water		5,075,281
Grants and donations		4,920,000
Staff development and conference		4,092,783
Insurance and professional fees		3,357,707
Postage and telephone		2,846,800
Taxes and licenses		2,392,107
Interest on staff CBU and cashbond		449,250
Bank charges		280,274
Fuel and lubricants		92,101
Miscellaneous		3,614,348
	P	570,479,293