COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	N	2	0	0	4	0	9	4	5	9

Company Name

ASA PHILIPPINES FOUNDATION,
INC.

Principal Office (No./Street/Barangay/City/Town)Province)

15TH FLOOR PRESTIGE TOWER,
F. ORTIGAS JR. ROAD
ORTIGAS CENTER
PASIG CITY - 1605

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Numbers	Mobile Number
info@asaphil.org	+632 687 7558	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
Not Applicable	May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
FERDINAND U. JIKIRI	ferdinand.jikiri@asaphil	+632 687 7558	0932 848 0234

Contact Person's Address

Block 5B Lot 32 Kingstown 1, Barangay Bagumbong, Caloocan City

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ASA Philippines Foundation, Inc. (the Foundation)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

KAMRUL H. TARAFDER
President & CEO

FLORINDA M. LACANLALAY
Treasurer

EDWARD S. GO
Chairman

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 29 2017
JOSSABELLE D. OPAO

Signed this 20th day of March 2017.

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Financial Statements and
Independent Auditors' Report

ASA Philippines Foundation, Inc.

December 31, 2016 and 2015

P&A
Grant Thornton
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Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 29 2017
JOSSABELLE D. OBRECIO

The Board of Trustees
ASA Philippines Foundation, Inc.
(A Nonstock, Nonprofit Organization)
15th Floor Prestige Tower, F. Ortigas Jr. Street
Ortigas Center, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ASA Philippines Foundation, Inc. (the Foundation), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

MAR 3 0 2017

	Notes	2016	2015
ASSETS			
CASH	6	**P 294,195,551**	P 262,119,595
LOANS RECEIVABLE - Net	7	**8,398,365,852**	5,217,722,789
OTHER RECEIVABLES	7	**108,671,315**	92,127,192
PROPERTY AND EQUIPMENT - Net	8	**127,582,800**	108,471,900
RENTAL DEPOSITS	18	**21,434,796**	15,408,230
TOTAL ASSETS		**P 8,950,250,314**	P 5,695,849,706
LIABILITIES AND FUND BALANCE			
CAPITAL BUILD-UP AND LOCKED IN CAPITAL BUILD-UP	9	**P 4,528,168,220**	P 3,115,605,750
LOANS PAYABLE	10	**770,000,000**	579,000,000
POST-EMPLOYMENT DEFINED BENEFIT OBLIGATION	14	**377,214,100**	207,273,100
OTHER LIABILITIES	11	**1,021,227,207**	893,859,023
TOTAL LIABILITIES		**6,696,609,527**	4,795,737,873
FUND BALANCE		**2,253,640,787**	900,111,833
TOTAL LIABILITIES AND FUND BALANCE		**P 8,950,250,314**	P 5,695,849,706

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 29 2017 TSIS
JOSSABELLE D. DERECIO

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
REVENUES			
Service fees	2, 7	P 3,904,067,064	P 2,284,550,417
Other revenues	6, 7, 12	11,475,115	6,272,587
		3,915,542,179	2,290,823,004
OPERATING EXPENSES	13		
Project costs		2,071,110,773	1,528,240,749
General and administrative expenses		518,273,052	439,331,987
		2,589,383,825	1,967,572,736
EXCESS OF REVENUES OVER EXPENSES		1,326,158,354	323,250,268
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment defined benefit plan	14	27,370,600	(38,761,100)
TOTAL COMPREHENSIVE INCOME		P 1,353,528,954	P 284,489,168

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 29 2017
JOSSABELLE D. OPRECIO

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Note	2016	2015
GRANTS AND CONTRIBUTIONS		P 41,360,000	P 41,360,000
CUMULATIVE RESULTS OF OPERATIONS			
Balance at beginning of year		886,317,933	563,067,665
Excess of revenues over expenses during the year		1,326,158,354	323,250,268
Balance at end of year		2,212,476,287	886,317,933
REMEASUREMENT OF POST-EMPLOYMENT DEFINED BENEFIT PLAN			
Balance at beginning of year		(27,566,100)	11,195,000
Other comprehensive income (loss) during the year	14	27,370,600	(38,761,100)
Balance at end of year		(195,500)	(27,566,100)
TOTAL FUND BALANCE		P 2,253,640,787	P 900,111,833

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 29 2017
JOSSABELLE D. OFRECIO

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses		P 1,326,158,354	P 323,250,268
Adjustments for:			
Impairment loss	7	67,830,135	150,133,980
Finance costs	10, 13, 14	40,019,315	21,534,855
Depreciation and amortization	8	39,054,546	26,572,707
Interest income from bank deposits	6, 12	(2,970,563)	(2,897,588)
Excess of revenues over expenses before working capital changes		1,470,091,787	518,594,222
Increase in loans receivable		(3,247,879,085)	(2,067,776,551)
Increase in other receivables		(16,544,123)	(7,816,289)
Increase in rental deposits		(6,026,566)	(3,428,181)
Increase in capital build-up and locked in capital build-up		1,412,562,470	957,551,530
Increase in post-employment defined benefit obligation		187,155,218	42,881,050
Increase in other liabilities		127,368,184	175,306,847
Cash used in operations		(73,272,115)	(384,687,372)
Interest received	6, 12	2,970,563	2,897,588
Cash paid for final taxes		(594,113)	(579,518)
Net Cash Used in Operating Activities		(70,895,665)	(382,369,302)
CASH FLOWS USED IN AN INVESTING ACTIVITY			
Acquisitions of property and equipment	8	(58,165,446)	(37,807,207)
CASH FLOWS FROM FINANCING ACTIVITIES	10		
Proceeds from loan availments		870,000,000	518,100,000
Payments of loans		(679,000,000)	(303,700,000)
Interest paid		(29,862,933)	(16,136,405)
Net Cash From Financing Activities		161,137,067	198,263,595
NET INCREASE (DECREASE) IN CASH		32,075,956	(221,912,914)
CASH AT BEGINNING OF YEAR		262,119,595	484,032,509
CASH AT END OF YEAR		P 294,195,551	P 262,119,595

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 29 2017 TSIS
JOSSABELLE D. DECECIO

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Foundation Information

ASA Philippines Foundation, Inc. (the Foundation or ASA) was incorporated as a nonstock, nonprofit organization and registered with the Philippine Securities and Exchange Commission on July 9, 2004. As a non-stock, non-profit organization, the Foundation aims to: (a) provide efficient and affordable financial services to the poor for their income-generating activities; (b) build an effective and efficient microfinance institution for sustainable delivery of microfinance services to the entrepreneurial poor; and, (c) facilitate the convergence and provision of other social services for the poor.

The ASA Program provides:

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

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

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

As of December 31, 2016 and 2015, the Foundation has 850 and 700 branches, respectively, covering 82 provinces in the Philippines. Moreover, as of December 31, 2016, the Foundation had a total of 1,108 service points which comprise of the branches, 77 extension units and 181 satellite units. The Foundation has established foothold in Luzon, Visayas and Mindanao, as it operates 427, 208, and 215 branches therein, respectively.

The Foundation's registered head office, which is also its principal place of business, is located at 15th Floor Prestige Tower, F. Ortigas Jr. Street, Ortigas Center, Pasig City.

1.2 Approval of Financial Statements

The financial statements of the Foundation as at and for the year ended December 31, 2016 (including the comparative financial statements as at and for the year ended December 31, 2015) were authorized for issue by the Foundation's Board of Trustees (BOT) on March 20, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2016 that are Relevant to the Foundation*

The Foundation adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below are the relevant information about these amendments and improvements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative*. The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 38 (Amendments), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments in PAS 16 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amendments also provide guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 41 (Amendments), *Agriculture – Bearer Plants*. The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendments further clarify that produce growing on bearer plants remains within the scope of PAS 41.

(iv) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Foundation but had no material impact on the Foundation's financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

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

(b) Effective in 2016 but are not Relevant to the Foundation

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Foundation's financial statements:

PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
PFRS 14	:	Regulatory Deferral Accounts

Annual Improvements to
PFRS (2012-2014 Cycle)

PFRS 5 (Amendments) :	Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal
PFRS 7 (Amendments) :	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
PAS 34 (Amendments) :	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"

(c) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Foundation's financial statements:

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). It requires an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, it suggests a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

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

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

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

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

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

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

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, 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 amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Foundation and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iii) PFRS 15, *Revenue from Contract with Customers*. This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Management is currently assessing the impact of this new standard in its financial statements.

(iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in 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. For purposes of classifying financial assets, an instrument is considered as an equity instrument if is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

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

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

The financial assets 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. They arise when the Foundation provides money, goods or services directly to a debtor with no intention of trading the receivables.

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

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

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

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

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

2.5 Other Assets

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

2.6 Property and Equipment

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

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

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

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

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

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

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

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

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

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

2.7 Financial Liabilities

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

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

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

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

2.8 Offsetting Financial Instruments

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

2.9 Provisions and Contingencies

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation.

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

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

2.10 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* – Service fees are deducted upfront in full upon disbursement of loan proceeds to the members. Unearned service charges is recognized during the month of disbursement and subsequently, earned as revenue, based on the effective interest method of accounting, as the loan is fully collected from the members.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected useful life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Foundation estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate used to discount the future recoverable cash flows.

(b) *Interest* – Interest income from cash in banks is recognized as interest accrues taking into account the effective yield of the asset.

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

2.11 Leases – Foundation as Lessee

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 (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

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

2.12 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the statement of financial position for a defined benefit plan solely pertains to the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds as published by the Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

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

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

(b) *Post-employment Defined Contribution Plans*

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

(c) *Termination Benefits*

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

(d) *Compensated Absences*

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

2.12 Borrowing Costs

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

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

2.13 Fund Balance

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

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

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

2.14 Related Party Relationships and Transactions

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

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

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

2.15 Events after the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinction between Operating and Finance Leases

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

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

(b) Recognition of Provisions and Contingencies

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

3.2 Key Sources of Estimation Uncertainty

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

(a) Impairment of Loans and Other Receivables

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

The carrying value of loans and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7.

(b) Estimation of 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 8. Based on management's assessment as of December 31, 2016 and 2015, there is no change in estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) *Impairment of Property and Equipment*

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

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

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

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

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation as well as the analysis of the sensitivity of such obligation to the changes in significant assumptions are presented in Note 14.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The most significant financial risks to which the Foundation is exposed to are described in the succeeding sections.

4.1 Credit Risk

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

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

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

	Notes	2016	2015
Cash	6	**P 294,195,551**	P 262,119,595
Loans receivable - net	7	**8,398,365,852**	5,217,722,789
Other receivables	7	**108,671,315**	92,127,192
Rental deposits	18	**21,434,796**	15,408,230
		P 8,822,667,514	P 5,587,377,806

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

Total past due loans amounting to P4.2 million for 1,371 members and P3.3 million for 699 members as of December 31, 2016 and 2015, respectively, have been fully provided with adequate amount of allowance for impairment.

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

4.2 Liquidity Risk

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

The Foundation maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to consistently maintain an effective collection turn-over. As of December 31, 2016 and 2015, portfolio at risk is at 0.11% and 0.07%, respectively.

As at December 31, 2016, the Foundation's financial liabilities have contractual maturities which are presented below.

	Notes	Within 6 months	Within 12 months	After one year but within five years	Total
CBU and LCBU	9	P 4,686,654,108	P -	P -	P 4,686,654,108
Loans payable	10	663,113,125	61,836,944	50,532,431	775,482,500
Other liabilities	11	957,522,470	-	-	957,522,470
		P 6,307,289,703	P 61,836,944	P 50,532,431	P 6,419,659,078

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

	Notes	Within 6 months	Within 12 months	After one year but within five years	Total
CBU and LCBU	9	P 3,224,651,951	P -	P -	P 3,224,651,951
Loans payable	10	150,575,000	372,636,250	65,114,375	588,325,625
Other liabilities	11	860,316,890	-	-	860,316,890
		P 4,235,543,841	P 372,636,250	P 65,114,375	P 4,673,294,466

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.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of financial assets and financial liabilities at amortized cost presented in the statements of financial position are shown below (amounts in thousands).

	Notes	2016 Carrying Values	2016 Fair Values	2015 Carrying Values	2015 Fair Values
Financial Assets					
Cash	6	**P 294,196**	**P 294,196**	P 262,120	P 262,120
Loans receivable - net	7	**8,398,366**	**8,398,366**	5,217,723	5,217,723
Other receivables	7	**108,671**	**108,671**	92,127	92,127
Rental deposits	18	**21,435**	**21,435**	15,408	15,408
		P 8,822,668	**P 8,822,668**	P 5,587,378	P 5,587,378
Financial Liabilities					
CBU and LCBU	9	**P 4,528,168**	**P 4,528,168**	P 3,115,606	P 3,115,606
Loans payable	10	**770,000**	**770,000**	579,000	579,000
Other liabilities	11	**957,522**	**957,522**	860,317	860,317
		P 6,255,690	**P 6,255,690**	P 4,554,923	P 4,554,923

Management considers that the carrying amount of the Foundation's financial assets and financial liabilities measured at amortized cost approximates the fair values due to its short term duration.

5.2 Offsetting of Financial Assets and Financial Liabilities

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

	Notes	Gross amounts recognized in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instruments	Collateral received	Net amount
December 31, 2016					
Loans receivables	7,9,10	P 8,398,366	(P 5,128,168)	P -	P 3,270,198
Other receivables	7,11	108,671	-	-	108,671
Total		P 8,507,037	(P 5,128,168)	P -	P 3,378,869
December 31, 2015					
Loans receivables	7,9,10	P 5,217,723	(P 3,545,606)	P -	P 1,672,117
Other receivables	7,11	92,127	(63,125)	-	29,002
Total		P 5,309,850	(P 3,608,731)	P -	P 1,701,119

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

	Note	Gross amounts recognized in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instruments	Collateral received	Net amount
December 31, 2016					
Loans payable	10	P 770,000	(P 600,000)	P -	P 170,000
December 31, 2015					
Loans payable	10	P 579,000	(P 430,000)	P -	P 149,000

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

6. CASH

The Foundation's cash in bank balance as of December 31, 2016 and 2015 amounted to P294.2 million and P262.1 million, respectively. Cash in banks generally earn interest at rates based on daily bank deposit rates.

Interest earned from cash in banks amounted to P3.0 million and P2.9 million in 2016 and 2015, respectively, and is presented as part of Other Revenues account in the statements of comprehensive income (see Note 12).

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

7. LOANS AND OTHER RECEIVABLES

These accounts include the following:

7.1 Loans Receivable

Loans receivable as at December 31 consist of:

	2016	2015
Loans receivable	**P 9,777,522,725**	P6,469,821,900
Unearned service charges	**(937,137,573)**	(843,889,801)
	8,840,385,152	5,625,932,099
Allowance for impairment	**(442,019,300)**	(408,209,310)
	P 8,398,365,852	P5,217,722,789

As of December 31, 2016 and 2015, the Foundation has 1,273,136 and 1,073,580 active members, respectively.

Loans receivable represent microfinance loans granted to the Foundation's members. These loans have terms of six months and are partially secured by the respective carrying amounts of CBU and LCBU of individual members (see Note 9). These loans are subject to a nominal rate of 15% service charge all throughout the six-month term. Service fees earned from these loans amounted to P3,904.1 million and P2,284.6 million in 2016 and 2015, respectively, and are shown as Service Fees in the statements of comprehensive income.

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

A reconciliation of the allowance for impairment at the beginning and end of 2016 and 2015 is shown below.

	Notes	2016	2015
Balance at beginning of year		**P 408,209,310**	P 275,770,240
Impairment loss during the year	13	**67,830,135**	150,133,980
Write-off of receivables previously provided with allowance	20.2*(c)*	**(34,020,145)**	(17,694,910)
Balance at end of year		**P 442,019,300**	P 408,209,310

Loans receivable written-off in 2016 and 2015 pertain to the outstanding balance of loans granted to 8,140 and 5,521 members or 0.6% or 0.5% of active members, respectively.

Certain loans receivable of the Foundation amounting to P759.1 million and P750.5 million as of December 31, 2016 and 2015, respectively, were assigned with recourse to local banks as security to the Foundation's borrowings from these local banks (see Note 10).

7.2 Other Receivables

Other receivables consist of personal and mobility loans, and noninterest-bearing advances granted to the Foundation's personnel with total carrying amount of P108.7 million and P92.1 million as of December 31, 2016 and 2015, respectively. A standard service fee of 10% is charged for a six-month term loan in both of the reporting periods and is recognized as service charges on employee loans under Other Revenues account in the statements of comprehensive income (see Note 12). These loans are paid by employees every pay period through salary deductions.

As of December 31, 2016 and 2015, other receivables were reviewed for indications of impairment and none has been noted; hence, other receivables are unimpaired and fully recoverable at its carrying amounts as at the reporting periods based on the assessment of management.

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2016 and 2015 are shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
December 31, 2016				
Cost	P 65,678,584	P 167,013,410	P 26,984,553	P 259,676,547
Accumulated depreciation and amortization	(11,108,329)	(109,525,429)	(11,459,989)	(132,093,747)
Net carrying amount	**P 54,570,255**	**P 57,487,981**	**P 15,524,564**	**P 127,582,800**
December 31, 2015				
Cost	P 65,678,584	P 124,327,964	P 11,504,553	P 201,511,101
Accumulated depreciation and amortization	(6,729,784)	(79,184,576)	(7,124,841)	(93,039,201)
Net carrying amount	P 58,948,800	P 45,143,388	P 4,379,712	P 108,471,900
January 1, 2015				
Cost	P 65,678,584	P 87,299,609	P 10,725,701	P 163,703,894
Accumulated depreciation and amortization	(2,351,184)	(58,514,569)	(5,600,741)	(66,466,494)
Net carrying amount	P 63,327,400	P 28,785,040	P 5,124,960	P 97,237,400

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2016 and 2015 is shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 58,948,800	P 45,143,388	P 4,379,712	P 108,471,900
Additions	-	42,685,446	15,480,000	58,165,446
Depreciation and amortization charges for the year	(4,378,545)	(30,340,853)	(4,335,148)	(39,054,546)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 54,570,255	P 57,487,981	P 15,524,564	P 127,582,800
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 63,327,400	P 28,785,040	P 5,124,960	P 97,237,400
Additions	-	37,028,355	778,852	37,807,207
Depreciation and amortization charges for the year	(4,378,600)	(20,670,007)	(1,524,100)	(26,572,707)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 58,948,800	P 45,143,388	P 4,379,712	P 108,471,900

The amount of depreciation and amortization is allocated and reported in the statements of comprehensive income as follows (see Note 13):

	2016	2015
Project costs	P 27,092,831	P 17,517,621
General and administrative	11,961,715	9,055,086
	P 39,054,546	P 26,572,707

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

This account is broken down as follows:

	Note	2016	2015
CBU		P 3,825,943,160	P2,593,273,030
LCBU		702,225,060	522,332,720
	7	P 4,528,168,220	P3,115,605,750

CBU pertains to weekly savings of P50 or more, that each member maintain during the first loan cycle, which earns rebates of up to 7% per annum. On the succeeding loan cycles, the members have to maintain a balance equivalent to at least 15% of the availed principal loan. Rebates are computed and released to clients on the first week of December every year.

LCBU is a noninterest bearing, alternative savings that is locked in as to member withdrawal. The weekly contribution is fixed at P10. When the LCBU reaches P2,400, 50% of such is transferred to CBU.

All active members of the Foundation are required to maintain their CBU and LCBU contributions based on prescribed minimum levels.

The collected CBU and LCBU or micro-savings is for purposes of maintaining a compensating balance, which is used to offset against the member's outstanding balance in case of default. Historically, default rates for the last three years have not exceeded 1% of the carrying balance of loans receivable as at the reporting periods.

10. LOANS PAYABLE

The composition of the Foundation's outstanding bank loans is shown below.

	2016	2015
Current	P 720,000,000	P 514,000,000
Noncurrent	50,000,000	65,000,000
	P 770,000,000	P 579,000,000

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

As of December 31, 2016 and 2015, the Foundation is compliant with all the security requirements and covenants imposed by the respective creditor.

The summarized terms and conditions of each availed loan as at December 31, 2016 and 2015 are as follows:

Outstanding Principal Balance 2016	Outstanding Principal Balance 2015	Interest Rate	Security	Maturity date
P 200,000,000	P 150,000,000	Fixed at 4.5%	Secured, assigned receivables P399.4 million and P197.8 million, respectively	2017
200,000,000	150,000,000	Fixed at 4.5%	Secured, assigned receivables P259.7 million and P249.6 million, respectively	2017
200,000,000	130,000,000	Fixed at 4.3%	Secured, assigned receivables P100.0 million and P303.1 million, respectively	2017
170,000,000	125,000,000	Fixed at 4.5%	Unsecured	2018
-	24,000,000	None	Unsecured	2016
P 770,000,000	P 579,000,000			

Interest expense on interest-bearing loans amounted to P29.9 million and P16.1 million in 2016 and 2015, respectively, and is presented part of Finance Costs under Project Costs account in the statements of comprehensive income (see Note 13).

11. OTHER LIABILITIES

This account includes the following:

	2016	2015
Beneficiary program and support trust fund (BPSTF)	**P 622,551,800**	P 448,430,620
Staff benevolent fund	**175,294,500**	95,263,400
Accrued expenses	**159,676,170**	141,844,340
Accounts payable	**63,704,737**	22,515,363
Staff cash bond	**-**	122,680,600
Staff CBU	**-**	63,124,700
	P1,021,227,207	P 893,859,023

BPSTF represents 0.5% of every principal amount of loan released to each member. The cumulative trust fund is used to cover the payment of a loan in case of death of a member, provide assistance to members in cases of fire, and cover losses in case of robbery and hold-up of loan officers while exercising efforts of collection from members.

Effective on January 1, 2012, a new policy was implemented by the Foundation requiring each new group member to contribute P50 as group members' contribution to the BPSTF Fund. The contributions form part of the BPSTF as additional fund for health-care program, death benefit, hospitalization benefit, scholarship to the children of the qualified members, and provision for distribution of relief goods and other livelihood support intervention in time of calamities such as typhoons, fires, earthquakes and floods.

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

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

Accounts payable include withholding taxes payable and unclaimed benefits of resigned personnel during the reporting periods.

Staff cash bond represents refundable security deposits made by employees. Pursuant to Department of Labor Advisory No. 11-14, *Non-Interference in the Disposal of Wages and Allowable Deductions*, the Foundation returned staff cash bond and staff CBU with balance as of December 31, 2015 amounting to P122.7 million and P63.1 million, respectively.

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

12. OTHER REVENUES

This account includes the following:

	Notes	2016	2015
Service charges on employee loans	7.2	**P 7,759,090**	P 2,889,008
Interest income on bank deposits	6	**2,970,563**	2,897,588
Gain from recovery of written-off accounts		**745,462**	485,991
		P 11,475,115	P 6,272,587

13. OPERATING EXPENSES

The details of operating expenses by nature are shown below.

	Notes	2016	2015
Employee benefits	15, 14.1	**P 1,437,532,021**	P 944,041,181
Travel and transportation		**342,581,989**	281,975,471
Taxes and licenses	20.1*(l)*	**202,968,546**	265,467,153
Office rental	18	**102,224,478**	78,235,370
Staff development and conference		**92,531,751**	42,198,057
Repairs and maintenance		**89,189,039**	54,369,834
Impairment loss	7.1	**67,830,135**	150,133,980
Office supplies and reproduction		**50,489,454**	35,714,338
Grants and donations		**40,989,796**	14,028,625
Finance costs	10, 14.2	**40,019,315**	21,534,855
Depreciation and amortization	8	**39,054,546**	26,572,707
Light and water		**32,052,946**	16,332,257
Postage and telephone		**27,773,992**	16,404,621
Professional fees		**7,674,886**	3,946,739
Miscellaneous		**16,470,931**	16,617,548
		P 2,589,383,825	P 1,967,572,736

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

	2016	2015
Project costs	**P 2,071,110,773**	P 1,528,240,749
General and administrative expenses	**518,273,052**	439,331,987
	P2,589,383,825	P 1,967,572,736

Project costs are broken down as follows:

	Notes	2016	2015
Employee benefits	14.1, 15	**P1,214,209,744**	P 828,311,479
Travel and transportation		**323,697,500**	261,018,826
Office rental	18	**101,522,478**	77,533,370
Repairs and maintenance		**85,281,839**	52,518,982
Staff development and conference		**76,941,261**	37,939,664
Impairment loss	7.1	**67,830,135**	150,133,980
Office supplies and reproduction		**46,640,107**	34,290,083
Finance costs	10, 14.2	**40,019,315**	21,534,855
Postage and telephone		**32,516,862**	9,502,338
Light and water		**27,288,358**	15,691,666
Depreciation and amortization	8	**27,092,831**	17,517,621
Taxes and licenses	20.1*(f)*	**15,910,600**	11,659,229
Miscellaneous		**12,159,743**	10,588,656
		P2,071,110,773	P1,528,240,749

The details of general and administrative expenses are shown below.

	Notes	2016	2015
Employee benefits	14.1, 15	**P 223,322,277**	P 115,729,702
Taxes and licenses	20.1*(f)*	**187,057,946**	253,807,924
Grants and donations		**32,052,946**	14,028,625
Travel and transportation		**18,884,489**	20,956,645
Staff development and conference		**15,590,490**	4,258,393
Depreciation and amortization	8	**11,961,715**	9,055,086
Postage and telephone		**8,472,934**	6,902,283
Professional fees		**7,398,268**	3,725,535
Repairs and maintenance		**3,907,200**	1,850,852
Office supplies and reproduction		**3,849,347**	1,424,255
Office rental	18	**702,000**	702,000
Miscellaneous		**5,073,440**	6,890,687
		P 518,273,052	P 439,331,987

14. EMPLOYEE BENEFITS

14.1 Salaries and Employee Benefits Expense

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

	Notes	2016	2015
Salaries and wages		**P1,109,797,222**	P 824,027,611
Post-employment benefits	14.2	**189,617,596**	43,445,100
SSS, HDMF, Philhealth contributions		**78,942,403**	59,520,320
Staff benevolent fund		**59,174,800**	17,048,150
	13	**P1,437,532,021**	P 944,041,181

The amounts of employee benefits are allocated and reported in the statements of comprehensive income as follows (see Note 13):

	2016	2015
Project costs	**P1,214,209,744**	P 828,311,479
General and administrative	**223,322,277**	115,729,702
	P1,437,532,021	P 944,041,181

14.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Foundation maintains an unfunded and noncontributory post-employment defined benefit plan covering all regular full-time employees. The Foundation does not have a formal, trusteed retirement plan.

In 2016, the anticipated retirement benefit set by management increased from 100% to 150% of basic salary pay per year of service. Benefits are to be paid in lump sum, upon retirement or separation.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and obligation. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2016 and 2015.

The movements in the present value of the post-employment defined benefit obligation recognized in the statements of financial position are as follows:

	2016	2015
Balance at beginning of year	P 207,273,100	P 120,232,500
Past service cost	125,736,649	-
Current service cost	63,880,947	43,445,100
Interest expense	10,156,382	5,398,450
Remeasurements - actuarial losses (gains) arising from changes in:		
Experience adjustments	(17,160,213)	46,389,199
Financial assumptions	(10,210,387)	(7,628,099)
Benefits paid	(2,462,378)	(564,050)
Balance at end of year	P 377,214,100	P 207,273,100

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

	2016	2015
Reported in profit or loss:		
Past service cost	P 125,736,649	P -
Current service cost	63,880,947	43,445,100
Interest expense	10,156,382	5,398,450
	P 199,773,978	P 48,843,550
Reported in other comprehensive income:		
Actuarial losses (gains) arising from changes in:		
Experience adjustments	(P 17,160,213)	P 46,389,199
Financial assumptions	(10,210,387)	(7,628,099)
	(P 27,370,600)	P 38,761,100

Retirement benefit expense is allocated and presented in the statements of comprehensive income under the following classification:

	2016	2015
Project costs	P 129,319,201	P 30,411,570
General and administrative	60,298,395	13,033,530
	P 189,617,596	P 43,445,100

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

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

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

	2016	2015
Discount rates	**5.4%**	4.9%
Expected rate of salary increases	**12.0%**	12.0%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 34 for males and 34.8 for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Other information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31, 2016 and 2015:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2016			
Discount rate	**+7.8%/-8.7%**	**(P 29,559,088)**	**P 32,798,90**
Salary growth rate	**+7.1%/-6.6%**	**26,947,103**	**(26,068,777)**
December 31, 2015			
Discount rate	+8.5%/-9.5%	(P 17,688,618)	P 19,713,593
Salary growth rate	+7.8%/-7.3%	16,230,507	(15,047,346)

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

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

(ii) Funding Arrangements and Expected Contribution

At the end of the reporting period, the Foundation has not yet established its funding plan for post-employment defined benefit obligation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about eight years' time when a significant number of employees is expected to retire.

In one to ten years, the Foundation's undiscounted expected benefit payments from the plan amount to P11.4 million and P3.8 million at the end of 2016 and 2015 respectively.

As of December 31, 2016, the weighted average duration of the post-employment defined benefit obligation at the end of the reporting period is eight years.

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 P50.4 million and P59.4 million in 2016 and 2015, respectively; while post-employment benefits amounted to P23.9 million and P4.4 million in 2016 and 2015, respectively and is presented as part of Employee Benefits account under Operating Expenses in the statements of comprehensive income (see Note 13).

16. TAXATION COVERAGE AND EXEMPTIONS

The Foundation is a nonstock, nonprofit corporation and the primary purpose of which is one of those enumerated in Section 30 of the Tax Reform Act of 1997 (RA No. 8424). No part of the excess of revenues over expenses of the Foundation inures to the benefit of any of its members, employees, key officers or board of trustees. The trustees do not receive any compensation, except for inconsequential honorarium to defray costs incurred in attending board meetings. In case of dissolution, the assets of the Foundation shall be transferred to a similar institution or to the government, in the absence of the former. However, despite its tax exempt status, the Foundation received income tax assessments amounting to P101.7 million and P121.3 million pertaining to taxable years 2015 and 2014, which were settled in full in 2016 and 2015, respectively.

On November 3, 2015, Republic Act 10693 otherwise known as the "*Microfinance NGOs Act*" (the Act) was signed into law. The Act provides that duly registered and microfinance NGOs shall be eligible to the preferential tax treatment of two percent (2%) based on its gross receipts from microfinance operations in lieu of all national taxes. In 2016, the Foundation paid gross receipts tax (GRT) amounting to P80.7 million [see Note 20.1*(f)*]. Moreover, 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. FUND MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Foundation's capital management objectives are to generate funds to expand its microfinance operations by collecting service fees at rates commensurate to the level of risk, to facilitate the convergence and provision of other social services to the poor, and to ensure the Foundation's sustainability to continue as a going concern.

The Foundation monitors funds on the basis of the carrying amount of the fund balance as presented in the statements of financial position.

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

	2016	2015
Total loans from third parties	**P 770,000,000**	P 579,000,000
Total fund balance	**2,253,640,787**	900,111,833
External loans-to-fund ratio	**0.34:1.00**	0.64:1.00

The Foundation has satisfactorily complied with its covenant obligations related to its interest-bearing loans as of the end of each reporting periods (see Note 10).

18. COMMITMENTS AND CONTINGENCIES

18.1 Operating Lease Commitments – Foundation as Lessee

The Foundation has operating lease agreements covering various office spaces occupied by the Foundation and its branches for a period of six months to two years. The lease agreements require the Foundation to pay rental deposits. Outstanding rental deposits as of December 31, 2016 and 2015 amounted to P21.4 million and P15.4 million, respectively, and are shown as Rental Deposits in the statements of financial position.

As of December 31, 2016 and 2015, future minimum lease payments under these noncancellable operating leases within one year amounted to P79.6 million and P44.0 million, respectively.

Rent expense recognized related to these operating leases amounted to P102.2 million in 2016 and P78.2 million in 2015, which are allocated to both Project Costs and General and Administrative Expenses under Operating Expenses account in statements of comprehensive income (see Note 13).

18.2 Others

There are other commitments and contingencies that arise in the normal course of the Foundation's operations which are not reflected in the financial statements. As of December 31, 2016 and 2015, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Foundation's financial statements.

19. EVENT AFTER THE END OF THE REPORTING PERIOD

As approved by the BOT on November 17, 2016, the Foundation entered into a Facility Agreement (the Agreement) as corporate notes issuer, with three local universal banks as initial noteholders, Credit Guarantee & Investment Facility (a trust fund of the Asian Development Bank) as guarantor, and BPI Capital Corporation as mandated lead arranger and bookrunner. Based on the Agreement which was signed on January 26, 2017, the initial noteholders grant to the Foundation a loan facility with a maximum principal amount of P2.0 billion, subject to release in not more than three tranches starting February 2017 to January 2018.

As of March 20, 2017, the Foundation has drawn P1.0 billion representing the first tranche. As approved by the BOT, the net proceeds of the issuance of the notes shall be used by the Foundation for financing its expansion plans, paying off its existing bank loans payable, and for other general corporate purposes.

20. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

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

20.1 Requirements under Revenue Regulations (RR) No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Output Value-added Tax (VAT)

The Foundation has not incurred any output tax liability for the year ended December 31, 2016 as it has no revenue transactions subject to VAT (see Note 16).

(b) Input VAT

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

(c) Documentary Stamp Tax

The Foundation paid documentary stamp tax (DST) in 2016 amounting to P4.7 million, which is related to the several loans originated during the year [see Note 20.1(*f*)].

(d) Taxes on Importation

The Foundation did not incur or pay any customs' duties and tariff fees as it did not have any importation for the year ended December 31, 2016.

(e) Excise Tax

The Foundation did not have any transactions in 2016, which are subject to excise tax.

(f) Taxes and Licenses

The details of Taxes and Licenses account in 2016 are shown below.

	Notes	
Income tax BIR assessment		P 101,710,861
GRT	16	80,651,452
Licenses and permits		13,806,605
DST	20.1*(c)*	4,724,026
Real estate taxes		1,443,381
Local taxes		632,221
		P 202,968,546

The amounts of taxes and licenses are allocated and presented in the 2016 statement of comprehensive income as follows (see Note 13):

Project costs	P 15,910,600
General and administrative expenses	187,057,946
	P 202,968,546

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2016 are shown below.

Compensation and employee benefits	P 53,267,221
Expanded	779,421
	P 54,046,642

The Foundation has no transactions subject to final withholding taxes during the year.

20.2 Requirements under RR No. 19-2011

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented in the succeeding page are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2016 statement of comprehensive income.

(a) Exempt Revenues

The Foundation's exempt revenues for the year ended December 31, 2016 amounted to P3,904,067,064 pertaining to service fees.

(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, 2016 is presented below.

Service charges on employee loans	P 7,759,090
Gain from recovery of written-off accounts	745,462
	P 8,504,552

(c) Non-deductible Expenses

The details of the Foundation's itemized deductions under exempt transactions for the year ended December 31, 2016 are as follows:

Employee benefits	P 1,437,532,021
Travel and transportation	342,581,989
Taxes and licenses	202,968,546
Office rental	102,224,478
Staff development and conference	92,531,751
Repairs and maintenance	89,189,039
Impairment losses	67,830,135
Office supplies and reproduction	50,489,454
Postage and telephone	40,989,796
Interest on borrowed funds	40,019,315
Depreciation and amortization	39,054,546
Grants and donations	32,052,946
Light and water	27,773,992
Professional fees	7,674,886
Association dues	1,191,257
Entertainment, amusement and recreation	217,251
Miscellaneous	15,062,423
	P 2,589,383,825

P&A Grant Thornton

An instinct for growth

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

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

The Board of Trustees
ASA Philippines Foundation, Inc.
(A Nonstock, Nonprofit Organization)
15th Floor 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, 2016, on which we have rendered our report dated March 20, 2017. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2016, is presented for purposes of additional analysis in compliance with the requirement under Securities Regulation Code Rule 68, and is not a required part of the basic financial statements in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 5908629, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-3 (until May 19, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-19-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

ASA Philippines Foundation, Inc.
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions *(effective January 1, 2018)*			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts* *(effective January 1, 2018)*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revene from Contract with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative* *(effective January 1, 2017)*			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes			✓
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses* *(effective January 1, 2017)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants**	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization**	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Cooperative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2016 and are not early adopted by the Foundation.

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