104162018001816

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	CN200429482
Company Name	JMH MICROFINANCE, INC.
Industry Classification	Activities Of Other Membership Organizations, N.E.C.
Company Type	Non-stock Corporation

Document Information

Document ID	104162018001816
Document Type	FINANCIAL STATEMENT-ANNUAL
Document Code	FS
Period Covered	December 31, 2017
No. of Days Late	0
Department	CED/CRMD
Remarks	

Reason for Edit Receipt Date: System Down

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C N 2 0 0 4 2 9 4 8 2

Company Name

J M H M I C R O F I N A N C E , I N C .

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

C R H B U I L D I N G , S A L U G A N , C A M A L I G , A L B A Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A F S		N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
compliance@jmhfi.com	(052) 431-0079	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
	1st MONDAY OF MAY	DECEMBER 31, 2017

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
CHARISMA D. LASCOTA	cdlascota@jmhfi.com	431-0079	09985828550

Contact Person's Address

S A L U G A N , C A M A L I G , A L B A Y

Note: 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.

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JMH MICROFINANCE INC.

(Formerly: J.M. Honrado Foundation, Inc.)

(A non-stock, non-profit Organization)

CRH Building, Salugan, Camalig, Albay

AUDITED FINANCIAL STATEMENTS

For years ended December 31, 2017 and 2016

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Report of Independent Auditors

A.R. SAYSON & ASSOCIATES, CPAs

JMH MICROFINANCE INC.

(Formerly: J.M. Honrado Foundation, Inc.)
A non-stock, non-profit Organization
CRH Building, Salugan, Camalig, Albay

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **JMH MICROFINANCE INC.** *(Formerly: J.M. Honrado Foundation, Inc.)* is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submit the same to the stockholders.

A.R. Sayson & Associates, CPAs, the independent auditors, appointed by the stockholders has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Paulo R. Honrado
Chairman

Charisma D. Lascota
President

Erlina A. Morato
Treasurer

Signed this 12th day of April 2018.

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JMH MICROFINANCE INC.

(Formerly: J.M. Honrado Foundation, Inc.)
A non-stock, non-profit Organization
CRH Building, Salugan, Camalig, Albay

STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The management of **JMH MICROFINANCE INC.** *(Formerly: J.M. Honrado Foundation, Inc.)* is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representation contained in the in all other tax returns filed for the reporting period, including, but not limited, to the value-added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2017 and the accompanying Annual Income Tax Return are in accordance with the books and records of **JMH MICROFINANCE INC.** *(Formerly: J.M. Honrado Foundation, Inc.)* complete and correct in all material respects. Management likewise affirms that:

a. the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, the pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b. any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards of the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

c. the management of **JMH MICROFINANCE INC.** *(Formerly: J.M. Honrado Foundation, Inc.)* has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Paulo R. Honrado
Chairman

Erlina A. Morato
Treasurer

Charisma D. Lascota
President

APR 13 2018

A.R. Sayson & Associates
Certified Public Accountants

Legaspi Office:
Rm 211 PVLB Bldg.
Peñaranda St. Legazpi City
Albay

Telefax No. (052) 480-5116
arsayson@yahoo.com
BOA/PRC Reg.No. 0511
CDA Accredited
BSP Accredited
SEC Accredited

Report of Independent Auditors

To the Board of Trustees and Members of
JMH MICROFINANCE INC.
(Formerly: J.M. Honrado Foundation, Inc.)
A non-stock, non-profit Organization
CRH Building, Salugan, Camalig, Albay

We have audited the financial statements of **JMH MICROFINANCE INC.** *(Formerly: J.M. Honrado Foundation, Inc.)* (the Association), which comprise the statements of financial position as of December 31, 2017 and 2016 and the statements of comprehensive income, changes in fund balance and 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 Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRSs for SMEs).

Basis for Opinion

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

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 Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRSs for SMEs), 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 misstatements, whether due to fraud or error, and to issue an auditor's 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 PSAs 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.

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As part of an audit in accordance with PSAs, 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 Association's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Association. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

A.R. SAYSON & ASSOCIATES, CPAs
TIN 005-716-970
BOA/ PRC No. 0511 valid until December 2018
CDA A.N. CEA-0064-AF valid until January 21, 2020
SEC Accredited No. 0344-F valid until July 27, 2020

Randy M. Padua

Randy M. Padua
Partner
CPA Certificate No. 90506
P.T.R. No. 9011079, January 3, 2018, Legazpi City, Albay
BOA/ PRC No. 0511 valid until December 2018
BIR Acc. No. 10-002027-001-2016 valid until February 2019
SEC Accredited No. 1615-A valid until July 27, 2020
TIN 170-086-473

March 2, 2018
Legaspi City, Albay

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JMH MICROFINANCE INC.

(Formerly: J.M. Honrado Foundation, Inc.)

A non-stock, non-profit Organization

STATEMENTS OF FINANCIAL POSITION

		As of December 31	
(In Philippine Peso)	*Notes*	**2017**	2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	2,5	**15,865,870**	20,127,230
Loans and Receivables	2,6	**96,615,930**	102,135,762
Accounts Receivable and Other Receivale	2,7	**557,157**	710,812
Other Current Assets	2,8	**750,264**	936,599
Total		**113,789,221**	123,910,404
Non-current Assets			
Loans Receivables	2,9	**927,914**	763,076
Property and Equipment, net	2,10	**24,457,340**	4,043,692
Total		**25,385,254**	4,806,768
TOTAL ASSETS		**139,174,474**	128,717,172
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Savings Deposit	11	**44,688,098**	46,376,051
Accounts Payable and Accrued Expenses	2,12	**9,837,243**	17,903,301
Advances from Trustees	2,20	**8,000,000**	10,000,000
Loans Payable	2,13	**33,272,296**	18,375,540
Total current liabilities		**95,797,637**	92,654,892
Non-Current Liabilities			
Loans Payable	14	**-**	4,321,339
Total Liabilities		**95,797,637**	96,976,231
Fund Balance	2,15	**43,376,837**	31,740,942
TOTAL LIABILITIES AND FUND BALANCE		**139,174,474**	128,717,172

(See accompanying notes to financial statements)

JMH MICROFINANCE INC.

(Formerly: J.M. Honrado Foundation, Inc.)

A non-stock, non-profit Organization

STATEMENTS OF RECEIPTS AND EXPENSES

		For the years ended December 31	
(In Philippine Peso)	*Notes*	**2017**	2016
RECEIPTS			
Interest Income	*2*	**59,202,895**	58,545,616
Interest Income on Bank Deposit		**83,639**	56,517
Other Income	*2,16*	**621,146**	567,032
Total Receipts		**59,907,680**	59,169,164
OPERATING AND ADMINISTRATIVE EXPENSES	*2,17*	**(55,145,663)**	(54,537,475)
EXCESS OF RECEIPTS OVER EXPENSES		**4,762,017**	4,631,690

(See accompanying notes to financial statements)

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 13 2018

JMH MICROFINANCE INC.

(Formerly: J.M. Honrado Foundation, Inc.)

A non-stock, non-profit Organization

STATEMENTS CHANGES IN FUND BALANCE

(In Philippine Peso)	*Notes*	*For the year ended December 31* 2017	2016
MEMBERS' CONTRIBUTION			
Balance at the beginning of the year		**12,344,532**	12,344,532
Additional Contribution		**10,000,000**	-
Balance, December 31	2,15	**22,344,532**	12,344,532
ACCUMULATED SAVINGS			
Balance at the beginning of the year		**19,396,410**	14,764,720
Excess of Receipts over Expense		**4,762,017**	4,631,690
Adjustments		**(3,126,121)**	-
Balance, December 31	2,15	**21,032,305**	19,396,410
FUND BALANCE, DECEMBER 31		**43,376,837**	31,740,942

(See accompanying Notes to Financial Statements)

JMH MICROFINANCE INC.

(Formerly: J.M. Honrado Foundation, Inc.)

A non-stock, non-profit Organization

STATEMENTS OF CASHFLOWS

(In Philippine Peso)	*Notes*	*As of December 31* 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of Receipts over Expense		**4,762,017**	4,631,690
Income from Deposit in Bank		**(83,639)**	(56,517)
Depreciation	*2,10*	**2,160,539**	2,976,778
Prior Years Adjustment		**(3,126,121)**	-
Operating income(loss) before working capital changes		**3,712,795**	7,551,951
Changes in operating assets and liabilities			
(Increase) decrease in:			
Loans and Receivables	*2,6*	**5,519,832**	4,191,453
Accounts Receivable and Other Receivale	*2,7*	**(11,182)**	9,392
Other Current Asset	*2,8*	**186,335**	189,504
Increase (decrease) in:			
Savings Deposit	*11*	**(1,687,953)**	3,854,894
Accrued expenses and other payables	*2,12*	**(8,066,058)**	(4,137,886)
Cash generated from operation		**(346,231)**	11,659,308
Interest Income Received		**83,639**	56,517
Net cash provided by operating activities		**(262,592)**	11,715,825
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	*2,10*	**(22,574,186)**	(3,392,673)
Net cash provided by investing activities		**(22,574,186)**	(3,392,673)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payments of):			
Loans payable	*13,14*	**10,575,418**	(3,401,811)
Advances from Trustees	*2,20*	**(2,000,000)**	-
Additional members contribution		**10,000,000**	-
Net cash provided by financing activities		**18,575,418**	(3,401,811)
INCREASE (DECREASE) IN CASH BALANCE		**(4,261,360)**	4,921,341
CASH BALANCE, JANUARY 01		**20,127,230**	15,205,890
CASH BALANCE, DECEMBER 31	*2,5*	**15,865,870**	20,127,230

(See accompanying notes to financial statements)

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NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

NOTE 1 – ASSOCIATION'S INFORMATION

The **JMH MICROFINANCE INC.** *(Formerly: J.M. Honrado Foundation, Inc.)* (the Association) a non-stock, non-profit organization was organized and registered with the Securities and Exchange Commission (SEC) on October 07, 2004 with SEC Registration No. CN200429482 and Bureau of Internal Revenue with Tax Identification No. 006-140-730.

The Association's primary purpose of which is it to implement a microenterprise development strategy and provide microfinance programs, products and services such as a microcredit and microsavings. (As amended on April 25, 2017)

On May 16, 2017, the SEC approved the amended articles of incorporation amending Article I, II and III, which states the following:

- **Article I** - Registered Name: From J.M. Honrado Foundation, Inc. change to JMH MICROFINANCE INC.
- **Article II –** Primary Purpose
- **Article III** - Transferring the principal office address of from 1620 National Highway Purok 2, Bañag, Daraga, Albay transferred to CRH Building, Salugan, Camalig, Albay.

On March 15, 2018, the Association was issued a Certification by SEC certifying that **JMH MICROFINANCE INC.** has not been dissolved nor has received any information derogatory to said corporation that would prevent it from exercising its primary franchise. As of to date, the Association is in the process of applying for accreditation as Microfinance Non-Government Organization.

Approval of Financial Statement

The financial statement of the Association as of December 31, 2017 was authorized for issue by the Board of Trustees on February 28, 2018.

NOTE 2 – BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

The financial statements of the Association have been prepared in accordance with the PFRS for SMEs. These financial statements have been prepared under the historical cost convention. The FRSC and the SEC have adopted PFRS for SMEs which is applicable to all qualified SMEs effective for annual period beginning on or after January 1, 2010.

Functional and Presentation Currency

The Association's financial statements are presented in Philippine Pesos, the currency of the primary economic environment in which the Association operates. All values are rounded to the nearest peso, except when otherwise stated.

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Statement of Compliance
The preparation of financial statements in conformity with the PFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.

Financial Instrument
All financial assets and financial liabilities in the statement of financial position are recognized when the Association becomes a party to the contractual provisions of the instrument.

- *Initial Recognition of Financial Instruments*
  Financial Asset and Financial liabilities are recognized initially at cost. After initial recognition, basic financial assets and basic financial liabilities are measured at amortized cost less impairment except for investment in shares that are publicly traded or whose fair value cam otherwise be measured reliably, which are measured at fair value with changes in fair value recognized in the statement of comprehensive income

- *Impairment of Financial Asset*
  At the end of each reporting period, management assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Association shall recognized an impairment loss in the statement of comprehensive income immediately. If in subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Association shall reverse he previously recognized impairment loss either directly or adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset (net of allowance account) that exceeds what the carrying amount would have been had the impairment not previously recognized. The Association shall recognized the amount of reversal in the statement of comprehensive income immediately.

- *Derecognition of Financial Assets*
  The financial asset (where applicable, a part of financial asset or part of a group of similar financial assets) is derecognized when:
  - the rights to receive cash flows from the asset have expired or are settles; or
  - the Association has transferred its rights to receive cash flows from the asset ad either (i) has transferred substantially all the risks and rewards of the asset, but has transferred control of the asset.

- *Offsetting Financial Instruments*
  Financial assets and financial liabilities are offset and the net amount on the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amount and there is an intention to settle on a net basis, or to realize the net asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Financial Asset
Financial Assets consist of the following:

- *Cash and cash equivalent*
  Cash pertains to cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Cash in banks denominated in a foreign currency are translated into Philippine Peso using the closing rate at the reporting date. Foreign exchange gains or losses are included in statements of activities.

Cash and cash equivalent includes cash on hand and in banks. Information on cash and cash equivalent are discussed in Note 5.

- *Loans Receivable*
  Loans Receivables are recognized at face value less any allowance for uncollectible amounts. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. Loans receivable represents interest bearing loan assistance to qualified beneficiaries in the different communities where the Association operates. This account is stated at outstanding principal balance reduced by allowance for loan losses, if any.

- *Advances*
  Advances pertain to unutilized and unliquidated advances as at reporting date. These are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of advances is established when there is objective evidence that the Association will not be able to receive the liquidation reports for all amounts allotted for each project.

  When a project is discontinued caused by any administrative, legal or other factors, these are indicators that these advances are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of support, donations and expenses. When advances remain unliquidated despite the completion of specified project and after the Association has exerted all administrative remedies, it is written-off against the allowance account for advances.

  Subsequent recoveries of amounts previously written-off are credited against expenses in the statement of support, donations and expenses. Reversals of previously recorded impairment provision are credited in the statement of support, donations and expenses based on the result of management's update assessment, considering the available facts and changes in circumstances.

Non-Financial Asset
Non-Financial Assets consist of the following:

- *Property and Equipment*
  Property and equipment, except land, is stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

  The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Expenditures incurred after the item has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

Leasehold improvements	5 years or term of the lease whichever is shorter
Computers and computer software	3
Office equipment, furniture and fixtures	3
Transportation equipment	5

The residual values, useful lives and method of depreciation of the assets are reviewed and adjusted, if appropriate, at each reporting date. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations. If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property and equipment are recognized in the statements of activities in the period of retirement or disposal.

Impairment of Property and Equipment

At each reporting date, property and equipment are reviewed to determine whether there is any indication that those assets suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount.

If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statements of activities.

If impairment loss subsequently reverses, the carrying amount of the asset (or group of assets) is increased to the revised estimate of recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of assets) in prior years. A reversal of impairment loss is recognized immediately in the statements of activities.

Financial Liabilities

Financial liabilities include Accounts Payable and Other Current Liabilities and Loans Payable.

- *Accounts Payable and Accrued expenses*

  Accounts Payable and Accrued Expenses are measured initially at their fair values and subsequently recognized at amortized costs less settlement payments.

  Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

- *Loans Payable*

  Loans Payable are recognized initially at the transaction price that is the present value of cash including transaction costs, if any. These are subsequently stated at amortized cost. Interest expense is recognized on the basis of effective interest method and is included in other charges on the statements of revenues and expenses.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period, or the School does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

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

Fund Balance
Fund balance pertains to the donations received by the Association less the program and administrative expenses. The Fund balance is measured at the fair value of the consideration received at the date of contribution.

The amount included in fund balances includes accumulated excess of revenues over disbursement reduced by funds returned to funding agencies/partners and other adjustments. Funds returned to funding agencies/partners are recognized as a liability and deducted from fund balances in accordance with specific provisions of the contract related to the funds. Fund balances may also include effect of changes in accounting policy as may be required by the transitional provisions of new accounting standards and interpretations.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized:

- *Grants, Donations, Support and Contributions.* Grants, donations, support and contributions are recognized when received rendered from the members of the Association.

- *Interest Income on Loan Receivable.* Revenue is recognized in the revenues and expenses statement for all financial assets at amortized cost using the effective interest method.

- *Interest Income on Bank Deposit.* Interest income arising from the Association's cash in bank and investments is recognized when earned while interest income from loans receivable are recognized when received regardless of when earned.

- *Other Income.* Other income pertains to service fees, fines and penalties, registration fees, and other charges which are recognized as revenue upon collection.

Expenses
The Association recognizes disbursements for personnel expenses, general and administrative expenses when paid rather when obligations are incurred, except for finance costs, depreciation and amortization of property and equipment and provision for probable losses.

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in fund balance.

Expenses are recognized in the statement of income;

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Finance Costs

Finance costs pertain to the interests paid by the Association for the savings maintained by the borrowers once they have availed loans. Finance costs are recognized when incurred.

Employees' benefits

Employee Benefits are all forms of consideration given by an entity in exchange for service rendered by employees, including directors and management. Employee benefits consist of short-term employee benefits, which includes wages, salaries, statutory bonuses, social security contributions and other non-monetary benefits. These are accrues during the period in which the related services are rendered by employees of the Association.

Short-term benefits

The Association recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Association to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, non-monetary benefits, and other short-term benefits.

Post-employment benefits

As of the audit date, the Association has no defined, established and trusteed employees' retirement/pension plans. The Association does not have a policy on retirement benefits but the Association pays certain amount of money to employees upon retirement from service.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Association recognizes termination benefits when it is demonstrably committed to either, terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the statements of sources and applications of funds on a straight-line basis when paid rather than over the term of the lease.

A lease is classified as an operating lease if it does not transfer substantially all risks and rewards incidental to ownership.

Association as Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives ae received to enter operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties. *(see Note 20)*

Provisions
Provisions, if any, are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefit is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Association's assets and liabilities at reporting period (adjusting events) are reflected in the financial statements. Post yearend events that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with PFRS for SMEs requires the Association to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

Judgments
In the process of applying the Association's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the financial statements.

Functional Currency. The Association determined that it's functional and presentation currency is Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Association operates.

Revenue. The Association assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Association has concluded that it is acting as principal in all of its revenue arrangements.

Operating Leases. The Association leases its office space. The Association has determined that the arrangements are operating leases rather than capital lease as there is no transfer of risks and rewards to the lessee.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Association based its assumptions and

estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Association. Such changes are reflected in the assumptions when they occur.

Allowance for Loan Losses. The Association assesses whether objective evidence of impairment exist for loans and receivables that are individually significant, and collectively for loans and receivables that are not individually significant. Allowance for loan losses is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the aging of the loans and receivable, past collection experience and other factors that may affect its collectability. The allowance is established through charges to income in the form of loan loss provision. In addition, accounts that are specifically identified to be potentially uncollectible are also provided with adequate allowance.

Estimated Useful Lives and Impairment of Property and Equipment. The useful life of each of the Association's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded expenditures and decrease noncurrent assets. On the other hand, the Association assesses impairment on its property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Association considers important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and significant changes in the manner of use of the acquired assets or the strategy for overall business.

No changes in the useful life were made and no impairment losses were recognized in 2017 and 2016 for property and equipment. The carrying value of property and equipment as at December 31, 2017 and 2016 amounted to P 24,457,340 and P 4,043,692, respectively *(see Note 10).*

NOTE 4 – FINANCIAL RISK MANAGEMENT

Management of Financial Risk

The Board of Trustees has overall responsibility for the establishment and oversight of the Association's risk management framework. The board has established the Association's assets, liability, credit and operational risk committees, which are responsible for developing and monitoring the Association's risk management policies in their specific areas. All board committees have executive and non- executive members and report regularly to the Board of Trustees on their activities.

The Association's risk management policies are established to identify and analyze the risks faced by the Association, to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions, products and services offered. The Association, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Association's risk audit committee is responsible monitoring compliance with Association's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Association. The Association's audit committee is assisted in these functions by the Internal Audit and Compliance Unit. The Internal Audit and Compliance Unit undertake both regular and ad-hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

The Association's risk management policies are summarized below:

Credit Risk
Credit risk is the possibility that the Association suffer losses when a counterparty to a credit transaction fails to meet its financial obligation.
The Association's credit risk is primarily attributable to its receivable. The Association has adopted stringent procedure in extending credit terms to clients and in monitoring its credit risk.

The Association has established controls and procedures in its credit policy to determine and monitor the credit worthiness of customers and counterparties. Moreover, the project agreements with customer inherent protection clauses, i.e. Change in laws/ circumstances among others.

(In Philippine Peso)	**2017**	2016
Cash in Banks	**15,865,871**	20,127,231
Loans Receivables	**96,615,930**	102,135,762
Total	**112,481,801**	122,262,994

Liquidity Risk
Liquidity risk is the risk of encountering difficulty in raising funds to meet commitments associated with financial instruments.

The Association's maintains adequate highly liquid assets in the form of cash to assure necessary liquidity. It maintains what it believes to be sufficient cash level. In addition, the Association manages its liquidity by managing the maturity profile of its outstanding loans.

Market Risk
Market risk is exposure to changes in market rates that may adversely affect the Association value and ability to meet obligations as they mature. Market risks cover interest rate and foreign exchange risks.

NOTE 5 - CASH AND CASH EQUIVALENT

This account at December 31 consists of:

(In Philippine Peso)	**2017**	2016
Cash in Bank	**11,427,228**	17,015,754
Cash on Hand	**4,193,687**	2,535,699
Petty Cash Fund	**166,000**	103,500
Others	**78,955**	472,278
Total	**15,865,870**	20,127,230

Cash in banks earn interest at the respective bank deposit rates.

Interest income amounted to ₱ 83,639 and ₱ 56,517 in 2017 and 2016, respectively.

NOTE 6 - LOANS RECEIVABLES

This account at December 31 consists of loans granted to members:

(In Philippine Peso)	**2017**	2016
Loan Receivables	**102,527,996**	108,310,116
Less: Allowance for probable losses	**(5,912,066)**	(6,174,353)
Net Realizable Value	**96,615,930**	102,135,762

As to Loan Type and Performance:

(In Philippine Peso)	Interest Rate (Per month)	**2017**	2016
Kabuhayan Loans Receivables	2.75%		
Current		**96,682,093**	104,649,389
Past Due		**2,400,777**	-
Kaagapay Loans Receivables	3%		
Current		**137,495**	259,600
Past Due		**11,351**	-
Palay Loans Receivable	3%		
Current		**157,187**	1,446,397
Past Due		**1,188,890**	-
Employee Loans Receivable			
Current	1%	**2,686,279**	1,495,710
Appliances Loans Receivable - Dream Cable	1%	**2,423**	119,829
Multipurpose Incentives Loan - Educational	1%	**78,612**	33,521
AGAP Loans Receivable	16% (100 days)	**-**	
Current		**1,725,358**	305,670
Past Due		**143,810**	-
Total		**102,527,996**	108,310,116

Loans Receivables consist of KABUHAYAN LOAN PROGRAM which means "Kaunlaran sa Buhay Hango sa Yaman ng Negosyo) and KAAGAPAY LOAN PROGRAM which means "Katuwang at Gabay sa Pag-unlad at Pagyabong ng Negosyo) these are group and individual loan respectively. The purpose of the loan is for starting or additional capital. KABUHAYAN earns interest of 2.75% per month while KAAGAPAY earns 3% per month both for a maximum of six (6) months to pay. This Palay Loans Receivables is granted to farmers earning an interest rate of 3% per month and payable after three (3) months or during harvest.

In 2016, the Association introduces a new loan profile called Alalay sa Ganap na Pagunlad (AGAP) which can avail by the client with businesses ranging from medium sized sari-sari stores, mini grocery stores, food vending (mini-eateries, distribution of foodstuffs thru vendors/retailers), market stalls, personal services shops, repair shops and similar business and trade, transport service operators, and the likes. This loan has the following terms and condition:

1. Loan payable in 100 days of equal daily instalments from Monday to Saturday, with Sunday payments advanced during the week
2. Loan payments may be advanced to avail of early re-loan
3. Loan bearing 16% interest, deducted upfront
4. Inclusive of free Life Insurance and Loan Protection benefits

The Association also established another loan program to the dependents of their member clients to support their educational need, This Educational Loan is an incentive to individual clients for showing good performance, with the following terms and charges:

MIL Loan Type	**Amount**	**Term**	**Charges**
1. Educational Loan **(Pangpa-aral)**	P 2,000 to P5,000 P 5,500 to P8,000 P 8,500 to P10,000 P 10,500 to P15,000 P 15,500 to P20,000	6 months 7 months 8 months 9 months 10 months	- 2.75% Interest per month - 20% Fixed Savings as compensating balance as per Kabuhayan policies - 3% Service Fee - Loan protection

A reconciliation of the allowance for probable losses at the beginning and end of 2017 and 2016 is shown below.

(In Philippine Peso)	**2017**	2016
Balance at beginning of the year	**6,174,353**	3,827,407
Additional Provision during the year	**806,893**	2,988,266
Write-off	**(1,069,180)**	(641,320)
Balance at end of year	**5,912,066**	6,174,353

The write-off of allowance for bad debts was approved by the Board of Trustees for the year 2017 and 2016 was on October 25, 2017 and October 27, 2016, respectively.

NOTE 7 - ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

This account at December 31 consists of:

(In Philippine Peso)	**2017**	2016
Due from Employees	**323,484**	426,872
Due from Suppliers	**224,973**	156,200
Advances to Officers and Staff	**4,200**	26,140
Others	**4,500**	101,600
Total	**557,157**	710,812

Due from employees pertains to loans made by the employees of the Association which are non-interest bearing and deducted on their semi-monthly salary.

Due from suppliers includes an advance payment by the Association for the use of a Retailer Teller Machine (RTM).

Advances to Officers and Staff consist of a budget for opening of branch such as transportation and other expense to be deducted during their semi-monthly salary.

NOTE 8 - OTHER CURRENT ASSETS

This account at December 31 consists of:

(In Philippine Peso)	**2017**	2016
Prepaid Rent	**370,500**	571,960
Supplies on Hand	**291,892**	96,159
Dream Load Card	-	52,267
Dream Satellite Disks	-	139,440
Others	**87,872**	76,774
Total	**750,264**	936,599

Supplies on hand consists of Certified Seeds, Fertilizer and Pesticides used in Palay loans.

NOTE 9 - LOANS RECEIVABLE (NON-CURRENT)

Loans Receivables consists of motorcycle loans that given to employees without interest, wherein 25% of the cost of the motorcycles will be shouldered by the Association while the 75% shall be borne by the employee. These loans which are payable in equal semi-monthly installments over a period of 5 to 10 years through payroll deductions, are interest-free and secured by the vehicles acquired from the proceeds of the loans. There are forty-eight (48) employees who availed of this program. This account has a balance as of December 31, 2017 and 2016 amounting to ₱ 927,914 and ₱ 763,076, respectively.

NOTE 10 - PROPERTY AND EQUIPMENT, NET

This account at December 31 consisted of:

(In Philippine Peso) 2016	Land	Building	Transportation Equipment	Furniture, Fixture & Off. Equipment	Total
Cost					
January 1	-	-	4,250,084	8,692,579	12,942,663
Additions	3,000,000	10,000,000	322,234	9,251,952	22,574,186
December 31	3,000,000	10,000,000	4,572,318	17,944,531	35,516,849
Accumulated depreciation					
January 1	-		2,012,651	6,886,319	8,898,970
Depreciation	-	-	738,912	1,421,627	2,160,539
December 31	-	-	2,751,563	8,307,946	11,059,509
Net book value	3,000,000	10,000,000	1,820,755	9,636,585	24,457,340

(In Philippine Peso) 2016	Leasehold Improvement	Transportation Equipment	Furniture, Fixture & Off. Equipment	Total
Cost				
January 1	77,123	3,049,925	6,500,065	9,627,113
Additions	-	1,200,159	2,192,514	3,392,673
December 31	77,123	4,250,084	8,692,579	13,019,786
Accumulated depreciation				
January 1	77,123	1,229,292	4,692,900	5,999,315
Depreciation	-	783,359	2,193,419	2,976,778
December 31	77,123	2,012,651	6,886,319	8,976,093
Net book value	-	2,237,433	1,806,260	4,043,692

NOTE 11 - SAVINGS DEPOSIT

This account at December 31 consists of:

(In Philippine Peso)	2017	2016
Pilit Impok	**41,220,471**	43,538,160
Impok Para sa Kinabukasan	**3,467,627**	2,837,891
Total	**44,688,098**	46,376,051

This "Pilit Impok" is the savings of the center funds where the member belongs. It is deducted from the loan upon release with the rate 1% of the total loan. This can be used for any project development of the center. The "Pilit Impok Funds" is the savings of each individual member which is more or less 10% of their weekly amortization. Members can withdraw the savings upon withdrawal or termination of their membership. The "Pilit Impok Funds" earns interest of 2% per quarter based on the outstanding balance.

This "Impok Para sa Kinabukasan" is a savings made by the employees of the Association deducted in their monthly salary earning an interest of 6% per annum. This can be withdrawn upon their termination or separation from the Association.

NOTE 12 - ACCRUED EXPENSES AND OTHER PAYABLES

This account at December 31 consists of:

(In Philippine Peso)	**2017**	2016
Accounts Payable	**6,713,572**	16,018,223
Calamity Fund	**1,333,950**	227,410
Accrued Interest	**474,945**	725,526
Accrued Medical Expenses	**582,256**	212,800
SSS/PH/INS. Premium Payable	**351,774**	302,525
Unearned Interest Income	**297,706**	64,799
Taxes payable	**83,041**	96,147
Directors fee payable	-	15,000
Total	**9,837,243**	17,903,301

Accounts Payable are composed of non-refundable insurance that are deducted from loans of the borrowers. Other Payables are obligations incurred on the basis of normal credit terms, unsecured and non-interest bearing for the year 2017 and 2016.

Calamity Fund is an allocated amount to support the members and borrowers' livelihood in case of emergency or natural calamities occurred.

NOTE 13 - LOANS PAYABLE (SHORT-TERM)

This account at December 31 consists of:

(In Philippine Peso)	**2017**	2016
Long Term-Loans Payable - SBCorp	**6,175,792**	4,321,339
Loans Payable – LBP	**27,096,504**	9,442,470
National Livelihood Development Corp. (NLDC)	-	3,178,950
People's Credit and Finance Corporation (PCFC)	-	1,432,781
Total	**33,272,296**	18,375,540

As to Interest Rate

Loans to NLDC (formerly National Livelihood Support Fund) earns interest of 9% per annum as of 2017 and 2016 while loans to PCFC earns interest rate of 10% per annum plus 1% service fee, payable within one year or less.

Loans payable consists of an unsecured loan from Land Bank of the Philippines (LBP), obtained to support the working capital requirements of the Association. These Loans Payable bears an interest rate of 6.75% per annum and payable within six (6) months.

NOTE 14 - LOANS PAYABLE (LONG-TERM)

This account at December 31 consists of:

(In Philippine Peso)	**2017**	2016
Long Term-Loans Payable - SBCorp	-	4,321,339
Total	-	4,321,339

As to Interest Rate

Loans Payable represents an unsecured loan incurred by the Association from a Small Business Corp. (SB Corp.) earning an interest rate of 8% per annum, payable within 2 years.

NOTE 15 - FUND BALANCE

The Association uses the funds for the operational activities as indicated in the approved agreement with the members. Fund balance are utilized only for projected activities in conformity with the approved work plans, budgets, personnel and financial guidelines and policies of the Association. The fund balance as of December 31, 2017 and 2016, were amounted to ₱ 42,052,010 and ₱ 31,740,942, respectively.

The Adjustments in the fund balance amounting to ₱ 3,126,121 as of December 31, 2017 represents erroneous adjusting entry in accrued expenses from previous years.

NOTE 16 - OTHER INCOME

This account at December 31 consists of:

(In Philippine Peso)	**2017**	2016
Service Charge	**110,379**	59,356
Income from Bank Savings	**324,088**	181,598
Miscellaneous Income	**186,680**	326,078
Total	**621,146**	567,032

NOTE 17- OPERATING AND ADMINISTRATIVE EXPENSES

This account at December 31 consists of:

(In Philippine Peso)	**2017**	2016
Salaries, Wages and Benefits *(see Note 20)*	**28,643,135**	26,915,354
Transportation Expense	**5,927,377**	5,206,377
Interest and Bank Service Charge	**2,428,206**	3,518,861
Fuel and Lubes	**1,086,917**	930,520
SSS/P.H./Ins. Prem. Expense	**1,295,155**	1,685,467
Depreciation Expense	**2,160,539**	2,976,778
Repair and Maintenance	**1,214,737**	1,442,420
Rent - Office Space *(see Note 18)*	**2,329,573**	1,813,702
Communication, Light and Water	**1,730,582**	1,050,551
Supplies	**1,275,896**	1,124,336
Taxes and Licenses *(see Note 23)*	**1,352,978**	548,207
Loan Loss Provisions	**806,893**	2,988,266
Meetings and Trainings	**519,442**	749,132
Contracted Services	**653,870**	553,000
Staff Amenities	**253,408**	294,829
Representation	**208,104**	125,747
Medical Expense	**307,938**	-
Logistics Support - Palay Collection	**15,933**	281,466
Advertising & Promotion	**82,752**	11,148
Research and Development	**13,089**	-
Losses	-	234,845
Trustee Fee *(see Note 20)*	-	110,000
Other Expenses	**2,839,139**	1,976,470
Total	**55,145,663**	54,537,475

Other Expenses includes expenses incurred during the activities and programs of the Association.

NOTE 18- LEASE OBLIGATION

The Association is paying a fix monthly rental rate, with an agreement that the contract is to be renewed at the end of the term of the lease. There are no purchase options and escalation clauses stipulated in the contract. No restrictions are imposed concerning additional debt and further leasing.

The lease contract is for the period of one (1) year and renewable for another year after the expiry date of the period stipulated under such terms and condition mutually acceptable to both parties.

Rent expense charged against current operations for the years 2017 and 2016 under disbursement is as follows:

(In Philippine Peso)	**2017**	2016
Office Rental	**2,298,704**	1,698,968
Rent - Equipment	**30,869**	114,734
Total	**2,329,573**	1,813,702

NOTE 19 - EMPLOYEE BENEFITS

Staff costs and other employee related costs consist of:

(In Philippine Peso)	**2017**	2016
Salaries and Allowances	**23,294,188**	18,045,089
Fringe Benefits	**4,783,980**	3,488,028
Employee Incentives	**564,967**	5,382,237
SSS/P.H./Ins. Prem. Expense	**1,295,155**	1,685,467
Total	**29,938,290**	28,600,820

Retirement Benefit
The Association has not funded a retirement plan for its regular and permanent full-time employees.

The Association has no retirement fund or retirement plan for its employees however; the Association provides statutory benefits like the 13th month pay, holiday pay, vacation and sick leave benefits.

The Association has not yet adopted a formal retirement plan for the benefit of its qualified employees. Under Republic Act 741 (known as the Retirement Pay Law), in the absence of the retirement plan or agreement providing the retirement benefits or employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least five (five years in the said establishment, may retire and shall be entitled to retirement pay equivalent or at least one-half (1/2) month for every year of service, a fraction of at least six (6) months being considered as one whole year. No accruals were made during the year since all the Company's employees do not yet meet the requirement of R.A 7641.

Details of employee benefits for the year are as follows:

(In Philippine Peso)	**2017**	2016
Short-term employee benefits	**6,644,102**	10,555,731
Post-Employment benefits	**-**	-
Termination	**-**	-
Total	**6,644,102**	10,555,731

NOTE 20 - RELATED PARTY TRANSACTION

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Entities are considered to be related if they are subjected under common control or common significant influence. The Association's related parties include:

- Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- Post-employment benefit plans for the benefit of the Association's employees, and
- Other related parties within the Association.

Significant transactions with related parties are non-interest advances and reimbursement of expenses of directors, officers and employees.

Due from Officers and Employees
Amounts due from officers and employees includes unsecured non-interest-bearing loans pertaining to motorcycle loan and salary loans, and other unsecured noninterest-bearing loans and advances granted to the Association's officers and employees. This account has the balance as of December 31, 2017 and 2016 amounting to ₱ 1,255,598 and ₱ 1,216,088, respectively.

Advances from Trustees
The advances from Trustees were obtained to support the working capital requirements of the Association. These advances are non-interest bearing and payable in cash and on demand. As of December 31, 2017 and 2016, this account has a balances amounting to ₱ 8,000,000 and ₱ 10,000,000, respectively.

Compensation of Key Management Personnel
Compensation of Key Management Personnel of the Association pertains to consultancy fees, salaries and other short-term benefits. As of December 31, 2017 and 2016, this account consists of Honorarium paid by the Association to Board of Trustees amounted to ₱ 2,354,394 and ₱ 110,000, respectively.

NOTE 21 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

The Association has no outstanding provisions, commitments and contingent liabilities as of December 31, 2017 and 2016. The management believes that there is a possible obligation that may, but probably will not, require an outflow of resources. Thus, there is neither provision nor contingent liability that has been provided that needs to be presented in the financial statements of the Association as of December 31, 2017 and 2016.

NOTE 22 - PROJECTS AND ACTIVITIES

The following are the activities of the Association for the year 2017:

Scholarship
The Association has sixty-four (64) scholars as of June 2017, under its "Pag-adal Ko Sagot Mo" project. Under this program, the scholars will be given full tuition fees for every semester for a four-year course, other fees applicable to the course, actual uniform expenses not exceeding P1,000 and not more frequent than twice during the Scholar's college years, actual cost of books for every semester, actual cost of Physical Education (P.E.) Uniform and a monthly allowance in the amount of P1,500.00/month.

Micro Entrepreneurs Session
As part of Association's continuing goal to uplift the lives of its client-member, is to provide technical assistance and support for its micro-enterprise needs. Providing financial and non-financial needs to improve both enterprise and entrepreneurial skills of its member is one of the main goal of Association's, as manifested in our tagline "Kaagapay mo sa Buhay".

The activity was held at the CRH Developmental Building, in Salugan, Camalig, Albay, last July 14, 2017, and were participated by twenty-seven (27) different Micro-entrepreneur clients from branches of Sorsogon, Camarines Sur, Masbate and Albay Area. Participants were engaged in various type of enterprise from trading, manufacturing and service.

Good Manufacturing Practice Training (GMP)
To improve skills and acquiring new knowledge in micro-enterprise management is one of the Value-Added Services program of the Association to continuously implement programs that will benefit our client-members. It is beneficial for them to have a legal and moral responsibility to produce and prepare food that will not harm the consumer.

The GMP Training was held on November 11, 2017 with the participants of 23 member-entrepreneurs from different branches in Sorsogon Area.

Basic Financial Literacy
Improving the clients financial capability requires of educating and empowering them to address the types of financial decisions, opportunities and challenges that arise throughout their financial cycle. Without financial literacy training will leads to bad money habits.

This activity was conducted in 80 different centers all over Sorsogon, Camarines Sur, Masbate and Albay with total participants of 1,210 clients.

NOTE 23 - SUPPLEMENTARY TAX INFORMATION

RR 19 - 2011
On December 9, 2011, Revenue Regulation (RR) No. 19-2011 became effective where it prescribes the use of new income tax forms effective December 31, 2011. The Association is now required to include as part of the notes to the financial statements the schedules and information on taxable income and deductions.

RR 15 - 2010
On November 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No, 15-2010 which requires additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may hereto be adopted, in the Notes to Financial Statements, information on taxes, duties and licenses fees paid or accrued during the taxable year.
The following is the required information under RR No. 15-2010 for the years ended December 31, 2017 and 2016:

(a) *Percentage Tax*
Under R.A. 10693, otherwise known as, The " Microfinance NGOs Act" under Section 20 states that a duly registered and accredited Microfinance NGO shall pay a two percent (2%) tax based on its gross receipts from microfinance operations in lieu of all national taxes: Provided, that preferential tax treatment shall be accorded only to NGOs whose primary purpose is microfinance and only on their microfinance operations catering to the poor and low-income individuals in alignment with the main goal of this Act to alleviate poverty. The Association paid the amount of ₱ 706,906 as percentage tax for the year 2017.

(b) *Withholding Taxes*

This account consists of the following:

(In Philippine Peso)	**2017**	2016
Withholding taxes on compensation and benefits	**695,669**	775,696
Expanded withholding taxes	**75,738**	58,224
Total	**771,407**	833,920

(c) *Quarterly Income Tax*

This account consists of the following:

(In Philippine Peso)	**2017**	2016
1st Quarter	**133,737**	193,440
2nd Quarter	-	606,086
3rd Quarter	-	502,077
Total	**133,737**	1,301,603

(c) *Documentary Stamp Tax*

During the year, the Company paid ₱44,115 documentary stamp taxes on loans and promissory notes.

(d) *Taxes and Licenses*
All other taxes, local and national, including real estate taxes, license and permit fees lodged under the "Taxes and licenses" account under the "General and administrative expenses" account in the statement of revenues and expenses includes the following for the year ended December 31, 2017 and 2016:

(In Philippine Peso)	**2017**	2016
Percentage Tax	**706,906**	-
Business Permit	**435,047**	307,681
Motorcycle Registration	**121,410**	141,344
Documentary Stamp Tax	**44,115**	91,182
Annual Registration - BIR	**9,500**	8,000
Capital Gains Tax	**36,000**	-
Total	**1,231,567**	548,207

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