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## International Care Ministry of the Philippines Incorporated

(A Nonstock, Nonprofit Corporation)

Financial Statements May 31, 2012 (With Comparative Figures for May 31, 2011)

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

#### INDEPENDENT AUDITORS' REPORT

The Board of Trustees
International Care Ministry of the Philippines Incorporated

#### Report on the Financial Statements

We have audited the accompanying financial statements of International Care Ministry of the Philippines Incorporated (a nonstock, nonprofit corporation) which comprise the statement of financial position as at May 31, 2012, and the statement of revenue and expenses, statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Care Ministry of the Philippines Incorporated as at May 31, 2012, 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.

#### Other Matter

The financial statements of International Care Ministry of the Philippines Incorporated as at and for the year ended May 31, 2011, which are presented for comparative purposes, were audited by other auditors whose report thereon dated September 15, 2011, expressed an unqualified opinion on those statements. The opinion of the other auditors, however, does not cover the restatements discussed in Note 14 to the financial statements.

# Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audit was 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 Notes 15 and 16 to the financial statements, respectively, 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 International Care Ministry of the Philippines Incorporated. 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 statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-A (Group A),

March 8, 2012, valid until March 8, 2015

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-98-2012,

January 11, 2012, valid until January 10, 2015

PTR No. 3174831, January 2, 2012, Makati City

October 1, 2012



## INTERNATIONAL CARE MINISTRY OF THE PHILIPPINES INCORPORATED

(A Nonstock, Nonprofit Corporation)

## STATEMENT OF FINANCIAL POSITION

May 31, 2012

(With Comparative Figures as of May 31, 2011)

		May 31
		2011
		(Restated,
	2012	Note 14)
ASSETS		
Current Assets		
Cash	₽4,768,211	₽4,511,432
Receivables (Note 4)	2,174,816	241,186
Inventories (Note 5)	27,130,053	13,735,069
Other current assets (Note 6)	1,046,618	596,589
Total Current Assets	35,119,698	19,084,276
Noncurrent Assets		
Property and equipment (Note 7)	30,470,468	35,615,756
Security deposits (Note 13)	156,500	191,000
Total Noncurrent Assets	30,626,968	35,806,756
TOTAL ASSETS	₽65,746,666	₽54,891,032
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and others (Note 8)	₽1,010,523	₽749,933
Noncurrent Liabilities		
Accrued retirement benefits (Note 12)	3,264,613	2,130,868
Total Liabilities	4,275,136	2,880,801
Fund Balance		
General fund	5,000	5,000
Accumulated excess of revenue over expenses	61,466,530	52,005,231
Total Fund Balance	61,471,530	52,010,231
TOTAL LIABILITIES AND FUND BALANCE	₽65,746,666	₽54,891,032

See accompanying Notes to Financial Statements.

These financial eletements have been prepared from the company's books and records eller making all necessary adjustments thereto, and they represent the final statements for the paried under examination.

# INTERNATIONAL CARE MINISTRY OF THE PHILIPPINES INCORPORATED (A Nonstock, Nonprofit Corporation)

# STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED MAY 31, 2012

(With Comparative Figures for the Year Ended May 31, 2011)

	2012	2011 (Restated, Note 14)
REVENUE		
Donations from ICM Hong Kong (Note 11)	₽91,790,766	₽100,427,036
Donations of Nutripacks	60,125,991	35,017,729
Others	6,360,369	1,196,858
	158,277,126	136,641,623
PROJECT COSTS (Note 9)		
Strategic Program	95,825,539	65,121,433
Mercy Program	18,076,068	18,671,464
Program Development	15,075,688	20,164,219
Special Project	2,560,152	_
Vision Trip	2,448,763	
Red Rope	919,964	437,151
	134,906,174	104,394,267
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	15,129,036	13,004,904
OTHER INCOME		
Income from Red Rope	930,625	965,981
Gain on disposal of property and equipment	119,464	_
Interest and other income	169,294	25,291
	1,219,383	991,272
EXCESS OF REVENUE OVER EXPENSES	₽9,461,299	₽20,233,724

See accompanying Notes to Financial Statements.

## INTERNATIONAL CARE MINISTRY OF THE PHILIPPINES INCORPORATED

(A Nonstock, Nonprofit Corporation)

## STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MAY 31, 2012

(With Comparative Figures for the Year Ended May 31, 2011)

	o in	Accumulated Excess of Revenue Over	Tatal
	General Fund	Expenses	Total
BALANCES AT MAY 31, 2010,			
AS PREVIOUSLY REPORTED	₽5,000	₽33,510,759	₽33,515,759
Restatements (Note 14)		(1,739,252)	(1,739,252)
BALANCES AT MAY 31, 2010, AS RESTATED	5,000	31,771,507	31,776,507
Excess of revenue over expenses, as previously reported	3-0	21,814,701	21,814,701
Restatements (Note 14)	-	(1,580,977)	(1,580,977)
Excess of revenue over expenses, as restated	-	20,233,724	20,233,724
BALANCES AT MAY 31, 2011, AS RESTATED	₽5,000	₽52,005,231	₽52,010,231
BALANCES AT MAY 31, 2011,			
AS PREVIOUSLY REPORTED	₽5,000	₽55,325,460	₽55,330,460
Restatements (Note 14)	_	(3,320,229)	(3,320,229)
BALANCES AT MAY 31, 2011, AS RESTATED	5,000	52,005,231	52,010,231
Excess of revenue over expenses for the year		9,461,299	9,461,299
BALANCES AT MAY 31, 2012	₽5,000	₽61,466,530	₽61,471,530

See accompanying Notes to Financial Statements

# INTERNATIONAL CARE MINISTRY OF THE PHILIPPINES INCORPORATED (A Nonstock, Nonprofit Corporation)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MAY 31, 2012

(With Comparative Figures for Year Ended May 31, 2011)

		2011
		(Restated,
	2012	Note 14)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	₽9,461,299	₱20,233,724
Adjustments for:	,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Provision for impairment losses (Note 10)	5,863,907	
Movement in accrued retirement benefits	1,133,745	817,232
Depreciation (Note 7)	1,953,312	3,812,106
Gain on disposal of property and equipment	(119,464)	_
Interest income	(19,014)	(25,291)
Excess of revenue over expenses before		
working capital changes	18,273,785	24,837,771
Decrease (increase) in:		
Receivables (Note 7)	(1,699,230)	(355,346)
Inventories	(13,394,984)	(16,564,637)
Other current assets	(450,029)	836,245
Increase in accounts payable and others	260,590	333,323
Cash used in operations	2,990,132	9,087,356
Interest received	19,014	25,291
Net cash from operating activities	3,009,146	9,112,647
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 7)	(3,431,867)	(10,282,383)
Proceeds from sale of property and equipment	645,000	2,980,648
Decrease (increase) in security deposits	34,500	(191,000)
Net cash used in investing activities	(2,752,367)	(7,492,735)
NET INCREASE IN CASH	256,779	1,619,912
CASH AT BEGINNING OF YEAR	4,511,432	2,891,520
CASH AT END OF YEAR	₽4,768,211	₽4,511,432

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See accompanying Notes to Financial Statements.

# INTERNATIONAL CARE MINISTRY OF THE PHILIPPINES INCORPORATED (A Nonstock, Nonprofit Corporation)

#### NOTES TO FINANCIAL STATEMENTS

#### 1. Corporate Information and Authorization for Issuance of the Financial Statements

Corporate Information

International Care Ministry of the Philippines Incorporated (the Foundation) is a nonstock, nonprofit corporation registered with the Philippine Securities and Exchange Commission (SEC) on July 5, 1993. The Foundation was organized to make available Christian services for the glory of God in all aspects of community development, provide livelihood activities, leadership and comprehensive training for the less privileged. The Foundation is part of the International Care Ministries (ICM), a nonstock, nonprofit organization incorporated in Hong Kong. Being part of the ICM, the Foundation continuously receives support from sponsors to enable it to carry out its objectives and continue as a going concern.

The Foundation is exempt from payment of income tax under the 1997 National Internal Revenue Code, Section 30 (e), for non-stock corporation organized and operated exclusively for religious and charitable institutions.

On May 6, 2012, the Foundation's Board of Trustees (BOT) approved the amendment of the Foundation's Articles of Incorporation to change its corporate name to International Care Ministries Foundation, Inc. The amendment of the Foundation's Articles of Incorporation was approved by the SEC on June 8, 2012.

The Foundation's registered office address is at #4 San Juan Street, Barangay 10, Mamboloc, Bacolod City.

#### Authorization for Issuance of the Financial Statements

The financial statements were approved and authorized for issue by the Foundation's BOT on October 1, 2012.

## 2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The accompanying financial statements were prepared under the historical cost convention and are presented in Philippine Peso (Peso), which is the Foundation's functional and presentation currency. All amounts were rounded off to the nearest Peso, except when otherwise indicated.

#### Statement of Compliance

The financial statements of the Foundation have been prepared in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

The PFRS for SMEs is effective for annual periods beginning on or after January 1, 2010, and is required to be used by entities that meet the definition of an SME, which includes among others, an entity with total assets of between \$\mathbb{P}\$3 million and \$\mathbb{P}\$350 million or total liabilities of between \$\mathbb{P}\$3 million and \$\mathbb{P}\$250 million. The Foundation is required to adopt the PFRS for SMEs but continued to prepare its financial statement as of and for the year ended May 31, 2011 in compliance with full PFRS.

In 2012, the Foundation changed the framework of its financial reporting from full PFRS to PFRS for SMEs as it qualifies for reporting under PFRS for SMEs. The change did not affect the

recognition and measurement of the Foundation's assets and liabilities. Accordingly, it did not affect the restatement of prior period financial statements.

#### Financial Instruments

Cash

Cash includes cash on hand and in banks.

#### Receivables

Receivables pertain to advances to a related party, and advances to officers and employees which are subject for liquidation. At the end of the 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. If so, an impairment loss is recognized immediately in profit or loss.

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

## Accounts Payable and Others

Accounts payable and others are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Foundation is established. These amounts are measured at the amount paid or payable.

#### Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using specific identification method and comprises the invoice amount and other directly attributable costs incurred in bringing the inventories to their present location and condition. NRV is determined by adjusting for inventory obsolescence generally provided for damaged inventories.

#### Prepaid Expenses

Prepaid expenses are amortized over the period covered by the payment and charged to the appropriate accounts in the statement of revenue and expenses when incurred.

Prepaid expenses that are expected to be realized for no more than 12 months after the reporting period are classified as current assets, otherwise these are classified as other noncurrent assets.

#### Property and Equipment

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

The initial cost of property and equipment consists of its purchase price, including import duties and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of property and equipment when that cost is incurred and if the recognition criteria are met. Cost excludes the day-to-day servicing of the asset.

The depreciation of the property and equipment commences when the asset is available for use. Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

	Number of Years
Building	40
Vehicles	4-10
Office furniture and equipment	3-5

Leasehold improvements are amortized over the estimated useful life of the improvements ranging from two to five years or the term of the lease, whichever is shorter.

If there is an indication that there has been a significant change in the depreciation method and estimated useful life of an item of property and equipment, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation, and any impairment in value are eliminated from the accounts. Any gain or loss resulting from their disposal is recognized in the statement of revenue and expenses.

#### Impairment of Property and Equipment

At each financial reporting date, property and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. The recoverable amount of the property and equipment is the greater of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of revenue and expenses.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of revenue and expenses.

#### Fund Balance

General fund represents the initial contribution of the members of the BOT. This is available for use in operations of the Foundation and disbursement from which is subject to approval.

Fund balance includes the cumulative balance of excess of revenue over expenses, effect of any change in accounting policy and other fund balance adjustments.

#### Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Foundation and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

#### Donations

Donations are recognized when actually received, earned or when right to receive is established.

#### Interest Income

Interest income is recognized as the interest accrues.

#### Expenses

Expenses are recognized in the statement of revenue and expenses when decrease in future economic benefits related to the decrease in an asset or an increase in liability has arisen and can be measured reliably. Expenses are recognized in the period they are incurred and measured at the amount paid or payable.

Project Costs

Project costs are recognized when costs associated to the delivery goods and services to beneficiaries or members that fulfill the Foundation's mission are incurred.

General and Administrative Expenses

General and administrative expenses constitute costs of administering the operations and are expensed as incurred.

Retirement Benefits Cost

Retirement benefits cost is determined using the simplified approach which considers the following with respect to its current employees;

a. ignore estimated future salary increases (i.e., assume current salaries continue until current employees are expected to begin receiving post-employment benefits);

b. ignore future service of current employees (i.e., assume closure of the plan for existing and

new employees); and,

c. ignore possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits (i.e., assume all current employees will receive the post-employment benefits).

Leases

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

- a. there is a change in contractual terms, other than renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset;
- d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenario a, c, or d and at the date of renewal or extension period for scenario b.

Foundation as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the statement of revenue and expenses on a straight-line basis over the lease term.

Provisions and Contingencies

Provisions are recognized when the Foundation 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.

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

#### **Events After Reporting Period**

Events after the financial reporting date that provide additional information about the Foundation's position at the end of the financial reporting date (adjusting events) are reflected in the financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

#### 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in compliance with PFRS for SMEs requires the Foundation to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of dates of the financial statements. Actual results could differ from estimates and assumptions used.

#### Judgments

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

#### Operating lease - Foundation as a lessee

The Foundation has entered into commercial property leases where the Foundation has determined that the significant risks and rewards for the leased properties are retained by the lessors.

Rent expense amounted to ₱1,402,862 and ₱1,293,950 for the year ended May 31, 2012 and 2011, respectively (see Notes 9 and 10).

#### Assessment of recoverability of receivables

The Foundation's allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on experience with the liquidation of advances and other factors that may affect collectability. An evaluation of the receivables, designed to identify potential charges to or against the allowance, is performed on a continuous basis during the year.

Based on the assessment of management, there are no factors which would indicate the impairment of the Foundation's receivables. The carrying value of receivables amounted to \$\frac{2}{2},174,816\$ and \$\frac{9}{2}41,186\$ as of May 31, 2012 and 2011, respectively (Note 4).

#### Estimates and Assumptions

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

#### Impairment of property and equipment

The Foundation determines whenever there is any indication that its property and equipment are impaired. Indicators of impairment include physical deterioration and change in expected use of the asset, and negative cash flows from operations, among others. Future events could cause management to conclude that these assets may be impaired.

In 2012, management has determined that certain items of its property and equipment have been affected by natural calamities and some were determined to have structurally deteriorated. The recoverable amount of property and equipment is determined from market-based evidence by

appraisal undertaken by an independent professionally qualified valuers and by reference to a proposed sale agreement and offer price from third parties. Based on these available information, management adjusted the carrying value of the affected assets to reflect their estimated recoverable amount. Accordingly, an impairment loss was recognized for the year ended May 31, 2012 amounting to \$\mathbb{P}5,863,907\$ (nil in 2011; see Note 10).

As of May 31, 2012 and 2011, the carrying value of property and equipment amounted to \$\pm\$30,470,468 and \$\pm\$35,615,756 (see Note 7).

#### Estimation of useful lives of property and equipment

Useful life of property and equipment is estimated based on the period over which these assets are expected to be available for use. Any reduction in the estimated useful life of property and equipment would increase the Foundation's depreciation expenses and decrease noncurrent assets. There was no change in the estimated useful life of property and equipment as of May 31, 2012 and 2011.

#### Retirement benefits cost and obligation

The determination of the Foundation's obligation and pension benefits cost is dependent on management's selection of certain assumptions in calculating such amounts. While the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Foundation's retirement benefit cost and obligation.

Retirement benefits cost amounted to ₱1,133,745 in 2012 and ₱817,232 in 2011. Accrued retirement benefits amounted to ₱3,264,613 and ₱2,130,868 as of May 31, 2012 and 2011, respectively (see Note 12).

#### 4. Receivables

		2011 (Restated,
	2012	Note 14)
Advances to ICMManila, Inc. (ICMMI) (Note 11)	₽1,330,705	₽_
Advances to officers and employees	844,111	241,186
	₽2,174,816	₱241,186

Advances to officers and employees are for travels or other expenses related to program activities or administrative purposes which are subject to liquidation.

#### 5. Inventories

		2011 (Restated,
	2012	Note 14)
Nutripacks	₽25,963,535	₽13,562,349
Supplies	1,042,280	112,707
Others	124,238	60,013
	P27,130,053	₽13,735,069



#### 6. Other Current Assets

		2011 (Restated,
	2012	Note 14)
Prepaid expenses	₽927,518	495,563
Rental deposits (Note 13)	119,100	101,026
	₽1,046,618	₽596,589

## 7. Property and Equipment

## As of May 31, 2012:

	Land	Building and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	₽6,920,390	P32,932,523	P292,694	P977,316	P6,664,750	P47,787,673
Additions		-	89,500	637,051	2,705,316	3,431,867
Disposals		-	-	(234,400)	(2,286,850)	(2,521,250)
Ending balances	6,920,390	32,932,523	382,194	1,379,967	7,083,216	48,698,290
Accumulated Depreciation						
Beginning balances	-	8,649,016	262,285	329,323	2,931,293	12,171,917
Depreciation (Note 10)	-	823,313	51,617	293,399	784,983	1,953,312
Disposals	-	-	_	(94,575)	(1,666,739)	(1,761,314)
Ending balances	-	9,472,329	313,902	528,147	2,049,537	12,363,915
Allowance for impairment losses (Note 10)		5,863,907	9			5,863,907
Net Book Values	P6,920,390	₽17,596,287	₽68,292	P851,820	P5,033,679	₽30,470,468

### As of May 31, 2011 (Restated, Note 14):

	Land	Building	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
At June 1, as previously reported	P9,969,667	P24,053,361	P267.839	₽7,909,075	P10.600.151	P52,800,093
Restatements (Note 14)	(3,049,277)	251,597	13,830	(3,292,011)	(5,091,706)	(11,167,567)
At June 1, as restated	6,920,390	24,304,958	281,669	4,617,064	5,508,445	41,632,526
Additions	-	8,627,565	24,855	473,658	1,156,305	10,282,383
Disposals		_	(13,830)	(4,113,406)		(4,127,236)
Ending balances	6,920,390	32,932,523	292,694	977,316	6,664,750	47,787,673
Accumulated Depreciation						
At June 1, as previously reported	-	11,763,513		3,995,710	6,036,711	21,795,934
Restatements (Note 14)	4.1	(5,112,420)	50,681	(2,946,732)	(4,281,064)	(12,289,535)
At June 1, as restated	_	6,651,093	50,681	1,048,978	1,755,647	9,506,399
Depreciation (Note 10)	-	1,997,923	211,604	426,933	1,175,646	3,812,106
Disposals				(1,146,588)	-	(1,146,588)
Ending balances	-	8,649,016	262,285	329,323	2,931,293	12,171,917
Net Book Values	₽6,920,390	P24,283,507	P30,409	₽647,993	P3,733,457	P35,615,756

The cost of fully depreciated property and equipment that are still in use amounted to ₱737,694 and ₱581,194 as of May 31, 2012 and 2011, respectively.

## 8. Accounts Payable and Others

		2011 (Restated,
	2012	Note 14)
Accounts payable	₽538,871	₱265,426
Advances from ICMMI (Note 11)	-	154,730
Withholding taxes, SSS, Philhealth, and HDMF		
premiums payable	471,652	329,777
	₽1,010,523	749,933

## 9. Project Costs

## As of May 31, 2012:

	Strategic Program	Mercy Program	Program Development	Special Project	Vision	Red Rope	Total
Consumption of Nutripacks	P46,814,857	P3,873,749	P988,735	P-	P-	P-	₽51,677,341
Payroll and other employee							
benefits (Note 12)	25,988,000	6,235,998	7,462,090	-	-	-	39,686,088
Transportation and travel	4,656,966	809,881	985,760	1,293,277	1,891,025		9,636,909
Office and medical supplies	3,437,662	4,189,022	228,739	-	-	305,793	8,161,216
Scholarships	4,941,313	138,493		-	-	-	5,079,806
Meals	2,470,996	834,286	444,219	323,319	489,753	-	4,562,573
Training expenses	2,151,453	24,228	711,591	797,824	***	1.9	3,685,096
Repair and maintenance	1,258,015	342,885	423,327	-	-	-	2,024,227
Meeting expenses	306,547	224,893	1,384,643	-	-	-	1,916,083
Utilities	617,447	390,420	643,085	-	77	-	1,650,952
Outside services	19,433	766,113	28,628	~	÷	596,386	1,410,560
Rent (Note 13)	467,556	-	433,769	-	-	-	901,325
Others	2,695,294	246,100	1,341,102	145,732	67,985	17,785	4,513,998
	₽95,825,539	P18,076,068	P15,075,688	P2,560,152	P2,448,763	P919,964	₽134,906,174

## As of May 31, 2011 (Restated; Note 14):

	Strategic Program	Mercy Program	Program Development	Red Rope	Total
Payroll and other employee benefits (Note 12)	P16,520,265	₽4,543,356	P7,531,486	P	P28,595,107
Consumption of Nutripacks	17,079,504	1,464,468	12	2	18,543,972
Scholarships	14,890,194	141,528		~	15,031,722
Transportation and travel	3,881,289	2,030,229	2,798,063		8,709,581
Office and medical supplies	3,862,437	4,008,994	672,911	59,287	8,603,629
Meals	1,433,003	2,911,065	1,467,910		5,811,978
Outside services	259,627	1,652,543	1,672,294	323,999	3,908,463
Training expenses	1,550,277	53,648	1,540,560	-	3,144,485
Repair and maintenance	2,015,802	201,929	630,275		2,848,006
Meeting expenses	649,342	265,730	1,578,461	-	2,493,533
Utilities	702,106	304,808	649,262	39,605	1,695,781
Rent (Note 13)	440,092	90,000	349,117	-	879,209
Others	1,837,495	1,003,166	1,273,880	14,260	4,128,801
	P65,121,433	₽18,671,464	P20,164,219	P437,151	P104,394,267

## 10. General and Administrative Expenses

		2011 (Restated,
	2012	Note 14)
Provision for impairment losses (Note 7)	₽5,863,907	₽-
Payroll and other employee benefits (Note 12) (Forward)	3,128,268	4,253,077

		2011 (Restated,
	2012	Note 14)
Depreciation (Note 7)	₽1,953,312	₽3,812,106
Transportation and travel	939,019	781,928
Utilities	704,287	819,296
Rent (Note 13)	501,537	414,741
Repair and maintenance	537,308	493,572
Meeting expenses	464,886	1,181,732
Office supplies	283,460	265,892
Others	753,052	982,560
	₽15,129,036	₽13,004,904

#### 11. Related Party Transactions

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

The following are the Foundation's significant related party transactions:

- a. ICM, a non-stock, non-profit organization having common directors with the Foundation, provides the operating fund requirements of the Foundation. Donations received from ICM Hong Kong amounted to ₱91,790,766 and ₱100,427,036 for the year ended May 31, 2012 and 2011, respectively.
- b. The Foundation's financial and administrative functions are handled by ICMMI (a nonstock, nonprofit organization with common directors) at no cost to the Foundation. The Foundation also obtains/provides advances from/to ICMMI. As of May 31, 2012 and 2011, advances to ICMMI amounted to \$\mathbb{P}\$1,330,705 (nil as of May 31, 2011; see Note 4); while advances from ICMMI was nil as of May 31, 2012 (\$\mathbb{P}\$154,730 as of May 31, 2011; see Note 8).

#### 12. Retirement Benefits

The Foundation accrues for retirement benefits cost computed based on the provision of Republic Act (RA) 7641.

The following table summarizes the components of retirement benefits recognized in statement of revenue and expenses and amounts in the statement of financial position for the retirement plan.

2012	2011 (Restated, Note 14)
₽465,009	₱302,843
167,011	118,556
501,725	395,833
₽1,133,745	₽817,232
	₽465,009 167,011 501,725

Movements in accrued retirement liability as of May 31 are as follows:

	2012	(Restated,
		Note 14)
Balance at beginning of year	₽2,130,868	₱1,313,636
Current service cost	465,009	302,843
Interest costs	167,011	118,556
Net actuarial loss	501,725	395,833
Balances at end of year	₽3,264,613	₽2,130,868

The discount rates used to determine retirement benefits were 6.30% and 7.84% for 2012 and 2011, respectively.

#### 13. Lease Agreements

The Foundation leases eight (8) office spaces for periods ranging from one to five years, renewable upon mutual agreement between the parties. Rental deposits amounted to \$275,600 and \$292,026 as of May 31, 2012 and 2011, respectively (of which \$119,100 and \$101,026 as of May 31, 2012 and 2011, respectively, is shown as "Other current assets" in Note 6). The rental deposits will be applied against unpaid obligation of the Foundation at the end of the lease term, provided that whatever remaining amount after payment of unpaid obligation shall be returned to the Foundation. The Foundation may pre-terminate the contract provided that, prior to the termination, a written notice shall be given to the lessors.

Rental expense amounted to P1,402,862 and P1,293,950 as of May 31, 2012 and 2011, respectively (see Notes 9 and 10).

#### 14. Restatements

In 2012, management determined that the balances previously reported by the Foundation as of and for the year ended May 31, 2011 have to be adjusted as follows:

Receivables         a $\frac{9}{3}$ ,539,804         ( $\frac{9}{3}$ ,298,618) $\frac{9}{241,18}$ Inventory         b         13,950,163         (215,094)         13,735,06	
Inventory b 13,950,163 (215,094) 13,735,06	d
하면 보이면 있는 것이 없는 것이 없는 사람들이 살아보고 있다면 살아보고 싶다면 살아보고 싶다면 살아보고 싶다면 살아보고 싶다면 살아보고 싶다면 살아보고 있다면 살아보고 싶다면 살아보	6
	9
Other current assets c 702,589 (106,000) 596,58	9 .
Property and equipment d 34,493,788 1,121,968 35,615,75	6
Security deposits c - 191,000 191,00	0
Accounts payable and others <i>e</i> 553,680 196,253 749,93	3
Accrued retirement benefits $f$ 1,313,636 817,232 2,130,86 Accumulated excess of revenue over	8
expenses g 55,325,460 (3,320,229) 52,005,23	1
General and administrative expenses $h$ 11,423,927 1,580,977 13,004,90	4

a. *Receivables*. Receivables were adjusted to reflect the liquidated portion of advances to officers and employees and to derecognize the non-existing claims to employees.

- b. Inventories. Inventories were adjusted to consider those items determined as non-existing.
- c. Other current assets and security deposits. Adjustment to other current assets and security deposits pertains to unrecorded rental deposits affecting both current and non-current assets.
- d. Property and equipment. Adjustments were made to reflect: (i) only those assets with adequate supporting documents (e.g., certificate of land title) and (ii) correspondingly adjust the accumulated depreciation, and (iii) items which do not meet the capitalization policy of the Foundation.
- e. Accounts payable and others. Adjustment to accounts payable and other current liabilities pertains to unrecorded liabilities.
- f. Accrued retirement benefits. Restatement was made to recognize the retirement benefits already accruing to the employees based on RA 7641.
- g. Accumulated excess of revenue over expenses. Restatement pertains to the net effect of the adjustments made on receivables, inventories, other current assets, property and equipment, security deposits, accounts payable and others, and accrued retirement benefits affecting the balances and transactions as of and for the year ended May 31, 2011.
- h. General and administrative expenses. Adjustments were made to recognize the liquidated portion of advances to officers and employees and items changed to expense as they did not meet the capitalization policy of the Foundation.

Due to turnover of personnel and unavailability of adequate supporting documents, the Foundation can no longer identify the period-specific effects of the above errors. Given these, management believes that the retrospective restatement is practicable only for immediately prior-period. Accordingly, the Foundation presented the restated statement of financial position and statement of revenue and expenses only as of and for the year ended May 31, 2011.

## 15. Supplementary Information Required under Revenue Regulation 19-2011

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) 19-2011 to prescribe the new BIR Forms that will be used for income tax filing covering and starting with calendar year 2011 (fiscal year 2012 for the Foundation). In addition, the RR 19-2011 required the following disclosures in the notes to financial statements:

#### a. Revenue

For the year ended May 31, 2012, the Foundation's exempt donations amounted to ₱158,277,126. 'The Foundation is exempt from payment of income tax under the 1997 National Internal Revenue Code, Section 30(e), for nonstick corporation organized and operated exclusively for religious and charitable institutions.

#### b. Cost of sales

For the year ended May 31, 2012, the Foundation's exempt project costs amounted to ₱134,906,174.



#### c. Itemized deductions

For the year ended May 31, 2012, the Foundation has the following exempt itemized deductions:

Payroll and other employee benefits	₽1,994,523
Depreciation	1,953,312
Transportation and Travel	939,019
Utilities	704,287
Rent or Lease	501,537
Repairs and Maintenance	537,308
Meeting Expense	464,886
Supplies	283,460
Professional fees	154,613
Others	598,439
	₽8,131,384

#### 16. Supplementary Information Required under Revenue Regulation 15-2010

In compliance with BIR RR15-2010 issued on November 25, 2010, mandating all taxpayers to disclose information on taxes and licenses paid or accrued during the taxable year, summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2012:

#### Taxes and Licenses

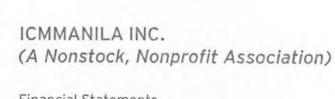
Total amount paid by the Foundation for the taxes and licenses in 2012 amounted to ₱295,750 included under "Others" classified as "General and Administrative Expenses" in the statement of revenue and expenses.

	₽295,750
Others	13,667
Vehicle registration	33,899
Business permits and licenses	78,350
Transfer of title taxes	₽169,834

#### Withholding Taxes

The following are the categories of the Foundation's withholding taxes:

	Paid	Accrued
Withholding taxes on compensation and benefits	₽425,659	₽51,385
Expanded withholding taxes	105,376	6,596
inal withholding taxes on interest income	4,754	
	₽535,789	₽57,981



Financial Statements May 31, 2012 and 2011

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.





SyCip Gorres Velayo & Co. 6760 Ayala Avenue 1226 Makati City Philippines

Phone: (632) 891 0307 Fax: (632) 819 0872 www.sqv.com.ph

BOA/PRC Reg. No. 0001, January 25, 2010, valid until December 31, 2012 SEC Accreditation No. 0012-FR-2 (Group A), February 4, 2010, valid until February 3, 2013

#### INDEPENDENT AUDITORS' REPORT

The Board of Trustees ICMManila, Inc.

#### Report on the Financial Statements

We have audited the accompanying financial statements of ICMManila, Inc. (a nonstock, nonprofit association), which comprise the statements of financial position as at May 31, 2012 and 2011, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the year ended May 31, 2012 and for the period June 28, 2010 to May 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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





Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ICMManila, Inc. as at May 31, 2012 and 2011, and its financial performance and its cash flows for the year ended March 31, 2012 and for the period June 28, 2010 to May 31, 2011 in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

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 Notes 10 and 11 to the financial statements, respectively, 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 ICMManila, Inc. 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 statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-A (Group A),

March 8, 2012, valid until March 8, 2015

Tax Identification No.201-959-816

BIR Accreditation No. 08-001998-98-2012,

January 11, 2012, valid until January 10, 2015

PTR No. 3174831, January 2, 2012, Makati City

September 4, 2012





Opinion

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SYCIP GORRES VELAYO & CO.

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September 4, 2012



ICMMANILA, INC.
(A Nonstock, Nonprofit Association)

## STATEMENTS OF FINANCIAL POSITION

	May 31		
	2012	2011	
ASSETS			
Current Assets			
Cash (Note 4)	₽532,297	₽324,422	
Receivables (Note 5)	46,221	318,000	
Prepayments and other current assets (Note 9)	169,162	-	
Total Current Assets	747,680	642,422	
Noncurrent Assets			
Property and equipment (Note 6)	932,076	73,611	
TOTAL ASSETS	₽1,679,756	₽716,033	
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts payable and others (Note 7)	₽1,706,531	₽1,292,331	
Fund Balance		3	
General fund	1,000,000	1,000,000	
Accumulated deficiency of revenue over expenses	(1,026,775)	(1,576,298)	
Deficit	(26,775)	(576,298)	
TOTAL LIABILITIES AND FUND BALANCE	₽1,679,756	₽716,033	

See accompanying Notes to Financial Statements.



## ICMMANILA, INC.

(A Nonstock, Nonprofit Association)

# STATEMENTS OF REVENUE AND EXPENSES FOR THE YEAR ENDED MAY 31, 2012 AND

FOR THE PERIOD JUNE 28, 2010 TO MAY 31, 2011\*

	2012	2011*
REVENUE		
Donations from ICM Hong Kong (Note 8)	₽14,736,789	₽5,451,005
Others	80,870	-
	14,817,659	5,451,005
EXPENSES		
Payroll and other employee benefits	7,775,836	2,219,123
Transportation and travel	1,886,838	1,613,096
Consulting fee	1,408,167	603,378
Utilities	491,348	224,761
Outsourcing fee	401,724	750,000
Rent (Note 9)	358,667	338,006
Hotel accommodation	293,341	204,248
Depreciation (Note 6)	287,076	14,548
Office supplies	263,777	108,267
Meeting expenses	171,488	285,970
Others	934,588	684,369
	14,272,850	7,045,766
OTHER INCOME		
Interest income (Note 4)	3,414	1,829
Other income	1,300	16,634
	4,714	18,463
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	₽549,523	( <del>P</del> 1,576,298)

<sup>\*</sup> The Foundation was registered with the Philippine Securities and Exchange Commission on June 28, 2010 and started its operations immediately thereafter.

See accompanying Notes to Financial Statements.



## ICMMANILA, INC.

(A Nonstock, Nonprofit Association)

## STATEMENTS OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED MAY 31, 2012 AND FOR THE PERIOD JUNE 28, 2010 TO MAY 31, 2011\*

	Accumulated Deficiency of Revenue Over		
	General Fund	Expenses	Total
Contribution to the general fund	₽1,000,000	₽-	₽1,000,000
Deficiency of revenue over expenses for the period*	-	(1,576,298)	(1,576,298)
BALANCES AT MAY 31, 2011	1,000,000	(1,576,298)	(576,298)
Excess of revenue over expenses for the year		549,523	549,523
BALANCES AT MAY 31, 2012	₽1,000,000	(P1,026,775)	( <del>P</del> 26,775)

<sup>\*</sup>The Foundation was registered with the Philippine Securities and Exchange Commission on June 28, 2010 and started its operations immediately thereafter.

See accompanying Notes to Financial Statements.



### ICMMANILA, INC.

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(A Nonstock, Nonprofit Association)

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MAY 31, 2012 AND

FOR THE PERIOD JUNE 28, 2010 TO MAY 31, 2011\*

	2012	2011*
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	₽549,523	(₱1,576,298)
Adjustments for:	200 00 40 00 00	, , , , , , , , , ,
Depreciation (Note 6)	287,076	14,548
Donation in kind	(70,870)	-
Interest income (Note 4)	(3,414)	(1,829)
Excess (deficiency) of revenue over expenses before		
working capital changes	762,315	(1,563,579)
Decrease (increase) in:		
Receivables	271,779	(318,000)
Prepayments and other current assets	(169,162)	_
Increase in accounts payable and others (Note 6)	179,800	1,292,331
Net cash used in operations	1,044,732	(589,248)
Interest received (Note 4)	3,414	1,829
Net cash from (used in) operating activities	1,048,146	(587,419)
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisitions of property and equipment (Note 6)	(840,271)	(88,159)
CASH FLOWS FROM FINANCING ACTIVITY		
Receipt of general fund contribution (Note 8)		1,000,000
NET INCREASE IN CASH	207,875	324,422
CASH AT BEGINNING OF YEAR	324,422	-
CASH AT END OF YEAR (Note 4)	₽532,297	₽324,422

<sup>\*</sup>The Foundation was registered with the Philippine Securities and Exchange Commission on June 28, 2010 and started its operations immediately thereafter.

See accompanying Notes to Financial Statements.



#### NOTES TO FINANCIAL STATEMENTS

## 1. Corporate Information and Authorization for Issue of the Financial Statements

Corporate Information

ICMManila, Inc. (the "Foundation") is a nonstock, nonprofit corporation registered with the Philippine Securities and Exchange Commission on June 28, 2010. The Foundation was organized to make available Christian services for the glory of God in all aspects of community development, provide livelihood activities, leadership and comprehensive training for the less privileged. It is a Christian non-stock, non-profit and non-denominational organization, established for charitable purposes. The Foundation is part of the International Care Ministries (ICM), a non-stock, non-profit organization incorporated in Hong Kong. Being part of the ICM, the Foundation continuously receives support from sponsors to enable it to carry out its objectives and continue as a going concern.

The Foundation is exempt from payment of income tax under the 1997 National Internal Revenue Code, Section 30 (e), for nonstock corporation organized and operated exclusively for religious and charitable institutions.

The Foundation's registered office is at Unit 3E, Marsk Building, #738 Aurora Boulevard corner Balete Drive, Quezon City.

### Authorization for Issue of the Financial Statements

The financial statements were approved and authorized for issue by the Foundation's Board of Trustees (BOT) on September 4, 2012.

#### 2. Summary of Significant Accounting and Financial Reporting Policies

#### Basis of Preparation

The accompanying financial statements were prepared under the historical cost convention and are presented in Philippine Peso (Peso), which is the Foundation's functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated.

#### Statement of Compliance

The financial statements of the Foundation have been prepared in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Qualifying as a micro-entity, the Foundation opted to use the full PFRS for its reporting as of May 31, 2011 and for the period June 28, 2010 to May 31, 2011. In 2012, the Foundation changed the framework of its financial reporting from full PFRS to PFRS for SMEs. The change did not affect the recognition and measurement of the Foundation's assets and liabilities. Accordingly, it did not result to restatement of prior period financial statements.

#### Financial Instruments

Cash

Cash includes cash on hand and in banks.

#### Receivables

Receivables include advances to a related party, and advances to officers and employees which are subject to liquidation. At the end of the 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. If so, an impairment loss is recognized immediately in profit or loss.



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

#### Accounts Payable and Others

Accounts payable and others are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Foundation is established.

### Prepayments

Prepayments are amortized over the period covered by the payment and charged to the appropriate accounts in the statement of revenue and expense when incurred.

Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise these are classified as other noncurrent assets.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and 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 of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of property and equipment when that cost is incurred if the recognition criteria are met. Cost excludes day-to-day servicing.

The depreciation of the property and equipment commences when the asset is available for use. Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

	Number of Years
Office equipment	3
Transportation equipment	4
Furniture and fixtures	5

If there is an indication that there has been a significant change in the depreciation method and estimated useful life of an item of property and equipment, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation, and any impairment in value are eliminated from the accounts, and any gain or loss resulting from their disposal is recognized in the statement of revenue and expenses.

#### Impairment of Property and Equipment

At each financial reporting date, property and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. The recoverable amount of property and equipment is the greater of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of revenue and expenses.



If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of revenue and expenses.

#### Fund Balance

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Fund balance includes the cumulative balance of excess (deficiency) of revenue over expenses, effect of any change in accounting policy and other fund balance adjustments.

General fund represents the initial contribution of the members of the BOT. This is available for use in operations of the Foundation and disbursement from which is subject to approval.

#### Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Foundation and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

#### Donations

Donations are recognized when actually received, earned or when right to receive is established.

#### Interest Income

Interest income is recognized as the interest accrues.

#### Expenses

Expenses are recognized in the statement of revenue and expenses when decrease in future economic benefits related to the decrease in an asset or an increase in liability has arisen and can be measured reliably. Expenses are recognized in the period they are incurred and measured at the amount paid or payable.

#### Leases

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

- a. there is a change in contractual terms, other than renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specified asset;
   or,
- d. there is a substantial change to the asset.

Where re-assessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenario a, c, or d and at the date of renewal or extension period for scenario b.

#### Foundation as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the statement of revenue and expenses on a straight-line basis over the lease term.



### Provisions and Contingencies

Provisions are recognized when the Foundation 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.

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

## Events After the Financial Reporting Period

Events after the financial reporting date that provide additional information about the Foundation's position at the financial reporting date (adjusting events) are reflected in the financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to the financial statements when material.

## 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in compliance with PFRS for SMEs requires the Foundation to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of dates of the financial statements. Actual results could differ from estimates and assumptions used.

#### Judgments

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

#### Impairment of property and equipment

The Foundation determines whenever there is any indication that its property and equipment are impaired. Indicators of impairment include physical deterioration of the asset, negative cash flows from operations, among others. Future events could cause management to conclude that these assets may be impaired. As of May 31, 2012 and 2011, management believes that no indicators of impairment exist for the Foundation's property and equipment. The carrying value of property and equipment amounted to ₱932,076 and ₱73,611 as of May 31, 2012 and 2011 (see Note 6).

## Operating lease - Foundation as a lessee

The Foundation has entered into a commercial property lease where the Foundation has determined that the significant risks and rewards for the leased property are retained by the lessor.

Rent expense amounted to ₱358,667 for the year ended May 31, 2012 and ₱338,006 for the period June 28, 2010 to May 31, 2011 (see Note 9).

#### Estimate and Assumption

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



Estimation of useful life of property and equipment

The Foundation estimates the useful life of items of property and equipment based on the number of years over which these assets are expected to be available for use. Any reduction in the estimated useful life would increase the Foundation's depreciation expenses and decrease noncurrent assets. There was no change in the estimated useful life of the Foundation's property and equipment in both 2012 and 2011.

The carrying value of property and equipment amounted to ₱932,076 and ₱73,611 as of May 31, 2012 and 2011. Accumulated depreciation as of May 31, 2012 and 2011 amounted to ₱287,076 and ₱14,548, respectively (see Note 6).

#### 4. Cash

	2012	2011
Cash in bank	₽522,297	₽319,422
Petty cash fund	10,000	5,000
	₽532,297	₽324,422

Cash in bank earned interest of ₱3,414 for the year ended May 31, 2012 and ₱1,829 for the period June 28, 2010 to May 31, 2011.

#### 5. Receivables

	2012	2011
Advances to officers and employees	₽46,221	₱163,270
Advances to ICMPI (Note 8)		154,730
	₹46,221	₹318,000

Advances to officers and employees are for travels or other expenses related to program activities or administrative purposes which are subject to liquidation.

## 6. Property and Equipment

#### May 31, 2012:

100	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost				10001
Beginning balances	P.	₽81,181	₽6,978	₽88,159
Additions	758,000	294,519	93,022	1,145,541
Ending balances	758,000	375,700	100,000	1,233,700
Accumulated Depreciation				1,200,700
Beginning balances	-	14,315	233	14,548
Depreciation for the year	75,521	163,455	48,100	287,076
Ending balances	75,521	177,770	48,333	301,624
Net Book Values	₽682,479	₽197,930	₽51,667	₽932,076



#### May 31, 2011:

	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Acquisition cost	₽-	₽81,181	₽6,978	₽88,159
Depreciation for the period	_	14,315	233	14,548
Net Book Values	₽-	₱66,866	₽6,745	₽73,611

During the year, certain items of property and equipment amounting to ₱234,400 were transferred from ICMPI to the Foundation. The amount was taken up as part of advances from ICMPI and which remained outstanding as of May 31, 2012 (see Notes 7 and 8). Moreover, an office equipment amounting to ₱70,870 was donated to the Foundation.

## 7. Accounts Payable and Others

	2012	2011
Accounts payable and accrued expenses	₽190,722	₽988,490
Advances from ICMPI (Notes 6 and 8)	1,330,705	-
Withholding tax payable	135,808	258,121
Other current liabilities	49,296	45,720
	₽1,706,531	₱1,292,331

Other current liabilities include mandatory contributions and liabilities to government agencies.

#### 8. Related Party Transactions

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

The following are the Foundation's significant related party transactions:

- a. ICM, a non-stock, non-profit organization having common directors with the Foundation, provides the operating fund requirements of the Foundation. Donations received from ICM amounted to ₱14,736,789 for the year ended May 31, 2012 and ₱5,451,005 for the period June 28, 2010 to May 31, 2011.
- b. Initial contribution of the members of the BOT at the inception of the Foundation amounted to ₱1,000,000.
- c. The Foundation handles the financial and administrative functions of ICMPI (a nonstock, nonprofit organization with common directors with the Foundation) at no cost to ICMPI. Certain costs and expenses of the foundation are paid for by ICMMI. As of May 31, 2012, advances from ICMPI amounted to ₱1,330,705 and nil as of May 31, 2011 (see Note 7); while advances to ICMPI was nil as of May 31, 2012 (₱154,730 as of May 31, 2011; see Note 5).



d. The short-term benefits of key management personnel for the year ended May 31, 2012 and for the period June 28, 2010 to May 31, 2011 amounted to ₱2,280,000 and ₱1,500,000, respectively.

#### 9. Lease Agreement

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In November 2010, the Foundation entered into a lease agreement covering its office space from November 1, 2010 to February 29, 2012. The agreement provides for renewal only upon new terms and conditions have been mutually agreed to in writing by the Foundation and the lessor.

In February 2012, the lease agreement was renewed, with the term of the renewed contract extended for four successive three-month periods commencing on March 1, 2012 and terminating on February 28, 2013. The Foundation may pre-terminate the contract at the end of each three-month period provided that, prior to the termination, the Foundation must give a 90-day prior notice in writing to the lessor.

Deposit made related to the renewal of lease agreement amounted to ₱97,326 and was classified under "Prepayments and other current assets" account in the 2012 statement of financial position. Rental expense amounted to ₱358,667 for the year ended May 31, 2012 and ₱338,006 for the period June 28, 2010 to May 31, 2011.

## 10. Supplementary Information Required under Revenue Regulations (RR) 19-2011

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued RR 19-2011 to prescribe the new BIR Forms that will be used for income tax filing covering and starting with calendar year 2011 (fiscal year 2012 for the Foundation), and to modify Revenue Memorandum Circular No. 57-2011. In addition, the following schedules prescribed under existing revenue issuances must form part of the Notes to the Financial Statements:

#### a. Revenue

For the year ended May 31, 2012, the Foundation's exempt donations amounted to \$\P14,817,659\$. The Foundation is exempt from payment of income tax under the 1997 National Internal Revenue Code, Section 30 (e), for nonstock corporation organized and operated exclusively for religious and charitable institutions.

#### b. Itemized deductions

For the year ended May 31, 2012, the Foundation has the following exempt itemized deductions:

Salaries and allowances	₽7,775,836
Transportation and travel	1,886,838
Management and consultancy fee	1,408,167
Communication, light and water	491,348
Outside services	401,724
Rental	358,667
Hotel accommodation	293,341

(Forward)

₽14,272,850
934,588
171,488
263,777
₽287,076

## 11. Supplementary Information Required under RR 15-2010

In compliance with BIR RR 15-2010 issued on November 25, 2010, mandating all taxpayers to disclose information on taxes and licenses paid or accrued during the taxable year, summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2012:

#### Taxes and License Fees

Total amount paid by the Foundation for the taxes and licenses in 2012 amounted to ₱500 included under "Others" classified as "Expenses" in the 2012 statement of revenue and expenses.

#### Withholding Taxes

The following are the categories of the Foundation's withholding taxes:

	Paid	Accrued
Withholding taxes on compensation and benefits	₱1,380,246	₱124,241
Expanded withholding taxes	171,733	11,567
	₱1,551,979	₱135,808

