

**International Care Ministries
Foundation Inc.
(A Nonstock, Nonprofit Corporation)**

Financial Statements
May 31, 2016 and 2015

and

Independent Auditor's Report



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
International Care Ministries Foundation Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of International Care Ministries Foundation Inc. (a nonstock, nonprofit corporation), which comprise the statements of financial position as at May 31, 2016 and 2015, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards 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 International Care Ministries Foundation Inc. as at May 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulation 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 Regulation 15-2010 in Note 14 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 International Care Ministries Foundation 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.



Dyonabee B. Señeres

Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-AR-1 (Group A),
June 30, 2015, valid until June 29, 2018

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-98-2015,
January 5, 2015, valid until January 4, 2018

PTR No. 5321694, January 4, 2016, Makati City

September 5, 2016



INTERNATIONAL CARE MINISTRIES FOUNDATION INC.
(A Nonstock, Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2016	2015
ASSETS		
Current Assets		
Cash	₱9,620,273	₱6,521,486
Receivables (Note 4)	839,388	2,631,335
Inventories (Note 5)	106,883,796	62,986,799
Other current assets (Notes 6 and 13)	1,180,774	541,600
Total Current Assets	118,524,231	72,681,220
Noncurrent Assets		
Property and equipment (Note 7)	24,489,361	27,341,911
Security deposits (Note 13)	521,600	619,600
Total Noncurrent Assets	25,010,961	27,961,511
TOTAL ASSETS	₱143,535,192	₱100,642,731
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and others (Note 8)	₱3,487,019	₱3,063,739
Noncurrent Liability		
Accrued retirement benefits (Note 12)	7,626,475	6,183,810
Total Liabilities	11,113,494	9,247,549
Fund Balance		
General fund	5,000	5,000
Accumulated excess of revenue over expenses	132,416,698	91,390,182
Total Fund Balance	132,421,698	91,395,182
TOTAL LIABILITIES AND FUND BALANCE	₱143,535,192	₱100,642,731

See accompanying Notes to Financial Statements.



INTERNATIONAL CARE MINISTRIES FOUNDATION INC.
(A Nonstock, Nonprofit Corporation)

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2016	2015
REVENUE		
Donations from ICM Hong Kong (Note 11)	₱139,767,006	₱156,473,702
Donations of goods	234,115,579	146,053,222
Donations from Australia	7,638,461	27,085,532
Others	34,495,802	13,538,805
	416,016,848	343,151,261
PROJECT COSTS (Note 9)		
Strategic Program	286,331,276	254,697,972
Program Development	39,766,903	37,220,686
Health Services Program	15,163,459	10,861,423
Vision Trip	5,970,395	7,341,201
Special Project	1,627,481	2,021,997
Others	17,676,287	32,394,983
	366,535,801	344,538,262
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	8,393,077	6,402,653
OTHER INCOME (EXPENSE)		
Gain (loss) on disposal of property and equipment	(106,260)	30,076
Foreign exchange gain	30,748	5,643
Interest income	14,058	24,361
	(61,454)	60,080
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	₱41,026,516	(₱7,729,574)

See accompanying Notes to Financial Statements.



INTERNATIONAL CARE MINISTRIES FOUNDATION INC.

(A Nonstock, Nonprofit Corporation)

STATEMENTS OF CHANGES IN FUND BALANCE

FOR THE YEARS ENDED MAY 31, 2016 AND 2015

	General Fund	Accumulated Excess of Revenue Over Expenses	Total
BALANCES AT MAY 31, 2014	₱5,000	₱99,119,756	₱99,124,756
Deficit of revenue over expenses for the year	–	(7,729,574)	(7,729,574)
BALANCES AT MAY 31, 2015	5,000	91,390,182	91,395,182
Excess of revenue over expenses for the year	–	41,026,516	41,026,516
BALANCES AT MAY 31, 2016	₱5,000	₱132,416,698	₱132,421,698

See accompanying Notes to Financial Statements



INTERNATIONAL CARE MINISTRIES FOUNDATION INC.
(A Nonstock, Nonprofit Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	₱41,026,516	(₱7,729,574)
Adjustments for:		
Depreciation (Notes 7 and 10)	5,010,005	5,088,400
Retirement benefits cost - net of payments (Note 12)	1,442,665	1,108,032
Gain (loss) on disposal of property and equipment	106,260	(30,076)
Foreign exchange gain	(30,748)	(5,643)
Interest income	(14,058)	(24,361)
Donation in kind (Note 7)	(247,262)	-
Excess (deficit) of revenue over expenses before working capital changes	47,293,378	(1,593,222)
Decrease (increase) in:		
Receivables	1,791,947	65,155
Inventories	(43,896,997)	(1,077,463)
Other current assets	(639,174)	145,366
Increase in accounts payable and others	423,280	1,192,811
Cash generated from (used in) operations	4,972,434	(1,267,353)
Interest received	14,058	24,361
Net cash provided by (used in) operating activities	4,986,492	(1,242,992)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 7)	(2,221,966)	(3,957,396)
Proceeds from sale of property and equipment	205,513	310,000
Decrease in security deposits	98,000	43,050
Net cash used investing activities	(1,918,453)	(3,604,346)
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE IN CASH		
	30,748	5,643
NET INCREASE (DECREASE) IN CASH	3,098,787	(4,841,695)
CASH AT BEGINNING OF YEAR	6,521,486	11,363,181
CASH AT END OF YEAR	₱9,620,273	₱6,521,486

See accompanying Notes to Financial Statements.



INTERNATIONAL CARE MINISTRIES FOUNDATION INC.
(A Nonstock, Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

International Care Ministries Foundation Inc, (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 organization, the Foundation receives support from sponsors to enable it to carry out its objectives and continue as a going concern entity.

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.

The financial statements were approved and authorized for issue by the Foundation's Board of Trustees (BOT) on September 5, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements were prepared under the historical cost convention and are presented in Philippine 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).

Financial Instruments

Cash

Cash includes cash on hand and in banks.

Receivables

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

The carrying amount of the receivable 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.

Security and Containers' Deposits

Security deposits represent rental deposits to the lessor related to lease properties, while containers' deposits represent deposits to the shipping lines related to shipments of inventories. Deposits are measured at amortized cost.



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 or net realizable value (NRV). Cost comprises the invoice amount and other directly attributable costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in, first-out method for all types of inventories. 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 or consumed.

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
Buildings and improvements	10-30
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 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 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 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. Donations of goods mainly consist of Nutripacks, supplies and shoes. Donations of goods in transit are recognized as revenue once unloaded in the Philippine ports.

Interest Income

Interest income is recognized as it accrues.

Other Income

Other income is recognized when the related services or goods have been rendered or delivered and right to receive payment is established.

Costs and Expenses

Costs and 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. These 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 of goods and services to beneficiaries or members that fulfill the Foundation's mission/programs are incurred. These are generally measured at the amount paid or payable.



General and Administrative Expenses

General and administrative expenses constitute costs of administering the operations and are expensed as incurred. These are generally measured at the amount paid or payable.

Retirement Benefits Cost

The cost of providing retirement benefits is determined using the projected unit credit method. The method reflects services rendered by the employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits cost include current service, experience adjustments and changes in actuarial assumptions. Actuarial gains and losses and past service costs are recognized in its entirety in the statement of revenue and expenses.

The present value of the obligation (PVO) is the actuarial present value of expected future payments required to settle the obligation resulting from employee service in current and prior periods. The calculation of the PVO assumes that the plan continues to be in effect and that estimated future events (including compensation increases, turnover and mortality) occur.

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;
or,
- 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 Date

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 ₱4,023,071 and ₱3,861,816 for the years ended May 31, 2016 and 2015, respectively (see Notes 9 and 13).

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.

The carrying value of property and equipment amounted to ₱24,489,361 and ₱27,341,911 as of May 31, 2016 and 2015, respectively (see Note 7). As of the same dates, no impairment indicators were identified.

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.

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 ₱1,919,254 and ₱1,240,474 in 2016 and 2015, respectively. Accrued retirement benefits amounted to ₱7,626,475 and ₱6,183,810 as of May 31, 2016 and 2015, respectively (see Note 12).



4. Receivables

This account consists of:

	2016	2015
Advances to:		
Officers and employees	₱874,598	₱1,061,533
ICMManila, Inc. (ICMMI) (Note 11)	-	1,143,802
Others	238,500	426,000
	1,113,098	2,631,335
Less allowance for doubtful accounts	273,710	-
	₱839,388	₱2,631,335

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

In 2016, provision for doubtful accounts amounting to ₱273,710 was recognized for accounts identified as doubtful of collection (nil in 2015, see Note 10).

5. Inventories - at Cost

This account consists of:

	2016	2015
Nutripacks	₱106,005,499	₱59,148,680
Supplies	314,306	1,956,734
Shoes	136,161	1,444,740
Others	427,830	436,645
	₱106,883,796	₱62,986,799

6. Other Current Assets

This account consists of:

	2016	2015
Prepaid expenses	₱763,974	₱53,000
Rental deposits (Note 13)	258,800	303,600
Containers' deposits	158,000	185,000
	₱1,180,774	₱541,600



7. Property and Equipment

As of May 31, 2016:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	₱2,944,950	₱22,704,464	₱923,974	₱5,237,000	₱13,424,763	₱45,235,151
Additions	—	78,000	93,200	508,134	1,789,894	2,469,228
Disposals	—	—	—	(736,561)	(868,000)	(1,604,561)
Ending balances	2,944,950	22,782,464	1,017,174	5,008,573	14,346,657	46,099,818
Accumulated Depreciation and Impairment Losses						
Beginning balances	—	8,210,422	548,789	3,029,542	6,104,487	17,893,240
Depreciation (Note 10)	—	617,123	169,701	1,235,312	2,987,869	5,010,005
Disposals	—	—	—	(708,463)	(584,325)	(1,292,788)
Ending balances	—	8,827,545	718,490	3,556,391	8,508,031	21,610,457
Net Book Values	₱2,944,950	₱13,954,919	₱298,684	₱1,452,182	₱5,838,626	₱24,489,361

As of May 31, 2015:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	₱2,944,950	₱22,704,464	₱923,974	₱3,934,604	₱11,461,902	₱41,969,894
Additions	—	—	—	1,302,396	2,655,000	3,957,396
Disposals	—	—	—	—	(692,139)	(692,139)
Reclassification	—	—	—	—	—	—
Ending balances	2,944,950	22,704,464	923,974	5,237,000	13,424,763	45,235,151
Accumulated Depreciation and Impairment Losses						
Beginning balances	—	7,594,327	288,527	1,732,188	3,602,013	13,217,055
Depreciation (Note 10)	—	616,095	260,262	1,297,354	2,914,689	5,088,400
Disposals	—	—	—	—	(412,215)	(412,215)
Ending balances	—	8,210,422	548,789	3,029,542	6,104,487	17,893,240
Net Book Values	₱2,944,950	₱14,494,042	₱375,185	₱2,207,458	₱7,320,276	₱27,341,911

Donations of property and equipment amounted to ₱247,262 in 2016 (nil in 2015). The cost of fully depreciated property and equipment that are still in use amounted to ₱1,373,918 and ₱1,016,849 as of May 31, 2016 and 2015, respectively.

8. Accounts Payable and Others

	2016	2015
Accounts payable and accruals	₱2,700,812	₱2,306,653
Withholding taxes, SSS, Philhealth, and HDMF premiums payable	786,207	757,086
	₱3,487,019	₱3,063,739



9. Project Costs

For the year ended May 31, 2016:

	Strategic Program	Program Development	Health Services Program	Vision Trip	Special Project	Others	Total
Consumption of Nutripacks	₱160,321,395	₱13,713,747	₱689,517	₱-	₱-	₱6,486,832	₱181,211,491
Payroll and other employee benefits (Note 12)	55,423,163	9,238,815	4,212,158	-	-	286,750	69,160,886
Transportation and travel	15,012,105	2,986,500	695,497	4,863,910	1,627,481	27,795	25,213,288
Distribution of Toms shoes	20,177,775	-	-	-	-	-	20,177,775
Office and medical supplies	4,860,434	369,792	6,261,358	-	-	2,681	11,494,265
Meeting expenses	3,024,449	5,484,680	195,603	-	-	3,780	8,708,512
Training expenses	6,432,825	1,471,306	189,020	-	-	1,188	8,094,339
Repairs and maintenance	5,029,243	1,245,298	340,581	-	-	15,211	6,630,333
Meals	3,604,880	9,854	699,061	1,106,485	-	-	5,420,280
Utilities	3,624,791	714,621	634,930	-	-	866	4,975,208
Rent (Note 13)	2,885,242	685,368	448,786	-	-	3,675	4,023,071
Scholarships	1,140,835	-	563,704	-	-	-	1,704,539
Outside services	402,155	32,947	25,814	-	-	-	460,916
Others	4,391,984	3,813,975	207,430	-	-	10,847,509	19,260,898
	₱286,331,276	₱39,766,903	₱15,163,459	₱5,970,395	₱1,627,481	₱17,676,287	₱366,535,801

For the year ended May 31, 2015:

	Strategic Program	Program Development	Health Services Program	Vision Trip	Special Project	Others	Total
Consumption of Nutripacks	₱134,642,039	₱9,925,256	₱1,162,878	₱-	₱-	₱4,334,441	₱150,064,614
Payroll and other employee benefits (Note 12)	51,786,800	9,210,095	4,262,525	-	-	1,165,953	66,425,373
Transportation and travel	15,698,275	2,142,833	426,518	4,987,248	2,021,997	854,735	26,131,606
Training expenses	6,849,691	3,459,418	98,437	-	-	287,274	10,694,820
Distribution of Toms shoes	9,697,397	-	-	-	-	-	9,697,397
Office and medical supplies	6,216,184	378,896	1,867,481	-	-	55,318	8,517,879
Meals	4,381,069	3,322	680,765	2,353,953	-	-	7,419,109
Meeting expenses	1,561,347	5,316,880	106,055	-	-	9,005	6,993,287
Scholarships	5,935,780	-	333,265	-	-	-	6,269,045
Repairs and maintenance	4,348,980	944,415	249,662	-	-	33,474	5,576,531
Utilities	3,599,307	764,675	605,364	-	-	31,194	5,000,540
Rent (Note 13)	2,756,727	680,221	399,843	-	-	25,025	3,861,816
Outside services	229,299	50,527	364,019	-	-	201,136	844,981
Others	6,995,077	4,344,148	304,611	-	-	25,397,428	37,041,264
	₱254,697,972	₱37,220,686	₱10,861,423	₱7,341,201	₱2,021,997	₱32,394,983	₱344,538,262



10. General and Administrative Expenses

	2016	2015
Depreciation (Note 7)	₱5,010,005	₱5,088,400
Training expenses	903,830	414,161
Bank charges	548,672	6,291
Meeting expenses	485,247	92,517
Transportation and travel	457,726	264,400
Payroll and other employee benefits (Note 12)	343,100	281,529
Provision for doubtful accounts (Note 4)	273,310	–
Taxes and licenses	209,627	170,281
Consumption of Nutripacks	14,044	900
Office supplies	5,350	9,810
Utilities	2,605	2,698
Others	139,561	71,666
	₱8,393,077	₱6,402,653

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 several 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 ₱139,767,006 and ₱156,473,702 for the years ended May 31, 2016 and 2015, 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. Advances to ICMMI amounted to ₱1,143,802 as of May 31, 2015. The amount was collected in 2016 (see Note 4).



12. Retirement Benefits

The components of retirement benefit obligation based on an actuarial valuation report are presented below. The Foundation obtained an actuarial valuation in 2016 by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement liability was rendered as of May 31, 2016.

The components of retirement benefits recognized in statement of revenue and expenses are as follows:

	2016	2015
Current service cost	₱1,364,768	₱971,458
Interest cost	327,742	269,016
Net actuarial loss	226,744	-
Retirement benefits cost	₱1,919,254	₱1,240,474

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

	2016	2015
Balance at beginning of year	₱6,183,810	₱5,075,778
Current service cost	1,364,768	971,458
Interest cost	327,742	269,016
Net actuarial loss	226,744	-
Payments	(476,589)	(132,442)
Balances at end of year	₱7,626,475	₱6,183,810

The assumptions used to determine pension benefits for the Foundation are as follows:

	2016	2015
Discount rate	5.20%	5.30%
Salary increase rate	4.00%	4.00%

13. Lease Agreements

The Foundation leases various office spaces in 2016 and 2015 for periods ranging from one to five years, renewable upon mutual agreement between the parties. Rental deposits amounted to ₱780,400 and ₱923,200 as of May 31, 2016 and 2015, respectively (of which, ₱258,800 and ₱303,600 as of May 31, 2016 and 2015, 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 ₱4,023,071 and ₱3,861,816 for the years ended May 31, 2016 and 2015, respectively (see Note 9).



14. Supplementary Information Required under Revenue Regulation 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2016:

Taxes and Licenses

Total amount paid by the Foundation for the taxes and licenses in 2016 amounted to ₱209,627 included under “Taxes and licenses” classified as “General and Administrative Expenses” in the statement of revenue and expenses.

Business permits and licenses	₱187,964
Real property tax	18,439
Others	3,224
	<hr/>
	₱209,627

Withholding Taxes

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

	Paid	Accrued
Withholding taxes on compensation and benefits	₱1,238,056	₱98,895
Expanded withholding taxes	280,869	13,879
	<hr/>	<hr/>
	₱1,518,925	₱112,774

Accrued withholding taxes are included in “Accounts payable and others” in the Foundation’s statement of financial position.



**ICMManila Inc.
(A Nonstock, Nonprofit Association)**

Financial Statements
May 31, 2016 and 2015

and

Independent Auditors' Report



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 corporation), which comprise the statements of financial position as at May 31, 2016 and 2015, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards 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, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulation 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 Regulation 15-2010 in Note 9 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 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-AR-1 (Group A),

June 30, 2015, valid until June 29, 2018

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-98-2015,

January 5, 2015, valid until January 4, 2018

PTR No. 5321694, January 4, 2016, Makati City

September 5, 2016



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2016	2015
ASSETS		
Current Assets		
Cash	₱250,924	₱1,494,261
Receivables	82,505	48,314
Prepayments and other current assets (Note 8)	503,153	123,873
Total Current Assets	836,582	1,666,448
Noncurrent Assets		
Property and equipment (Note 4)	349,424	620,979
Security deposits (Note 8)	–	425,250
Total Noncurrent Assets	349,424	1,046,229
TOTAL ASSETS	₱1,186,006	₱2,712,677
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and others (Notes 5 and 6)	₱1,738,089	₱2,269,272
Noncurrent Liability		
Accrued retirement benefits (Note 7)	2,405,921	2,113,108
Total Liabilities	4,144,010	4,382,380
Fund Balance		
General fund (Note 6)	1,000,000	1,000,000
Accumulated deficit of revenue over expenses	(3,958,004)	(2,669,703)
Total Fund Balance	(2,958,004)	(1,669,703)
TOTAL LIABILITIES AND FUND BALANCE	₱1,186,006	₱2,712,677

See accompanying Notes to Financial Statements.



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2016	2015
REVENUE		
Donations from ICM Hong Kong (Note 6)	₱25,501,000	₱25,165,000
Others	–	9,010
	25,501,000	25,174,010
EXPENSES		
Payroll and other employee benefits (Notes 6 and 7)	13,424,375	12,070,240
Transportation and travel	4,784,216	5,507,200
Utilities	2,018,850	1,780,799
Rent (Note 8)	1,686,941	1,573,489
Consulting fee	943,472	1,545,154
Meeting expenses	703,150	544,513
Office supplies	367,909	281,133
Depreciation (Note 4)	305,085	343,386
Others	2,557,782	1,707,116
	26,791,780	25,353,030
OTHER INCOME		
Interest income	279	589
Others	2,200	527
	2,479	1,116
DEFICIENCY OF REVENUE OVER EXPENSES	(₱1,288,301)	(₱177,904)

See accompanying Notes to Financial Statements.



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	General Fund	Accumulated Deficiency of Revenue Over Expenses	Total
BALANCES AT MAY 31, 2014	₱1,000,000	(₱2,491,799)	(₱1,491,799)
Deficiency of revenue over expenses for the year	–	(177,904)	(177,904)
BALANCES AT MAY 31, 2015	1,000,000	(2,669,703)	(1,669,703)
Deficiency of revenue over expenses for the year	–	(1,288,301)	(1,288,301)
BALANCES AT MAY 31, 2016	₱1,000,000	(₱3,958,004)	(₱2,958,004)

See accompanying Notes to Financial Statements.



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	(₱1,288,301)	(₱177,904)
Adjustments for:		
Depreciation (Note 4)	305,085	343,386
Retirement benefit expense (Note 7)	292,813	393,075
Interest income	(279)	(589)
Excess (deficiency) of revenue over expenses before working capital changes	(690,682)	557,968
Decrease (increase) in:		
Receivables	(34,191)	145,372
Prepayments and other current assets	45,970	(123,873)
Increase (decrease) in accounts payable and others	(531,183)	1,329,364
Net cash generated from operations	(1,210,086)	1,908,831
Interest received	279	589
Net cash provided by (used in) operating activities	(1,209,807)	1,909,420
CASH FLOWS USED IN INVESTING ACTIVITY		
Acquisitions of property and equipment (Note 4)	(33,530)	(435,938)
NET INCREASE (DECREASE) IN CASH	(1,243,337)	1,473,482
CASH AT BEGINNING OF YEAR	1,494,261	20,779
CASH AT END OF YEAR	₱250,924	₱1,494,261

See accompanying Notes to Financial Statements.



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

ICMManila Inc. (the “Foundation”) is a nonstock, nonprofit association registered with the Philippine Securities and Exchange Commission (SEC) on June 28, 2010. The purpose of the organization is to provide support, aid, and assistance, as well as cooperate and work with the International Care Ministries Foundation Inc. (ICMFI), in the fulfillment of its vision, mission, and objectives and its corporate purpose. 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 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.

Authorization to Issue the Financial Statements

The financial statements were approved and authorized for issue by the Foundation’s Board of Trustees (BOT) on September 5, 2016.

2. Summary of Significant Accounting

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is the Foundation’s functional and presentation currency. All amounts are rounded off to the nearest Peso, unless 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).

Financial Instruments

Cash

Cash includes cash on hand and in bank.

Receivables

Receivables include advances to officers and employees which are subject to liquidation. 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. If so, an impairment loss is recognized immediately in profit or loss.

The carrying amount of the receivable 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.



Security Deposits

Security deposits represent rental deposits to the lessor related to lease properties and are measured at amortized cost. Other assets held by the Foundation for realization within 12 months from reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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 expenses 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 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
Office equipment	3
Transportation equipment	4
Furniture and fixtures	5

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

If there is an indication that there has been a significant change in the 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 these 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

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 (deficit) 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 it accrues.

Other Income

Other income is recognized when the related services or goods have been rendered or delivered and right to receive payment is established.

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. These are recognized in the period they are incurred and measured at the amount paid or payable.

Retirement Benefits Cost

The cost of providing retirement benefits is determined using the projected unit credit method. The method reflects services rendered by the employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits cost include current service, experience adjustments and changes in actuarial assumptions. Actuarial gains and losses and past service costs are recognized in their entirety in the statement of revenue and expenses.

The present value of the obligation (PVO) is the actuarial present value of expected future payments required to settle the obligation resulting from employee service in current and prior periods. The calculation of the PVO assumes that the plan continues to be in effect and that estimated future events (including compensation increases, turnover and mortality) occur.



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; 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 Date

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 judgments, 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 indicators of property and equipment

The Foundation determines whenever there is any indication that its items of property and equipment are impaired. Indicators of impairment include physical deterioration of the asset, among others. Future events could cause management to conclude that these assets may be impaired.

As of May 31, 2016 and 2015, management believes that no indicators of impairment exist for the Foundation's property and equipment. The carrying value of property and equipment amounted to ₱349,424 and ₱620,979 as of May 31, 2016 and 2015, respectively (see Note 4). As of the same dates, no impairment indicators were identified.

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 ₱1,686,941 and ₱1,573,489 for the years ended May 31, 2016 and 2015, respectively (see Note 8).

Estimate and Assumption

The key estimates and 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.

Retirement benefits cost and obligation

The determination of the Foundation's retirement 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 ₱292,813 and ₱393,075 in 2016 and 2015, respectively. Accrued retirement benefits amounted to ₱2,405,921 and ₱2,113,108 as of May 31, 2016 and 2015, respectively (see Note 7).



4. Property and Equipment

As of May 31, 2016:

	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
Beginning balances	₱1,170,343	₱159,034	₱14,871	₱1,344,248
Additions	33,530	–	–	33,530
Ending balances	1,203,873	159,034	14,871	1,377,778
Accumulated Depreciation				
Beginning balances	678,214	35,967	9,088	723,269
Depreciation for the year	268,321	31,807	4,957	305,085
Ending balances	946,535	67,774	14,045	1,028,354
Net Book Values	₱257,338	₱91,260	₱826	₱349,424

As of May 31, 2015:

	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost					
Beginning balances	₱33,000	₱795,278	₱236,234	₱14,871	₱1,079,383
Additions	–	413,138	22,800	–	435,938
Disposals	(33,000)	(38,073)	(100,000)	–	(171,073)
Ending balances	–	1,170,343	159,034	14,871	1,344,248
Accumulated Depreciation					
Beginning balances	16,500	437,451	92,874	4,131	550,956
Depreciation for the year	16,500	278,836	43,093	4,957	343,386
Disposals	(33,000)	(38,073)	(100,000)	–	(171,073)
Ending balances	–	678,214	35,967	9,088	723,269
Net Book Values	₱–	₱492,129	₱123,067	₱5,783	₱620,979

The cost of fully depreciated property and equipment that are still in use amounted to ₱497,306 and ₱336,256 as of May 31, 2016 and 2015, respectively.

5. Accounts Payable and Others

	2016	2015
Accounts payable and accrued expenses	₱1,390,811	₱770,635
Advances from ICMFI (Note 6)	–	1,143,802
Withholding taxes, income tax payable, SSS, HDMF, and PHIC premiums payable	347,278	354,835
	₱1,738,089	₱2,269,272



6. 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. International Care Ministries (ICM), a non-stock, non-profit organization having several common directors with the Foundation, provides the operating fund requirements of the Foundation. Donations received from ICM amounted to ₱25,501,000 and ₱25,165,000 for the years ended May 31, 2016 and 2015, respectively.
- b. Initial contribution of the members of the BOT at the inception of the Foundation amounted to ₱1,000,000. This is presented as "General fund" in the statement of financial position.
- c. The Foundation handles the financial and administrative functions of International Care Ministries Foundation, Inc. (ICMFI), a nonstock, nonprofit organization with several common directors with the Foundation, at no cost to ICMFI. Certain costs and expenses of the Foundation are paid for by ICMFI subject to reimbursement. Advances from ICMFI amounted to ₱1,143,802 as of May 31, 2015. The amount was paid in 2016 (see Note 5).

7. Retirement Benefits

The components of retirement benefit obligation based on an actuarial valuation report are presented below. The Foundation obtained an actuarial valuation in 2016 by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement liability was rendered as of May 31, 2016.

The components of retirement benefits recognized in statement of revenue and expenses are as follows:

	2016	2015
Current service cost	₱427,703	₱301,912
Interest cost	111,995	91,163
Net actuarial gain	(246,885)	-
Retirement benefits cost	₱292,813	₱393,075

Changes in accrued retirement benefits as of May 31 are as follows:

	2016	2015
Balance at beginning of year	₱2,113,108	₱1,720,034
Current service cost	427,703	301,912
Interest cost	111,995	91,162
Net actuarial gain	(246,885)	-
Balances at end of year	₱2,405,921	₱2,113,108



The assumptions used to determine pension benefits for the Foundation are as follows:

	2016	2015
Discount rate	5.20%	5.30%
Salary increase rate	4.00%	4.00%

8. Lease Agreement

In July 2013, the Foundation entered into a lease agreement covering its new office space from July 15, 2013 to July 15, 2016. The agreement provides for renewal only when new terms and conditions have been mutually agreed to in writing by the Foundation and the lessor.

Security deposits related to the lease agreements amounted to ₱425,250 as of May 31, 2016 and 2015 and is classified under “Prepayments and other current assets” and “Security deposits” accounts, respectively, in the statement of financial position. Rental expense amounted to ₱1,686,941 and ₱1,573,489 for the years ended May 31, 2016 and 2015, respectively.

9. Supplementary Information Required under Revenue Regulation 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2016:

Taxes and License Fees

Total amount paid by the Foundation for the taxes and licenses in 2016 amounted to ₱500 included under “Others” classified as “Expenses” in the 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	₱1,274,850	₱100,590
Expanded withholding taxes	214,563	15,337
	₱1,489,413	₱115,927

Accrued withholding taxes are included in “Accounts payable and others” in the Foundation’s statement of financial position.

