

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

Financial Statements
May 31, 2020 and 2019

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
International Care Ministries Foundation Inc.

Report on the Audit of the Foundation's Financial Statements

Opinion

We have audited the accompanying financial statements of International Care Ministries Foundation Inc. (the Foundation), a nonstock, nonprofit corporation, which comprise the statements of financial position as at May 31, 2020 and 2019, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2020 and 2019, 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 (PFRS for SMEs).

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Foundation's Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Report on the Supplementary Information Required Under Revenue Regulations 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 15-2010 in Note 15 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.



Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8125295, January 7, 2020, Makati City

September 29, 2020



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

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2020	2019
ASSETS		
Current Assets		
Cash	₱25,515,884	₱19,744,001
Receivables	59,953	76,313
Advances to a related party (Note 11)	1,724,497	–
Inventories (Note 4)	62,071,177	87,388,133
Other current assets (Notes 5 and 13)	4,095,142	3,215,510
Total Current Assets	93,466,653	110,423,957
Noncurrent Assets		
Property and equipment (Note 6)	14,244,518	13,559,313
Software costs (Note 7)	4,157,903	7,201,429
Security deposits - net of current portion (Note 13)	369,400	431,800
Total Noncurrent Assets	18,771,821	21,192,542
TOTAL ASSETS	₱112,238,474	₱131,616,499
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts and statutory payables (Note 8)	₱3,670,078	₱2,099,601
Noncurrent Liability		
Accrued retirement benefits (Note 12)	17,370,666	7,885,712
Total Liabilities	21,040,744	9,985,313
Fund Balance		
General fund	5,000	5,000
Accumulated excess of revenue over expenses	91,192,730	121,626,186
Total Fund Balance	91,197,730	121,631,186
TOTAL LIABILITIES AND FUND BALANCE	₱112,238,474	₱131,616,499

See accompanying Notes to Financial Statements.



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

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2020	2019
REVENUE		
Donations from ICM Hong Kong (Note 11)	₱207,212,863	₱200,077,672
Donations of goods	292,945,430	246,578,777
Donations from Australia	–	473,570
Other donations	18,286,163	18,711,002
	518,444,456	465,841,021
PROJECT COSTS (Note 9)		
Strategic program	343,767,702	333,432,152
Program development	39,660,332	46,137,042
Health services program	11,790,828	14,748,121
Vision trip	6,409,383	9,937,589
Special project	4,967,447	3,388,447
Disaster response and others	138,979,311	5,506,570
	545,575,003	413,149,921
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	3,420,447	5,214,857
OTHER INCOME		
Interest income	40,857	17,078
Gain on disposal of property and equipment (Note 6)	75,000	6,841
Foreign exchange gain (loss)	(127)	2,979
Miscellaneous income	1,808	–
	117,538	26,898
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(₱30,433,456)	₱47,503,141

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, 2020 AND 2019**

	General Fund	Accumulated Excess of Revenue Over Expenses	Total
BALANCES AT MAY 31, 2018	₱5,000	₱74,123,045	₱74,128,045
Excess of revenue over expenses for the year	–	47,503,141	47,503,141
BALANCES AT MAY 31, 2019	5,000	121,626,186	121,631,186
Deficiency of revenue over expenses for the year	–	(30,433,456)	(30,433,456)
BALANCES AT MAY 31, 2020	₱5,000	₱91,192,730	₱91,197,730

See accompanying Notes to Financial Statements



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

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	(₱30,433,456)	₱47,503,141
Adjustments for:		
Net retirement benefit cost (Note 12)	9,484,954	1,039,532
Depreciation and amortization (Notes 6, 7, 9 and 10)	4,921,976	6,687,653
Foreign exchange loss (gain)	127	(2,979)
Interest income	(40,857)	(17,078)
Gain on disposal of property and equipment (Note 6)	(75,000)	(6,841)
Excess (deficiency) of revenue over expenses before working capital changes	(16,142,256)	55,203,428
Decrease (increase) in:		
Receivables	16,360	14,837
Advances to a related party	(1,724,497)	-
Inventories	25,316,956	(40,695,079)
Other assets (including security deposits)	(817,232)	(1,698,831)
Increase (decrease) in accounts and statutory payables	1,570,477	(3,415,149)
Cash generated from operations	8,219,808	9,409,206
Interest received	40,857	17,078
Net cash provided by operating activities	8,260,665	9,426,284
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment (Note 6)	(2,283,362)	(1,249,845)
Software costs (Note 7)	(302,793)	(2,529,661)
Proceeds from disposal of property and equipment (Note 6)	97,500	48,070
Net cash used in investing activities	(2,488,655)	(3,731,436)
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE IN CASH		
	(127)	2,979
NET INCREASE IN CASH	5,771,883	5,697,827
CASH AT BEGINNING OF YEAR	19,744,001	14,046,174
CASH AT END OF YEAR	₱25,515,884	₱19,744,001

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 and provide livelihood activities, leadership and comprehensive training for the less privileged. The Foundation partners with International Care Ministries Ltd. (ICM HK), a nonstock, nonprofit organization incorporated in Hong Kong. As a partner ministry with ICM HK, 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 nonstock corporations organized and operated exclusively for religious and charitable institutions.

On March 12, 2018, the Foundation obtained its certificate of tax exemption from the Bureau of Internal Revenue with validity until March 12, 2021.

The financial statements were approved and authorized for issue by the Foundation's Board of Trustees (BOT) on September 29, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention and are presented in the Philippine 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 the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Cash

Cash includes cash on hand and in banks. Cash in bank earns interest at prevailing bank deposit rates.

Receivables

Receivables pertain to amounts collectible to third parties for the excess of the amounts incurred over the authorized amounts subject for 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 not recoverable, an impairment loss is recognized immediately. 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.



Advances to a Related Party

Advances to a related party pertain to amounts owed to the Foundation by ICMM Manila, Inc. (ICMMI), for the payment of its operational expenses to respective suppliers. These are recognized initially at the undiscounted amount paid for by the Foundation to ICMMI's suppliers and in the period on which it was paid for.

Inventories

Inventories are valued at the lower of cost or estimated selling price less cost to complete and sell. Cost comprises the invoice amount and other directly attributable costs incurred in bringing the inventories to their present location and condition. The Foundation assesses at each reporting date whether any inventories are impaired because of damage or expiration, which are recognized immediately in profit or loss.

Other Assets

Advances to officers and employees

Advances to officers and employees are subject to liquidation. At the end of each reporting period, the carrying amounts of advances 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.

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.

Security and Containers' Deposits

Security deposits represent rental deposits to the lessor related to leased properties and are measured at amortized cost. Containers' deposits pertain to deposits for containers used for the shipments of inventories measured at amortized cost.

Deposits that are recoverable or consumable within twelve (12) months are classified as current; otherwise, they are classified as noncurrent.

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. Maintenance and repairs that do not improve efficiency or extend economic life are expensed as incurred.



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:

	<u>Number of Years</u>
Buildings and improvements	10-30
Vehicles	4
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.

Software Costs

Costs for software development works that are still to be completed by the service provider are recorded in the Foundation's books as a software-in-progress account. The Foundation capitalized these costs in reference to the stage of completion of each software phase and function. Capitalized software costs during the year are initially recognized at cost. Following initial recognition, software costs are carried at cost less accumulated amortization and any accumulated impairment in value. Software costs is amortized on a straight-line basis over its estimated useful economic life of three (3) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software costs is available for use. The amortization period for the software costs are reviewed at each reporting period. Changes in the estimated useful life is accounted for by changing the amortization period, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the software costs.

Impairment of Property, Equipment and Software

At each financial reporting date, property, equipment and software 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.



Accounts and Statutory Payables

Accounts and statutory payables 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 as the amount paid or payable.

Fund balance

General fund represents the initial contribution of the BOT members. This fund is available for use in operations of the Foundation. Disbursements from the general fund are 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 and Income 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 the right to receive is established. Donations of goods mainly consists of nutripacks, ready-to-use supplementary and therapeutic food, medicines, vitamins, supplies and others. Donations of goods in transit are recognized as revenue once loaded in the Philippine ports. Other donations include local donations received from churches, corporations, public funders, foundations, and individuals among others.

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.

Cost 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 increase in a liability has arisen and can be measured reliably. These are recognized in the period in which they are incurred and measured at the amount paid or payable.

Expenses are recognized in the statement of revenues and expenses:

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

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 are incurred.



General and Administrative Expenses

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

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

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.

Foreign Currency-Denominated Transactions

Transactions denominated in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Provisions

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.

Contingencies

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 office space and vehicle leases where the Foundation has determined that the significant risks and rewards for the leased properties are retained by the lessors.

Impairment assessment of property, equipment and software

The Foundation determines whenever events or changes in circumstances indicate that carrying amounts of its property and equipment and software may not be recoverable. The factors that the Foundation considers important which could trigger impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets; and,
- significant negative industry or economic trends.

As of May 31, 2020, and 2019, no impairment indicators were identified for the Foundation's property, equipment and software.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting periods 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 assessment of inventories

The Foundation assesses at each reporting period whether any inventories are impaired due to damage or expiration. For the years ended, May 31, 2020 and 2019, inventory items assessed to be impaired due to damage or expiration are not significant and charged as part of "General and administrative expenses".

Impairment assessment of deposits

The Foundation assesses at the end of each reporting period whether there is objective evidence of impairment of security and containers' deposits. If there is objective evidence of impairment, the Foundation shall recognize an impairment loss in profit or loss. Impairment loss of security and containers' deposits is the difference between carrying value and the present value of estimated cash flows discounted at the asset's original effective interest rate. There is no impairment loss recognized for the years ended May 31, 2020 and 2019.



The carrying value of rental and containers' deposits amounted to ₱1,564,374 and ₱948,774, as of May 31, 2020 and 2019, respectively (see Notes 5 and 13).

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 expense amounted to ₱9,798,058 and ₱1,364,860 in 2020 and 2019, respectively. Accrued retirement benefits amounted to ₱17,370,666 and ₱7,885,712 as of May 31, 2020 and 2019, respectively (see Note 12).

4. **Inventories - at Cost**

This account consists of:

	2020	2019
Nutripacks	₱48,863,159	₱85,333,129
Ready-to-use supplementary food	8,185,218	-
Ready-to-use therapeutic food	3,837,013	1,247,055
Supplies	-	147,112
Others	1,185,787	660,837
	₱62,071,177	₱87,388,133

Others consists of meal packs, other nutritional food products and medications.

5. **Other Current Assets**

This account consists of:

	2020	2019
Advances to officers and employees	₱2,552,573	₱1,609,271
Current portion of security deposits (Note 13)	1,194,974	504,974
Prepaid expenses	347,595	1,089,265
Containers' deposits	-	12,000
	₱4,095,142	₱3,215,510

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

Prepaid expenses pertain to advance payments for rent, publishing services, materials and others, which are expected to be consumed within one year.



6. Property and Equipment

As of May 31, 2020:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	₱2,047,550	₱22,862,464	₱705,828	₱4,684,256	₱6,256,174	₱36,556,272
Additions	–	68,703	13,500	1,611,056	590,103	2,283,362
Disposals	–	–	–	–	(283,000)	(283,000)
Ending balances	2,047,550	22,931,167	719,328	6,295,312	6,563,277	38,556,634
Accumulated Depreciation and Impairment Losses						
Beginning balances	–	13,106,265	685,757	4,173,488	5,031,449	22,996,959
Depreciation (Notes 9 and 10)	–	714,493	33,571	131,955	695,638	1,575,657
Disposals	–	–	–	–	(260,500)	(260,500)
Ending balances	–	13,820,758	719,328	4,305,443	5,466,587	24,312,116
Net Book Values	₱2,047,550	₱9,110,409	₱–	₱1,989,869	₱1,096,690	₱14,244,518

As of May 31, 2019:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	₱2,047,550	₱22,862,464	₱689,328	₱5,433,492	₱5,511,959	₱36,544,793
Additions	–	–	16,500	364,130	869,215	1,249,845
Disposals	–	–	–	(1,113,366)	(125,000)	(1,238,366)
Ending balances	2,047,550	22,862,464	705,828	4,684,256	6,256,174	36,556,272
Accumulated Depreciation and Impairment Losses						
Beginning balances	–	10,072,449	641,937	4,874,349	4,452,443	20,041,178
Depreciation (Notes 9 and 10)	–	3,033,816	43,820	410,338	664,944	4,152,918
Disposals	–	–	–	(1,111,199)	(85,938)	(1,197,137)
Ending balances	–	13,106,265	685,757	4,173,488	5,031,449	22,996,959
Net Book Values	₱2,047,550	₱9,756,199	₱20,071	₱510,768	₱1,224,725	₱13,559,313

The Foundation disposed property and equipment in 2020 and 2019 with net book values of ₱22,500 and ₱41,229 for a consideration of ₱97,500 and ₱48,070, respectively. The Foundation recognized gain on disposals amounting to ₱75,000 and ₱6,841 in 2020 and 2019, respectively.

7. Software Costs

Software costs pertain to processes and innovative solutions used by the Foundation in effectively managing its data collection analyses. The roll-forward analysis of this account is as follows:

	2020	2019
Cost		
Beginning balances	₱9,904,080	₱167,916
Transfers from software-in-progress account	–	7,206,503
Additions	302,793	2,529,661
Ending balances	10,206,873	9,904,080
Accumulated amortization		
Beginning balances	2,702,651	167,916
Amortization (Note 9)	3,346,319	2,534,735
Ending balances	6,048,970	2,702,651
Net book values	₱4,157,903	₱7,201,429



8. Accounts and Statutory Payables

This account consists of:

	2020	2019
Accounts payable	₱614,205	₱67,874
Accrued expenses		
Travel and accommodation	678,777	216,441
Utilities	442,467	35,418
Salaries	213,307	39,755
Software development	139,616	44,671
Nutripack shipping charges	69,162	672,845
Fuel and gasoline	9,238	95,017
Others	94,586	96,883
Statutory payables	1,408,720	830,697
	₱3,670,078	₱2,099,601

Accounts payable are noninterest-bearing and are normally settled within one year.

Accrued expenses pertain to incurred charges not yet billed to the Foundation as of year-end and generally for the program costs and administrative expenses of the Foundation. These are noninterest-bearing and are normally settled within one (1) year.

Statutory payables include loans and premiums to Social Security System (SSS), Home Development Mutual Fund (HDMF), Philippine Health Insurance Corporation (PHIC) and withholding tax payables. These are noninterest-bearing and are due within 1 year.

9. Project Costs

As of May 31, 2020:

	Strategic Program	Program Development	Health Services Program	Vision	Special Project	Disaster response and others*	Total
Consumption of Nutripacks	₱196,246,475	₱11,524,292	₱81,733	₱-	₱918,241	₱125,053,482	₱333,824,223
Payroll and other employee benefits (Note 12)	71,257,481	6,474,551	3,885,991	-	-	9,028,239	90,646,262
Transportation and travel	16,760,528	2,228,657	1,601,836	6,409,383	3,993,988	2,726,881	33,721,273
Rent (Note 13)	10,551,221	1,889,409	377,116	-	-	-	12,817,746
Training expenses	10,333,994	2,307,658	11,541	-	-	11,290	12,664,483
Meeting expenses	3,958,506	7,051,024	229,814	-	-	-	11,239,344
Outside Services	6,106,939	1,903,580	1,851,329	-	-	69,072	9,930,920
Meals	3,328,255	667,130	1,361,550	-	-	23,190	5,380,125
Depreciation and amortization (Notes 6 and 7)	4,512,305	-	-	-	-	-	4,512,305
Office and medical supplies	2,794,873	848,683	543,313	-	-	61,709	4,248,578
Utilities	2,605,186	840,591	264,934	-	-	10,500	3,721,211
Repairs and maintenance	2,385,107	876,827	365,801	-	-	-	3,627,735
Scholarships	47,270	-	819,462	-	-	397,658	1,264,390
Others	12,879,562	3,047,930	396,408	-	55,218	1,597,290	17,976,408
	₱343,767,702	₱39,660,332	₱11,790,828	₱6,409,383	₱4,967,447	₱138,979,311	₱545,575,003

* Disaster response and others consist mainly of costs related to relief operations and gifts in kind to various provinces of the Philippines. In 2020, significant disaster relief operations are due to the response for the COVID-19 pandemic.



As of May 31, 2019:

	Strategic Program	Program Development	Health Services Program	Vision	Special Project	Disaster response and others*	Total
Consumption of Nutripacks	₱208,427,566	₱13,706,685	₱235,757	₱-	₱557,060	₱1,644,548	₱224,571,616
Payroll and other employee benefits (Note 12)	55,339,544	4,927,140	4,191,573	-	-	-	64,458,257
Transportation and travel	16,291,361	2,618,652	2,201,544	9,937,589	2,647,165	13,999	33,710,310
Meeting expenses	5,445,508	8,806,750	241,610	-	114,222	-	14,608,090
Training expenses	11,158,357	1,988,457	89,464	-	-	5,485	13,241,763
Outside Services	4,354,945	2,583,932	3,217,101	-	-	900	10,156,878
Rent (Note 13)	6,694,193	2,629,536	294,761	-	-	-	9,618,490
Meals	3,543,997	482,340	1,157,154	-	-	-	5,183,491
Depreciation and amortization (Notes 6 and 7)	5,607,894	-	-	-	-	-	5,607,894
Repairs and maintenance	2,636,735	1,248,212	268,880	-	-	-	4,153,827
Office and medical supplies	2,289,221	795,509	947,095	-	-	4,817	4,036,642
Utilities	2,186,298	714,197	234,185	-	-	-	3,134,680
Scholarships	-	-	1,252,886	-	-	-	1,252,886
Others	9,456,533	5,635,632	416,111	-	70,000	3,836,821	19,415,097
	₱333,432,152	₱46,137,042	₱14,748,121	₱9,937,589	₱3,388,447	₱5,506,570	₱413,149,921

*Disaster response and others consist mainly of costs related to the disaster relief operations and gifts in kind to various provinces of the Philippines.

10. General and Administrative Expenses

This account consists of:

	2020	2019
Transportation and travel	₱1,012,115	₱1,970,438
Outside services	458,645	413,700
Depreciation (Note 6)	409,671	1,079,759
Taxes and licenses	396,053	359,914
Scholarships	382,728	827,427
Meals	279,593	187,351
Consumption of Nutripacks	128,487	45,697
Office and medical supplies	84,038	162,810
Bank charges	62,008	43,384
Meeting expenses	22,139	95,414
Repairs and maintenance	700	10,370
Miscellaneous	184,270	18,593
	₱3,420,447	₱5,214,857

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 HK, a nonstock, nonprofit organization, having some common directors with the Foundation, provides the operating fund requirements of the Foundation. Donations received from ICM HK amounted to ₱207,212,863 and ₱200,077,672 for the years ended May 31, 2020 and 2019, respectively.
- b. The Foundation's financial and administrative functions are handled by ICMManila, Inc. (ICMMI; a nonstock, nonprofit association with some common directors) at no cost to the Foundation. The Foundation also obtains/provides advances to ICMMI that are settled within the fiscal year. Advances made to ICMMI for the years ended May 31, 2020 and 2019 amounted to ₱18,502,549 and ₱9,089,050, respectively. As of May 31, 2020, outstanding advances to ICMMI amounting to ₱1,724,497 (nil as of May 31, 2019) are due and demandable, noninterest-bearing and to be settled through cash.
- c. Compensation of the key management personnel is assumed by ICM HK. Required disclosures under Section 33, *Related Party Disclosures* of PFRS for SMEs are disclosed in the financial statements of ICM HK.
- d. On June 19, 2020, the Foundation's BOT consents to accept the transfer of ICMMI's assets to the Foundation effective September 1, 2020 through a deed of donation.

12. Retirement Benefits

The Foundation has an unfunded retirement plan which provides retirement and severance benefits to all regular and qualified employees.

An independent actuary, using the projected unit credit method, conducts an actuarial valuation of the retirement benefits costs. The latest actuarial valuation report is as of May 31, 2020.

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

	2020	2019
Current service cost	₱1,073,841	₱844,550
Interest cost	599,314	520,310
Net actuarial loss	8,124,903	-
	₱9,798,058	₱1,364,860

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

	2020	2019
Balance at beginning of year	₱7,885,712	₱6,846,180
Current service cost	1,073,841	844,550
Interest cost	599,314	520,310
Benefits paid	(313,104)	(325,328)
Net actuarial loss	8,124,903	-
Balances at end of year	₱17,370,666	₱7,885,712



The assumptions used to determine the retirement benefits as of May 31 are as follow:

	2020	2019
Discount rate	4.40%	7.60%
Salary increase rate	4.00%	4.00%

13. Lease Agreements

The Foundation leases various office spaces that expires over the next five (5) years. Rental deposits amounting to ₱1,564,374 and ₱936,774 as of May 31, 2020 and 2019, respectively (of which, ₱1,194,974 and ₱504,974 as of May 31, 2020 and 2019, respectively, is presented under “Other current assets” in Note 5) are noninterest-bearing. Noncurrent portion amounted to ₱369,400 and ₱431,800 as of the same dates. 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 terminate the contract early, provided that, prior to the termination, a written notice is given to the lessors.

On March 3, 2017, the Foundation entered into an Operating Lease Facility with BPI Century Tokyo Rental Corporation (the Lessor) for brand new motor vehicles amounting to ₱10.00 million. On March 6, 2017, the Foundation entered into an operating lease agreement (the Agreement) with the Lessor for the lease of specific vehicles with lease term of 36 to 42 months and fixed monthly rent payments.

The Agreement allows the Foundation to cancel or early terminate the individual vehicle leased prior to expiry subject to payment of liquidated damages to the lessor. The vehicles are, at all times, the sole and exclusive property of the Lessor and the Agreement gives no option to the Foundation to purchase or otherwise acquire title to the vehicles during the entire lease term. The Foundation may at its option renew the lease upon expiration of the original lease term, subject the Lessor’s approval, of which seven (7) of these lease agreements have been renewed in the year ended May 31, 2020 for another 12 months, and been released at a lower monthly lease payment.

In addition, the Agreement requires the Foundation to pay for repairs and maintenance, insurance, taxes and licenses, and a penalty for usage above a standard mileage allowance.

As of May 31, 2020, and 2019, there are 32 and 24 vehicles, respectively, received. Total future minimum lease payments as of May 31 are as follows:

	2020	2019
Within one year	₱4,877,619	₱4,608,024
One to five years	4,881,431	2,319,945
	₱9,759,050	₱6,927,969

Rental expense related to operating lease agreements amounted to ₱12,817,746 and ₱9,618,490 for the years ended May 31, 2020 and 2019, respectively (see Note 9).



14. Event After the Reporting Period

COVID-19 Outbreak

The first reported case of COVID-19 in the Philippines in late January 2020 caused the government to impose community policies to contain the COVID-19 outbreak. The issuance of resolutions for the quarantine guidelines commenced on March 13, 2020 when the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. The issuance of updated resolutions from the government and its agencies, specifically the Inter-Agency Task Force on Emerging Infectious Diseases (IATF-EID or IATF), the task force organized by the executive of the Philippine government to respond to affairs concerning emerging infectious diseases in the Philippines continued and is being renewed every after fifteen (15) days.

In IATF Resolution No. 41 dated May 29, 2020, it has been approved that beginning June 1, 2020, the community quarantine classification of provinces, highly-urbanized cities (HUC) and independent component cities (ICC) based on epidemic risk level, economic, social, and security considerations shall be placed under general community quarantine (GCQ) until June 15, 2020.

Further, in an IATF Resolution No. 46-A dated June 15, 2020, it has been approved that all HUCs of the National Capital Region (including the area where the Foundation operates) shall be placed under GCQ until June 30, 2020. This has been continuously implemented to date under different IATF resolutions.

The Foundation has implemented a work from home arrangement with skeletal work force in the office. The Foundation, considering the evolving nature of this outbreak and the impact of these government measures (and any further measures that the government may implement) will continue to assess and monitor the developments and take the necessary measures in the future.

15. Supplementary Information Required under Revenue Regulations 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2018:

Value-Added Taxes (VAT)

The Foundation, being a non-stock, non-profit corporation, has not engaged in any sale transaction subject to VAT.

Taxes and Licenses

Total amount paid by the Foundation for the taxes and licenses in 2019 is included under "Taxes and licenses" classified as "General and Administrative Expenses" in the statement of revenue and expenses.

Business permits and licenses	₱343,016
Taxes and licenses	53,037
	<u>₱396,053</u>



Withholding Taxes

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

	Paid	Accrued
Withholding taxes on compensation and benefits	₱587,379	₱255,289
Expanded withholding taxes	179,094	49,937
	₱766,473	₱305,226

Accrued withholding taxes are included in "Accounts and statutory payables" in the Foundation's statement of financial position.

Customs Duties

The Foundation paid ₱11,127,823 for customs duties relating to the inventories shipped to the Philippines for the year ended May 31, 2020. Portion of these are capitalized as part of "Inventories" in the statement of financial position and remaining were included under "Consumption of Nutripacks" account which is classified as "Project Costs" in the statement of revenue and expenses.



ICMManila Inc.
(A Nonstock, Nonprofit Association)

Financial Statements
May 31, 2020 and 2019

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
ICMManila Inc.

Report on the Audit of the Foundation's Financial Statements

Opinion

We have audited the accompanying financial statements of ICMManila Inc. (the Foundation), a nonstock, nonprofit association, which comprise the statements of financial position as at May 31, 2020 and 2019, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small Entities (PFRS for Small Entities).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for Small 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.

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

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



Auditor's Responsibilities for the Audit of the Foundation's Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Report on the Supplementary Information Required Under Revenue Regulations 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 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.



Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Accreditation No. 118546-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 248-679-852

BIR Accreditation No. 08-001998-137-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8125295, January 7, 2020, Makati City

September 29, 2020



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2020	2019
ASSETS		
Current Assets		
Cash	₱1,377,570	₱1,083,471
Advances to officers and employees	29,731	59,400
Prepayments and current portion of security deposits (Note 7)	780,815	121,500
Total Current Assets	2,188,116	1,264,371
Noncurrent Assets		
Property and equipment (Note 3)	478,353	147,250
Security deposits - net of current portion (Note 7)	–	554,732
Total Noncurrent Assets	478,353	701,982
	₱2,666,469	₱1,966,353
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accrued and other liabilities (Note 4)	₱1,546,685	₱560,571
Advances from a related party (Note 5)	1,724,497	–
Current portion of accrued retirement benefits (Note 6)	4,432,046	–
Total Current Liabilities	7,703,228	560,571
Noncurrent Liability		
Accrued retirement benefits - net of current portion (Note 6)	–	3,761,059
Total Liabilities	7,703,228	4,321,630
Fund Balance		
General fund (Note 5)	1,000,000	1,000,000
Accumulated deficiency of revenue over expenses	(6,036,759)	(3,355,277)
Total Fund Balance	(5,036,759)	(2,355,277)
TOTAL LIABILITIES AND FUND BALANCE	₱2,666,469	₱1,966,353

See accompanying Notes to Financial Statements.



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2020	2019
REVENUE		
Donations from ICM Hong Kong (Note 5)	₱31,569,479	₱30,186,080
Other donations	200	609,698
	31,569,679	30,795,778
EXPENSES		
Payroll and other employee benefits (Notes 6 and 7)	19,829,873	17,277,163
Transportation and travel	5,184,260	4,540,412
Rent (Note 7)	2,925,926	2,786,172
Utilities	2,057,430	1,759,117
Consulting fee	1,497,359	254,078
Meeting expense	1,037,119	2,395,306
Office supplies	466,875	593,904
Depreciation (Note 3)	122,730	65,504
Miscellaneous	1,131,752	800,426
	34,253,324	30,472,082
OTHER INCOME		
Interest income	963	341
Gain on sale of fixed asset	1,200	3,000
	2,163	3,341
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(₱2,681,482)	₱327,037

See accompanying Notes to Financial Statements.



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	General Fund (Note 5)	Accumulated Deficiency of Revenue Over Expenses	Total
BALANCES AT MAY 31, 2018	₱1,000,000	(₱3,682,314)	(₱2,682,314)
Excess of revenue over expenses for the year	–	327,037	327,037
BALANCES AT MAY 31, 2019	1,000,000	(3,355,277)	(2,355,277)
Deficiency of revenue over expenses for the year	–	(2,681,482)	(2,681,482)
BALANCES AT MAY 31, 2020	₱1,000,000	(₱6,036,759)	(₱5,036,759)

See accompanying Notes to Financial Statements.



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	(₱2,681,482)	₱327,037
Adjustments for:		
Provision for retirement benefits (Note 6)	670,987	740,328
Depreciation (Note 3)	122,730	65,504
Gain on sale of fixed asset	(1,200)	(3,000)
Interest income	(963)	(341)
Excess (deficiency) of revenue over expenses before working capital changes	(1,889,928)	1,129,528
Decrease (increase) in:		
Advances to officers and employees	29,669	(38,433)
Receivable from related party	–	184,883
Prepayments and security deposits	(104,583)	(110,037)
Increase (decrease) in:		
Advances from a related party	1,724,497	–
Accrued and other liabilities	986,114	(776,315)
Net cash generated from operations	745,769	389,626
Interest received	963	341
Net cash provided by operating activities	746,732	389,967
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed asset	1,200	3,000
Acquisitions of property and equipment (Note 3)	(453,833)	(169,376)
Net cash used in investing activities	(452,633)	(166,376)
NET INCREASE IN CASH	294,099	223,591
CASH AT BEGINNING OF YEAR	1,083,471	859,880
CASH AT END OF YEAR	₱1,377,570	₱1,083,471

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 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 nonstock, nonprofit and non-denominational organization, established for charitable purposes. The Foundation partners with International Care Ministries Ltd. (ICM HK), a nonstock, nonprofit organization incorporated in Hong Kong. As a partner ministry with ICM HK, the Foundation receives support from sponsors to enable it to carry out its objectives.

As provided for under Section 30 (G) of the Republic Act (RA) No. 8424, otherwise known as the *Tax Reform Act of 1997*, the Foundation is exempt from payment of income as a non-stock corporation organized and operated exclusively for religious and charitable institutions.

The Foundation’s certificate of tax exemption from the Bureau of Internal Revenue expired last April 6, 2020. The Foundation is currently in the process of completing the statutory requirements for the renewal of its certificate of tax exemption.

On March 9, 2020, the Foundation’s Board of Trustees (BOT) approved the donation of assets and transfers of the employees of the Foundation to International Care Ministries Foundation, Inc. (ICMFI), a related party (see Note 5), effective September 1, 2020.

Furthermore, the Foundation’s BOT authorized its continuing legal existence beginning September 1, 2020, for limited and special purposes only which may include the purchase and sale of vehicles as they come off lease between ICMFI (the lessee) and BPI Century Tokyo Rental Corporation (the lessor) and other activities including special charitable projects that for convenience or purposes of confidentiality may best be handled under the auspices of the Foundation.

The financial statements and other were approved and authorized for issue by the Foundation’s BOT on September 29, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The 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 accordance with the Philippine Financial Reporting Standards for Small Entities (PFRS for Small Entities).



Financial Instruments

Cash

Cash includes cash on hand and in bank. Cash in bank earns interest at prevailing bank deposit rates.

Security Deposits

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

Accrued and Other Liabilities

Accrued and other liabilities are recognized initially at transaction price (including transaction costs) which is the undiscounted amount owed to the supplier of goods or services, which is normally the invoice price. These are recognized in the period in which the related goods or services are received or when a legally enforceable claim against the Foundation is established.

Advances from a related party

Advances from a related party pertain to amounts owed by the Foundation to ICMFI for its payment of the Foundation's operational expenses to respective suppliers. These are recognized initially at the undiscounted amount paid for by ICMFI to the Foundation's suppliers and in the period on which it was paid for.

Advances to officers and employees

Advances to officers and employees are subject to liquidation. At the end of each reporting period, the carrying amounts of advances 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.

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 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:

	<u>Years</u>
Office equipment	3
Furniture and fixtures	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 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. The general fund 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 and Income 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 Foundation's retirement benefit obligation is measured using the accrual approach based on the minimum retirement benefits required under Republic Act No. 7641, otherwise known as *The Philippine Retirement Pay Law* (the Retirement Pay Law). Accrual approach is applied by calculating the expected liability as at reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

The Foundation recognizes the pension liability at the accrued amount of the retirement benefits at the reporting date.

Leases

The determination of whether an arrangement is, or contains, a lease is when a lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time. Recognition of lease payments and receipts shall be made in profit or loss as expense or income in the period in which these are incurred or earned by the lessee or lessor, respectively.

The Foundation leases its office space and staff house for its employees. Advance payments made for these leases are recognized in the Foundation's statement of financial position. These advances are charged to profit or loss in the period when the related right to use the asset is consumed.

Provisions

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.

Contingencies

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. Property and Equipment

As of May 31, 2020

	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
Beginning balances	₱1,168,521	₱192,563	₱31,000	₱1,392,084
Addition	383,378	70,455	–	453,833
Disposal	(81,000)	–	–	(81,000)
Ending balances	1,470,899	263,018	31,000	1,764,917
Accumulated Depreciation				
Beginning balances	1,075,562	163,022	6,250	1,244,834
Depreciation for the year	99,164	13,566	10,000	122,730
Disposal	(81,000)	–	–	(81,000)
Ending balances	1,093,726	176,588	16,250	1,286,564
Net Book Values	₱377,173	₱86,430	₱14,750	₱478,353

As of May 31, 2019:

	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
Beginning balances	₱1,199,873	₱159,034	₱14,871	₱1,373,778
Addition	104,847	33,529	31,000	169,376
Disposal	(136,199)	–	(14,871)	(151,070)
Ending balances	1,168,521	192,563	31,000	1,392,084
Accumulated Depreciation				
Beginning balances	1,184,141	131,388	14,871	1,330,400
Depreciation for the year	27,620	31,634	6,250	65,504
Disposal	(136,199)	–	(14,871)	(151,070)
Ending balances	1,075,562	163,022	6,250	1,244,834
Net Book Values	₱92,959	₱29,541	₱24,750	₱147,250

4. Accrued and Other Liabilities

	2020	2019
Accrued expenses		
Donor relations	₱425,415	₱223,116
Utilities	212,863	10,000
Professional and consultancy fees	101,300	95,472
Insurance	64,850	–
Salaries	30,795	9,044
Others	15,796	–
Other liabilities		
SSS, HDMF and PHIC premiums payable	392,689	163,664
Withholding tax payable	302,977	59,315
	₱1,546,685	₱560,611



Accrued expenses include charges for meeting, travel and accommodation expenses incurred for the accomplishment of donor relations programs of the Foundation. These also include incurred charges not yet billed to the Foundation. These are noninterest-bearing and are normally settled within one (1) year.

Other liabilities include statutory liabilities for loans and premiums to Social Security System (SSS), Home Development Mutual Fund (HDMF), Philippine Health Insurance Corporation (PHIC) and withholding tax payables. These are noninterest-bearing and are due within 1 year.

5. 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 HK, a nonstock, nonprofit organization having some common directors with the Foundation, provides the operating fund requirements of the Foundation. Donations received from ICM amounted to ₱31,569,479 and ₱30,186,080 for the years ended May 31, 2020 and 2019, 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 ICMFI, a nonstock, nonprofit organization with some common directors with the Foundation, at no cost to ICMFI. Expenses of the Foundation amounting to ₱1,807,479 and ₱9,089,050 in 2020 and 2019, respectively, were paid for by ICMFI subject to reimbursement. As of May 31, 2020, outstanding advances from ICMFI amounting to ₱1,724,497 (nil as of May 31, 2019) are due and demandable, noninterest-bearing and to be settled through cash.
- d. Compensation of the key management personnel is assumed by ICM HK. Required disclosures under Section 26, *Related Party Disclosures of PFRS for Small Entities* are disclosed in the financial statements of ICM HK.

6. Retirement Benefits

The Foundation has an unfunded retirement plan which provides retirement and severance benefits to all regular and qualified employees following the minimum requirement benefits required under the Retirement Pay Law using accrual approach.

Changes in the accrued amount of retirement benefits are as follow:

	2020	2019
Balance at beginning of year	₱3,761,059	₱3,020,731
Provision	670,987	740,328
Balances at end of year	₱4,432,046	₱3,761,059



7. Lease Agreement

In February 2018, the Foundation entered into a lease agreement covering its office space from February 01, 2018 to January 31, 2019. The Foundation transferred to a new office space under a new lessor in November 2018. The new lease agreement has a lease term of 2 years commencing November 1, 2018 to October 2020, which shall be renewed upon mutual agreement of both parties.

Furthermore, the Foundation also entered into various lease agreements for the housing of its employees. These leases have lease terms ranging from six (6) months to one (1) year and generally provide for fixed monthly rent.

Security deposits related to these agreements amounted to ₱733,732 and ₱676,232 as of May 31, 2020 and 2019, respectively, presented under “Prepayments and security deposits” and “Security deposits - net of current portion” accounts in the statements of financial position.

Rental expense related to office space amounted to ₱2,925,926 and ₱2,786,172 in 2020 and 2019, respectively. Employee housing leases are recorded as part of staff housing allowance under “Payroll and other employee benefits” of the Foundation’s statement of revenue and expenses. This amounted to ₱658,500 and ₱717,500 in 2020 and 2019, respectively.

8. Event After the Reporting Period

COVID-19 Outbreak

The first reported case of COVID-19 in the Philippines in late January 2020 caused the government to impose community policies to contain the COVID-19 outbreak. The issuance of resolutions for the quarantine guidelines commenced on March 13, 2020 when the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. The issuance of updated resolutions from the government and its agencies, specifically the Inter-Agency Task Force on Emerging Infectious Diseases (IATF-EID or IATF), the task force organized by the executive of the Philippine government to respond to affairs concerning emerging infectious diseases in the Philippines continued and is being renewed every after fifteen (15) days.

In IATF Resolution No. 41 dated May 29, 2020, it has been approved that beginning June 1, 2020, the community quarantine classification of provinces, highly-urbanized cities (HUC) and independent component cities (ICC) based on epidemic risk level, economic, social, and security considerations shall be placed under general community quarantine (GCQ) until June 15, 2020.

Further, in an IATF Resolution No. 46-A dated June 15, 2020, it has been approved that all HUCs of the National Capital Region (including the area where the Foundation operates) shall be placed under GCQ until June 30, 2020. This has been continuously implemented to date under different IATF resolutions.

The Foundation has implemented a work from home arrangement with skeletal work force in the office. The Foundation, considering the evolving nature of this outbreak and the impact of these government measures (and any further measures that the government may implement) will continue to assess and monitor the developments and take the necessary measures in the future.



9. Supplementary Information Required under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes and licenses, fees paid or accrued during the current taxable year.

Value-Added Taxes

The Foundation being a non-stock, nonprofit association has not engaged in any sale transaction subject to VAT.

Taxes and License Fees

The Foundation paid business permit amounting to ₱10,519 for 2020 under “Miscellaneous” 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	₱587,380	₱253,280
Expanded withholding taxes	179,097	49,697
	<u>₱766,477</u>	<u>₱302,977</u>

Accrued withholding taxes are included in “Accrued and other liabilities” in the statement of financial position.

