

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

Financial Statements
May 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 34-2020 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 34-2020 and 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

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. 8534358, January 4, 2021, Makati City

August 31, 2021



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

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2021	2020
ASSETS		
Current Assets		
Cash	₱31,725,447	₱25,515,884
Receivables	11,369	59,953
Advances to a related party (Note 11)	3,516,274	1,724,497
Inventories (Note 4)	140,779,876	62,071,177
Other current assets (Notes 5 and 13)	4,324,836	4,095,142
Total Current Assets	180,357,802	93,466,653
Noncurrent Assets		
Property and equipment (Note 6)	15,530,456	14,244,518
Software costs (Note 7)	3,698,608	4,157,903
Security deposits - net of current portion (Note 13)	678,274	369,400
Total Noncurrent Assets	19,907,338	18,771,821
TOTAL ASSETS	₱200,265,140	₱112,238,474
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts and statutory payables (Note 8)	₱10,167,079	₱3,670,078
Noncurrent Liability		
Accrued retirement benefits (Note 12)	25,161,684	17,370,666
Total Liabilities	35,328,763	21,040,744
Fund Balance		
General fund	5,000	5,000
Accumulated excess of revenue over expenses	164,931,377	91,192,730
Total Fund Balance	164,936,377	91,197,730
TOTAL LIABILITIES AND FUND BALANCE	₱200,265,140	₱112,238,474

See accompanying Notes to Financial Statements.



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

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2021	2020
REVENUE		
Donations from ICM Hong Kong (Note 11)	₱275,160,140	₱207,212,863
Donations of goods	215,089,515	292,945,430
Other donations (Note 11)	26,665,097	18,286,163
	516,914,752	518,444,456
PROJECT COSTS (Note 9)		
Strategic program	264,524,998	343,767,702
Program development	61,984,397	39,660,332
Health services program	11,548,417	11,790,828
Special project	5,906,411	4,967,447
Vision trip	512,939	6,409,383
Disaster response and others	75,544,923	138,979,311
	420,022,085	545,575,003
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	23,619,577	3,420,447
OTHER INCOME		
Gain on disposal of property and equipment (Note 6)	399,386	75,000
Interest income	70,636	40,857
Foreign exchange loss	(4,465)	(127)
Miscellaneous income	—	1,808
	465,557	117,538
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	₱73,738,647	(₱30,433,456)

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CHANGES IN FUND BALANCE

	General Fund	Accumulated Excess of Revenue Over Expenses	Total
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
Excess of revenue over expenses for the year	—	73,738,647	73,738,647
BALANCES AT MAY 31, 2021	₱5,000	₱164,931,377	₱164,936,377

See accompanying Notes to Financial Statements



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

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	₱73,738,647	(₱30,433,456)
Adjustments for:		
Depreciation and amortization (Notes 6, 7, 9 and 10)	15,133,689	4,921,976
Net retirement benefit cost (Note 12)	4,274,744	9,484,954
Foreign exchange loss	4,465	127
Interest income	(70,636)	(40,857)
Gain on disposal of property and equipment (Note 6)	(399,386)	(75,000)
Donation income (Note 11)	(1,411,916)	-
Excess (deficiency) of revenue over expenses before working capital changes	91,269,607	(16,142,256)
Decrease (increase) in:		
Receivables	48,584	16,360
Advances to a related party	1,724,497	(1,724,497)
Inventories	(78,708,699)	25,316,956
Other assets (including security deposits)	(207,136)	(817,232)
Increase in accounts and statutory payables	4,448,501	1,570,477
Cash generated from operations	18,575,354	8,219,808
Interest received	70,636	40,857
Net cash provided by operating activities	18,645,990	8,260,665
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment (Note 6)	(12,109,396)	(2,283,362)
Software costs (Note 7)	(1,008,350)	(302,793)
Proceeds from disposal of property and equipment (Note 6)	685,784	97,500
Net cash used in investing activities	(12,431,962)	(2,488,655)
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE IN CASH		
	(4,465)	(127)
NET INCREASE IN CASH	6,209,563	5,771,883
CASH AT BEGINNING OF YEAR	25,515,884	19,744,001
CASH AT END OF YEAR	₱31,725,447	₱25,515,884

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 to 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.

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 tax as a nonstock corporation organized and operated exclusively for religious and charitable institutions.

The Foundation's certificate of tax exemption from the Bureau of Internal Revenue expired on March 12, 2021. The Foundation is currently in the process of completing the statutory requirements for the renewal of its certificate of tax exemption.

The financial statements were approved and authorized for issue by the Foundation's Board of Trustees (BOT) on August 31, 2021.

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 from 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 in which it was paid for. This also includes the amount owed to the Foundation by ICMMI for the retirement benefits of the latter's employees whose employment has been transferred to the Foundation.

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.

Security deposits

Security deposits represent rental deposits provided to the lessor for leased properties and are measured at amortized cost. Deposits that are recoverable or consumable within twelve (12) months are classified as current; otherwise, they are classified as noncurrent.

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 within 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. 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 Nonfinancial Assets

At each financial reporting date, nonfinancial assets (i.e., property and equipment and software costs) 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 nonfinancial assets 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.



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.

Miscellaneous income

Miscellaneous 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 a 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 nonfinancial assets

The Foundation determines whenever events or changes in circumstances indicate that carrying amounts of its nonfinancial assets (i.e., property and equipment and software costs) 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, 2021, and 2020, no impairment indicators were identified for the Foundation's nonfinancial assets (see Notes 6 and 7).

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. As of May 31, 2021, and 2020, inventory items assessed to be impaired due to damage or expiration are not significant and charged as part of "General and administrative expenses" in the statements of revenue and expenses.

Impairment assessment of security deposits

The Foundation assesses at the end of each reporting period whether there is objective evidence of impairment of security deposits. If there is objective evidence of impairment, the Foundation shall recognize an impairment loss in profit or loss. Impairment loss of security 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, 2021 and 2020.

The carrying value of security deposits amounted to ₱1,870,248 and ₱1,564,374, as of May 31, 2021 and 2020, 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 ₱4,381,229 and ₱9,798,058 in 2021 and 2020, respectively. Accrued retirement benefits amounted to ₱25,161,684 and ₱17,370,666 as of May 31, 2021 and 2020, respectively (see Note 12).

4. Inventories

This account consists of:

	2021	2020
Nutripacks	₱139,833,250	₱48,863,159
Ready-to-use therapeutic food	479,200	3,837,013
Ready-to-use supplementary food	-	8,185,218
Others	467,426	1,185,787
	₱140,779,876	₱62,071,177

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

5. Other Current Assets

This account consists of:

	2021	2020
Advances to officers and employees	₱2,553,936	₱2,552,573
Current portion of security deposits (Note 13)	1,191,974	1,194,974
Prepaid expenses	578,926	347,595
	₱4,324,836	₱4,095,142

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 (1) year.



6. Property and Equipment

As of May 31, 2021:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	₱2,047,550	₱22,931,167	₱719,328	₱6,295,312	₱6,563,277	₱38,556,634
Additions	-	-	102,164	11,651,618	1,436,098	13,189,880
Disposals	-	-	(2,951)	(122,964)	(2,308,864)	(2,434,779)
Reclassification/adjustment	-	(68,703)	68,703	-	-	-
Ending balances	2,047,550	22,862,464	887,244	17,823,966	5,690,511	49,311,735
Accumulated Depreciation and Impairment Losses						
Beginning balances	-	13,820,758	719,328	4,305,443	5,466,587	24,312,116
Depreciation (Notes 9 and 10)	-	574,942	45,239	10,368,345	629,018	11,617,544
Disposals	-	-	-	(21,930)	(2,126,451)	(2,148,381)
Reclassification/adjustment	-	(383,739)	-	383,739	-	-
Ending balances	-	14,011,961	764,567	15,035,597	3,969,154	33,781,279
Net Book Values	₱2,047,550	₱8,850,503	₱122,677	₱2,788,369	₱1,721,357	₱15,530,456

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

In 2021 and 2020, the Foundation disposed property and equipment with net book values of ₱286,398 and ₱22,500 for a consideration of ₱685,784 and ₱97,500, respectively. The Foundation recognized gain on disposals amounting to ₱399,386 and ₱75,000 in 2021 and 2020, respectively.

7. Software Costs

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

	2021	2020
Cost		
Beginning balances	₱10,206,873	₱9,904,080
Additions	3,056,850	302,793
Ending balances	13,263,723	10,206,873
Accumulated amortization		
Beginning balances	6,048,970	2,702,651
Amortization (Note 9)	3,516,145	3,346,319
Ending balances	9,565,115	6,048,970
Net book values	₱3,698,608	₱4,157,903



8. Accounts and Statutory Payables

This account consists of:

	2021	2020
Accounts payable	₱912,148	₱360,798
Accrued expenses		
Software development expenses	2,188,116	139,616
Nutripacks shipment expenses	1,962,684	69,162
Payroll and other employee benefits	1,362,612	-
Utilities	557,040	442,467
Communication expenses	439,049	-
Travel and accommodation expenses	332,874	678,777
Professional fees	215,950	-
Fuel and gasoline expenses	29,288	9,238
Others	571,506	347,993
Accrued Salaries	119,494	213,307
Statutory payables	1,476,318	1,408,720
	₱10,167,079	₱3,670,078

Accounts payable are noninterest-bearing and are normally settled within 1 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 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, 2021:

	Strategic Program	Program Development	Health Services Program	Special Project	Vision	Disaster response and others	Total
Consumption of Nutripacks	₱61,871,843	₱24,692,927	₱4,954	₱3,652,241	₱-	₱57,561,490	₱147,783,455
Payroll and other employee benefits (Note 12)	98,073,526	9,132,419	6,243,357	2,111	474,938	309,733	114,236,084
Grants and incentives	25,852,500	-	-	-	-	-	25,852,500
Transportation and travel	11,010,805	918,994	446,848	1,755,371	38,001	2,202,287	16,372,306
Depreciation and amortization (Notes 6 and 7)	14,425,217	-	291,698	-	-	-	14,716,915
Rent (Note 13)	9,917,032	3,562,009	419,815	-	-	1,650	13,900,506
Outside services	4,512,691	6,655,925	2,279,496	-	-	250,938	13,699,050
Training expenses	8,659,655	638,866	3,948	6,786	-	2,366,177	11,675,432
Consumption of rice	5,934,973	4,636,022	-	-	-	-	10,570,995
Office and medical supplies	4,073,568	690,638	815,067	458,982	-	303,861	6,342,116
Meeting expenses	4,146,727	1,227,130	114,467	-	-	61,610	5,549,934
Repairs and maintenance	2,736,904	1,284,228	160,008	-	-	114,709	4,295,849
Communication expenses	3,058,149	891,770	232,586	-	-	7,862	4,190,367
Utilities	2,872,271	920,050	240,013	-	-	82,325	4,114,659
Meals	1,376,228	180,320	177,276	21,608	-	906,283	2,661,715
Scholarships	1,845	-	-	-	-	563,500	565,345
Others	6,001,064	6,553,099	118,884	9,312	-	10,812,498	23,494,857
	₱264,524,998	₱61,984,397	₱11,548,417	₱5,906,411	₱512,939	₱75,544,923	₱420,022,085



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
Depreciation and amortization (Notes 6 and 7)	4,512,305	-	-	-	-	-	4,512,305
Rent (Note 13)	10,551,221	1,889,409	377,116	-	-	-	12,817,746
Outside services	6,106,939	1,903,580	1,851,329	-	-	69,072	9,930,920
Training expenses	10,333,994	2,307,658	11,541	-	-	11,290	12,664,483
Office and medical supplies	2,794,873	848,683	543,313	-	-	61,709	4,248,578
Meeting expenses	3,958,506	7,051,024	229,814	-	-	-	11,239,344
Repairs and maintenance	2,385,107	876,827	365,801	-	-	-	3,627,735
Utilities	2,605,186	840,591	264,934	-	-	10,500	3,721,211
Meals	3,328,255	667,130	1,361,550	-	-	23,190	5,380,125
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

Strategic program of the Foundation primarily includes its “Transform” and “2R (Refresh and Renew)” programs. The Transform program helps its beneficiary communities by delivering support, training and resources. It also includes the provision of Nutripacks and a livelihood curriculum that teaches participants to start new businesses and save earnings. The program aims at igniting hope by promoting relevant values. The 2R pilot programs aimed at strengthening saving groups that had become less active or inactive. These programs re-energized such saving groups to allow their members to renew their engagement.

Program development activities pertain to activities of the Foundation which aims to widen and strengthen its network. This includes the Foundation’s “Thrive” program which aims to widen the reach of the Foundation to communities living in ultra-poverty. This is conducted through partnerships with local pastors and congregation members. This program includes equipping and empowering partner pastors for more effective and sustained ministries among the country’s most vulnerable communities.

Health services programs of the Foundation is a curriculum which includes lessons and trainings on wellness, family and sanitation. This also includes activities to address individual medical concerns of their beneficiary communities. Other health services and activities of the Foundation includes medical case patients, children’s shelter, clinics without walls, treatment packages and other special medical cases.

Vision trips pertain to activities arranged by the Foundation for the purpose of exposing prospective donors to the communities served by the Foundation.

Special projects include spontaneous projects of the Foundation.

Disaster response and others consist mainly of costs related to relief operations and gifts in kind to various provinces of the Philippines. This program also includes costs for significant disaster relief operations and response for the COVID-19 pandemic.



10. General and Administrative Expenses

This account consists of:

	2021	2020
Payroll and other employee benefits	₱14,914,686	₱–
Rent	1,683,875	–
Outside services	1,068,879	458,645
Transportation and travel	878,238	1,012,115
Scholarships	626,530	382,728
Depreciation (Note 6)	416,773	409,671
Taxes and licenses	383,416	396,053
Meals	357,378	279,593
Meeting expenses	354,973	22,139
Office and medical supplies	251,995	84,038
Bank charges	115,330	62,008
Utilities	74,895	–
Training expenses	44,573	–
Repairs and maintenance	28,855	700
Consumption of Nutripacks	5,218	128,487
Miscellaneous	2,413,963	184,270
	₱23,619,577	₱3,420,447

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 ₱275,160,140 and ₱207,212,863 for the years ended May 31, 2021 and 2020, respectively.
- b. The Foundation's financial and administrative functions are handled by ICMMI, a nonstock, nonprofit association with some common directors at no cost to the Foundation until August 31, 2020. The Foundation also obtains/provides advances to ICMMI that are settled within the fiscal year. As of May 31, 2021, and 2020, advances made to ICMMI amounted to ₱1,997,214 and ₱18,502,549, respectively, was paid and settled through cash. As of May 31, 2020, outstanding advances to ICMMI pertaining to these reimbursable advances amounted to ₱1,724,497 (nil as of May 31, 2021). This was fully paid and settled through cash.
- c. On June 19, 2020, the Foundation's BOT consented to accept the transfer of ICMMI's assets to the Foundation through a deed of donation, effective September 1, 2020. ICMMI's employees were also transferred to the Foundation. Accordingly, the retirement benefit obligation of such employees were also transferred to the Foundation and it amounts to ₱3,516,274 (nil as of



May 31, 2020, see Note 12). This is noninterest-bearing and is expected to be settled within 12 months.

- d. The Foundation received ten vehicles from ICMMI amounting to ₱628,966 for the Foundation's use in its operations and ministerial works. Further, ICMMI transferred various assets such as office furniture and equipment, employee advances and other current assets to which the Foundation consented its acceptance. The Foundation recognized donation income amounting to ₱1,435,916 under "Other donations" in its statements of revenue and expenses as of May 31, 2021 (nil in 2020).
- e. Compensation of the key management personnel is assumed by ICM HK. Required disclosures are disclosed in the financial statements of ICM HK.

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, 2021.

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

	2021	2020
Current service cost	₱2,119,774	₱1,073,841
Interest cost	764,309	599,314
Net actuarial loss	1,497,146	8,124,903
	₱4,381,229	₱9,798,058

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

	2021	2020
Balance at beginning of year	₱17,370,666	₱7,885,712
Current service cost	2,119,774	1,073,841
Interest cost	764,309	599,314
Benefits paid	(106,485)	(313,104)
Net actuarial loss	1,497,146	8,124,903
Transferred liabilities from ICMMI (Note 11)	3,516,274	-
Balances at end of year	₱25,161,684	₱17,370,666

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

	2021	2020
Discount rate	5.00%	4.40%
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 ₱1,870,248 and ₱1,564,374 as of May 31, 2021 and 2020, respectively, (of which, ₱1,191,974 and ₱1,194,974 as of May 31, 2021 and 2020, respectively, is presented under “Other current assets” in Note 5) are noninterest-bearing. Noncurrent portion of rental deposits amounted to ₱678,274 and ₱369,400 as of May 31, 2021 and 2020, respectively. 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 ₱10,000,000. 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 to lessor’s approval, of which seven (7) of these lease agreements have been renewed in the year ended May 31, 2021 for another 12 to 18 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, 2021, and 2020, there are 40 and 32 vehicles, respectively, received. Total future minimum lease payments as of May 31 are as follows:

	2021	2020
Within one year	₱2,088,987	₱4,877,619
One to five years	7,369,689	4,881,431
	₱9,458,676	₱9,759,050

Rental expense related to operating lease agreements amounted to ₱13,900,506 and ₱12,817,746 for the years ended May 31, 2021 and 2020, respectively (see Note 9).



14. Other Matters

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Foundation's business activities. While there are recent signs of increased market activities with the easing of the quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain. On May 14, 2021, the Office of the President imposed General Community Quarantine, with certain restrictions that was extended until August 5, 2021.

On July 30, 2021, the Office of the President approved, that beginning August 6, 2021, the National Capital Region's (NCR) classification shall be escalated to Enhanced Community Quarantine (ECQ) until August 20, 2021. Subsequently, the Office of the President lowered the classification of NCR to Modified ECQ starting from August 21 to 31, 2021.

All citizens and residents, including employees, were urged to act within the bounds of law and to comply with the lawful directives and advisories to be issued by appropriate government agencies to prevent further transmission of COVID-19 and to ensure the safety and well-being of all. Further, the rollout of the national vaccination programs commenced across the country and is expected to further improve the market activities.

The Foundation currently implements a work from home arrangement with skeletal work force in the bases or offices. The Foundation provided benefits to its members to assist them during the pandemic. Further, the Foundation continues to implement measures to alleviate the effects and believes that its activities would remain despite the challenges posted by the COVID-19 pandemic.

15. Supplementary Information Required under Revenue Regulations (RR) 34-2020 and 15-2010

RR 34-2020

In compliance with RR 34-2020 which prescribes the guidelines and procedures for the submission of BIR Form 1709 (RPT Form), transfer pricing documentation and other supporting documents, the Foundation is not required to file and submit the RPT Form as enumerated in the regulation.

RR 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2021:

Value-Added Taxes (VAT)

The Foundation, being a nonstock, nonprofit 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 2021 is included under "Taxes and licenses", which is classified as "General and administrative expenses" in the statements of revenue and expenses.

Business permits and licenses	₱366,167
Taxes and licenses	17,249
	<hr/>
	₱383,416



Withholding Taxes

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

	Paid	Accrued
Withholding taxes on compensation and benefits	₱1,300,000	₱178,056
Expanded withholding taxes	390,373	29,089
	₱1,690,373	₱207,145

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

Customs Duties

The Foundation paid ₱7,258,750 for customs duties relating to the inventories shipped to the Philippines for the year ended May 31, 2021. Portion of these are capitalized as part of "Inventories" in the statements of financial position and remaining were included under "Consumption of Nutripacks" account which is classified as "Project costs" in the statements of revenue and expenses.



ICMManila Inc.
(A Nonstock, Nonprofit Association)

Financial Statements
May 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 34-2020 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 34-2020 and 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

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. 8534358, January 4, 2021, Makati City

August 31, 2021



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2021	2020
ASSETS		
Current Assets		
Cash	₱1,044,670	₱1,377,570
Advances to officers and employees	2,300	29,731
Prepayments and security deposits (Note 7)	8,000	780,815
Total Current Assets	1,054,970	2,188,116
Noncurrent Asset		
Property and equipment (Note 3)	–	478,353
TOTAL ASSETS	₱1,054,970	₱2,666,469
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Advances from a related party (Note 5)	₱3,517,543	₱1,724,497
Accrued and other liabilities (Note 4)	48,407	1,546,685
Accrued retirement benefits (Note 6)	–	4,432,046
Total Liabilities	3,565,950	7,703,228
Fund Balance		
General fund (Note 5)	1,000,000	1,000,000
Accumulated deficiency of revenue over expenses	(3,510,980)	(6,036,759)
Total Fund Balance	(2,510,980)	(5,036,759)
TOTAL LIABILITIES AND FUND BALANCE	₱1,054,970	₱2,666,469

See accompanying Notes to Financial Statements.



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2021	2020
REVENUE		
Donations from ICM Hong Kong (Note 5)	₱15,021,284	₱31,569,479
Other donations	–	200
	15,021,284	31,569,679
EXPENSES		
Payroll and other employee benefits (Notes 6 and 7)	5,221,874	19,829,873
Donation expense (Notes 3 and 5)	1,373,178	–
Depreciation (Note 3)	1,370,561	122,730
Publication and advertising fees	1,209,600	–
Special projects	896,338	532,062
Rent (Note 7)	734,788	2,925,926
Utilities	457,565	2,057,430
Consulting fee	335,040	1,497,359
Office supplies	67,975	466,875
Meeting expense	53,303	1,037,119
Transportation and travel	24,065	5,184,260
Miscellaneous	751,914	599,690
	12,496,201	34,253,324
OTHER INCOME		
Interest income	696	963
Other income	–	1,200
	696	2,163
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	₱2,525,779	(₱2,681,482)

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, 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)
Excess of revenue over expenses for the year	–	2,525,779	2,525,779
BALANCES AT MAY 31, 2021	₱1,000,000	(₱3,510,980)	(₱2,510,980)

See accompanying Notes to Financial Statements.



ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	₱2,525,779	(₱2,681,482)
Adjustments for:		
Depreciation (Note 3)	1,370,561	122,730
Donation expense (Notes 3 and 5)	1,349,178	–
Gain on sale of fixed asset	–	(1,200)
Provision for retirement benefits (Note 6)	–	670,987
Interest income	(696)	(963)
Excess (deficiency) of revenue over expenses before working capital changes	5,244,822	(1,889,928)
Decrease (increase) in:		
Prepayments and security deposits	484,750	(104,583)
Advances to officers and employees	(15,934)	29,669
Increase (decrease) in:		
Advances from a related party	(1,724,497)	1,724,497
Accrued and other liabilities	(1,497,011)	986,114
Net cash generated from operations	2,492,130	745,769
Payments for post-employment benefits (Note 6)	(853,034)	–
Interest received	696	963
Net cash provided by operating activities	1,639,792	746,732
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed asset	–	1,200
Acquisitions of property and equipment (Note 3)	(1,972,692)	(453,833)
Net cash used in investing activities	(1,972,692)	(452,633)
NET INCREASE (DECREASE) IN CASH	(332,900)	294,099
CASH AT BEGINNING OF YEAR	1,377,570	1,083,471
CASH AT END OF YEAR	₱1,044,670	₱1,377,570

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 nondenominational 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 tax as a nonstock corporation organized and operated exclusively for religious and charitable institutions.

The Foundation’s certificate of tax exemption from the Bureau of Internal Revenue (BIR) expired on April 6, 2020. As of August 31, 2021, the Foundation is waiting for the issuance of its certificate of tax exemption after complying with the statutory requirements needed for its renewal.

Status of Operation

On June 19, 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, effective September 1, 2020 (see Note 5).

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 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 direction and actions taken in this board resolution was referred to as “Project One” by both parties.

On October 31, 2020, the Foundation’s contract of lease for its registered office and principal place of business expired. From the expiration of the contract and as of May 31, 2021, the Foundation has not yet executed any lease contract agreement for a new principal place of business. Activities of the Foundation were conducted off-site or on a work-from-home arrangement.

Subsequently, on July 15, 2021, the Foundation’s related party, ICMFI, executed a lease agreement with a lessor for a new office space located at Unit W-1701, 1708 to 1710, 17th Floor, Philippine Stock Exchange Center, Exchange Rd., Ortigas Center, Pasig City. ICMFI and the Foundation agreed that the leased space will be a shared office space of both parties. The Foundation is currently processing the update of its new principal place of business with various regulatory agencies.

Authorization of Issuance of the Financial Statements

The financial statements were approved and authorized for issue by the Foundation’s BOT on August 31, 2021.



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 twelve (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 or service providers. These are recognized initially at the undiscounted amount paid for by ICMFI to the Foundation's suppliers or service providers and in the period on which it was paid for. This also includes the amount owed by the Foundation to ICMFI for the retirement benefits of their employees whose employment has been transferred to ICMFI.

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:

	Years
Furniture and fixtures	5
Vehicles	4
Office equipment	3

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

Rollforward analysis of this account follows:

As of May 31, 2021:

	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Vehicle	Total
Cost					
Beginning balances	₱1,470,899	₱263,018	₱31,000	–	₱1,764,917
Additions (Note 5)	33,990	–	–	1,938,702	1,972,692
Disposals	(1,504,889)	(263,018)	–	(1,938,702)	(3,706,609)
Ending balances	–	–	31,000	–	31,000
Accumulated Depreciation					
Beginning balances	1,093,726	176,588	16,250	–	1,286,564
Depreciation	40,685	5,390	14,750	1,309,736	1,370,561
Disposals	(1,134,411)	(181,978)	–	(1,309,736)	(2,626,125)
Ending balances	–	–	31,000	–	31,000
Net Book Values	₱–	₱–	₱–	₱–	₱–

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	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

In May 2021, the Foundation donated property and equipment to ICMFI with remaining net book value of ₱1,080,484. This was charged to donation expense in the statement of revenue and expenses (see Note 5).



4. Accrued and Other Liabilities

	2021	2020
Accrued expenses:		
Professional and consultancy fees	₱30,000	₱101,300
Salaries	18,407	30,795
Donor relations	-	425,415
Utilities	-	212,863
Insurance	-	64,850
Others	-	15,796
Other liabilities		
SSS, HDMF and PHIC premiums payable	-	392,689
Withholding tax payable	-	302,977
	₱48,407	₱1,546,685

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 ₱15,021,284 and ₱31,569,479 for the years ended May 31, 2021 and 2020, 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 statements 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 ₱1,997,214 and ₱1,807,479 in 2021 and 2020, respectively, were paid for by ICMFI subject to reimbursement. As of May 31, 2020, outstanding advances pertaining to these reimbursable expenses amounted to ₱1,724,497 (nil as of May 31, 2021 as it was fully paid and settled through cash).



- d. Effective September 1, 2020, employees of the Foundation were transferred to ICMFI in accordance with Project One which updates its primary purpose and activities (see Note 1). Accordingly, the retirement benefit obligation for the Foundation's previous employees, whose employment were transferred to ICMFI and amounting to ₱3,516,274 (nil as of May 31, 2020, see Note 6) was recognized in the Foundation's books as payable to related party. This is noninterest bearing payable and is expected to be settled within 12 months.
- e. As part of the Foundation's Project One activities, vehicles were previously purchased from BPI Century Tokyo Realty Corporation with aggregate cost of ₱1,972,692 (nil in 2020, see Note 3). Subsequently, on May 20, 2021 after processing of regulatory requirements, the Foundation executed a deed of donation in favor of ICMFI for ten vehicles which the latter will use in its operations and ministerial works. The Foundation recognized donation expense amounting to ₱1,080,484 (see Note 3).
- f. In addition to the donated vehicles above, the Foundation also transferred various assets such as office furniture and equipment, employee advances and other current assets. In relation to this, the Foundation recognized donation expense amounting to ₱292,694 in its statements of revenue and expenses as of May 31, 2021 (nil in 2020).
- g. Compensation of the key management personnel is assumed by ICM HK. Required disclosures 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:

	2021	2020
Balance at beginning of year	₱4,432,046	₱3,761,059
Provision	-	670,987
Donation expense	(62,738)	-
Benefits paid	(853,034)	-
Transferred liabilities	(3,516,274)	-
Balances at end of year	₱-	₱4,432,046

Effective September 1, 2020, employees of the Foundation were transferred to ICMFI. Consequently, accrued retirement liabilities amounting to ₱3,516,274 were transferred to ICMFI (see Note 5). The Foundation recognized a reduction to its donation expense to ICMFI resulting from the remeasurement of its retirement liability amounting to ₱62,738.

7. Lease Agreement

In November 2018, the Foundation entered into a new lease agreement covering its office space with a lease term of two (2) years commencing November 1, 2018 to October 31, 2020. This shall be renewed upon mutual agreement of both parties. The lease contract expired and was not renewed.



Rental expense related to office space amounted to ₱734,788 and ₱2,925,926 in 2021 and 2020, respectively. Employee housing leases are recorded as part of staff housing allowance under “Payroll and other employee benefits” of the Foundation’s statements of revenue and expenses. This amounted to ₱157,000 and ₱658,500 in 2021 and 2020, respectively.

8. Event After the Reporting Period

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Foundation's business activities. While there are recent signs of increased market activities with the easing of the quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain. On May 14, 2021, the Office of the President imposed General Community Quarantine (GCQ), with certain restrictions, that was extended until August 5, 2021.

On July 30, 2021, the Office of the President approved, that beginning August 6, 2021, the National Capital Region’s (NCR) classification shall be escalated to Enhanced Community Quarantine (ECQ) until August 20, 2021. Subsequently, the Office of the President lowered the classification of NCR to Modified ECQ (MECQ) starting from August 21 to 31, 2021.

All citizens and residents, including employees, were urged to act within the bounds of law and to comply with the lawful directives and advisories to be issued by appropriate government agencies to prevent further transmission of COVID-19 and to ensure the safety and well-being of all. Further, the rollout of the national vaccination programs commenced across the country and is expected to further improve the market activities.

The Foundation currently implements a work from home arrangement with skeletal work force in the bases or offices. The Foundation provided benefits to its members to assist them during the pandemic. Further, the Foundation continues to implement measures to alleviate the effects and believes that its activities would remain despite the challenges posted by the COVID-19 pandemic.

9. Supplementary Information Required under Revenue Regulations (RR) 34-2020 and 15-2010

RR 34-2020

In compliance with RR 34-2020 which prescribes the guidelines and procedures for the submission of BIR Form 1709 (RPT Form), transfer pricing documentation and other supporting documents, the Foundation is not required to file and submit the RPT Form as enumerated in the regulation.

RR 15-2010

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

Value-Added Taxes

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



Taxes and License Fees

The Foundation paid business permit amounting to ₱318,379 under “Miscellaneous” classified as “Expenses” in the statements 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	₱649,282	₱ –
Expanded withholding taxes	181,908	–
	₱831,190	₱ –

