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

Financial Statements
May 31, 2023 and 2022

and

Independent Auditor's Report

Building a better working world

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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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.

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Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2020, January 31, 2020, valid until January 30, 2023
PTR No. 8854361, January 3, 2022, Makati City

September 15, 2023

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

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2023	2022
ASSETS		
Current Assets		
Cash	**₱10,108,099**	₱16,226,226
Inventories (Note 4)	**235,380,069**	102,991,600
Other current assets (Notes 5 and 13)	**9,609,280**	8,822,161
Total Current Assets	**255,097,448**	128,039,987
Noncurrent Assets		
Property and equipment (Note 6)	**21,979,422**	25,008,774
Software costs (Note 7)	**849,125**	1,868,075
Security deposits - net of current portion (Note 13)	**942,859**	857,924
Total Noncurrent Assets	**23,771,406**	27,734,773
TOTAL ASSETS	**₱278,868,854**	₱155,774,760
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts and statutory payables (Note 8)	**₱20,471,206**	₱7,147,650
Loan from a related party (Note 11)	**77,300,699**	–
Income tax payable (Note 14)	**7,719**	8,389
Total Current Liabilities	**97,779,624**	7,156,039
Noncurrent Liability		
Accrued retirement benefits (Note 12)	**28,012,840**	22,803,341
Total Liabilities	**125,792,464**	29,959,380
Fund Balance		
General fund	**5,000**	5,000
Accumulated excess of revenue over expenses	**153,071,390**	125,810,380
Total Fund Balance	**153,076,390**	125,815,380
TOTAL LIABILITIES AND FUND BALANCE	**₱278,868,854**	₱155,774,760

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2023	2022
REVENUE		
Donations from ICM Hong Kong (Note 11)	**₱258,754,923**	₱288,806,022
Donations of goods	**450,046,782**	223,554,543
Other donations	**86,693,246**	50,033,600
	795,494,951	562,394,165
PROJECT COSTS (Note 9)		
Strategic program	**596,195,193**	351,487,407
Program development	**88,284,537**	122,681,963
Health services program	**19,934,187**	20,020,247
Special project	**6,207,479**	3,889,165
Vision trip	**6,761,393**	2,431,649
Disaster response and others	**12,879,883**	64,087,143
	730,262,672	564,597,574
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**38,021,552**	37,189,683
OTHER INCOME		
Foreign exchange loss	**19,715**	191,821
Interest income	**7,413**	46,717
Gain on disposal of property and equipment (Note 6)	**30,874**	41,946
	58,002	280,484
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE INCOME TAX	**27,268,729**	(39,112,608)
PROVISION FOR INCOME TAX (Note 14)	**7,719**	8,389
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE INOME TAX	**₱27,261,010**	(₱39,120,997)

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, 2021	**₱5,000**	**₱164,931,377**	**₱164,936,377**
Deficiency of revenue over expenses for the year	−	(39,120,997)	(39,120,997)
BALANCES AT MAY 31, 2022	**5,000**	**125,810,380**	**125,815,380**
Excess of revenue over expenses for the year	−	27,261,010	27,261,010
BALANCES AT MAY 31, 2023	**₱5,000**	**₱153,071,390**	**₱153,076,390**

See accompanying Notes to Financial Statements

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

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	**₱27,268,729**	(₱39,112,608)
Adjustments for:		
Depreciation and amortization (Notes 6, 7, 9 and 10)	**6,268,674**	5,900,130
Net retirement benefit cost (Note 12)	**5,209,499**	(2,358,343)
Gain on disposal of property and equipment (Note 6)	**(30,874)**	(41,946)
Foreign exchange loss (gain)	**(19,715)**	(191,821)
Interest income	**(7,413)**	(46,717)
Excess (deficiency) of revenue over expenses before working capital changes	**38,688,900**	(35,851,305)
Decrease (increase) in:		
Advances to a related party	**–**	3,516,274
Inventories	**(132,388,469)**	37,788,276
Other assets (including security deposits)	**(872,054)**	(4,665,606)
Increase (decrease) in accounts and statutory payables	**13,323,555**	(3,019,429)
Cash used in operations	**(81,248,068)**	(2,231,790)
Interest received	**7,413**	46,717
Income taxes paid (Note 15)	**(8,389)**	–
Net cash used in operating activities	**(81,249,044)**	(2,185,073)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 6)	**(2,220,371)**	(13,547,915)
Proceeds from disposal of property and equipment (Note 6)	**30,874**	41,946
Net cash used in investing activities	**(2,189,497)**	(13,505,969)
CASH FLOW FROM FINANCING ACTIVITY		
Proceeds from loan from a related party	**77,300,699**	–
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE IN CASH	**19,715**	191,821
NET DECREASE IN CASH	**(6,118,127)**	(15,499,221)
CASH AT BEGINNING OF YEAR	**16,226,226**	31,725,447
CASH AT END OF YEAR	**₱10,108,099**	₱16,226,226

See accompanying 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 was renewed and issued on January 24, 2023.

The Foundation's principal office address is located at Units W-1701, 1708, 1709 and 1710, 17th Floor, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City.

The financial statements were approved and authorized for issue by the Foundation's Board of Trustees (BOT) on September 15, 2023.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
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.

<u>Statement of Compliance</u>
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).

<u>Financial Instruments</u>
Classification
The following are basic financial instruments:

- Cash
- A debt instrument that satisfies specific criteria
- A commitment to receive a loan that
  - Cannot be settled net in cash, and
  - When the commitment is executed, is expected to meet the conditions of a debt instrument above
- An investment in non-convertible preference shares and non-puttable ordinary shares or preference shares.

The Foundation's basic financial instruments include "Cash", "Security deposits", "Accounts and statutory payables", and "Loan from a related party".

Recognition
Basic financial instruments and other financial instruments are recognized when the entity becomes a party to the contracts.

Initial Measurement of Financial Instruments
Basic financial instruments are measured at their transaction price including transactions costs. If the contract constitutes a financing arrangement it is measured at the present value of future payments discounted at a market rate of interest for a similar instrument (this is not applicable to assets and liabilities classified as current, unless they incorporate a finance arrangement).

If interest is not at a market rate, the fair value would be future payments discounted at a market rate of interest. Other financial instruments are initially measured at fair value, which is usually their transaction price. This will exclude transaction costs.

Subsequent Measurement
Debt instruments are measured at amortized cost using the effective interest rate. Commitments to receive a loan are measured at cost less impairment.

All other financial instruments are measured at fair value at reporting date. The only exception are equity instruments (and related contracts that would result in delivery of such instruments) that are not publicly traded and whose fair value cannot be reliably determined are measured at cost less impairment.

Impairment of Financial Instruments
At each reporting date, an assessment is made by the Foundation as to whether there is objective evidence of a possible impairment. The impairment loss of financial instruments at amortized cost is the difference between carrying value and the revised cash flows discounted at the original effective interest rate.

The impairment of financial instruments at cost less impairment is the difference between the carrying value and best estimate of the amount that would be received if the asset were sold at the reporting date.

Fair Value
The standard makes use of a fair value hierarchy. This is quoted prices in an active market, prices in recent transactions for the identical assets (adjusted if necessary), and use of a valuation technique (that reflects how the market would expect to price the asset and the inputs reasonably represent market expectations). Fair value, where there is no active market, is only considered reliable if the variability in the range of fair values is not significant and the probabilities of various estimates can be reasonably assessed.

Derecognition
The Foundation derecognizes a financial asset when:

- The contractual rights to the cash flows from the financial asset expire or are settled.
- The Foundation transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

- The Foundation, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party.

The Foundation derecognizes a financial liability when extinguished.

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

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:

	Number of Years
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, 2023, and 2022, 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, 2023 and 2022, 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.

As of May 31, 2023 and 2022, inventories carried at cost amounted to ₱235,380,069 and ₱102,991,600, respectively (see Note 4).

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, 2023 and 2022.

The carrying value of security deposits amounted to ₱3,813,840 and ₱3,572,356 as of May 31, 2023 and 2022, 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 (benefits) amounted to ₱6,230,879 and (₱1,369,699) in 2023 and 2022, respectively. Accrued retirement benefits amounted to ₱28,012,840 and ₱22,803,341 as of May 31, 2023 and 2022, respectively (see Note 12).

4. **Inventories**

This account consists of:

	2023	2022
Nutripacks	**₱205,000,699**	₱102,052,430
SHN Meal Packs	**27,515,089**	–
Ready-to-use therapeutic food	**2,452,859**	240,944
Others	**411,422**	698,226
	₱235,380,069	₱102,991,600

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

5. **Other Current Assets**

This account consists of:

	2023	2022
Advances to officers and employees	**₱4,797,736**	₱5,381,435
Current portion of security deposits (Note 13)	**2,870,981**	2,714,432
Prepaid expenses	**1,789,719**	717,731
Other current asset	**150,844**	8,563
	₱9,609,280	₱8,822,161

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

The rollforward analysis of this account is as follows:

As of May 31, 2023:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	**₱2,047,550**	**₱23,413,784**	**₱11,327,913**	**₱19,670,968**	**₱6,082,077**	**₱62,542,292**
Additions	**–**	**592,858**	**250,150**	**1,299,064**	**78,300**	**2,220,372**
Disposals	**–**	**–**	**–**	**–**	**(215,000)**	**(215,000)**
Ending balances	**2,047,550**	**24,006,642**	**11,578,063**	**20,970,032**	**5,945,377**	**64,547,664**
Accumulated Depreciation and Impairment Losses						
Beginning balances	**–**	**14,552,296**	**1,312,037**	**16,902,681**	**4,766,504**	**37,533,518**
Depreciation (Notes 9 and 10)	**–**	**578,475**	**2,193,729**	**1,776,472**	**701,048**	**5,249,724**
Disposals	**–**	**–**	**–**	**–**	**(215,000)**	**(215,000)**
Ending balances	**–**	**15,130,771**	**3,505,766**	**18,679,153**	**5,252,552**	**42,568,242**
Net Book Values	**₱2,047,550**	**₱8,875,871**	**₱8,072,297**	**₱2,290,879**	**₱692,825**	**₱21,979,422**

As of May 31, 2022:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	₱2,047,550	₱22,862,464	₱887,244	₱17,823,966	₱5,690,511	₱49,311,735
Additions	–	551,320	10,440,669	1,925,560	630,366	13,547,915
Disposals	–	–	–	(78,558)	(238,800)	(317,358)
Ending balances	2,047,550	23,413,784	11,327,913	19,670,968	6,082,077	62,542,292
Accumulated Depreciation and Impairment Losses						
Beginning balances	–	14,011,961	764,567	15,035,597	3,969,154	33,781,279
Depreciation (Notes 9 and 10)	–	540,335	547,470	1,945,642	1,036,150	4,069,597
Disposals	–	–	–	(78,558)	(238,800)	(317,358)
Ending balances	–	14,552,296	1,312,037	16,902,681	4,766,504	37,533,518
Net Book Values	₱2,047,550	₱8,861,488	₱10,015,876	₱2,768,287	₱1,315,573	₱25,008,774

In 2023 and 2022, the Foundation disposed property and equipment with nil net book value wherein the Foundation recognized gain on disposals amounting to ₱30,874 and ₱41,946, 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:

	2023	2022
Cost		
Beginning and ending balances	**₱13,263,723**	₱13,263,723
Accumulated amortization		
Beginning balances	**11,395,648**	9,565,115
Amortization (Note 9)	**1,018,950**	1,830,533
Ending balances	**12,414,598**	11,395,648
Net book values	**₱849,125**	₱1,868,075

8. Accounts and Statutory Payables

This account consists of:

	2023	2022
Accounts payable	**₱145,722**	₱254,500
Accrued salaries	**4,352,116**	–
Accrued expenses		
Employee benefits	**4,142,012**	2,905,823
Travel and accommodation expenses	**3,429,152**	192,438
Nutripacks shipment expenses	**2,547,143**	73,763
Utilities	**1,122,601**	344,954
Professional fees	**100,784**	78,400
Communication expenses	**66,161**	432,992
Others	**676,256**	711,546
Statutory payables	**3,889,259**	2,153,234
	₱20,471,206	₱7,147,650

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, 2023:

	Strategic Program	Program Development	Health Services Program	Special Project	Vision Trip	Disaster response and others	Total
Consumption of Nutripacks	₱301,817,088	₱40,548,316	₱571,468	₱119,587	₱–	₱1,122,844	₱344,179,303
Payroll and other employee benefits (Note 12)	132,000,571	12,606,111	8,432,202	26,325	2,700	23,700	153,091,609
Transportation and travel	44,539,151	6,979,797	2,720,959	4,485,929	5,135,808	802,112	64,663,756
Outside services	20,870,832	6,915,850	4,196,639	1,011,775	860,590	143,047	33,998,733
Grants and incentives	26,248,842	7,409	–	–	–	–	26,256,251
Meeting expenses	6,168,759	9,553,365	117,800	14,594	–	77,927	15,932,445
Training expenses	11,122,347	4,123,095	8,432	36,073	15,729	1,476	15,307,152
Rent (Note 13)	11,970,458	1,718,328	484,919	–	–	–	14,173,705
Meals	6,472,966	852,987	824,402	242,094	519,694	1,056,700	9,968,843
Office and medical supplies	4,802,459	1,370,373	1,629,994	28,496	31,178	77,680	7,940,180
Depreciation and amortization (Notes 6 and 7)	6,272,874	–	–	–	–	–	6,272,874
Utilities	4,262,333	1,072,777	338,772	–	4,500	51,912	5,730,294
Repairs and maintenance	4,092,332	397,311	97,132	–	–	1,000	4,587,775
Scholarships	32,726	–	–	–	–	1,900,512	1,933,238
Others	15,521,455	2,138,818	511,468	242,606	191,194	7,620,973	26,226,514
	₱596,195,193	₱88,284,537	₱19,934,187	₱6,207,479	₱6,761,393	₱12,879,883	₱730,262,672

As of May 31, 2022:

	Strategic Program	Program Development	Health Services Program	Special Project	Vision Trip	Disaster response and others	Total
Consumption of Nutripacks	₱159,294,452	₱65,958,627	₱327,412	₱241,696	₱42,560	₱50,349,647	₱276,214,394
Payroll and other employee benefits (Note 12)	84,480,171	33,347,209	11,191,700	89,879	804,066	745,760	130,658,785
Transportation and travel	23,349,344	1,667,538	1,187,494	2,836,924	1,464,712	799,910	31,305,922
Outside services	20,592,446	7,110,845	2,813,638	20,874	5,100	41,958	30,584,861
Grants and incentives	10,492,195	61,223	–	–	–	–	10,553,418
Meeting expenses	5,159,805	2,832,675	116,401	692,868	17,423	2,861	8,822,033
Training expenses	6,985,320	1,227,424	20,568	–	2,559	1,120	8,236,991
Rent (Note 13)	8,390,110	3,827,027	1,080,356	–	–	–	13,297,493
Meals	2,469,092	466,229	314,586	5,941	94,300	68,377	3,418,525
Office and medical supplies	5,286,650	571,503	1,768,536	983	500	200	7,628,372
Depreciation and amortization (Notes 6 and 7)	5,886,670	–	–	–	–	–	5,886,670
Utilities	1,743,100	797,198	222,171	–	–	–	2,762,469
Repairs and maintenance	2,568,045	1,167,578	325,295	–	–	–	4,060,918
Communication expense	873,222	399,647	111,378	–	–	–	1,384,247
Scholarships	2,053	–	–	–	–	–	2,053
Others	13,914,732	3,247,240	540,712	–	429	12,077,310	29,780,423
	₱351,487,407	₱122,681,963	₱20,020,247	₱3,889,165	₱2,431,649	₱64,087,143	₱564,597,574

Strategic program of the Foundation primarily includes its “Transform” 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.

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.

In 2022, the Foundation reclassified certain costs amounting to ₱1,457,516 from “Vision trips” to “Special project” to be consistent with the 2023 classification. The reclassification has no impact on the 2022 total project costs. No other line item of the statement of financial position, statement of revenue and expenses and statement of cash flows has been affected.

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:

	2023	2022
Payroll and other employee benefits	**₱16,303,116**	₱16,332,683
Rent (Note 13)	**6,733,488**	6,374,035
Transportation and travel	**2,962,164**	2,692,132
Outside services	**2,709,586**	1,883,800
Meals	**1,367,094**	1,266,057
Meeting expenses	**1,287,576**	1,721,474
Taxes and licenses	**1,168,550**	362,968
Utilities	**1,079,301**	140,997
Office and medical supplies	**374,647**	105,559
Bank charges	**376,078**	205,301
Training expense	**84,813**	8,450
Repairs and maintenance	**79,767**	221,658
Depreciation	**–**	13,459
Scholarships	**–**	1,540,992
Consumption of nutripacks	**–**	115,072
Miscellaneous	**3,495,372**	4,205,046
	₱38,021,552	₱37,189,683

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 ₱258,754,923 and ₱288,806,022 for the years ended May 31, 2023, and 2022, respectively.

b. In 2023, ICM HK granted the Foundation a non-interest bearing loan amounting to ₱77,300,699 payable on May 31, 2024.

c. The Foundation shares its office space with ICMManila Inc., a nonstock, nonprofit organization, having some common directors with the Foundation, at no cost.

d. 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, 2023.

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

	2023	2022
Current service cost	**₱2,494,167**	₱3,076,181
Interest cost	**1,505,695**	1,241,570
Net actuarial loss	**2,231,017**	(5,687,450)
	₱6,230,879	(₱1,369,699)

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

	2023	2022
Balance at beginning of year	**₱22,803,341**	₱25,161,684
Current service cost	**2,494,167**	3,076,181
Interest cost	**1,505,695**	1,241,570
Benefits paid	**(1,021,380)**	(988,644)
Actuarial losses (gains)		
Experience Adjustment	**(297,786)**	(459,073)
Change in financial assumptions	**2,528,803**	(5,228,377)
Balances at end of year	**₱28,012,840**	₱22,803,341

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

	2023	2022
Discount rate	**6.70%**	5.00%
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 ₱3,813,840 and ₱3,572,356 as of May 31, 2023 and 2022, respectively, (of which, ₱2,870,981 and ₱2,714,432 as of May 31, 2023 and 2022, respectively, is presented under "Other current assets" in Note 5) are noninterest-bearing. Noncurrent portion of rental deposits amounted to ₱942,859 and ₱857,924 as of May 31, 2023 and 2022, 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 six (6) of these lease agreements have been renewed in the year ended May 31, 2023 for another 36 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, 2023, and 2022, there are 25 and 36 vehicles, respectively, received. Total future minimum lease payments as of May 31 are as follows:

	2023	2022
Within one year	**₱1,924,608**	₱391,963
One to five years	**4,054,595**	6,112,696
	₱5,979,203	₱6,504,659

Rental expense related to operating lease agreements amounted to ₱20,907,193 and ₱19,671,528 for the years ended May 31, 2022, and 2021, respectively (see Notes 9 and 10).

14. **Provision for Income Tax**

As provided for under Section 30 (G) of the RA No. 8424, the Foundation is exempt from payment of income tax as a nonstock corporation organized and operated exclusively for religious and charitable institutions (see Note 1). For the year ended May 31, 2023 and 2022, provision for current income tax pertains to RCIT on taxable income arising from gain on disposal of property and equipment which is not expressly exempted in the Foundation's certificate of tax exemption.

Reconciliation between statutory income tax and effective income tax follows:

	2023	2022
Income tax at statutory tax rate	**(₱6,817,182)**	(₱7,822,522)
Impact of tax-exempt revenue and expense	**6,809,463**	7,830,911
	(₱7,719)	₱8,389

15. Supplementary Information Required under Revenue Regulations 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2023:

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 2023 is included under “Taxes and licenses” classified as “General and administrative expenses” in the statements of revenue and expenses.

Business permits and licenses	₱578,627
Taxes and licenses	589,923
	₱1,168,550

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

	Paid	Accrued
Withholding taxes on compensation and benefits	₱2,667,523	₱169,842
Expanded withholding taxes	1,129,449	65,370
	₱3,796,972	₱235,212

Accrued withholding taxes are included in “Accounts and statutory payables” in the Foundation’s statements of financial position.

Landed Cost
The Foundation paid ₱13,024,290 for customs duties relating to the inventories shipped to the Philippines for the year ended May 31, 2023. 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, 2023 and 2022

and

Independent Auditor's Report

SGV
Building a better working world

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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, 2023 and 2022 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, 2023 and 2022, 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 6 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
Tax Identification No. 248-679-852
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118546-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9564692, January 3, 2023, Makati City

September 12, 2023

ICMMANILA INC.
(A Nonstock, Nonprofit Association)
STATEMENTS OF FINANCIAL POSITION

	May 31	
	2023	2022
ASSETS		
Current Assets		
Cash	**₱32,410**	₱480,789
Advances to officers and employees	**2,300**	2,300
Security deposits	–	8,000
Total Current Assets	**34,710**	491,089
Noncurrent Asset		
Property and equipment (Note 3)	**807,924**	–
	₱842,634	₱491,089
LIABILITY AND FUND BALANCE		
Current Liability		
Accrued and other liabilities (Note 4)	**₱49,307**	₱48,407
Fund Balance		
General fund (Note 5)	**1,000,000**	1,000,000
Accumulated deficiency of revenue over expenses	**(206,673)**	(557,318)
Total Fund Balance	**793,327**	442,682
TOTAL LIABILITIES AND FUND BALANCE	**₱842,634**	₱491,089

See accompanying Notes to Financial Statements.

ICMMANILA INC.
(A Nonstock, Nonprofit Association)
STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2023	2022
REVENUE		
Donations from ICM Hong Kong (Note 5)	**₱900,000**	₱3,000,000
EXPENSES		
Depreciation (Note 3)	**460,366**	–
Professional fee	**37,210**	36,960
Rent	**8,000**	–
Office supplies	**700**	–
Transportation and travel	**216**	–
Miscellaneous	**42,871**	9,640
	549,363	46,600
OTHER INCOME		
Interest income	**8**	262
EXCESS OF REVENUE OVER EXPENSES	**₱350,645**	₱2,953,662

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, 2021	₱1,000,000	(₱3,510,980)	(₱2,510,980)
Excess of revenue over expenses for the year	–	2,953,662	2,953,662
BALANCES AT MAY 31, 2022	₱1,000,000	(₱557,318)	₱442,682
Excess of revenue over expenses for the year	–	350,645	350,645
BALANCES AT MAY 31, 2023	**₱1,000,000**	**(₱206,673)**	**₱793,327**

See accompanying Notes to Financial Statements.

ICMMANILA INC.
(A Nonstock, Nonprofit Association)
STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱350,645**	₱2,953,662
Adjustments for:		
Depreciation (Note 3)	**460,366**	–
Interest income	**(8)**	(262)
Excess of revenue over expenses before working capital changes	**811,003**	2,953,400
Decrease in security deposits	**8,000**	–
Increase (decrease) in:		
Advances from a related party	–	(3,517,543)
Accrued and other liabilities	**900**	–
Net cash generated from (used in) operations	**819,903**	(564,143)
Interest received	**8**	262
Net cash provided by (used in) operating activities	**819,911**	(563,881)
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisitions of property and equipment (Note 3)	**(1,268,290)**	–
NET DECREASE IN CASH	**(448,379)**	(563,881)
CASH AT BEGINNING OF YEAR	**480,789**	1,044,670
CASH AT END OF YEAR	**₱32,410**	₱480,789

See accompanying 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 was issued last August 5, 2021 with 3 years validity period.

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 (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 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.

Subsequently, on July 15, 2021, the Foundation's related party, International Care Ministries Foundation Inc. (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 Road., Ortigas Center, Pasig City. ICMFI and the Foundation agreed that the leased space will be a shared office space of both entities.

On February 11, 2022, the Foundation has updated 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 September 12, 2023.

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
A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognized when the entity becomes a party to its contractual provisions. The Foundation classifies its financial instruments into the following categories: (a) basic financial instruments and (b) complex financial instruments.

The Foundation's basic financial instruments consist of cash, advances to officers and employees, security deposits and accrued and other liabilities. The Foundation does not have complex financial instruments.

Basic Financial Instruments
Initial measurement
On initial recognition, a debt financial instrument is measured at transaction price (including transaction costs), unless the arrangement is in effect a financing transaction. In this case, it is measured at present value of the future payment discounted using a market rate of interest for a similar debt instrument.

Subsequent measurement
The Foundation's debt instruments are subsequently measured at amortized cost using the effective interest method.

Impairment of financial instruments measured at amortized cost
At each reporting date, the Foundation assesses whether there is objective evidence of impairment on any financial assets that are measured at amortized cost. Where there is any objective evidence of impairment, an impairment loss is recognized immediately in profit or loss. The impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Derecognition of financial assets
An entity only derecognizes a financial asset when the contractual rights to the cash flows from the assets have expired or are settled, or the entity has transferred to another party substantially all the risks and rewards of ownership relating to the financial asset.

Derecognition of financial liabilities
Financial liabilities are derecognized only when these are extinguished - that is, when the obligation is discharged, cancelled or has expired.

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 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.

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	2

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 the 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 the 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.

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, 2023:

	Leasehold Improvements	**Vehicle**	**Total**
Cost			
Beginning balances	**₱31,000**	**₱–**	**₱31,000**
Additions	–	**1,268,290**	**1,268,290**
Ending balances	**31,000**	**1,268,290**	**1,299,290**
Accumulated Depreciation			
Beginning balances	**31,000**	–	**31,000**
Depreciation for the year	–	**460,366**	**460,366**
Ending balances	**31,000**	**460,366**	**491,366**
Net Book Values	**₱–**	**₱807,924**	**₱807,924**

As of May 31, 2022:

	Leasehold Improvements	Vehicle	Total
Cost			
Beginning and ending balances	₱31,000	₱–	₱31,000
Accumulated Depreciation			
Beginning and ending balances	31,000	–	31,000
Net Book Values	₱–	₱–	₱–

4. Accrued and Other Liabilities

	2023	2022
Accrued expenses		
Professional and consultancy fees	**₱30,900**	₱30,000
Salaries	**18,407**	18,407
	₱49,307	₱48,407

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 a relationship also exists between and/or among entities which are under common control with the 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 ₱900,000 and ₱3,000,000 for the years ended May 31, 2023 and 2022, 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. Effective September 1, 2020, employees of the Foundation were transferred to ICMFI in accordance with the 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 as of May 31, 2021 was recognized in the Foundation's books as payable to related party. This is noninterest bearing payable and was settled in May 2022.

d. ICMFI shares its office space with the Foundation at no cost (see Note 1).

e. Compensation of the key management personnel is assumed by ICM HK. Required disclosures are disclosed in the financial statements of ICM HK.

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

<u>RR 34-2020</u>
In compliance with the 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.

<u>RR 15-2010</u>
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 non-stock, nonprofit association has not engaged in any sale transaction subject to VAT.

Taxes and License Fees
The Foundation has completed the documentary requirements for the renewal of its business permit in connection with the transfer of their principal place of business as of August 5, 2021.

Withholding Taxes
The Foundation has no withholding taxes due for payment because all its employees were transferred to ICMFI in accordance with the Project One which updates its primary purpose and activities.