International Care Ministries Foundation Inc.

(formerly International Care Ministry of the Philippines Incorporated) [A Nonstock, Nonprofit Corporation]

Financial Statements
May 31, 2013 and 2012

and

Independent Auditors' Report

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December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
International Care Ministries Foundation Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of International Care Ministries Foundation Inc., formerly International Care Ministry of the Philippines Incorporated (a nonstock, nonprofit corporation), which comprise the statements of financial position as at May 31, 2013 and 2012, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Care Ministries Foundation Inc. as at May 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 14 and 15 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of International Care 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.

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August 20, 2013

INTERNATIONAL CARE MINISTRIES FOUNDATION INC.
(formerly International Care Ministry of the Philippines Incorporated)
[A Nonstock, Nonprofit Corporation]

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2013	2012
ASSETS		
Current Assets		
Cash	**₱8,836,346**	₱4,768,211
Receivables (Note 4)	**1,856,301**	2,174,816
Inventories (Note 5)	**52,729,985**	27,130,053
Other current assets (Note 6)	**422,478**	1,046,618
Total Current Assets	**63,845,110**	35,119,698
Noncurrent Assets		
Property and equipment (Note 7)	**24,156,907**	30,470,468
Security deposits (Note 13)	**449,850**	156,500
Total Noncurrent Assets	**24,606,757**	30,626,968
TOTAL ASSETS	**₱88,451,867**	₱65,746,666
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and others (Note 8)	**₱2,037,833**	₱1,010,523
Noncurrent Liabilities		
Accrued retirement benefits (Note 12)	**3,650,134**	3,264,613
Other noncurrent liabilities (Notes 11 and 12)	**849,715**	–
Total Noncurrent Liabilities	**4,499,849**	3,264,613
Total Liabilities	**6,537,682**	4,275,136
Fund Balance		
General fund	**5,000**	5,000
Accumulated excess of revenue over expenses	**81,909,185**	61,466,530
Total Fund Balance	**81,914,185**	61,471,530
TOTAL LIABILITIES AND FUND BALANCE	**₱88,451,867**	₱65,746,666

See accompanying Notes to Financial Statements.

INTERNATIONAL CARE MINISTRIES FOUNDATION INC.
(formerly International Care Ministry of the Philippines Incorporated)
[A Nonstock, Nonprofit Corporation]

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2013	2012
REVENUE		
Donations from ICM Hong Kong (Note 11)	**₱81,361,639**	₱91,790,766
Donations of goods	**99,748,386**	60,125,991
Donations from Global Development Group	**15,320,824**	4,982,258
Others	**5,972,521**	1,378,111
	202,403,370	158,277,126
PROJECT COSTS (Note 9)		
Strategic Program	**117,080,280**	95,825,539
Mercy Program	**16,505,770**	18,076,068
Program Development	**16,470,739**	15,075,688
Special Project	**4,370,308**	2,560,152
Vision Trip	**2,908,250**	2,448,763
Red Rope	–	919,964
Others	**8,866,990**	–
	166,202,337	134,906,174
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**16,020,385**	15,129,036
OTHER INCOME		
Income from Red Rope	–	930,625
Gain on disposal of property and equipment	–	119,464
Interest and other income	**262,007**	169,294
	262,007	1,219,383
EXCESS OF REVENUE OVER EXPENSES	**₱20,442,655**	₱9,461,299

See accompanying Notes to Financial Statements.

INTERNATIONAL CARE MINISTRIES FOUNDATION INC.
(formerly International Care Ministry of the Philippines Incorporated)
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STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED MAY 31, 2013 AND 2012

	General Fund	Accumulated Excess of Revenue Over Expenses	Total
BALANCES AT MAY 31, 2011	**₱5,000**	**₱52,005,231**	**₱52,010,231**
Excess of revenue over expenses for the year	–	9,461,299	9,461,299
BALANCES AT MAY 31, 2012	**5,000**	**61,466,530**	**61,471,530**
Excess of revenue over expenses for the year	–	20,442,655	20,442,655
BALANCES AT MAY 31, 2013	**₱5,000**	**₱81,909,185**	**₱81,914,185**

See accompanying Notes to Financial Statements

INTERNATIONAL CARE MINISTRIES FOUNDATION INC.
(formerly International Care Ministry of the Philippines Incorporated)
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STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱20,442,655**	₱9,461,299
Adjustments for:		
Provision for impairment losses (Notes 7 and 10)	–	5,863,907
Retirement benefits cost - net (Note 12)	**1,235,236**	1,133,745
Depreciation (Note 7)	**2,462,450**	1,953,312
Loss (gain) on disposal of property and equipment (Note 10)	**1,355,268**	(119,464)
Interest income	**(2,250)**	(19,014)
Excess of revenue over expenses before working capital changes	**25,493,359**	18,273,785
Decrease (increase) in:		
Receivables	**318,515**	(1,699,230)
Inventories	**(25,599,932)**	(13,394,984)
Other current assets	**624,140**	(450,029)
Increase in accounts payable and others	**1,027,310**	260,590
Cash used in operations	**1,863,392**	2,990,132
Interest received	**2,250**	19,014
Net cash from operating activities	**1,865,642**	3,009,146
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 7)	**(4,323,157)**	(3,431,867)
Proceeds from sale of property and equipment	**6,819,000**	645,000
Returns of (payments for) security deposits	**(293,350)**	34,500
Net cash from (used in) investing activities	**2,202,493**	(2,752,367)
NET INCREASE IN CASH	**4,068,135**	256,779
CASH AT BEGINNING OF YEAR	**4,768,211**	4,511,432
CASH AT END OF YEAR	**₱8,836,346**	₱4,768,211

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

On May 2, 2013, the BOT approved the amendment of the Foundation's Articles of Incorporation to change its principal office address from #4 San Juan Street, Barangay 10, Mamboloc, Bacolod City to ICM Building Lizares Avenue, Barangay 39, Bacolod City, Negros Occidental. The amendment of the Foundation's Articles of Incorporation was approved by the SEC on July 4, 2013.

Authorization for Issuance of the Financial Statements
The financial statements were approved and authorized for issue by the Foundation's BOT on August 20, 2013.

2. Summary of Significant Accounting and Financial Reporting Policies

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

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

Financial Instruments
Cash
Cash includes cash on hand and in banks.

Receivables
Receivables pertain to advances to a related party, contractors, officers and employees which are subject for liquidation. At the end of the of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

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

Security Deposits
Security deposits represent rental deposits to the lessor related to lease properties and are measured at amortized cost.

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

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

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

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

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

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

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

	Number of Years	
	2013	2012
Buildings	**10-30**	40
Vehicles	**4-10**	4-10
Office furniture and equipment	**3-5**	3-5

Construction-in-progress is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and are available for use.

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

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

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

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

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

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

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

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

Donations
Donations are recognized when actually received, earned or when right to receive is established. Donations of goods consist of Nutripacks and shoes.

Interest Income
Interest income is recognized as the interest 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. Expenses are recognized in the period they are incurred and measured at the amount paid or payable.

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

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

Retirement Benefits Cost
Retirement benefits cost is determined using the simplified approach which considers the following with respect to the Foundation's current employees:

a. ignore estimated future salary increases (i.e., assume current salaries continue until current employees are expected to begin receiving post-employment benefits);
b. ignore future service of current employees (i.e., assume closure of the plan for existing and new employees); and,
c. ignore possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits (i.e., assume all current employees will receive the post-employment benefits).

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

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

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

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

Provisions and Contingencies
Provisions are recognized when the Foundation has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Rent expense amounted to ₱1,818,093 and ₱1,402,862 for the years ended May 31, 2013 and 2012, respectively (see Note 13).

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

Based on the assessment of management, there are no factors which would indicate impairment of the Foundation's receivables. The carrying value of receivables amounted to ₱1,856,301 and ₱2,174,816 as of May 31, 2013 and 2012, respectively (Note 4).

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

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

In 2012, management has determined that certain items of its property and equipment have been affected by natural calamities and some were determined to have structurally deteriorated. The recoverable amount of property and equipment is determined from market-based evidence by appraisal undertaken by an independent, professionally qualified valuers and by reference to a proposed sale agreement and offer price from third parties. Based on these available information, management adjusted the carrying value of the affected assets to reflect their estimated recoverable amount. Accordingly, an impairment loss was recognized for the year ended May 31, 2012 amounting to ₱5,863,907 (see Note 10). In 2013, the related assets were sold resulting to the derecognition of the accumulated impairment loss. As of May 31, 2013, management determined that there were no indicators of impairment existing on its property and equipment.

The carrying value of property and equipment amounted to ₱24,156,907 and ₱30,470,468 as of May 31, 2013 and 2012, respectively (see Note 7).

Estimation of useful lives of property and equipment
Useful life of property and equipment is estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. Any reduction in the estimated useful life of property and equipment would increase the Foundation's depreciation expenses and decrease noncurrent assets.

In 2013, as a result of management's reassessment of the estimated useful lives of its property and equipment, the Foundation changed the estimated useful lives of its buildings from 40 years to 10 to 30 years effective June 1, 2012. This change in useful lives resulted to additional depreciation expense of ₱229,252 in 2013. There were no other changes in the estimated useful lives of leasehold improvements, office furniture and equipment, and vehicles in 2013 and 2012.

Total depreciation expense in 2013 and 2012 amounted to ₱2,462,250 and ₱1,953,312, respectively (see Note 7).

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

Retirement benefits cost amounted to ₱1,295,530 in 2013 and ₱1,133,745 in 2012. Accrued retirement benefits amounted to ₱3,650,134 and ₱3,264,613 as of May 31, 2013 and 2012, respectively (see Note 12).

4. Receivables

	2013	2012
Advances to:		
Officers and employees	**₱1,206,301**	₱844,111
Contractors	**350,000**	–
ICMManila, Inc. (ICMMI) (Note 11)	**–**	1,330,705
Others	**300,000**	–
	₱1,856,301	₱2,174,816

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

Advances to contractors are for the construction of the Foundation's building in Bacolod which are subject to liquidation.

5. Inventories

	2013	2012
Nutripacks	**₱40,477,494**	₱25,963,535
Shoes	**10,846,591**	–
Supplies	**1,401,100**	1,042,280
Others	**4,800**	124,238
	₱52,729,985	₱27,130,053

6. Other Current Assets

	2013	2012
Containers' deposits (Note 11)	**₱215,000**	₱–
Rental deposits (Note 13)	**179,600**	119,100
Prepaid expenses	**27,878**	927,518
	₱422,478	₱1,046,618

7. Property and Equipment

As of May 31, 2013:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Construction in Progress	**Total**
Cost							
Beginning balances	₱6,920,390	₱32,932,523	₱382,194	₱1,379,967	₱7,083,216	₱–	**₱48,698,290**
Additions	–	–	468,364	772,107	2,582,686	500,000	**4,323,157**
Disposals	(2,000,000)	(13,975,924)	(317,694)	–	(1,945,000)	–	**(18,238,618)**
Ending balances	4,920,390	18,956,599	532,864	2,152,074	7,720,902	500,000	**34,782,829**
Accumulated Depreciation and Impairment Losses							
Beginning balances	–	15,336,236	313,902	528,147	2,049,537	–	**18,227,822**
Depreciation (Note 10)	–	677,239	54,410	492,037	1,238,764	–	**2,462,450**
Disposals	–	(9,048,593)	(317,694)	–	(698,063)	–	**(10,064,350)**
Ending balances	–	6,964,882	50,618	1,020,184	2,590,238	–	**10,625,922**
Net Book Values	₱4,920,390	₱11,991,717	₱482,246	₱1,131,890	₱5,130,664	₱500,000	**₱24,156,907**

As of May 31, 2012:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	₱6,920,390	₱32,932,523	₱292,694	₱977,316	₱6,664,750	₱47,787,673
Additions	–	–	89,500	637,051	2,705,316	3,431,867
Disposals	–	–	–	(234,400)	(2,286,850)	(2,521,250)
Ending balances	6,920,390	32,932,523	382,194	1,379,967	7,083,216	48,698,290
Accumulated Depreciation and Impairment Losses						
Beginning balances	–	8,649,016	262,285	329,323	2,931,293	12,171,917
Depreciation (Note 10)	–	823,313	51,617	293,399	784,983	1,953,312
Impairment losses (Note 10)	–	5,863,907	–	–	–	5,863,907
Disposals	–	–	–	(94,575)	(1,666,739)	(1,761,314)
Ending balances	–	15,336,236	313,902	528,147	2,049,537	18,227,822
Net Book Values	₱6,920,390	₱17,596,287	₱68,292	₱851,820	₱5,033,679	₱30,470,468

The cost of fully depreciated property and equipment that are still in use amounted to ₱886,285 and ₱737,694 as of May 31, 2013 and 2012, respectively.

8. Accounts Payable and Others

	2013	2012
Accounts payable and accruals	**₱1,375,005**	₱538,871
Withholding taxes, SSS, Philhealth, and HDMF premiums payable	**483,828**	471,652
Payable to ICMMI (Note 11)	**179,000**	–
	₱2,037,833	₱1,010,523

9. **Project Costs**

As of May 31, 2013:

	Strategic Program	Mercy Program	Program Development	Special Project	Vision	Others*	Total
Consumption of Nutripacks	₱62,264,354	₱2,216,308	₱5,106,191	₱–	₱–	₱8,782,590	**₱78,369,443**
Payroll and other employee benefits	25,916,903	6,758,529	4,755,433	–	–	–	**37,430,865**
Transportation and travel	5,499,709	334,719	1,382,211	2,078,017	2,664,515	–	**11,959,171**
Office and medical supplies	3,829,337	4,064,359	115,835	–	–	–	**8,009,531**
Scholarships	7,061,051	18,151	150	–	–	–	**7,079,352**
Meals	3,267,697	727,957	56,285	–	243,735	–	**4,295,674**
Training expenses	2,514,016	24,419	459,195	102,894	–	–	**3,100,524**
Meeting expenses	367,811	96,054	1,658,195	826,349	–	–	**2,948,409**
Repair and maintenance	1,840,607	394,887	404,877	–	–	–	**2,640,371**
Utilities	975,506	560,450	378,884	–	–	–	**1,914,840**
Rent (Note 13)	701,272	215,740	251,710	–	–	–	**1,168,722**
Outside services	142,097	772,148	35,248	–	–	–	**949,493**
Others	2,699,920	322,049	1,866,525	1,363,048	–	84,400	**6,335,942**
	₱117,080,280	₱16,505,770	₱16,470,739	₱4,370,308	₱2,908,250	₱8,866,990	**₱166,202,337**

** Others consist mainly of donations of Nutripacks to Operation Blessing to provide assistance to those who suffered from flood during the first quarter of 2013 in Davao.*

As of May 31, 2012:

	Strategic Program	Mercy Program	Program Development	Special Project	Vision	Red Rope	Total
Consumption of Nutripacks	₱46,814,857	₱3,873,749	₱988,735	₱–	₱–	₱–	₱51,677,341
Payroll and other employee benefits	25,988,000	6,235,998	7,462,090	–	–	–	39,686,088
Transportation and travel	4,656,966	809,881	985,760	1,293,277	1,891,025	–	9,636,909
Office and medical supplies	3,437,662	4,189,022	228,739	–	–	305,793	8,161,216
Scholarships	4,941,313	138,493	–	–	–	–	5,079,806
Meals	2,470,996	834,286	444,219	323,319	489,753	–	4,562,573
Training expenses	2,151,453	24,228	711,591	797,824	–	–	3,685,096
Repair and maintenance	1,258,015	342,885	423,327	–	–	–	2,024,227
Meeting expenses	306,547	224,893	1,384,643	–	–	–	1,916,083
Utilities	617,447	390,420	643,085	–	–	–	1,650,952
Outside services	19,433	766,113	28,628	–	–	596,386	1,410,560
Rent (Note 13)	467,556	–	433,769	–	–	–	901,325
Others	2,695,294	246,100	1,341,102	145,732	67,985	17,785	4,513,998
	₱95,825,539	₱18,076,068	₱15,075,688	₱2,560,152	₱2,448,763	₱919,964	₱134,906,174

10. **General and Administrative Expenses**

	2013	2012
Payroll and other employee benefits (Note 12)	**₱4,816,283**	₱3,128,268
Depreciation (Note 7)	**2,462,450**	1,953,312
Training expenses	**1,477,704**	–
Loss on sale of property and equipment	**1,355,268**	–
Consumption of Nutripacks	**1,324,648**	–
Utilities	**948,736**	704,287
Rent (Note 13)	**649,371**	501,537
Transportation and travel	**542,102**	939,019
Repair and maintenance	**398,799**	537,308
Office supplies	**257,247**	283,460
Meeting expenses	**200,248**	464,886
Provision for impairment losses (Note 7)	**–**	5,863,907
Others	**1,587,529**	753,052
	₱16,020,385	₱15,129,036

11. **Related Party Transactions**

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

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

a. ICM, a non-stock, non-profit organization having common directors with the Foundation, provides the operating fund requirements of the Foundation. Donations received from ICM Hong Kong amounted to ₱81,361,639 and ₱91,790,766 for the years ended May 31, 2013 and 2012, respectively.

b. The Foundation's financial and administrative functions are handled by ICMMI (a nonstock, nonprofit organization with common directors) at no cost to the Foundation. The Foundation also obtains/provides advances from/to ICMMI. As of May 31, 2012, advances to ICMMI amounted to ₱1,330,705 (nil as of May 31, 2013, see Note 4).

c. Payable to ICMMI as of May 31, 2013 pertains to certain deposits for the Foundation's operations amounting to ₱179,000 which were paid by ICMMI subject to reimbursement (nil as of May 31, 2012, see Note 6).

d. As of May 31, 2013, other noncurrent liabilities pertain to amounts due to ICMMI resulting from retirement benefits of the 13 employees of the Foundation who were transferred to ICMMI. These liabilities, which amounted to ₱849,715, were determined as of the effective date of transfer of said employees. Accrued retirement benefits for the employees transferred to ICMMI will be paid by ICMMI subject to reimbursement by the Foundation upon the retirement of said employees (nil as of May 31, 2012, see Note 12).

12. Retirement Benefits

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

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

	2013	2012
Current service cost	**₱725,451**	₱465,009
Interest cost	**205,671**	167,011
Net actuarial loss	**364,408**	501,725
Retirement benefits cost (Note 10)	**₱1,295,530**	₱1,133,745

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

	2013	2012
Balance at beginning of year	**₱3,264,613**	₱2,130,868
Current service cost	**725,451**	465,009
Interest costs	**205,671**	167,011
Net actuarial loss	**364,408**	501,725
Transferred to ICMMI (Note 11)	**(849,715)**	–
Payment	**(60,294)**	–
Balances at end of year	**₱3,650,134**	₱3,264,613

The discount rates used to determine retirement benefits were 4.42% and 6.30% in 2013 and 2012, respectively.

13. Lease Agreements

The Foundation leases various office spaces in 2013 and 2012 for periods ranging from one to five years, renewable upon mutual agreement between the parties. Rental deposits amounted to ₱629,450 and ₱275,600 as of May 31, 2013 and 2012, respectively (of which ₱179,600 and ₱119,100 as of May 31, 2013 and 2012, respectively, is shown as "Other current assets" in Note 6). The rental deposits will be applied against unpaid obligation of the Foundation at the end of the lease term, provided that whatever remaining amount after payment of unpaid obligation shall be returned to the Foundation. The Foundation may pre-terminate the contract provided that, prior to the termination, a written notice shall be given to the lessors.

Rental expense amounted to ₱1,818,093 and ₱1,402,862 for the years ended May 31, 2013 and 2012, respectively (see Notes 9 and 10).

14. Supplementary Information Required under Revenue Regulation 19-2011

The schedules and information on the Foundation's revenue and itemized deductions follows:

a. Revenue and other income

For the year ended May 31, 2013, the Foundation's exempt donations and other income amounted to ₱202,403,370 and ₱239,633, respectively. The Foundation is exempt from payment of income tax under the 1997 National Internal Revenue Code, Section 30(e), for nonstock corporation organized and operated exclusively for religious and charitable institutions.

b. Cost of sales

For the year ended May 31, 2013, the Foundation's exempt project costs amounted to ₱166,202,337.

c. Itemized deductions

For the year ended May 31, 2013, the Foundation has the following exempt itemized deductions:

Payroll and other employee benefits	₱3,520,753
Depreciation	2,462,450
Training expenses	1,477,704
Loss on sale of property and equipment	1,355,268
Consumption of Nutripacks	1,324,648
Utilities	948,736
Rent or lease	649,371
Transportation and travel	542,102
Repairs and maintenance	398,799
Supplies	257,247
Meeting expense	200,248
Others	1,587,529
	₱14,724,855

15. Supplementary Information Required under Revenue Regulation 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2013:

Taxes and Licenses
Total amount paid by the Foundation for the taxes and licenses in 2013 amounted to ₱114,480 included under "Others" classified as "General and Administrative Expenses" in the statement of revenue and expenses.

Business permits and licenses	₱80,088
Documentary stamp tax	15,463
Others	18,929
	₱114,480

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

	Paid	Accrued
Withholding taxes on compensation and benefits	₱600,312	₱67,140
Expanded withholding taxes	153,495	12,149
	₱753,807	₱79,289

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

ICMManila, Inc.
(A Nonstock, Nonprofit Association)

Financial Statements
May 31, 2013 and 2012

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
ICMManila, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of ICMManila, Inc. (a nonstock, nonprofit association), which comprise the statements of financial position as at May 31, 2013 and 2012, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ICMManila, Inc. as at May 31, 2013 and 2012, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 10 and 11 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of ICMManila, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-A (Group A),
March 8, 2012, valid until March 8, 2015
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 3670027, January 2, 2013, Makati City

September 6, 2013

ICMMANILA, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2013	2012
ASSETS		
Current Assets		
Cash	**₱641,844**	₱532,297
Receivables (Notes 4 and 7)	**317,616**	46,221
Prepayments and other current assets (Note 9)	**130,834**	169,162
Total Current Assets	**1,090,294**	747,680
Noncurrent Assets		
Property and equipment (Note 5)	**330,532**	932,076
Other noncurrent assets (Notes 7 and 8)	**849,715**	–
Total Noncurrent Assets	**1,180,247**	932,076
TOTAL ASSETS	**₱2,270,541**	₱1,679,756
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and others (Note 6)	**₱196,962**	₱1,706,531
Noncurrent Liability		
Accrued retirement benefits (Notes 7 and 8)	**1,040,432**	–
Total Liabilities	**1,237,394**	1,706,531
Fund Balance		
General fund (Note 7)	**1,000,000**	1,000,000
Accumulated excess (deficiency) of revenue over expenses	**33,147**	(1,026,775)
Total Fund Balance (Deficit)	**1,033,147**	(26,775)
TOTAL LIABILITIES AND FUND BALANCE	**₱2,270,541**	₱1,679,756

See accompanying Notes to Financial Statements.

ICMMANILA, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2013	2012
REVENUE		
Donations from ICM Hong Kong (Note 7)	**₱15,575,000**	₱14,736,789
Others (Note 5)	**171,270**	80,870
	15,746,270	14,817,659
EXPENSES		
Payroll and other employee benefits (Notes 7 and 8)	**7,068,204**	7,775,836
Transportation and travel	**2,966,227**	1,886,838
Consulting fee	**1,110,392**	1,408,167
Utilities	**783,817**	491,348
Rent (Note 9)	**435,518**	358,667
Hotel accommodation	**377,214**	293,341
Office supplies	**269,211**	263,777
Depreciation (Note 5)	**220,510**	287,076
Meeting expenses	**193,606**	171,488
Outsourcing fee	**–**	401,724
Others	**1,279,457**	934,588
	14,704,156	14,272,850
OTHER INCOME		
Interest income	**808**	3,414
Others	**17,000**	1,300
	17,808	4,714
EXCESS OF REVENUE OVER EXPENSES	**₱1,059,922**	₱549,523

See accompanying Notes to Financial Statements.

ICMMANILA, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	General Fund	Accumulated Excess of Revenue Over Expenses	Total
BALANCES AT MAY 31, 2011	₱1,000,000	(₱1,576,298)	(₱576,298)
Excess of revenue over expenses for the year	–	549,523	549,523
BALANCES AT MAY 31, 2012	₱1,000,000	(₱1,026,775)	(₱26,775)
Excess of revenue over expenses for the year	–	1,059,922	1,059,922
BALANCES AT MAY 31, 2013	**₱1,000,000**	**₱33,147**	**₱1,033,147**

See accompanying Notes to Financial Statements.

ICMMANILA, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱1,059,922**	₱549,523
Adjustments for:		
Depreciation (Note 5)	**220,510**	287,076
Loss on sale of property and equipment	**39,062**	–
Interest income	**(808)**	(3,414)
Retirement benefit expense (Note 8)	**190,717**	–
Donation in kind (Note 5)	**(134,978)**	(70,870)
Excess of revenue over expenses before working capital changes	**1,374,425**	762,315
Decrease (increase) in:		
Receivables	**(271,395)**	271,779
Prepayments and other current assets	**38,328**	(169,162)
Increase (decrease) in accounts payable and others	**(1,509,569)**	179,800
Net cash provided by (used) in operations	**(368,211)**	1,044,732
Interest received	**808**	3,414
Net cash provided by (used in) operating activities	**(367,403)**	1,048,146
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	**550,000**	–
Acquisitions of property and equipment (Note 5)	**(73,050)**	(840,271)
Net cash provided by (used in) investing activities	**476,950**	(840,271)
NET INCREASE IN CASH	**109,547**	207,875
CASH AT BEGINNING OF YEAR	**532,297**	324,422
CASH AT END OF YEAR	**₱641,844**	₱532,297

See accompanying Notes to Financial Statements.

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

Corporate Information
ICMManila, Inc. (the "Foundation") is a nonstock, nonprofit 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 non-stock, non-profit and non-denominational organization, established for charitable purposes. The Foundation is part of the International Care Ministries (ICM), a non-stock, non-profit organization incorporated in Hong Kong. Being part of the ICM, the Foundation receives support from sponsors to enable it to carry out its objectives and continue as a going concern.

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

The Foundation's registered office is at Unit 3E, Marsk Building, #738 Aurora Boulevard corner Balete Drive, Quezon City. In August 2013, the Foundation applied with the SEC for the registration of its new business address at Unit 3203 Antel Global Corporate Tower, corner Julia Vargas and Meralco Avenue, Ortigas, Pasig. As of September 6, 2013, the application has yet to be approved by the SEC.

Authorization for Issue of the Financial Statements
The financial statements were approved and authorized for issue by the Foundation's Board of Trustees (BOT) on September 6, 2013.

2. Summary of Significant Accounting and Financial Reporting Policies

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

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

Financial Instruments
Cash
Cash includes cash on hand and in banks.

Receivables
Receivables include receivable from a related party, and advances to officers and employees which are subject to liquidation. At the end of the of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest Income
Interest income is recognized as the interest accrues.

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

Retirement Benefits Cost
Retirement benefits cost is determined using the simplified approach which considers the following with respect to the Foundation's current employees:

a. ignore estimated future salary increases (i.e., assume current salaries continue until current employees are expected to begin receiving post-employment benefits);
b. ignore future service of current employees (i.e., assume closure of the plan for existing and new employees); and,
c. ignore possible in-service mortality of current employees between the reporting date and the date employees are expected to begin receiving post-employment benefits (i.e., assume all current employees will receive the post-employment benefits).

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

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

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

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

Provisions and Contingencies
Provisions are recognized when the Foundation has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Impairment of property and equipment
The Foundation determines whenever there is any indication that its property and equipment are impaired. Indicators of impairment include physical deterioration of the asset and negative cash flows from operations, among others. Future events could cause management to conclude that these assets may be impaired. As of May 31, 2013 and 2012, management believes that no indicators of impairment exist for the Foundation's property and equipment. The carrying value of property and equipment amounted to ₱330,532 and ₱932,076 as of May 31, 2013 and 2012, respectively (see Note 5).

Operating lease - Foundation as a lessee
The Foundation has entered into a commercial property lease where the Foundation has determined that the significant risks and rewards for the leased property are retained by the lessor. Rent expense amounted to ₱435,518 and ₱358,667 for the years ended May 31, 2013 and 2012, respectively (see Note 9).

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

Estimation of useful life of property and equipment
The Foundation estimates the useful life of items of property and equipment based on the number of years over which these assets are expected to be available for use. Any reduction in the estimated useful life would increase the Foundation's depreciation expenses and decrease noncurrent assets. There was no change in the estimated useful life of the Foundation's property and equipment in both 2013 and 2012.

The carrying value of property and equipment amounted to ₱330,532 and ₱932,076 as of May 31, 2013 and 2012. Accumulated depreciation as of May 31, 2013 and 2012 amounted to ₱386,196 and ₱301,624, respectively (see Note 5).

4. **Receivables**

	2013	2012
Receivable from ICMFI (Note 7)	**₱179,000**	₱–
Advances to officers and employees	**138,616**	46,221
	₱317,616	₱46,221

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

5. Property and Equipment

May 31, 2013:

	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost				
Beginning balances	**₱758,000**	**₱375,700**	**₱100,000**	**₱1,233,700**
Additions	**–**	**208,028**	**–**	**208,028**
Disposals	**(725,000)**	**–**	**–**	**(725,000)**
Ending balances	**33,000**	**583,728**	**100,000**	**716,728**
Accumulated Depreciation				
Beginning balances	**75,521**	**177,770**	**48,333**	**301,624**
Depreciation for the year	**68,667**	**131,843**	**20,000**	**220,510**
Disposals	**(135,938)**	**–**	**–**	**(135,938)**
Ending balances	**8,250**	**309,613**	**68,333**	**386,196**
Net Book Values	**₱24,750**	**₱274,115**	**₱31,667**	**₱330,532**

May 31, 2012:

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

Donations of property and equipment amounted to ₱134,978 and ₱70,870 as of May 31, 2013 and 2012, respectively. The cost of fully depreciated property and equipment that are still in use amounted to ₱134,400 as of May 31, 2013 (nil as of May 31, 2012).

6. Accounts Payable and Others

	2013	2012
Accounts payable and accrued expenses	**₱92,419**	₱190,722
Advances from ICMFI (Notes7)	**–**	1,330,705
Others	**104,543**	185,104
	₱196,962	₱1,706,531

Others include withholding tax payable and mandatory contributions and liabilities to government agencies.

7. Related Party Transactions

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

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

a. ICM, a non-stock, non-profit organization having common directors with the Foundation, provides the operating fund requirements of the Foundation. Donations received from ICM amounted to ₱15,575,000 and ₱14,736,789 for the years ended May 31, 2013 and 2012, respectively.

b. Initial contribution of the members of the BOT at the inception of the Foundation amounted to ₱1,000,000. This is presented as "General fund" in the statement of financial position.

c. The Foundation handles the financial and administrative functions of International Care Ministries Foundation, Inc. or ICMFI (formerly International Care Ministry of the Philippines Incorporated, a nonstock, nonprofit organization with common directors with the Foundation) at no cost to ICMFI. Certain costs and expenses of the Foundation are paid for by ICMFI subject to reimbursement. Advances from ICMFI amounted to ₱1,330,705 as of May 31, 2012 (nil as of May 31, 2013, see Note 6).

d. Receivable from ICMFI as of May 31, 2013 pertains to certain deposits for ICMFI's operations amounting to ₱179,000 which were paid by the Foundation subject to reimbursement (nil as of May 31, 2012, see Note 4).

e. As of May 31, 2013, other noncurrent receivables pertain to amounts due from ICMFI resulting from retirement benefits of the 13 employees of ICMFI who were transferred to ICMMI. These receivables, which amounted to ₱849,715, were determined as of the effective date of transfer of said employees. Accrued retirement benefits for the employees transferred to the Foundation will be paid by the Foundation subject to reimbursement by ICMFI upon retirement of said employees (nil as of May 31, 2012, see note 8).

f. The short-term benefits of key management personnel for the years ended May 31, 2013 and 2012 amounted to ₱1,000,000 and ₱2,280,000, respectively.

8. Retirement Benefits

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

As of May 31, 2013, the Foundation's accrued retirement benefits amounting to ₱1,040,432 consist of retirement benefit expense recognized for the year ended May 31, 2013 amounting to ₱190,717 and accrued retirement benefits for the 13 transferred employees from ICMFI amounting to ₱849,715 (nil as of and for the year ended May 31, 2013, see Note 7).

For the year ended May 31, 2013, the discount rate used to determine retirement benefits was 4.42% (nil for the year ended May 31, 2012).

9. Lease Agreement

In November 2010, the Foundation entered into a lease agreement covering its office space from November 1, 2010 to February 29, 2012. The agreement provides for renewal only when new terms and conditions have been mutually agreed to in writing by the Foundation and the lessor. This agreement was renewed in February 2012, with a term of four successive three-month periods commencing on March 1, 2012 and terminating on February 28, 2013.

In February 2013, the lease agreement was renewed with the same term commencing on March 1, 2013 and terminating on February 28, 2014. Security deposit related to the lease agreement amounted to ₱103,834 and ₱97,326 as of May 31, 2013 and 2012, respectively, and is classified under "Prepayments and other current assets" account in the statement of financial position. Rental expense amounted to ₱435,518 and ₱358,667 for the years ended May 31, 2013 and 2012, respectively.

Effective June 2013, the Foundation pre-terminated this lease agreement and the Foundation transferred to its new office in July 2013 (see Note 1).

10. Supplementary Information Required under Revenue Regulation 19-2011

The schedules and information on the Foundation's revenue and itemized deductions follows:

a. Income

For the year ended May 31, 2013, the Foundation's exempt donations and other income amounted to ₱15,746,270 and ₱17,000, respectively. The Foundation is exempt from payment of income tax under the 1997 National Internal Revenue Code, Section 30 (e), for nonstock corporation organized and operated exclusively for religious and charitable institutions.

b. Itemized deductions

For the year ended May 31, 2013, the Foundation has the following exempt itemized deductions:

Salaries and allowances	₱6,877,487
Transportation and travel	2,966,227
Management and consultancy fee	1,110,392
Communication, light and water	783,817
Rental	435,518
Hotel accommodation	377,214
Office supplies	269,211
Depreciation	220,510
Meeting expenses	193,606
Miscellaneous	1,279,457
	₱14,513,439

11. Supplementary Information Required under Revenue Regulation 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2013:

Taxes and License Fees
Total amount paid by the Foundation for the taxes and licenses in 2013 amounted to ₱10,903 included under "Others" classified as "Expenses" in the statement of revenue and expenses.

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

	Paid	Accrued
Withholding taxes on compensation and benefits	₱764,168	₱31,832
Expanded withholding taxes	141,344	14,615
	₱905,512	₱46,447

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