International Care Ministries Foundation Inc.

(A Nonstock, Nonprofit Corporation)

Financial Statements
May 31, 2014 and 2013

and

Independent Auditors' Report

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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
International Care Ministries Foundation Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of International Care Ministries Foundation Inc., a nonstock, nonprofit corporation, which comprise the statements of financial position as at May 31, 2014 and 2013, 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, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulation 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Note 14 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of International Care Ministries Foundation Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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September 8, 2014

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

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2014	2013
ASSETS		
Current Assets		
Cash	**₱11,363,181**	₱8,836,346
Receivables (Note 4)	**2,696,490**	1,856,301
Inventories (Note 5)	**61,909,336**	52,729,985
Other current assets (Note 6)	**686,966**	422,478
Total Current Assets	**76,655,973**	63,845,110
Noncurrent Assets		
Property and equipment (Note 7)	**28,752,839**	24,156,907
Security deposits (Note 13)	**662,650**	449,850
Total Noncurrent Assets	**29,415,489**	24,606,757
TOTAL ASSETS	**₱106,071,462**	₱88,451,867
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and others (Note 8)	**₱1,870,928**	₱2,037,833
Noncurrent Liabilities		
Accrued retirement benefits (Note 12)	**5,075,778**	3,650,134
Other noncurrent liabilities (Notes 11 and 12)	**–**	849,715
Total Noncurrent Liabilities	**5,075,778**	4,499,849
Total Liabilities	**6,946,706**	6,537,682
Fund Balance		
General fund	**5,000**	5,000
Accumulated excess of revenue over expenses	**99,119,756**	81,909,185
Total Fund Balance	**99,124,756**	81,914,185
TOTAL LIABILITIES AND FUND BALANCE	**₱106,071,462**	₱88,451,867

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2014	2013
REVENUE		
Donations of goods	**₱158,399,003**	₱99,748,386
Donations from ICM Hong Kong (Note 11)	**120,292,091**	81,361,639
Donations from Global Development Group	**10,156,508**	15,320,824
Others	**12,853,845**	5,972,521
	301,701,447	202,403,370
PROJECT COSTS (Note 9)		
Strategic Program	**169,804,073**	117,080,280
Program Development	**24,457,437**	16,470,739
Mercy Program	**9,856,469**	16,505,770
Vision Trip	**4,205,439**	2,908,250
Special Project	**2,713,092**	4,370,308
Others	**53,702,373**	8,866,990
	264,738,883	166,202,337
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**22,210,215**	16,020,385
OTHER INCOME		
Gain on disposal of property and equipment	**2,428,274**	–
Interest and other income	**29,948**	262,007
	2,458,222	262,007
EXCESS OF REVENUE OVER EXPENSES	**₱17,210,571**	₱20,442,655

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED MAY 31, 2014 AND 2013

	General Fund	Accumulated Excess of Revenue Over Expenses	Total
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**
Excess of revenue over expenses for the year	–	17,210,571	17,210,571
BALANCES AT MAY 31, 2014	**₱5,000**	**₱99,119,756**	**₱99,124,756**

See accompanying Notes to Financial Statements

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

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱17,210,571**	₱20,442,655
Adjustments for:		
Depreciation (Note 7)	**3,586,682**	2,462,450
Retirement benefits cost - net (Note 12)	**1,425,644**	1,235,236
Loss (gain) on disposal of property and equipment (Note 10)	**(2,428,274)**	1,355,268
Interest income	**(29,948)**	(2,250)
Donation in kind (Note 7)	**(139,581)**	(627,953)
Excess of revenue over expenses before working capital changes	**19,625,094**	24,865,406
Decrease (increase) in:		
Receivables	**(840,189)**	318,515
Inventories	**(9,179,351)**	(25,599,932)
Other current assets	**(264,488)**	624,140
Decrease in accounts payable and others	**(1,016,620)**	1,027,310
Cash used in operations	**8,324,446**	1,235,439
Interest received	**29,948**	2,250
Net cash from operating activities	**8,354,394**	1,237,689
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 7)	**(11,096,624)**	(3,695,204)
Proceeds from sale of property and equipment	**5,481,865**	6,819,000
Payments for security deposits	**(212,800)**	(293,350)
Net cash from (used in) investing activities	**(5,827,559)**	2,830,446
NET INCREASE IN CASH	**2,526,835**	4,068,135
CASH AT BEGINNING OF YEAR	**8,836,346**	4,768,211
CASH AT END OF YEAR	**₱11,363,181**	₱8,836,346

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

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 2, 2013, the Board of Trustees (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 September 8, 2014.

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

The carrying amount of the 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
Buildings and improvements	10-30
Vehicles	4-10
Office furniture and equipment	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 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, actuarial gain on obligation, effect of any change in accounting policy and other fund balance adjustments.

Revenue Recognition

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

Donations

Donations are recognized when actually received, earned or when right to receive is established. Donations of goods mainly consist of Nutripacks 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
The cost of providing retirement benefits is determined using the projected unit credit method. The method reflects services rendered by the employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits cost include current service, experience adjustments and changes in actuarial assumptions. Actuarial gains and losses and past service costs are recognized in its entirety in the statement of revenue and expenses.

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

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

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

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

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

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

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

Events After Reporting 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 ₱3,169,551 and ₱1,818,093 for the years ended May 31, 2014 and 2013, respectively (see Note 13).

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.

The carrying value of property and equipment amounted to ₱28,752,839 and ₱24,156,907 as of May 31, 2014 and 2013, 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 ₱1,948,648 in 2014 and ₱1,295,530 in 2014 and 2013, respectively. Accrued retirement benefits amounted to ₱5,075,778 and ₱3,650,134 as of May 31, 2014 and 2013, respectively (see Note 12).

4. Receivables

	2014	2013
Advances to:		
Officers and employees	**₱1,822,437**	₱1,206,301
ICMManila, Inc. (ICMMI) (Note 11)	**448,053**	–
Contractors	–	350,000
Others	**426,000**	300,000
	₱2,696,490	₱1,856,301

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

5. Inventories

	2014	2013
Nutripacks	**₱48,170,209**	₱40,477,494
Shoes	**10,582,550**	10,846,591
Supplies	**2,942,972**	1,401,100
Others	**213,605**	4,800
	₱61,909,336	₱52,729,985

6. Other Current Assets

	2014	2013
Containers' deposits	**₱343,000**	₱215,000
Rental deposits (Note 13)	**232,800**	179,600
Prepaid expenses	**111,166**	27,878
	₱686,966	₱422,478

7. Property and Equipment

As of May 31, 2014:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Construction in Progress	Total
Cost							
Beginning balances	**₱4,920,390**	**₱18,956,599**	**₱532,864**	**₱2,152,074**	**₱7,720,902**	**₱500,000**	**₱34,782,829**
Additions	–	**3,247,865**	**391,110**	**1,782,530**	**5,814,700**	–	**11,236,205**
Disposals	**(1,975,440)**	–	–	–	**(2,073,700)**	–	**(4,049,140)**
Reclassification	–	**500,000**	–	–	–	**(500,000)**	–
Ending balances	**2,944,950**	**22,704,464**	**923,974**	**3,934,604**	**11,461,902**	–	**41,969,894**
Accumulated Depreciation and Impairment Losses							
Beginning balances	–	**6,964,882**	**50,618**	**1,020,184**	**2,590,238**	–	**10,625,922**
Depreciation (Note 10)	–	**629,445**	**237,909**	**712,004**	**2,007,324**	–	**3,586,682**
Disposals	–	–	–	–	**(995,549)**	–	**(995,549)**
Ending balances	–	**7,594,327**	**288,527**	**1,732,188**	**3,602,013**	–	**13,217,055**
Net Book Values	**₱2,944,950**	**₱15,110,137**	**₱635,447**	**₱2,202,416**	**₱7,859,889**	**₱–**	**₱28,752,839**

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

Donations of property and equipment amounted to ₱139,581 and ₱627,953 as of May 31, 2014 and 2013, respectively. The cost of fully depreciated property and equipment that are still in use amounted to ₱1,083,006 and ₱886,285 as of May 31, 2014 and 2013, respectively.

8. Accounts Payable and Others

	2014	2013
Accounts payable and accruals	**₱1,232,989**	₱1,375,005
Withholding taxes, SSS, Philhealth, and HDMF premiums payable	**637,939**	483,828
Payable to ICMMI (Note 11)	–	179,000
	₱1,870,928	₱2,037,833

9. Project Costs

As of May 31, 2014:

	Strategic Program	Program Development	Mercy Program	Vision	Special Project	Others*	Total
Consumption of Nutripacks	**₱84,976,644**	**₱9,109,432**	**₱1,063,075**	**₱–**	**₱–**	**₱37,665,531**	**₱132,814,682**
Payroll and other employee benefits	**34,513,810**	**5,147,345**	**3,506,644**	**–**	**–**	**7,157**	**43,174,956**
Transportation and travel	**9,150,821**	**1,344,470**	**383,515**	**3,482,589**	**2,713,092**	**–**	**17,074,487**
Distribution of Toms shoes	**15,931,909**	**–**	**–**	**–**	**–**	**–**	**15,931,909**
Office and medical supplies	**3,803,992**	**308,198**	**2,177,784**	**–**	**–**	**–**	**6,289,974**
Meals	**3,719,844**	**1,026**	**660,658**	**722,850**	**–**	**–**	**5,104,378**
Meeting expenses	**491,062**	**3,477,770**	**53,768**	**–**	**–**	**–**	**4,022,600**
Training expenses	**3,200,784**	**473,353**	**32,329**	**–**	**–**	**–**	**3,706,466**
Scholarships	**3,300,080**	**–**	**261,702**	**–**	**–**	**–**	**3,561,782**
Repair and maintenance	**2,677,168**	**576,902**	**235,551**	**–**	**–**	**–**	**3,489,621**
Utilities	**1,368,381**	**399,242**	**409,955**	**–**	**–**	**–**	**2,177,578**
Rent (Note 13)	**1,381,629**	**445,641**	**224,854**	**–**	**–**	**–**	**2,052,124**
Outside services	**124,089**	**46,414**	**576,352**	**–**	**–**	**–**	**746,855**
Others	**5,163,860**	**3,127,644**	**270,282**	**–**	**–**	**16,029,685**	**24,591,471**
	₱169,804,073	**₱24,457,437**	**₱9,856,469**	**₱4,205,439**	**₱2,713,092**	**₱53,702,373**	**₱264,738,883**

** Others consist mainly of costs related to the relief operations for the victims of Typhoon Yolanda (International name "Haiyan") that hit the Philippines in November 2013. This includes donations of nutripacks, medical supplies and other donations in kind.*

As of May 31, 2013:

	Strategic Program	Program Development	Mercy Program	Vision	Special Project	Others**	Total
Consumption of Nutripacks	₱62,264,354	₱5,106,191	₱2,216,308	₱–	₱–	₱8,782,590	₱78,369,443
Payroll and other employee benefits	25,916,903	4,755,433	6,758,529	–	–	–	37,430,865
Transportation and travel	5,499,709	1,382,211	334,719	2,664,515	2,078,017	–	11,959,171
Office and medical supplies	3,829,337	115,835	4,064,359	–	–	–	8,009,531
Scholarships	7,061,051	150	18,151	–	–	–	7,079,352
Meals	3,267,697	56,285	727,957	243,735	–	–	4,295,674
Training expenses	2,514,016	459,195	24,419	–	102,894	–	3,100,524
Meeting expenses	367,811	1,658,195	96,054	–	826,349	–	2,948,409
Repair and maintenance	1,840,607	404,877	394,887	–	–	–	2,640,371
Utilities	975,506	378,884	560,450	–	–	–	1,914,840
Rent (Note 13)	701,272	251,710	215,740	–	–	–	1,168,722
Outside services	142,097	35,248	772,148	–	–	–	949,493
Others	2,699,920	1,866,525	322,049	–	1,363,048	84,400	6,335,942
	₱117,080,280	₱16,470,739	₱16,505,770	₱2,908,250	₱4,370,308	₱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 in Davao during the first quarter of 2013.*

10. **General and Administrative Expenses**

	2014	2013
Payroll and other employee benefits (Note 12)	**₱8,905,704**	₱4,816,283
Depreciation (Note 7)	**3,586,682**	2,462,450
Consumption of Nutripacks	**2,029,350**	1,324,648
Training expenses	**1,514,057**	1,477,704
Transportation and travel	**1,349,001**	542,102
Rent (Note 13)	**1,117,427**	649,371
Utilities	**934,532**	948,736
Office supplies	**779,502**	257,247
Repair and maintenance	**417,747**	398,799
Meeting expenses	**230,405**	200,248
Loss on sale of property and equipment	−	1,355,268
Others	**1,345,808**	1,587,529
	₱22,210,215	₱16,020,385

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 ₱120,292,091 and ₱81,361,639 for the years ended May 31, 2014 and 2013, respectively.

b. The Foundation’s financial and administrative functions are handled by ICMMI (a nonstock, nonprofit organization with common directors) at no cost to the Foundation. The Foundation also obtains/provides advances from/to ICMMI. Advances to ICMMI amounted to ₱448,053 as of May 31, 2014 (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, 2014, see Note 8).

d. As of May 31, 2013, other noncurrent liabilities pertain to amounts due to ICMMI resulting from the 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 were paid by the Foundation to ICMMI in May 2014.

12. Retirement Benefits

The Foundation accrues for retirement benefits cost computed based on the provision of Republic Act 7641. In fiscal year 2014, the Foundation had its retirement obligation calculated by an independent actuary. The components of retirement benefit obligation based on an actuarial valuation report as of May 31, 2014 is presented below.

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

	2014	2013
Current service cost	**₱868,563**	₱725,451
Interest cost	**161,336**	205,671
Net actuarial loss (gain)	**(196,349)**	364,408
Transition liability	**1,115,098**	–
Retirement benefits cost (Note 10)	**₱1,948,648**	₱1,295,530

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

	2014	2013
Balance at beginning of year	**₱3,650,134**	₱3,264,613
Current service cost	**868,563**	725,451
Interest cost	**161,336**	205,671
Net actuarial loss (gain)	**(196,349)**	364,408
Transferred to ICMMI (Note 11)	–	(849,715)
Transition liability	**1,115,098**	–
Payment	**(523,004)**	(60,294)
Balances at end of year	**₱5,075,778**	₱3,650,134

The discount rates used to determine retirement benefits were 5.30% and 4.42% in 2014 and 2013, respectively and salary increase rate of 4% in 2014.

13. Lease Agreements

The Foundation leases various office spaces in 2014 and 2013 for periods ranging from one to five years, renewable upon mutual agreement between the parties. Rental deposits amounted to ₱895,450 and ₱629,450 as of May 31, 2014 and 2013, respectively (of which, ₱232,800 and ₱179,600 as of May 31, 2014 and 2013, 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 ₱3,169,551 and ₱1,818,093 for the years ended May 31, 2014 and 2013, respectively (see Notes 9 and 10).

14. Supplementary Information Required under Revenue Regulation 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2014:

Taxes and Licenses
Total amount paid by the Foundation for the taxes and licenses in 2014 amounted to ₱423,836 included under "Others" classified as "General and Administrative Expenses" in the statement of revenue and expenses.

Capital gains tax	₱246,076
Business permits and licenses	94,271
Documentary stamp tax	2,635
Others	80,854
	₱423,836

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

	Paid	Accrued
Withholding taxes on compensation and benefits	₱830,088	₱75,238
Expanded withholding taxes	195,440	17,011
	₱1,025,528	₱92,249

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, 2014 and 2013

and

Independent Auditors' Report

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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, 2014 and 2013, 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ICMManila, Inc. as at May 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulation 15-2010

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

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

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. 4225219, January 2, 2014, Makati City

September 8, 2014

ICMMANILA, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2014	2013
ASSETS		
Current Assets		
Cash	**₱20,779**	₱641,844
Receivables (Notes 4 and 7)	**193,686**	317,616
Prepayments and other current assets	–	130,834
Total Current Assets	**214,465**	1,090,294
Noncurrent Assets		
Property and equipment (Note 5)	**528,427**	330,532
Other noncurrent assets (Notes 7, 8 and 9)	**425,250**	849,715
Total Noncurrent Assets	**953,677**	1,180,247
TOTAL ASSETS	**₱1,168,142**	₱2,270,541
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and others (Note 6 and 7)	**₱939,908**	₱196,962
Noncurrent Liability		
Accrued retirement benefits (Notes 7 and 8)	**1,720,033**	1,040,432
Total Liabilities	**2,659,941**	1,237,394
Fund Balance		
General fund (Note 7)	**1,000,000**	1,000,000
Accumulated excess (deficit) of revenue over expenses	**(2,491,799)**	33,147
Total Fund Balance (Deficiency)	**(1,491,799)**	1,033,147
TOTAL LIABILITIES AND FUND BALANCE	**₱1,168,142**	₱2,270,541

See accompanying Notes to Financial Statements.

ICMMANILA, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2014	2013
REVENUE		
Donations from ICM Hong Kong (Note 7)	**₱17,054,114**	₱15,575,000
Others (Note 5)	**16,000**	171,270
	17,070,114	15,746,270
EXPENSES		
Payroll and other employee benefits (Notes 7 and 8)	**8,750,434**	7,068,204
Transportation and travel	**4,858,710**	3,343,441
Rent (Note 9)	**1,541,600**	435,518
Utilities	**1,222,498**	783,817
Consulting fee	**1,190,519**	1,110,392
Office supplies	**287,047**	269,211
Depreciation (Note 5)	**202,210**	220,510
Meeting expenses	**77,942**	193,606
Others	**1,476,634**	1,279,457
	19,607,594	14,704,156
OTHER INCOME		
Interest income	**534**	808
Others	**12,000**	17,000
	12,534	17,808
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	**(₱2,524,946)**	₱1,059,922

See accompanying Notes to Financial Statements.

ICMMANILA, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	General Fund	Accumulated Excess (Deficit) of Revenue Over Expenses	Total
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
Deficit of revenue over expenses for the year	–	(2,524,946)	(2,524,946)
BALANCES AT MAY 31, 2014	**₱1,000,000**	**(₱2,491,799)**	**(₱1,491,799)**

See accompanying Notes to Financial Statements.

ICMMANILA, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficit) of revenue over expenses	**(₱2,524,946)**	₱1,059,922
Adjustments for:		
Depreciation (Note 5)	**202,210**	220,510
Loss (gain) on sale of property and equipment	**(12,000)**	39,062
Interest income	**(534)**	(808)
Retirement benefit expense (Note 8)	**679,601**	190,717
Donation in kind (Note 5)	**(16,000)**	(134,978)
Excess (deficit) of revenue over expenses before working capital changes	**(1,671,669)**	1,374,425
Decrease (increase) in:		
Receivables	**973,645**	(271,395)
Prepayments and other current assets	**130,834**	38,328
Increase (decrease) in accounts payable and others	**742,946**	(1,509,569)
Net cash provided by (used) in operations	**175,756**	(368,211)
Interest received	**534**	808
Net cash from (used) in operating activities	**176,290**	(367,403)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	**12,000**	550,000
Acquisitions of property and equipment (Note 5)	**(384,105)**	(73,050)
Payment for security deposits	**(425,250)**	–
Net cash from (used in) investing activities	**(797,355)**	476,950
NET INCREASE (DECREASE) IN CASH	**(621,065)**	109,547
CASH AT BEGINNING OF YEAR	**641,844**	532,297
CASH AT END OF YEAR	**₱20,779**	₱641,844

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Authorization to Issue 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.

On November 22, 2013, the SEC approved the Foundation's application for the registration of its new business address at Unit 3203 Antel Global Corporate Center, Julia Vargas Ave., Ortigas Center, San Antonio Pasig.

Authorization to Issue the Financial Statements
The financial statements were approved and authorized for issue by the Foundation's Board of Trustees (BOT) on September 8, 2014.

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.

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.

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

Leasehold improvements are amortized over the estimated useful lives of the improvements or the lease term, 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, 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 (Deficiency)
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.

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

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

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

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

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

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

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

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, among others. Future events could cause management to conclude that these assets may be impaired.

As of May 31, 2014 and 2013, management believes that no indicators of impairment exist for the Foundation's property and equipment. The carrying value of property and equipment amounted to ₱528,427 and ₱330,532 as of May 31, 2014 and 2013, 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 ₱1,541,600 and ₱435,518 for the years ended May 31, 2014 and 2013, 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.

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

Retirement benefits cost amounted to ₱679,601 in 2014 and ₱190,717 in 2014 and 2013, respectively. Accrued retirement benefits amounted to ₱1,720,033 and ₱1,040,432 as of May 31, 2014 and 2013, respectively (see Note 8).

4. **Receivables**

	2014	2013
Advances to officers and employees	**₱193,686**	₱138,616
Receivable from ICMFI (Note 7)	**–**	179,000
	₱193,686	₱317,616

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, 2014:

	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost					
Beginning balances	**₱33,000**	**₱583,728**	**₱100,000**	**₱–**	**₱716,728**
Additions	–	**249,000**	**136,234**	**14,871**	**400,105**
Disposals	–	**(37,450)**	–	–	**(37,450)**
Ending balances	**33,000**	**795,278**	**236,234**	**14,871**	**1,079,383**
Accumulated Depreciation					
Beginning balances	**8,250**	**309,613**	**68,333**	–	**386,196**
Depreciation for the year	**8,250**	**165,288**	**24,541**	**4,131**	**202,210**
Disposals	–	**(37,450)**	–	–	**(37,450)**
Ending balances	**16,500**	**437,451**	**92,874**	**4,131**	**550,956**
Net Book Values	**₱16,500**	**₱357,827**	**₱143,360**	**₱10,740**	**₱528,427**

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

Donations of property and equipment amounted to ₱16,000 and ₱134,978 as of May 31, 2014 and 2013, respectively. The cost of fully depreciated property and equipment that are still in use amounted to ₱209,231 and ₱134,400 as of May 31, 2014 and 2013, respectively.

6. Accounts Payable and Others

	2014	2013
Advances from ICMFI (Note 7)	**₱448,053**	₱–
Accounts payable and accrued expenses	**282,428**	92,419
Others	**209,427**	104,543
	₱939,908	₱196,962

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. International Care Ministries (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 ₱17,054,114 and ₱15,575,000 for the years ended May 31, 2014 and 2013, respectively.

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

c. The Foundation handles the financial and administrative functions of International Care Ministries Foundation, Inc. (ICMFI), a nonstock, nonprofit organization with 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 ₱448,053 as of May 31, 2014 (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, 2014, see Note 4).

e. Other noncurrent assets as of May 31, 2013 represent the amount due from ICMFI resulting from retirement benefits of the 13 employees of ICMFI who were transferred to the Foundation. The receivable, which amounted to ₱849,715, was determined as of the effective date of transfer of said employees. Accrued retirement benefits for the employees transferred to the Foundation were paid by ICMFI to the Foundation in May 2014.

f. The short-term benefits of key management personnel for the year ended May 31, 2013 amounted to ₱1,000,000 (nil in 2014).

8. Retirement Benefits

The Foundation accrues for retirement benefits cost computed based on the provision of Republic Act 7641. In fiscal year 2014, the Foundation had its retirement obligation calculated by an independent actuary. The components of retirement benefit obligation based on an actuarial valuation report as of May 31, 2014 is presented in the succeeding tables.

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

	2014	2013
Current service cost	**₱217,345**	₱163,978
Interest cost	**45,987**	–
Transition liability	**325,640**	–
Net actuarial loss	**90,629**	26,739
Retirement benefits cost	**₱679,601**	₱190,717

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

	2014	2013
Balance at beginning of year	**₱1,040,432**	₱–
Current service cost	**217,345**	163,978
Interest cost	**45,987**	26,739
Net actuarial loss	**90,629**	–
Transferred by ICMFI (Note 7)	**–**	849,715
Transition liability	**325,640**	–
Balances at end of year	**₱1,720,033**	₱1,040,432

The discount rates used to determine retirement benefits were 5.30% and 4.42% in 2014 and 2013, respectively, and salary increase rate of 4% in 2014.

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. In February 2013, the lease agreement was renewed with the same term commencing on March 1, 2013.

Effective June 2013, the Foundation pre-terminated this lease agreement and the Foundation transferred to its new office. In July 2013, the Foundation entered into a lease agreement covering its new office space from July 15, 2013 to July 15, 2016.

Security deposits related to the lease agreements amounted to ₱425,250 and ₱103,834 as of May 31, 2014 and 2013, respectively, and is classified under “Other noncurrent assets” and “Prepayments and other current assets” accounts, respectively, in the statement of financial position. Rental expense amounted to ₱1,541,600 and ₱435,518 for the years ended May 31, 2014 and 2013, respectively.

10. Supplementary Information Required under Revenue Regulation 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2014:

Taxes and License Fees
Total amount paid by the Foundation for the taxes and licenses in 2014 amounted to ₱54,717 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	₱479,005	₱97,423
Expanded withholding taxes	221,082	24,759
	₱700,087	₱122,182

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