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

Financial Statements
May 31, 2019 and 2018

and

Independent Auditor's Report

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BOA/PRC Reg. No. 0001,
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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
International Care Ministries Foundation Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of International Care Ministries Foundation Inc. (the Foundation), a nonstock, nonprofit association, which comprise the statements of financial position as at May 31, 2019 and 2018, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 14 to the Foundation's 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 27, 2019

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

STATEMENTS OF FINANCIAL POSITION

	May 31	
	2019	2018
ASSETS		
Current Assets		
Cash	**₱19,744,001**	₱14,046,174
Receivables (Note 3)	**76,313**	91,150
Inventories (Note 4)	**87,388,133**	46,693,054
Other current assets (Notes 5 and 13)	**3,215,510**	1,536,679
Total Current Assets	**110,423,957**	62,367,057
Noncurrent Assets		
Property and equipment (Note 6)	**13,559,313**	16,503,615
Software costs (Notes 5 and 7)	**7,201,429**	–
Other noncurrent assets (Notes 5 and 13)	**431,800**	7,618,303
Total Noncurrent Assets	**21,192,542**	24,121,918
TOTAL ASSETS	**₱131,616,499**	₱86,488,975
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and others (Note 8)	**₱2,099,601**	₱5,514,750
Noncurrent Liability		
Accrued retirement benefits (Note 12)	**7,885,712**	6,846,180
Total Liabilities	**9,985,313**	12,360,930
Fund Balance		
General fund	**5,000**	5,000
Accumulated excess of revenue over expenses	**121,626,186**	74,123,045
Total Fund Balance	**121,631,186**	74,128,045
TOTAL LIABILITIES AND FUND BALANCE	**₱131,616,499**	₱86,488,975

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2019	2018
REVENUE		
Donations from ICM Hong Kong (Note 11)	**₱200,077,672**	₱131,524,280
Donations of goods	**246,578,777**	118,656,283
Donations from Australia	**473,570**	1,956,393
Other donations	**18,711,002**	33,273,770
	465,841,021	285,410,726
PROJECT COSTS (Note 9)		
Strategic program	**332,773,121**	221,788,129
Program development	**46,137,042**	42,570,423
Health services program	**14,748,121**	13,475,876
Vision trip	**9,937,589**	6,531,358
Special project	**3,388,447**	3,639,311
Others	**5,506,570**	10,305,385
	412,490,890	298,310,482
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**5,873,888**	3,896,580
OTHER INCOME (EXPENSE)		
Interest income	**17,078**	13,750
Gain on disposal of property and equipment (Note 6)	**6,841**	1,020,224
Foreign exchange gain (loss)	**2,979**	(9,876)
Actuarial gain on pension liabilities (Note 12)	**–**	3,485,538
	26,898	4,509,636
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**₱47,503,141**	(₱12,286,700)

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, 2019 AND 2018

	General Fund	Accumulated Excess of Revenue Over Expenses	Total
BALANCES AT MAY 31, 2017	**₱5,000**	**₱86,409,745**	**₱86,414,745**
Deficiency of revenue over expenses for the year	–	(12,286,700)	(12,286,700)
BALANCES AT MAY 31, 2018	**5,000**	**74,123,045**	**74,128,045**
Excess of revenue over expenses for the year	–	47,503,141	47,503,141
BALANCES AT MAY 31, 2019	**₱5,000**	**₱121,626,186**	**₱121,631,186**

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	**₱47,503,141**	(₱12,286,700)
Adjustments for:		
Depreciation and amortization (Notes 6, 7, 9 and 10)	**6,687,653**	2,741,910
Retirement benefit cost (income) - net (Note 12)	**1,039,532**	(1,937,653)
Foreign exchange loss (gain)	**(2,979)**	9,876
Gain on disposal of property and equipment (Note 6)	**(6,841)**	(1,020,224)
Interest income	**(17,078)**	(13,750)
Excess (Deficiency) of revenue over expenses before working capital changes	**55,203,428**	(12,506,541)
Decrease (increase) in:		
Receivables	**14,837**	564,050
Inventories	**(40,695,079)**	19,043,232
Other current assets	**(1,678,831)**	(637,412)
Increase (decrease) in accounts payable and others	**(3,415,149)**	(2,500,857)
Cash generated from operations	**9,429,206**	3,962,472
Interest received	**17,078**	13,750
Net cash provided by operating activities	**9,446,284**	3,976,222
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 6)	**(1,249,845)**	(656,472)
Additions to software costs (Note 7)	**(2,569,661)**	–
Proceeds from sale of property and equipment (Note 6)	**48,070**	1,758,245
Increase (decrease) in other noncurrent assets (Note 5)	**20,000**	(5,723,030)
Net cash used in investing activities	**(3,751,436)**	(4,621,257)
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE IN CASH	**2,979**	(9,876)
NET INCREASE (DECREASE) IN CASH	**5,697,827**	(654,911)
CASH AT BEGINNING OF YEAR	**14,046,174**	14,701,085
CASH AT END OF YEAR	**₱19,744,001**	₱14,046,174

See accompanying Notes to Financial Statements.

1. Corporate Information

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

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

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

The financial statements were approved and authorized for issue by the Foundation's Board of Trustees (BOT) on September 27, 2019.

2. Summary of Significant Accounting Policies

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

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

<u>Future Changes in Financial Reporting Framework</u>

PFRS for Small Entities
In March 2018, the Philippine Securities and Exchange Commission resolved to adopt PFRS for Small Entities (the Framework) as part of its rules and regulations on financial reporting. This Framework was developed in response to feedback of small entities that PFRS for SMEs is too complex to apply. By reducing choices for accounting treatment, eliminating topics that are generally not relevant to small entities, simplifying methods for recognition and measurement, and reducing disclosure requirements, the Framework allows small entities to comply with the financial reporting requirements without undue cost or burden. Some of the key simplifications introduced by the Framework are as follows:

- For defined benefit plans, an entity is required to use the accrual approach in calculating benefit obligations in accordance with Republic Act (RA) 7641, The Philippine Retirement Pay Law, or company policy (if superior than RA 7641). Accrual approach is applied by calculating the expected liability as of reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

- Investment properties can be carried either at cost or at fair value, depending on the policy choice made by the entity.

- There is no concept of "finance lease" under the Framework. All lease receipts (payments) are recognized as income (expense) as earned (incurred).

- Inventories are to be subsequently valued at the lower of cost and market value (i.e., the probable selling price to willing buyers as of reporting date).

- Entities are given a policy choice of not recognizing deferred taxes in the financial statements.

Small entities are those that meet all of the following criteria: (1) total assets of between ₱3 million to ₱100 million or total liabilities of ₱3 million to ₱100 million; (2) are not required to file the financial statements under Part II of SRC Rule 68; (3) are not in the process of filing their financial statements for the purpose of issuing any class instruments in a public market, and; (4) are not holders of secondary licenses issued by regulatory agencies.

The management assessed that the Foundation's operations are projected to result in a financial position breaching the quantitative thresholds set in the criteria for a small entity. Accordingly, it expects to continue to report using PFRS for SMEs. This projection is assessed by the management to be significant and continuing due to base expansions, number of communities served and increasing size of donations received from various donors. However, management is still to make a re-assessment on the date of mandatory adoption. PFRS for Small entities is effective beginning January 1, 2019 (June 1, 2019 for the Foundation).

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

Receivables
Receivables pertain to excess of advances to employees and third parties which are subject for refund. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If not recoverable, an impairment loss is recognized immediately. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in the statement of revenue and expenses.

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

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

Inventories
Inventories are valued at the lower of cost or net realizable value (NRV). Cost 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.

Software Costs
Costs for software development works that are still to be completed by the service provider are recorded in the Foundation's books as a software-in-progress account. The Foundation capitalized these costs in reference to the stage of completion of each software phase and function.

Capitalized software costs during the year are initially recognized at cost. Following initial recognition, software costs are carried at cost less accumulated amortization and any accumulated impairment in value.

Software costs is amortized on a straight-line basis over its estimated useful economic life of three (3) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software costs is available for use. The amortization period for the software costs are reviewed at each reporting period. Changes in the estimated useful life is accounted for by changing the amortization period, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the software costs.

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

The initial cost of property and equipment consists of its purchase price, including import duties and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of property and equipment when that cost is incurred and if the recognition criteria are met. Maintenance and repairs that do not improve efficiency or extend economic life are expensed as incurred.

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

	Number of Years
Buildings	10-30
Vehicles	4
Office furniture and equipment	3-5

Leasehold improvements are amortized over the estimated useful life of the improvements ranging from two to five years or the term of the lease, whichever is shorter.
If there is an indication that there has been a significant change in the depreciation method and estimated useful life of an item of property and equipment, the depreciation of that asset is revised prospectively to reflect the new expectations.

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

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

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

Accounts 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 as the amount paid or payable.

Fund balance
General fund represents the initial contribution of the BOT members. This fund is available for use in operations of the Foundation. Disbursements from the general fund are subject to approval.

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

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

Donations
Donations are recognized when actually received, earned or when the right to receive is established. Donations of goods mainly consists of Nutripacks, supplies and shoes. Donations of goods in transit are recognized as revenue once loaded in the Philippine ports.

Interest Income
Interest income is recognized as it accrues.

Other Income
Other income is recognized when the related services or goods have been rendered or delivered and right to receive payment is established.

Cost and Expenses
Costs and expenses are recognized in the statement of revenue and expenses when decrease in future economic benefits related to the decrease in an asset or increase in a liability has arisen and can be measured reliably. These are recognized in the period in which they are incurred and measured at the amount paid or payable.

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

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

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

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

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

Foreign Currency Transactions
Transactions denominated in foreign currencies are initially recorded in Philippine Peso using exchange rate based on the Bankers Association of the Philippines (BAP) published rates at the date of transaction. Foreign currency-denominated monetary assets and liabilities are translated using BAP published rates at the reporting date. Foreign exchange differentials between the rate at transaction date and the rate at settlement date or reporting date of foreign currency-denominated monetary assets or liabilities are credited to or charged against current operations.

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Rent expense amounted to ₱9,618,490 and ₱8,461,867 for the years ended May 31, 2019 and 2018, respectively (see Notes 9 and 13).

Impairment assessment of inventories
The Foundation assesses at each reporting period whether any inventories are impaired. Given the nature of the operations of the Foundation, the cost of the inventories is assessed to be equal to its NRV.

Impairment assessment for property and equipment and software costs
The Foundation determines whenever there is any indication that its property and equipment and software costs are impaired. Indicators of impairment include physical deterioration and change in expected use of the asset, and negative cash flows from operations, among others. No impairment loss was recognized in 2019 and 2018 since the Foundation believes that there are no indicators of impairment.

The carrying value of property and equipment amounted to ₱13,559,313 and ₱16,503,615 as of May 31, 2019 and 2018, respectively (see Note 6), while software costs and software-in-progress amounted to ₱7,201,429 as of May 31, 2019 and ₱7,206,503 as of May 31, 2018, respectively (see Notes 5 and 7).

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

Impairment assessment of receivables and deposits
The Foundation assesses at the end of each reporting period whether there is objective evidence of impairment of receivables and security and containers' deposits. If there is objective evidence of

impairment, the Foundation shall recognize an impairment loss in profit or loss. Impairment loss is evaluated on the basis of the factors that affect the recoverability of the accounts. These factors include, but not limited to, the age and collection history of the accounts, length of relationship with the debtors, the debtors' payment behavior and known market factors.

Impairment loss recognized amounted to nil and ₱647,400 for the years ended May 31, 2019 and 2018, respectively (see Note 10).

The carrying value of the receivables amounted to ₱76,313 and ₱91,150 as of May 31, 2019 and 2018, respectively, while rental and containers' deposits amounted to ₱948,774 and ₱864,400, as of the same dates (see Notes 5 and 13).

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

Retirement expense (income) amounted to ₱1,364,860 and (₱1,864,978) in 2019 and 2018, respectively. Accrued retirement benefits amounted to ₱7,885,712 and ₱6,846,180 as of May 31, 2019 and 2018, respectively (see Note 12).

4. **Inventories - at Cost**

This account consists of:

	2019	2018
Nutripacks	**₱85,333,129**	₱45,266,506
Supplies	**147,112**	13,005
Others	**1,907,892**	1,413,543
	₱87,388,133	₱46,693,054

Others consists of other nutritional products and medications being distributed to communities.

5. **Other Assets**

Other Current Assets

	2019	2018
Advances to officers and employees	**₱1,609,271**	₱663,217
Prepaid expenses	**1,089,265**	420,862
Rental deposits - current portion (Note 13)	**504,974**	410,600
Containers' deposits	**12,000**	42,000
	₱3,215,510	₱1,536,679

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

Prepaid expenses pertain to prepayments for rent, publishing services and materials and other prepaid expenses.

Other Non-current Assets

	2019	2018
Software-in-progress (Note 7)	**₱–**	₱7,206,503
Rental deposits - net of current portion (Note 13)	**431,800**	411,800
	₱431,800	₱7,618,303

Software-in-progress pertains to payments for the development works of the Foundation's data and analysis software, which started as of May 31, 2017. This has been capitalized as software costs during the year ended May 31, 2019 (see Note 7).

6. Property and Equipment

As of May 31, 2019:

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

As of May 31, 2018:

	Land	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Vehicles	Total
Cost						
Beginning balances	₱2,694,950	₱22,862,464	₱759,928	₱5,125,822	₱12,709,157	₱44,152,321
Additions	–	–	–	317,670	338,802	656,472
Disposals	(647,400)	–	(70,600)	(10,000)	(7,536,000)	(8,264,000)
Ending balances	2,047,550	22,862,464	689,328	5,433,492	5,511,959	36,544,793
Accumulated Depreciation and Impairment Losses						
Beginning balances	–	9,449,997	541,125	4,380,708	9,806,017	24,177,847
Depreciation (Notes 9 and 10)	–	622,452	171,412	503,641	1,444,405	2,741,910
Disposals	–	–	(70,600)	(10,000)	(6,797,979)	(6,878,579)
Ending balances	–	10,072,449	641,937	4,874,349	4,452,443	20,041,178
Net Book Values	₱2,047,550	₱12,790,015	₱47,391	₱559,143	₱1,059,516	₱16,503,615

The cost of fully depreciated property and equipment that are still in use amounted to ₱9,813,861 and ₱7,378,915 as of May 31, 2019 and 2018, respectively.

The net book value of property and equipment disposed in 2019 and 2018 amounted to ₱41,229 and ₱1,385,421, respectively. The Foundation recognized gain on disposals amounting to ₱6,841 and ₱1,020,224 in 2019 and 2018, respectively.

7. Software Costs

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

	2019	2018
Cost		
At beginning of year	**₱167,916**	₱167,916
Transfer/Additions (Note 5)	**9,736,164**	–
At end of year	**9,904,080**	167,916
Accumulated Amortization		
At beginning of year	**167,916**	167,916
Amortization (Notes 9 and 10)	**2,534,735**	–
At end of year	**2,702,651**	167,916
Net Book Value	**₱7,201,429**	₱–

8. Accounts Payable and Others

This account consists of:

	2019	2018
Accounts payable	**₱67,874**	₱1,002,661
Accrued expenses		
Nutripack shipment expenses	**672,845**	–
Travel and accommodation expenses	**216,441**	80,448
Fuel and gasoline expenses	**95,017**	196,490
Software development expenses	**44,671**	1,260,587
Utilities	**35,418**	114,814
Professional fees	–	148,000
Others	**96,883**	163,618
Accrued salaries	**39,755**	1,666,870
Withholding taxes, SSS, Philhealth, and HDMF premiums payable	**830,697**	696,379
Payable to ICMMI (Notes 11 and 12)	–	184,883
	₱2,099,601	₱5,514,750

Accounts payable are noninterest-bearing and are normally settled on 30-day terms. Accrued expenses are noninterest-bearing and are normally settled within one year.

9. Project Costs

As of May 31, 2019:

	Strategic Program	Program Development	Health Services Program	Vision	Special Project	Others*	Total
Consumption of Nutripacks	**₱208,427,566**	**₱13,706,685**	**₱235,757**	**–**	**₱557,060**	**₱1,644,548**	**₱224,571,616**
Payroll and other							
employee benefits (Note 12)	**55,339,544**	**4,927,140**	**4,191,573**	**–**	**–**	**–**	**64,458,257**
Transportation and travel	**16,291,361**	**2,618,652**	**2,201,544**	**9,937,589**	**2,647,165**	**13,999**	**33,710,310**
Meeting expenses	**5,445,508**	**8,806,750**	**241,610**	**–**	**114,222**	**–**	**14,608,090**
Training expenses	**11,158,357**	**1,988,457**	**89,464**	**–**	**–**	**5,485**	**13,241,763**
Outside Services	**4,354,945**	**2,583,932**	**3,217,101**	**–**	**–**	**900**	**10,156,878**
Rent (Notes 3 and 13)	**6,694,193**	**2,629,536**	**294,761**	**–**	**–**	**–**	**9,618,490**
Meals	**3,543,997**	**482,340**	**1,157,154**	**–**	**–**	**–**	**5,183,491**
Depreciation and amortization							
(Notes 6 and 7)	**4,948,863**	**–**	**–**	**–**	**–**	**–**	**4,948,863**
Repairs and maintenance	**2,636,735**	**1,248,212**	**268,880**	**–**	**–**	**–**	**4,153,827**
Office and medical supplies	**2,289,221**	**795,509**	**947,095**	**–**	**–**	**4,817**	**4,036,642**
Utilities	**2,186,298**	**714,197**	**234,185**	**–**	**–**	**–**	**3,134,680**
Scholarships	**–**	**–**	**1,252,886**	**–**	**–**	**–**	**1,252,886**
Others	**9,456,533**	**5,635,632**	**416,111**	**–**	**70,000**	**3,836,821**	**19,415,097**
	₱332,773,121	**₱46,137,042**	**₱14,748,121**	**₱9,937,589**	**₱3,388,447**	**₱5,506,570**	**₱412,490,890**

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

As of May 31, 2018:

	Strategic Program	Program Development	Health Services Program	Vision	Special Project	Others*	Total
Consumption of Nutripacks	₱125,252,330	₱13,257,363	₱92,273	₱106,650	₱9,671	₱7,240,072	₱145,958,359
Payroll and other					–		
employee benefits (Note 12)	48,437,423	6,614,779	3,333,357	–		329,889	58,715,448
Transportation and travel	11,697,368	3,104,110	2,413,695	6,424,708	798,424	103,491	24,541,796
Meeting expenses	3,941,814	8,323,909	326,996	–	2,831,216	29,252	15,453,187
Rent (Notes 3 and 13)	6,807,955	1,168,325	478,237	–	–	7,350	8,461,867
Training expenses	5,957,353	1,685,385	93,323	–	–	477,436	8,213,497
Outside Services	2,919,666	1,496,005	2,345,966	–	–	130,000	6,891,637
Office and medical supplies	1,979,597	922,434	1,268,100	–	–	75,803	4,245,934
Meals	2,584,737	233,024	1,135,276	–	–	–	3,953,037
Repairs and maintenance	2,012,624	1,118,015	289,685	–	–	–	3,420,324
Utilities	2,019,806	734,293	381,601	–	–	1,125	3,136,825
Depreciation (Note 6)	1,988,982	-	–	–	–	54,097	2,043,079
Scholarships	–	-	1,097,869	–	–	–	1,097,869
Others	6,188,474	3,912,781	219,498	–	–	1,856,870	12,177,623
	₱221,788,129	₱42,570,423	₱13,475,876	₱6,531,358	₱3,639,311	₱10,305,385	₱298,310,482

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

10. General and Administrative Expenses

This account consists of:

	2019	2018
Transportation and travel	**₱1,970,438**	₱606,750
Depreciation and amortization (Notes 6 and 7)	**1,738,790**	698,831
Scholarships	**827,427**	–
Outside services	**413,700**	322,620
Taxes and licenses	**359,914**	169,900

(Forward)

	2019	2018
Training expenses	**₱–**	₱833,148
Meals	**187,351**	–
Office and medical supplies	**162,810**	1,913
Meeting expenses	**95,414**	114,492
Consumption of Nutripacks	**45,697**	205,510
Bank charges	**43,384**	198,022
Repairs and maintenance	**10,370**	–
Impairment loss (Note 3)	–	647,400
Miscellaneous	**18,593**	97,994
	₱5,873,888	₱3,896,580

Impairment loss pertains to receivables determined to be no longer collectible which were written off.

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 Hong Kong, a nonstock, nonprofit organization, having some common directors with the Foundation, provides the operating fund requirements of the Foundation. Donations received from ICM Hong Kong amounted to ₱200,077,672 and ₱131,524,280 for the years ended May 31, 2019 and 2018, respectively.

b. The Foundation's financial and administrative functions are handled by ICMManila, Inc. (ICMMI; a nonstock, nonprofit organization with some common directors) at no cost to the Foundation. The Foundation also obtains/provides advances to ICMMI that are settled within the fiscal year. Advances made to ICMMI for the years ended May 31, 2019 and 2018 amounted to ₱9,089,050 and ₱5,799,664, respectively.

c. Payable to ICMMI as of May 31, 2018 pertains to retirement benefit obligation of the Foundation's previous employees, whose employment were transferred to ICMMI in August to October 2017, amounting to ₱184,883 (nil as of May 31, 2019, see Note 12).

d. Compensation of the key management personnel is assumed by ICM HK. Required disclosures under Section 33, *Related Party Disclosures* of PFRS for SMEs are disclosed in the financial statements of ICM HK.

12. Retirement Benefits

The Foundation has an unfunded, noncontributory, defined benefit plan covering substantially all its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The components of retirement benefit obligation based on an actuarial valuation report are presented in the succeeding tables. The Foundation obtains an actuarial valuation as of May 31, 2018 by hiring the services of a third party professionally qualified actuary.

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

	2019	2018
Current service cost	**₱844,550**	₱1,154,187
Interest cost	**520,310**	466,373
Net actuarial gain	–	(3,485,538)
Retirement expense (income)	**₱1,364,860**	(₱1,864,978)

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

	2019	2018
Balance at beginning of year	**₱6,846,180**	₱8,968,716
Current service cost	**844,550**	1,154,187
Interest cost	**520,310**	466,373
Benefits paid	**(325,328)**	(72,675)
Transferred liabilities to ICMMI (Note 11)	–	(184,883)
Net actuarial gain	–	(3,485,538)
Balances at end of year	**₱7,885,712**	₱6,846,180

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

	2019	2018
Discount rate	**7.60%**	7.60%
Salary increase rate	**4.00%**	4.00%

13. Lease Agreements

The Foundation leases various office spaces that expires over periods over the next five (5) years. Rental deposits amounted to ₱936,774 and ₱822,400 as of May 31, 2019 and 2018, respectively (of which, ₱504,974 and ₱410,600 as of May 31, 2019 and 2018, respectively, is presented under "Other current assets" in Note 5). The rental deposits will be applied against unpaid obligation of the Foundation at the end of the lease term, provided that whatever remaining amount after payment of unpaid obligation shall be returned to the Foundation. The Foundation may terminate the contract early, provided that, prior to the termination, a written notice is given to the lessors.
On March 3, 2017, the Foundation entered into an Operating Lease Facility with BPI Century Tokyo Rental Corporation (the Lessor) for brand new motor vehicles amounting to ₱10.0 million. On March 6, 2017, the Foundation entered into an operating lease agreement (the Agreement) with the Lessor for the lease of specific vehicles with lease term of 36 to 42 months and fixed monthly rent payments.

The Agreement allows the Foundation to cancel or early terminate the individual vehicle leased prior to expiry subject to payment of liquidated damages to the lessor. The vehicles are, at all times, the sole and exclusive property of the Lessor and the Agreement gives no option to the Foundation to purchase or otherwise acquire title to the vehicles during the entire lease term. The Foundation may at its option renew the lease upon expiration of the original lease tem, subject the Lessor's approval. In addition, the Agreement requires the Foundation to pay for repairs and maintenance, insurance, taxes and licenses, and a penalty for usage above a standard mileage allowance.

As of May 31, 2018, 24 vehicles were received (nil in 2019). Total future minimum lease payments as of May 31 are as follows:

	2019	2018
Within one year	**₱4,608,024**	₱4,608,024
One to five years	**2,319,945**	6,927,968
	₱6,927,969	₱11,535,992

Rental expense related to operating lease agreements amounted to ₱ 9,618,490 and ₱8,461,867 for the years ended May 31, 2019 and 2018, respectively (see Note 9).

14. Supplementary Information Required under Revenue Regulations 15-2010

Summarized below are the taxes paid or accrued by the Foundation for the fiscal year 2019:

Value-Added Taxes (VAT)
The Foundation, being a non-stock, non-profit corporation, is a VAT exempt entity.

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

Business permits and licenses	₱274,783
Taxes and licenses	85,131
	₱359,914

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

	Paid	Accrued
Withholding taxes on compensation and benefits	₱1,126,306	₱29,905
Expanded withholding taxes	88,622	7,381
	₱1,214,928	₱37,286

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

Customs Duties
The Foundation paid ₱1,911,520 for customs duties relating to the inventories shipped to the Philippines for the year ended May 31, 2019 and included under "Consumption of Nutripacks" classified as "Project Costs" in the statement of revenue and expenses.

ICMManila Inc.
(A Nonstock, Not for Profit Organization)

Financial Statements
May 31, 2019 and 2018

and

Independent Auditor's Report

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
ICMManila Inc.

Report on the Audit of the Foundation's financial statements

Opinion

We have audited the accompanying financial statements of ICMManila Inc. (the Foundation), a nonstock, nonprofit association, which comprise the statements of financial position as at May 31, 2019 and 2018, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small Entities (PFRS for Small Entities).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 8 to the financial statements, which describes the effect of the early adoption of PFRS for Small Entities by the Foundation. Our opinion is not qualified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Foundation's financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 9 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of ICMManila Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres
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October 18, 2018, valid until October 17, 2021
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BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 7332614, January 3, 2019, Makati City

September 27, 2019

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

	May 31	
	2019	2018 (Restated, Note 8)
ASSETS		
Current Assets		
Cash	**₱1,083,471**	₱859,880
Receivable from ICMFI (Note 5)	–	184,883
Advances to officers and employees	**59,400**	20,967
Prepayments and security deposits (Note 7)	**121,500**	566,195
Total Current Assets	**1,264,371**	1,631,925
Noncurrent Asset		
Property and equipment (Note 3)	**147,250**	43,378
Security deposits - noncurrent (Note 7)	**554,732**	–
Total Noncurrent Assets	**701,982**	43,378
TOTAL ASSETS	**₱1,966,353**	₱1,675,303
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and others (Note 4)	**₱560,571**	₱1,336,886
Noncurrent Liability		
Accrued retirement benefits (Note 6)	**3,761,059**	3,020,731
Total Liabilities	**4,321,630**	4,357,617
Fund Balance		
General fund (Note 5)	**1,000,000**	1,000,000
Accumulated deficiency of revenue over expenses	**(3,355,277)**	(3,682,314)
Total Fund Balance	**(2,355,277)**	(2,682,314)
TOTAL LIABILITIES AND FUND BALANCE	**₱1,966,353**	₱1,675,303

See accompanying Notes to Financial Statements.

ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended May 31	
	2019	2018 (Restated, Note 8)
REVENUE		
Donations from ICM Hong Kong (Note 5)	**₱30,186,080**	₱25,585,200
Other donations	**609,698**	–
	30,795,778	25,585,200
EXPENSES		
Payroll and other employee benefits	**17,277,163**	15,331,060
Transportation and travel	**4,540,412**	2,864,821
Rent (Note 7)	**2,786,172**	2,025,938
Meeting expense	**1,954,018**	1,219,367
Utilities	**1,759,117**	2,013,881
Office supplies	**593,904**	287,479
Consulting fee	**254,078**	30,800
Depreciation (Note 3)	**65,504**	84,560
Miscellaneous	**1,241,714**	1,340,872
	30,472,082	25,198,778
OTHER INCOME		
Interest income	**341**	181
Gain on disposal of equipment	**3,000**	–
	3,341	181
EXCESS OF REVENUE OVER EXPENSES	**₱327,037**	₱386,603

See accompanying Notes to Financial Statements.

ICMMANILA INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	General Fund	Accumulated Deficiency of Revenue Over Expenses	Total
BALANCES AT MAY 31, 2017, as previously reported	₱1,000,000	(₱4,178,238)	(₱3,178,238)
Transition adjustments (Note 8)	−	109,321	109,321
BALANCES AT MAY 31, 2017, as restated	1,000,000	(4,068,917)	(3,068,917)
Excess of revenue over expenses for the year	−	386,603	386,603
BALANCES AT MAY 31, 2018	1,000,000	(3,682,314)	(2,682,314)
Excess of revenue over expenses for the year	−	327,037	327,037
BALANCES AT MAY 31, 2019	**₱1,000,000**	**(₱3,355,277)**	**(₱2,355,277)**

See accompanying Notes to Financial Statements.

ICMMANILA INC.

(A Nonstock, Nonprofit Association)

STATEMENTS OF CASH FLOWS

	Years Ended May 31	
	2019	2018 (Restated, Note 8)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	**₱327,037**	₱386,603
Adjustments for:		
Net pension expense (Note 6)	**740,328**	11,207
Depreciation (Note 3)	**65,504**	84,560
Gain on disposal of equipment	**(3,000)**	–
Interest income	**(341)**	(181)
Excess of revenue over expenses before working capital changes	**1,129,528**	482,189
Decrease (increase) in:		
Receivable from ICMFI	**184,883**	–
Advances to officers and employees	**(38,433)**	(20,967)
Prepayments and security deposits	**(110,037)**	(31,970)
Decrease in accounts payable and others	**(776,315)**	(499,733)
Net cash generated from (used in) operations	**389,626**	(70,481)
Interest received	**341**	181
Net cash provided by (used in) operating activities	**389,967**	(70,300)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	**3,000**	–
Acquisitions of property and equipment (Note 3)	**(169,376)**	–
Net cash generated used in investing activities	**(166,376)**	–
NET INCREASE (DECREASE) IN CASH	**223,591**	(70,300)
CASH AT BEGINNING OF YEAR	**859,880**	930,180
CASH AT END OF YEAR	**₱1,083,471**	₱859,880

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

ICMManila Inc. (the "Foundation") is a nonstock, nonprofit association registered with the Philippine Securities and Exchange Commission (SEC) on June 28, 2010. The Foundation was organized to make available Christian services for the glory of God in all aspects of community development, provide livelihood activities, leadership and comprehensive training for the less privileged. It is a Christian nonstock, nonprofit and non-denominational organization, established for charitable purposes. The Foundation partners with International Care Ministries Ltd. (ICM HK), a nonstock, nonprofit organization incorporated in Hong Kong. As a partner ministry with ICM HK, the Foundation receives support from sponsors to enable it to carry out its objectives.

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 April 6, 2017, the Foundation obtained its certificate of tax exemption from the Bureau of Internal Revenue valid until April 6, 2020.

The financial statements were approved and authorized for issue by the Foundation's Board of Trustees (BOT) on September 27, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is the Foundation's functional and presentation currency. All amounts are rounded off to the nearest peso, unless otherwise indicated.

The financial statements as at and for the year ended May 31, 2019 are the Foundation's first financial statements prepared in accordance with the Philippine Financial Reporting Standards for Small Entities (PFRS for Small Entities). The Foundation opted to adopt PFRS for Small Entities earlier than its mandatory effective date of January 1, 2019, as allowed by the standard itself and the existing SEC rules and regulations.

In preparing these financial statements, the Foundation's opening statement of financial position was prepared as at June 1, 2017, the Foundation's transition date to PFRS for Small Entities. Adjustments made by the Foundation in restating its previous financial statements prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs), including the statement of financial position as at June 1, 2017, and the financial statements as at and for the year ended May 31, 2018 are reflected in Note 8 of the financial statements.

Financial Instruments

Cash

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

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

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.

<u>Advances to officers and employees</u>
Advances to officers and employees are subject to liquidation. At the end of each reporting period, the carrying amounts of advances are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

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

<u>Prepayments</u>
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.

<u>Property and Equipment</u>
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:

Office equipment	3
Furniture and fixtures	5

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

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

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

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

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

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

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

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

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

Interest Income
Interest income is recognized as it accrues.

Other Income
Other income is recognized when the related services or goods have been rendered or delivered and right to receive payment is established.

Expenses
Expenses are recognized in the statement of revenue and expenses when decrease in future economic benefits related to the decrease in an asset or an increase in liability has arisen and can be measured reliably. These are recognized in the period they are incurred and measured at the amount paid or payable.

Retirement Benefits Cost
The Foundation's retirement benefit obligation is measured using the accrual approach based on the minimum retirement benefits required under Republic Act No. 7641, otherwise known as *The Philippine Retirement Pay Law*. Accrual approach is applied by calculating the expected liability as at reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

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

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

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

Prepayments and security deposits related to the Foundation's lease contracts with terms ending within 12 months after year-end are classified under current assets of the Foundation, otherwise, these are recognized in other noncurrent assets portion in the statement of financial position. Furthermore, the Foundation recognizes all lease payments as expense in profit or loss in the period in which they are incurred.

Provisions
Provisions are recognized when the Foundation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

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

3. **Property and Equipment**

As of May 31, 2019:

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

Net Book Values	₱92,959	₱29,541	₱24,750	₱147,250

As of May 31, 2018:

	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
Beginning balances	₱1,221,873	₱159,034	₱14,871	₱1,395,778
Disposal	(22,000)	–	–	(22,000)
Ending balances	1,199,873	159,034	14,871	1,373,778
Accumulated Depreciation				
Beginning balances	1,153,388	99,581	14,871	1,267,840
Depreciation for the year	52,753	31,807	–	84,560
Disposal	(22,000)	–	–	(22,000)
Ending balances	1,184,141	131,388	14,871	1,330,400
Net Book Values	₱15,732	₱27,646	₱–	₱43,378

The cost of fully depreciated property and equipment that are still in use amounted to ₱1,028,135 and to ₱1,179,205 as of May 31, 2019 and 2018, respectively.

4. Accounts Payable and Others

	2019	2018
Accounts payable	₱–	₱210,441
Accrued salaries	9,044	452,458
Meeting and travel accrued expenses	328,548	503,139
Withholding taxes, SSS, HDMF and PHIC premiums payable	222,979	170,848
	₱560,571	₱1,336,886

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

Other accrued expenses represent incurred charges for meeting, travel, utilities and other services. These are noninterest-bearing and are normally settled within one year.

5. Related Party Transactions

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

a. International Care Ministries (ICM), a nonstock, nonprofit organization having some common directors with the Foundation, provides the operating fund requirements of the Foundation. Donations received from ICM amounted to ₱30,186,080 and ₱25,585,200 for the years ended May 31, 2019 and 2018, 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 some 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. These are fully settled as of May 31, 2019 and 2018.

d. Receivable from ICMFI as of May 31, 2018 pertains to retirement benefit obligation of ICMFI's former employees, who were transferred to the Foundation in August to October 2017, amounting to ₱184,883 (nil as of May 31, 2019).

e. Compensation of the key management personnel is assumed by ICM HK. Required disclosures under Section 26, Related Party Disclosures of PFRS for Small entities are disclosed in the financial statements of ICM HK.

6. Retirement Benefits

The Foundation recognized the amount of retirement benefits for its qualified employees following the minimum requirement benefit required by RA No. 7641 - Retirement Pay Law, using accrual approach (see Note 8).

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

	2019	2018
Balance at beginning of year	**₱3,020,731**	₱3,194,407
Transferred liabilities	–	(184,883)
Provision (reversal)	**740,328**	11,207
Balance at end of year	**₱3,761,059**	₱3,020,731

7. Lease Agreement

In July 2013, the Foundation entered into a lease agreement covering its office space from July 15, 2013 to July 15, 2016. Upon expiry of the lease term, the lease contract was continued on a month to month basis until a new lease agreement was negotiated with new lease term from February 1, 2017 to January 31, 2018. At the expiration of the lease term, the lease contract was renewed with lease term from February 01, 2018 to January 31, 2019. The Foundation transferred to a new office space under a new lessor in November 2018. The new lease agreement has a lease term of 2 years commencing November 1, 2018 to October 31, 2020 which shall be renewed in writing upon mutual agreement of both parties.

Security deposit and prepayment related to the agreement amounted to ₱874,495 and ₱497,695 as of May 31, 2019 and 2018, respectively, presented under "Prepayments and security deposits" account in the statements of financial position.

Rental expense related to office space amounted to ₱2,786,172 and ₱1,972,438 for the years ended May 31, 2019 and 2018, respectively.

8. Transition to PFRS for Small Entities

Under the previous accounting framework, PFRS for SMEs, the Foundation's retirement benefit obligations were calculated on the basis of the projected unit credit method. Under PFRS for Small Entities, the Foundation is required to use the accrual approach to calculate the retirement benefit obligation.

The following reconciliations show the effect of the transition from previous accounting framework (PFRS for SMEs) to the PFRS for Small Entities on the Foundation's equity as at June 1, 2017 and May 31, 2018, and the Foundation's profit for the year ended May 31, 2018.

	May 31, 2018	June 1, 2017
Total fund balance under PFRS for SMEs	**(₱1,383,519)**	(₱3,178,238)
Restatement of provisions for retirement benefit obligation previously charged to profit or loss	**(1,298,795)**	109,321
Total fund balance under PFRS for Small Entities	**(₱2,682,314)**	₱3,068,917

Net loss for the year ended May 31, 2018:

	2018
Net income under PFRS for SMEs	₱1,685,398
Restatement of provisions for retirement benefit obligation	(1,298,795)
Net income for the year under PFRS for Small Entities	₱386,603

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

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes and licenses, fees paid or accrued during the taxable year 2018:

Value-Added Taxes
The Foundation, being a non-stock, non-profit corporation has not engaged in any sale transaction subject to VAT in 2018.

Taxes and License Fees
The Foundation paid business permit amounting to ₱2,000 for 2019 under "Miscellaneous" classified as "Expenses" in the statement of revenue and expenses.

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

	Paid	Accrued
Withholding taxes on compensation and benefits	₱420,113	₱43,565
Expanded withholding taxes	116,129	15,750
	₱536,242	₱59,315

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