COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 0 1 6 7 6

COMPANY NAME

TULAY SA PAG-UNLAD, INC.
(A Microfinance NGO)
(Formerly Tulay Sa Pag-unlad Inc.)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

2363 Antipolo St.
Guadalupe Nuevo, Makati City

Form Type	Department Requiring the Report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8403-8619	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
N/A	4th Monday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Robert Anthony D. Sia	rdsia@tspi.org	8403-8619	N/A

CONTACT PERSON's ADDRESS

#2363 Antipolo St., Guadalupe Nuevo, Makati City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

TULAY SA PAG-UNLAD, INC.
(A Microfinance NGO)
(Formerly Tulay Sa Pag-unlad, Inc.)

FINANCIAL STATEMENTS
December 31, 2022 and 2021

With Independent Auditors' Report

TSPI Tulay sa Pag-unlad, Inc.
(A Microfinance NGO)

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Tulay sa Pag-unlad, Inc. (A Microfinance NGO)** (the "**Organization**") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees (the "Board") is responsible for overseeing the Organization's financial reporting process.

The Board reviews and approves the financial statements including the schedules attached therein and submits the same to the members.

R.G. Manabat & Co., the independent auditors appointed by the members, has audited the financial statements of the Organization in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ATTY. LAMBERTO L. MEER
Chairman of the Board

ALICE Z. CORDERO
Executive Director

MR. RICARDO G. LAZATIN
CFO/Treasurer

Signed this APR 18 2023

BEFORE ME, a Notary Public for and SAN MATEO, RIZAL this APR 18 2023, personally came and appeared the following persons as follows:

Names	Competent Evidence of Identity	Date and Place of Issue
LAMBERTO L. MEER	Philippine Passport No. P5503587A	Jan 4, 2018 / DFA NCR South
ALICE Z. CORDERO	LTO Driver's License No. N02-95-274381	Expires on 2024/02/08
RICARDO G. LAZATIN	Philippine Passport No. P6018993B	Jan. 4, 2021 / NCR South

All known to me and to the same persons who executed the foregoing instrument which they acknowledged before me as their free and voluntary act and deed and the corporation they represent.

WITNESS MY HAND AND SEAL on the date and at the place first above-written.

Doc. No. 123;
Page No. 26;
Book No. IX;
Series of 2023.

LEONARDA BANCOS DIAZ
Notary Public for San Mateo, Rizal Until December 31, 2024
No.4 Kambal Road, Guitnang Bayan II, San Mateo, Rizal 1850
Roll of Attorney's No. 50495 | IBP Lifetime Roll No. 05600/RSM
MCLE Compliance No. VII-0026054/04-14-2025
PTR No. 19168357/SMR/01-09-2023

R.G. Manabat & Co.
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Philippines 1209
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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members
Tulay sa Pag-unlad, Inc. (A Microfinance NGO)
(Formerly Tulay sa Pag-unlad, Inc.)
2363 Antipolo St. Guadalupe Nuevo
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Tulay sa Pag-unlad, Inc. (A Microfinance NGO) (the Organization), which comprise the statements of assets, liabilities and fund balance as at December 31, 2022 and 2021, and the statements of profit or loss and other comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organization 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 No. 15-2010 and Revenue Regulations 34-2020 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 to the basic 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 supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

FLORIZZA C. SIMANGAN
Partner
CPA License No. 0147917
SEC Accreditation No. 147917-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 429-267-284
BIR Accreditation No. 08-001987-150-2022
Issued January 27, 2022; valid until January 26, 2025
PTR No. MKT 9563847
Issued January 3, 2023 at Makati City

April 24, 2023
Makati City, Metro Manila

TULAY SA PAG-UNLAD, INC. (A Microfinance NGO)
(Formerly Tulay Sa Pag-unlad, Inc.)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*6*	**P293,207,767**	P90,373,142
Reserved fund	*7*	**-**	296,410,837
Loans receivable	*8*	**881,909,937**	704,208,081
Other receivables	*9*	**5,327,685**	4,729,957
Due from related parties	*18*	**8,154,075**	7,364,731
Prepayments and other current assets		**3,431,513**	3,996,819
Total Current Assets		**1,192,030,977**	1,107,083,567
Noncurrent Assets			
Property and equipment	*10*	**180,042,051**	186,017,736
Right-of-use asset	*12, 24*	**16,805,085**	16,958,636
Intangible assets	*11*	**10,818,347**	81,077
Retirement asset	*19*	**44,856,692**	36,118,698
Other noncurrent assets	*13*	**8,570,497**	9,572,345
Total Noncurrent Assets		**261,092,672**	248,748,492
		P1,453,123,649	P1,355,832,059
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Clients' capital build up	*5, 14*	**P588,951,610**	P558,403,515
Accounts payable and accrued expenses	*15*	**139,578,384**	146,193,459
Loans payable	*16*	**27,687,072**	5,500,000
Due to related parties	*18*	**5,722**	4,741,683
Funds held in trust	*17*	**25,179,213**	2,860,501
Current portion of lease liabilities	*5, 24*	**12,084,753**	10,951,578
Total Current Liabilities		**793,486,754**	728,650,736
Noncurrent Liabilities			
Deferred tax liabilities - net	*25*	**49,890,659**	45,231,685
Lease liabilities - net of current portion	*24*	**5,575,721**	4,883,528
Total Noncurrent Liabilities		**55,466,380**	50,115,213
Total Liabilities		**848,953,134**	778,765,949
Fund Balance			
Accumulated net income		**394,821,347**	381,693,865
Employee benefit reserve	*19*	**129,921,913**	115,944,990
Revaluation increment on property	*10*	**79,427,255**	79,427,255
Total Fund Balance		**604,170,515**	577,066,110
		P1,453,123,649	P1,355,832,059

See Notes to the Financial Statements.

TULAY SA PAG-UNLAD, INC. (A Microfinance NGO)
(Formerly Tulay Sa Pag-unlad, Inc.)
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2022**	2021
REVENUES			
Interest income calculated using the effective interest method	*8, 20*	**P422,971,321**	P395,398,709
Service income	*20*	**34,647,764**	21,908,602
	20	**457,619,085**	417,307,311
EXPENSES			
Project and operational costs	*21*	**305,222,945**	303,497,527
General and administrative expenses	*22*	**62,093,964**	62,713,050
Impairment losses on loans receivable and other receivables	*8, 9*	**60,022,704**	72,485,665
Interest expense on client's capital build up	*14, 20*	**4,024,366**	3,834,805
		431,363,979	442,531,047
INCOME (LOSS) FROM OPERATIONS		**26,255,106**	(25,223,736)
FINANCE COST	*24*	**(1,208,782)**	(1,704,356)
FINANCE CHARGES	*16*	**(748,921)**	(418,176)
OTHER INCOME - Net	*23*	**6,562,557**	9,480,188
NET OPERATING INCOME (LOSS)		**30,859,960**	(17,866,080)
INCOME TAX COMPROMISE	*4*	**8,224,948**	52,725,622
NET INCOME (LOSS) BEFORE INCOME TAX		**22,635,012**	(70,591,702)
INCOME TAX EXPENSE		**9,507,530**	8,334,049
NET INCOME (LOSS)		**13,127,482**	(78,925,751)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit asset	*19*	**18,635,897**	138,051,064
Tax effect	*19, 25*	**(4,658,974)**	(39,584,288)
Net change in revaluation increment on property	*10*	**-**	28,565,638
Tax effect	*25*	**-**	(7,141,410)
		13,976,923	119,891,004
TOTAL COMPREHENSIVE INCOME		**P27,104,405**	P40,965,253

See Notes to the Financial Statements.

TULAY SA PAG-UNLAD, INC. (A Microfinance NGO)
(Formerly Tulay Sa Pag-unlad, Inc.)
STATEMENTS OF CHANGES IN FUND BALANCE

Years Ended December 31

	Note	Accumulated Net Income	Employee Benefit Reserves (Note 19)	Revaluation Increment on Property (Note 10)	Total Fund Balance
Balance at January 1, 2022		**P381,693,865**	**P115,944,990**	**P79,427,255**	**P577,066,110**
Net income		**13,127,482**	**-**	**-**	**13,127,482**
Other comprehensive income:					
Revaluation increment on property		**-**	**-**	**-**	**-**
Remeasurement of defined benefit asset		**-**	**18,635,897**	**-**	**18,635,897**
Tax effect	*25*	**-**	**(4,658,974)**	**-**	**(4,658,974)**
Total comprehensive income		**13,127,482**	**13,976,923**	**-**	**27,104,405**
Balance at December 31, 2022		**P394,821,347**	**P129,921,913**	**P79,427,255**	**P604,170,515**
Balance at January 1, 2021		P460,619,616	P17,478,214	P58,003,027	P536,100,857
Net loss		(78,925,751)	-	-	(78,925,751)
Other comprehensive income:					
Revaluation increment on property		-	-	28,565,638	28,565,638
Remeasurement of defined benefit asset		-	138,051,064	-	138,051,064
Tax effect	*25*	-	(39,584,288)	(7,141,410)	(46,725,698)
Total comprehensive income (loss)		(78,925,751)	98,466,776	21,424,228	40,965,253
Balance at December 31, 2021		P381,693,865	P115,944,990	P79,427,255	P577,066,110

See Notes to the Financial Statements.

TULAY SA PAG-UNLAD, INC. (A Microfinance NGO)
(Formerly Tulay Sa Pag-unlad, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) before income tax expense		**P30,859,960**	(P17,866,080)
Adjustments for:			
Interest and service income	*20*	**(457,619,085)**	(417,307,311)
Impairment losses on loans receivable and other receivables	*8, 9*	**(60,022,704)**	(72,485,665)
Depreciation and amortization	*10, 11, 12*	**23,795,405**	25,417,736
Retirement expense	*19*	**9,897,903**	14,798,413
Interest expense on client's capital build-up	*14, 20*	**4,024,366**	3,834,805
Interest expense on lease liability	*24*	**1,208,782**	1,704,356
Gain from disposal of property and equipment	*10, 23*	**(430,624)**	(330,669)
Recovery of previous impairment loss on property and equipment	*10*	**-**	(7,997,076)
Operating loss before working capital changes		**(448,285,997)**	(470,231,491)
Changes in:			
Reserved fund	*7*	**296,410,837**	(296,410,837)
Loans receivable		**(117,701,856)**	196,194,726
Other receivables		**(575,023)**	2,579,168
Due from related parties		**(789,344)**	(111,826)
Prepayments and other current assets		**565,306**	(2,084,170)
Clients' capital build-up		**30,548,095**	2,348,341
Accounts payable and accrued expenses		**(6,395,399)**	(18,298,362)
Due to related party		**(4,735,961)**	(1,846,645)
Funds held in trust		**22,318,712**	1,461,480
Net cash used in operations		**(228,640,630)**	(586,399,616)
Interest received	*20*	**457,619,085**	417,307,311
Income tax compromise		**(8,224,948)**	(52,725,622)
Income tax paid		**(9,425,426)**	(8,356,984)
Interest paid		**(4,326,147)**	(3,856,805)
Net cash provided by (used in) operating activities		**207,001,934**	(234,031,716)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of restricted investments		**-**	55,685,618
Proceeds from disposal of noncurrent assets		**444,986**	2,041,434
Acquisitions of property and equipment and intangible assets	*10*	**(13,068,388)**	(679,745)
Proceeds from disposal of property and equipment and intangible assets	*10, 23*	**430,659**	330,752
Net cash (used in) provided by investing activities		**(12,192,743)**	57,378,059

Forward

		Years Ended December 31	
	Note	**2022**	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans payable		**P27,687,072**	P5,500,000
Payment of lease liability	*24*	**(14,161,638)**	(18,186,744)
Payments of loans payable		**(5,500,000)**	(6,100,000)
Net cash provided by (used in) financing activities		**8,025,434**	(18,786,744)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**202,834,625**	(195,440,401)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**90,373,142**	285,813,543
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P293,207,767**	P90,373,142

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Tulay Sa Pag-unlad, Inc. (A Microfinance NGO) (TSPI or the Organization), was registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1981. Its mission is to provide individuals, families and communities the opportunity to experience fullness of life in Christ through Christian micro-enterprise development.

On June 21, 2018, the Board of Trustees and members amended the Organization's Articles of Incorporation and By-laws and approved the change of the Organization's corporate name from "Tulay Sa Pag-unlad, Inc." to "Tulay Sa Pag-unlad, Inc. (A Microfinance NGO)". On June 27, 2018, the SEC approved the amendment of the Organization's corporate name.

With the effectivity of Republic Act (RA) 10693 or Microfinance NGOs Act (the Act) in November 2016 and at least for the first year of implementation, the Organization is required to pay two percent (2%) gross receipts tax on all microfinance activities in lieu of income taxes and all national taxes, provided that the Organization has no derogatory record with the SEC. Accreditation with the Microfinance NGO Council is required for the Organization to be exempt from income and all national taxes beyond the initial year of implementation of the Act.

The Organization was granted a 3-year accreditation by the Microfinance NGO Regulatory Council (MNRC) on May 15, 2022 valid until May 14, 2025. A certification of no derogatory record from SEC was also issued to the Organization on February 2, 2023.

The Organization's head office address is at 2363 Antipolo St., Guadalupe Nuevo, Makati City. As at December 31, 2022 and 2021, the Organization has 120 branches and head office, respectively.

The Organization currently administers the following programs and services:

<u>Microfinance for Livelihood</u>
These are loans that are aimed at assisting poor households in sustaining or growing their business, including marginalized farmers for cheaper source of production capital.

1. TSPI Kabuhayan (Livelihood) Program (TKP)
   This is a livelihood assistance program that provides collateral-free loans of up to P50,000 with an option for same-day release for fixed loan amounts, payable from three to six months on a weekly basis. To qualify, individuals with livelihood or microenterprise operating for at least three months must join other borrowers to form a group of up to 30 members. The group is committed to joint responsibility on individual loan of members, as a way of instilling credit discipline and fostering group solidarity. Clients are provided access to microinsurance products and other loan programs such as healthcare, education, housing and sanitation.

2. TSPI Programang Pang-agrikultura (TPP)
   This is an agriculture lending program that offers production loan for rice, corn and high-value crops. It provides small farmers with more affordable funds for the cost of farming inputs and labor up to P150,000 for rice and corn for a maximum of five hectares and for High-value crops. Generally, the loan is payable in lump sum at the end of the cropping season or in multiple payments during harvest for high-value crops. To qualify, members must be part of a group of at least three members. The group is committed to joint responsibility on individual loan of members, as a way of instilling credit discipline and fostering group solidarity. Clients are provided access to micro insurance products. They also have access to other loan programs for water pump installation, other agri-related livelihood activities, healthcare, housing, and sanitation. It may be covered by crop insurance in partnership with the Philippine Crop Insurance Corporation (PCIC). TPP loans are guaranteed in partnership with Agricultural Guarantee Fund Pool (AGFP).

3. TSPI Maunlad Program (TMP)
   This is a loan program offered to microentrepreneurs who have higher capital requirement. It is open to both existing TKP clients and new clients with business that has been continuously operating for at least two years and a business capital of at least P60,000. TMP offers loans maximum amount of P300,000, payable in twelve months with option to pre-terminate after six months. The repayment schedule is flexible with weekly, semi-monthly and monthly options based on client's cash flow. Collateral is required only for loans above P100,000. Clients are also provided access to microinsurance products and other loan programs such as healthcare, education, housing and sanitation.

4. Multi-purpose Loan
   These are loans that are intended for personal and household use e.g. for education, healthcare, housing and sanitation.

5. Credit Line Facility
   This is a new loan program which allows eligible clients to avail additional loan over an extended period of time rather than re-apply for a loan each time they need funding. It gives them the flexibility to draw a portion of the approved loan amount, as long as the line remains open. This is mostly useful for operating purposes, especially for any business experiencing sharp fluctuations in their cash flows and some unexpected large expenses. This covers the TKP and TMP loan programs. The credit limit is up to Php50,000 for TKP and Php300,000 for TMP, with 1-year credit term.

<u>Microfinance for Social Development</u>
These are social welfare loans that are not for the purpose of generating revenue for the clients but to contribute to their productivity and address their vulnerabilities, with interest rates less than that of livelihood loans:

1. Housing Improvement and Sanitation Loan Program (HISLP)
   This is a loan facility for housing and toilet improvement, water source installation and electrical connection fee. Loan amount ranges depending on the available maximum exposure per program payable from six months to three years.

2. Educational Loan Assistance Program
   This program offers loans for any school-related expenses of clients' children who are in pre-elementary to post-graduate level. The amount of loan depends on the educational level, at a maximum of P20,000 payable in three to six months, with a weekly repayment schedule. Special training courses for clients and immediate family members can also be covered by this program.

3. Healthcare Loan Program
   This program is offered to clients in partnership with Philhealth through its program for organized groups. This gives members and their dependents access to personal healthcare services. Clients have the option to pay their health insurance premium through TSPI, either in the form of cash deposit, withdrawal of capital build-up (CBU) or loan payable up to six months, with weekly repayment.

4. Micro-insurance Loan Program for LPIP and LMIP
   This program offers additional life insurance coverage to clients and their immediate relatives. The loan amounts are equivalent to the premium of Life Plus and Life Max insurance packages. The loan is payable in three or six months with weekly, semi-monthly and monthly payment.

5. Micro-insurance (MI) Premium Loan Program *(or ETNEB Loan)*
   This is loan program offered to the members of any Organized Groups (OGs) within the area where TSPI operates. It allows clients to loan basic life micro-insurance policies including contribution for the capital build-up, payable in P20 pesos semi-monthly amortization for one year.

<u>Others</u>

1. <u>Special Loan Payment Options (SLPO)</u>
   As support to their clients amidst the impact of Corona Virus Disease 2019 (COVID-19) pandemic, the Organization implemented various payment options, which the borrowers may avail effective from May 1, 2020 to September 30, 2020. The borrowers may choose from the following payment options: (1) Loan Payment Extension; (2) Loan Reset; (3) Loan Extension; (4) Top-Up loan 2.0.

   These payment options, supplemental to the payment relief and grace period provided for under the Bayanihan Act, will allow our clients to choose their payment option suited to their current financial capacities, to help them recuperate from the financial burden brought by the pandemic.

   These options are available for all clients with active loans as of February 29, 2020 and all loans with amortization which are due during the period from March 16 to December 31, 2020. This program is extended and still in effect as of December 31, 2021.

2. Basis of Preparation

<u>Statement of Compliance</u>
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis except for the following items, which are measured on another basis at each reporting date.

Items	Measurement Basis
Property and equipment (land, buildings and improvements)	Revalued amount
Retirement asset	Fair value of plan assets less present value of the defined benefit obligation
Lease liability	Present value of cash flows discounted using the Organization's incremental borrowing rate

Functional and Presentation Currency
The financial statements of the Organization are presented in Philippine peso (PHP), which is also the Organization's functional currency. All financial information presented in PHP have been rounded off to the nearest PHP, unless otherwise indicated.

The accompanying financial statements were approved for issuance by the Board of Trustees (BOT) during its regular meeting on April 11, 2023.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Organization to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards
The Organization has adopted the following amended standards as part of PFRSs starting January 1, 2022 and, accordingly changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Organization's financial statements.

Effective April 1, 2021

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16, *Leases*). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

Effective January 1, 2022

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, however, only two (2) amended standards are applicable to the Organization which are:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

<u>Amended Standards Not Yet Adopted</u>
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Organization has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Organization's financial statements.

Effective January 1, 2023

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2 Making Materiality Judgements). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time

Financial Instruments

Date of Recognition

Financial instruments are recognized in the statements of assets, liabilities and fund balance when the Organization becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification and Measurement

Financial Assets

PFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

PFRS 9 includes three principal classification categories for financial assets based on measurement principles: amortized cost, FVOCI and fair value through profit or loss (FVPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Organization may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by- investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. In addition, on initial recognition the Organization may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

As at December 31, 2022 and 2021, the Organization has no financial assets and financial liabilities at FVPL and financial assets at FVOCI.

Financial Assets Measured at Amortized Cost
Debt financial assets meeting the hold to collect business model and contractual terms that are SPPI are measured initially at fair value plus transaction costs. These financial assets are subsequently measured at amortized cost using the effective interest method less any impairment value, with the interest calculated and recognized as "Interest income calculated using the effective interest method" presented under "Revenues" in profit or loss.

As at December 31, 2022 and 2021, the Organization's financial assets measured at amortized cost consist of:

- Cash and Cash Equivalents - comprises cash balances (excluding cash on hand) and all deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in value, and are used by the Organization in the management of its short-term commitments (see Note 6).

- Reserved fund - represents funds appropriated and committed for loan releases as part of business continuity plan of the Organization (see Note 7).

- Loans Receivables - represents interest-bearing loans granted to individuals as well as small, cottage-scale and micro-entrepreneurs under various programs (see Note 8).

- Other Receivables - are receivables which generally include receivables from employees (including separated) and accrued interest receivable (see Note 9).

- Due from Related Parties - includes receivable of service fee amounting to 15% of premiums collected on behalf of TSPI Mutual Benefit Association, Inc. (TSPI MBAI) (see Note 18).

- Other Noncurrent Assets - consists of rental deposits and other noncurrent receivables of the Organization (see Note 13).

Business Model in Managing Financial Assets
Business model pertains to the manner by which a portfolio of financial assets is managed to generate cash flows such as by collecting contractual cash flows or by both collecting contractual cash flows and selling the financial assets, among others. The Organization determines the business model for a portfolio of financial assets based on scenarios that are reasonably expected to occur. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Organization’s management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Organization’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

Assessment whether Contractual Cash Flows are SPPI
For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Organization considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Organization considers:

- contingent events that would change the amount and timing of cash flows;

- leverage features;

- prepayment and extension terms;

- terms that limit the Organization’s claim to cash flows from specified assets - e.g., non-recourse asset arrangements; and

- features that modify consideration for the time value of money - e.g., periodic reset of interest rates.

The Organization assessed that its financial assets are held until maturity to collect the principal and interest when these mature.

<u>Financial Liabilities</u>
Classification and Subsequent Measurement
Financial liabilities are initially recognized at fair value. Transaction costs are deducted from the initial measurement of the Organization’s financial liabilities except for debt instruments classified at FVPL.

Financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

As at December 31, 2022 and 2021, the Organization's financial liabilities consist of:

- Client's Capital Build Up - represents mandatory deposit of members (clients) for them to avail of Organization's program, which are refunded (released/returned) once the members withdraw from the programs of the Organization (see Note 14).

- Accounts Payable and Accrued Expenses - include liabilities incurred from operations, salaries, wages and employee benefits and other amounts payable by the Organization within one-year. Financial liabilities under accounts payable and accrued expenses exclude amounts payable to government agencies (see Note 15).

- Loans Payable - are loans from commercial banks, financial institutions and government organizations which are secured by assignment of certain loans receivable portfolio (see Note 16).

- Due to Related Parties - are loan payments of TSPI employees and insurance premiums of clients and TSPI employees collected on behalf of TSPI Cooperative and TSPI MBAI, respectively (see Note 18).

- Fund Held in Trust - funds received from various funding entities and non-government organizations with a conditional promise to contribute. This is classified as liability until the conditions of the grantor have been substantially met or the conditions have been explicitly waived by the funding organizations (see Note 17).

- Lease liabilities - refers to the Organization's obligation for its lease payments on its branches (see Note 24).

<u>Identification and Measurement of Impairment</u>
Expected Credit Loss (ECL) model of PFRS 9 model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognized. Consequently, more timely information is required to be provided about expected credit losses.

The Organization uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that a financial instrument was initially recognized and compared that to the credit risk at the date of initial recognition.

The Organization applies the simplified approach in providing for expected credit losses. To measure the expected credit losses, the Organization use the provision matrix in the form of aging analysis, including relevant forward-looking information.

The Organization recognizes allowance for ECL on the following financial instruments that are not measured at FVPL:

- financial assets that are debt instruments measured at amortized cost or FVOCI; and

- loan commitments and financial guarantee contracts issued (previously, impairment was measured under PAS 37).

Under PFRS 9, no impairment loss is recognized on equity investments as at December 31, 2022 and 2021.

PFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month ECLs or lifetime ECLs. The Organization measures loss allowance at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The 12-month ECLs are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls - i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Organization expects to receive;

- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Organization if the commitment is drawn and the cash flows that the Organization expects to receive from this commitment; and

- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Organization expects to recover.

Financial assets that are credit-impaired are defined by PFRS 9 in a similar way to financial assets that are impaired under PAS 39.

Inputs into Measurement of ECLs
The key inputs into the measurement of ECLs are - in general - the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived - alone or together - from internally developed statistical models based on own historical data or derived from available market data.

For the Organization's portfolio, LGD is used to measure the potential losses of defaulted accounts after considering historical recoveries. LGD is then computed by 1 less net recovery over the total outstanding balance. PD pertains to the average of net flow rate. EAD is the outstanding balance of the loans broken down into its repayment schedule. ECL is computed as the product of EAD, PD and LGD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments were grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition; and
- remaining term to maturity.

The grouping is subject to regular review to ensure that exposures within a particular Organization remain appropriately homogeneous.

External benchmark information is used for portfolios in respect of which the Organization has limited historical data to supplement the internally available data.

Forward-looking Information
Under PFRS 9, the Organization incorporates forward-looking information into assessment of whether the credit risk of an instrument has increased significantly since initial recognition and - where possible - as part of measurement of ECLs. External information used may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Organization operates (i.e., Bangko Sentral ng Pilipinas, Trading Economics and Statista). Internal information then consists of both portfolio and vintage risk parameters and calibrated clients scoring models and functions.

The Organization uses data based on availability and credibility of sources - an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. The key external drivers may include variables such as interest rates, unemployment rates, inflation rates, gross domestic product growth rates, foreign exchange rates and other macroeconomic variables and their forecasts.

Definition of Default
Under PFRS 9, the Organization considers a financial asset to be in default when there is available information that:

- the borrower is unlikely to pay its credit obligations to the Organization in full, without recourse by the Organization to actions such as realizing security (if any is held); or

- the borrower is more than 90 days past due on the respective significant credit obligation to the Organization. The Organization considered more than 30 days past due as overdraft/default in the ECL model used.

In assessing whether a borrower is in default, the Organization considers indicators that are:

- qualitative: e.g., breaches of covenant;
- quantitative: e.g., overdue status; and
- based on data developed internally and obtained from external sources (e.g., insolvency or bankruptcy loan registers).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Probability Weighted Expected Credit Loss
ECL is the weighted estimated value of the credit loss within the expected lifetime of the financial instruments. The Organization reflects the ECL of the financial instruments measured by the following means:

a. the unbiased and probability-weighted amount determined by evaluating various possible results;
b. the time value of money; and
c. the reasonable and supportable information related to the previous events, current condition and prediction of future economic condition.

The Organization adopts the ECL model in measuring credit impairment. In this respect, the Organization recognizes credit impairment even before an objective evidence of impairment becomes apparent. The Organization considers past events, current conditions and forecasts of future economic conditions in assessing impairment.

Credit exposures are classified into three stages of credit impairment with corresponding time horizons in measuring ECL (see Note 5).

Movement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Organization expects to receive).

ECLs are discounted at the Effective Interest Rate (EIR) of the financial assets.

Credit-impaired Financial Assets
At each reporting date, the Organization assesses whether financial assets carried at amortized cost are credit-impaired. The financial asset is “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or being more than the normal credit terms of the Organization;
- the restructuring of a loan or advance by the Organization on terms that the Organization would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowance for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The write-off policy of the Organization requires that the outstanding amount of a loan shall be written off if there is any instalment overdue for 360 or more days. However, the loan shall remain in the Organization's statements of assets, liabilities and fund balance even after 360 days of non-payment if it is probable that the loan will be sold in a near future, or significant recoveries are expected. In such case, the loan outstanding amount shall be derecognized at the moment of the sale or later as soon as no significant recoveries are expected.

Restructured Loans
Where possible, the Organization seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Organization also reassesses whether there has been a significant increase in credit risk and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

ECL - Sensitivity Analysis
The uncertainty of the impact of COVID-19 introduces significant estimation certainty in relation to the measurement of the Organization's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance in future financial years. Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Organization should be considered as a best estimate within a range of possible estimates.

Presentation of Allowance for ECL in the Statements of Assets, Liabilities and Fund Balance
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Derecognition of Financial Instruments
Financial Assets
The Organization derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of the ownership of the financial asset are transferred or in which the Organization neither transfers nor retains substantially all of the risk and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of: (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that had been recognized in profit or loss.

Financial Liabilities
Financial liabilities are removed from the statements of assets, liabilities and fund balance when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expired. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

Offsetting
Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets, liabilities and fund balance if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, thus the related assets and liabilities are presented gross in the statements of assets, liabilities and fund balance.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Determination of Fair Value
When measuring the fair value of assets or liabilities, the Organization uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy, when applicable, is recognized at the end of the reporting period during which the change has occurred.

The Organization recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

‘Day 1’ Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Organization recognizes the difference between the transaction price and fair value (a ‘Day 1’ difference) in profit or loss in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Organization determines the appropriate method of recognizing the ‘Day 1’ difference.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization, and impairment loss, if any, except for land and buildings and improvements which are carried at revalued amounts. The revalued amount is the fair value determined on the basis of existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses, if any. Revaluations, using market data and cost approach, are performed by independent professional appraisers with sufficient regularity to ensure that the carrying amounts of these assets do not differ materially from that which would be determined using fair values at the financial reporting date.

The frequency of revaluation depends upon the changes in fair values of the items of property and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three (3) or five (5) years.

Any increase in the revaluation of land and building is credited to the “Revaluation increment on property” under fund balance unless it offsets a previous decrease in value of the same asset recognized in profit or loss. A decrease in value is recognized in profit or loss when it exceeds the increase previously recognized in the revaluation increment. No transfer will be made on the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost from revaluation increment on property to accumulated net income. Upon disposal, any related revaluation increment is transferred from the revaluation increment to Accumulated net income and is not taken into account in arriving at the gain or loss on disposal.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable cost in bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Organization. Costs of day-to-day servicing of an asset are recognized in profit or loss as incurred.

Depreciation and amortization are recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

	Number of Years
Office buildings and improvements	25
Office equipment	5
Computer equipment	3
Furniture and fixtures	5
Transportation equipment	5
ROU assets	Lease term
Leasehold improvements	Lesser of lease term or useful life, not to exceed 5 years.

The estimated useful lives, depreciation and amortization methods and residual values are reviewed periodically and adjusted, if appropriate, to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the property and equipment accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates. The depreciation and amortization expense on property and equipment is recognized in profit or loss in the expense category consistent with the function of the property and equipment.

When an asset is disposed of or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and related accumulated depreciation and amortization, and any allowance for impairment are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss. The resulting gain or loss is recorded as gain from disposal of property and equipment presented under “Others income - net” in profit or loss.

Intangible Assets

Computer software is initially measured at cost which is comprised of costs incurred to acquire the computer software (not an integral part of its related hardware) and bring it to its intended use. All other costs of developing and maintaining computer software are recognized as expense when incurred.

Subsequently, computer software is measured at cost less amortization and impairment, if any. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the computer software, from the date that they are available for use, not to exceed three (3) years.

When assets are retired or otherwise disposed of, both the cost and related accumulated amortization and any allowance for impairment are removed from the accounts. Any gains or losses arising from the retirement or disposal of an item of computer software determined as the difference between the estimated net disposal proceeds and the carrying value of the asset are recognized in profit or loss on the date of retirement or disposal. The resulting gain or loss is recorded as gain from disposal of intangible assets presented under “Others income - net” in profit or loss.

Impairment of Nonfinancial Assets

At each reporting date, the Organization assess whether there is any indication that nonfinancial assets (such as investment properties, property and equipment and intangible assets) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Organization make a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is recognized in profit or loss in the period in which it arises. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Clients' Capital Build-up

Clients' capital build-up is recognized upon collection from members. Interest expense of one percent (1%) on clients' capital build up is recognized when incurred. It is given back to clients once the clients withdraw their membership from the Organization.

Funds Held in Trust

Funds received from various funding agencies with a conditional promise to contribute them are recognized in the books as "Funds held in trust", classified as liability until the conditions of the grantor have been substantially met or the conditions have been explicitly waived by the funding agencies.

Retirement Benefits

The Organization's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Organization, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurement of defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Organization determines the net interest expense (income) on the defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability (asset), taking into account any changes in the defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

The Organization recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Early Retirement Benefits
Early retirement benefit is allowed by the Organization, members who retire prior to the normal retirement date shall receive an amount equal to a percentage of the plan salary for every year of credited service in accordance with the following vesting schedule:

Years of Service	Percentage
Less than 10 years	0%
10 but less than 12	75%
12 but less than 15	80%
15 but less than 20	95%
20 years and over	100%

Normal and Late Retirement Benefits
Normal and late retirement benefits is equal to the sum equivalent to 100% of plan salary for every year of credited service.

Fund Balance
Accumulated Net Income
Accumulated net income represents the cumulative balance of the net income or loss of the Organization, and the transition impact of the new standards.

Employee Benefit Reserve
Employee benefit reserve represents the accumulated actuarial gains and losses from the remeasurement of the defined benefit liability.

Revaluation Increment on Property
Revaluation increment on property pertains to the accumulated increase or decrease in the carrying amount of land and building and improvements which are recognized in other comprehensive income as a result of revaluation.

Revenue Recognition
Under PFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

Revenue Streams
The Organization generates revenue primarily from the interest income earned from its lending transactions. Other sources of revenue include grants and income from service fees. Grant and income from service fees fall under PFRS 15 while interest income (under certain programs) is under PFRS 9.

a. Grants - are funds received from various funding agencies without donor-imposed conditions are recognized as revenue in profit or loss when the right to receive is established. Grants are initially recorded as “Funds held in trust” in the statements of assets, liabilities and fund balance and are recognized as revenue upon its utilization for their intended purpose and satisfaction of donor-imposed conditions.

b. Income from Service Fees - pertains to revenues not within the regular course of business and subject to 25% regular corporate income tax in 2022. These are recognized at a point in time when the related services are performed.

Revenue Out of Scope of PFRS 15
Interest Income - from certain loans receivable programs which are share recognized on an accrual basis using the EIR method. The EIR of a financial instrument is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (e.g., prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recognized as interest income in profit or loss.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR to discount future cash flows.

Expense Recognition
Expenses are recognized upon utilization of services or at the date they are incurred.

Expenses are recognized when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Finance Charges
Interest expense on loans payable are recognized in profit or loss when incurred.

Interest Expenses
Interest expense on capital build-up which are recognized in profit or loss.

Project and Operational Cost
Project and operational cost are expenses incurred on the related project from which the grants were received.

General and Administrative Expenses
General and administrative expenses are recognized when incurred.

Finance Cost
Finance cost represents the interest expense impart to the recording of settlement of lease liability on the Organization's leased premises.

Leases
At inception of a contract, the Organization assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Organization assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Organization has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

- the Organization has the right to direct the use of the asset. The Organization has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decision about how and for what purpose the asset is used in predetermined, the Organization has the right to direct the use of the asset if either:

    - the Organization has the right to operate the asset; or

    - the Organization designed the asset in a way that predetermines how and for what purpose it will be used.

The Organization as a Lessee
At commencement or on modification of a contract that contains a lease component, the Organization allocates the consideration in the contract to each lease components on the basis of its relative stand-alone prices.

The Organization recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. A lessee applies PAS 36 to determine whether the ROU asset is impaired.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Organization's incremental borrowing rate. Generally, the Organization uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Organization is reasonably certain to exercise, lease payments in an optional renewal period if the Organization is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Organization is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payment arising from a change in an index or rate, if there is a change in the Organization's estimate of the amount expected to be payable under a residual value guarantee or if the Organization changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero or the change in the lease liability relates to variable lease payment that does not depend on an index or rate.

Short-term Leases and Leases of Low-value Assets
The Organization decided to apply the recognition exemptions to short-term leases and low value items amounting to at most P0.25 million. The Organization recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term which is recorded under “Rent, utilities and maintenance” in profit or loss.

COVID-19-related Rent Concessions
The Organization applied the practical expedient related to COVID-19-Related Concessions allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Organization applied the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Organization chose not to apply the practical expedient, or that do not qualify for the practical expedient, the Organization determined whether there were lease modifications.

<u>Income Taxes</u>
Current Tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess of MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Organization expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date, and reflects uncertainty related to income taxes, if there is any.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Final Tax
Interest income from cash on hand and in banks and financial assets, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are included in 'Income tax expense (benefit)" account in profit or loss.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of other receivables and accounts payable and accrued expenses in the statements of assets, liabilities and fund balance.

Provisions
Provisions are recognized when the Organization has a present legal or constructive obligation 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Organization's position at the reporting date (adjusting events) are recognized in the financial statements. Post year-end events that are not adjusting events are disclosed in notes to the financial statements when material.

4. Critical Accounting Judgments and Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors including expectations of future date that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

The following are the critical judgments and key estimates and assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year and/or in future periods:

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

Assessing Lease Agreements
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires assessment of whether the fulfilment of the arrangement is dependent on the use of specific asset and the arrangement conveys a right to use the asset.

Short-term Leases and Leases of Low-value Assets
The Organization elected not to recognize ROU assets and lease liabilities for short term lease of 12 months or less and the low value assets, defined as those items below P0.25 million.

Determining whether the Organization is Acting as Principal or an Agent
The Organization assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Organization has primary responsibility for providing the services; and

- whether the Organization has discretion in establishing prices.

If the Organization has determined it is acting as a principal, the Organization recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Organization has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Organization has determined that it is acting as principal in its revenue arrangements.

Classifying Financial Assets into Principal Measurement Categories
The Organization classifies a financial asset into principal measurement category based on both the Organization's business model for managing the financial asset and contractual cash flows characteristics of the financial asset such as the assessment if the financial asset met the criteria for it to be considered as held SPPI to the Organization, rather than the intention of management. The implementation of a business model approach and the SPPI criterion requires judgment to ensure that the financial asset is classified into the appropriate category. Deciding whether the SPPI criterion is met will require assessment of contractual provisions that do or may change the timing or amount of contractual cash flows - e.g., prepayment features.

Determining whether an Arrangement Contains a Lease
The Organization uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Organization.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments on operating leases are recognized under “Project and operational costs” and “General and administrative expenses” in profit or loss and as disclosed in Notes 22 and 23, respectively, to the financial statements on a straight-line basis over the lease term.

Rent expense charged to “Project and operational costs” account amounted to P7.36 million in 2022 and P5.64 million in 2021 (see Note 24). While rent expense recognized under “General and administrative expenses” amounted to P0.01 million in 2022 and 2021 (see Note 24).

<u>Estimates</u>

Estimating Incremental Borrowing Rate

The Organization uses its incremental borrowing rate as the discount rate in measuring its lease liability of new lease contracts. The Organization determines its incremental borrowing rate through its most appropriate borrowing rate from its loans from different banks. The rate reflects how the Organization (acting as a lessee) would obtain financing to procure a similar asset. The incremental borrowing rate used is the average borrowing rate from the banks.

Measurement of ECL under PFRS 9

The Organization’s ECL is based on a probability-weighted estimate of credit losses. ECL on financial assets that are not credit-impaired at the reporting date is measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Organization expects to receive). For financial assets that are credit-impaired at the reporting date, the ECL is measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

Key inputs into the measurement of ECL include PD, LGD and EAD adjusted for forward looking factors from external and internal information. External information used may include economic data and forecasts published by governmental bodies and selected private sector and academic forecasters. Internal information then consists of both portfolio and vintage risk parameters and calibrated clients scoring models and functions.

As at December 31, 2022 and 2021, the Organization has considered gross domestic product, inflation, unemployment, foreign exchange and poverty index growth rates as external driver into the ECL calculation process and the calculated result was deemed immaterial, therefore, it was not reflected in the financial statements.

Considering the COVID-19 pandemic that started in 2020, the Organization needed to apply certain adjustments on the estimation of parameters and assumptions in order to account for the impact of this unforeseen event. The general methodology for the ECL calculation remains the same however, the projection of the forward looking components was updated. The Organization used the most recent supportable and available information to establish the probable effects of the pandemic to the performance of the Organization’s exposures. Furthermore, the scenario weights were also adjusted giving a bigger probability weight to the pessimistic scenario to account for the uncertainties brought by the pandemic. The Organization also identified loan programs that are vulnerable to the impact of COVID-19 and these were subjected to impairment assessment per program. These accounts are monitored closely paying more attention to their actual performance during the year.

Such estimation of the ECL may not be representative of the actual default in the future. The allowance for impairment losses on the Organization's financial assets at amortized cost amounted to P147.02 million and P223.35 million as at December 31, 2022 and 2021, respectively (see Notes 8 and 9).

Estimating Useful Lives of Property and Equipment, Intangible Assets and ROU Assets

The Organization reviews annually the estimated useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment and intangible assets would increase the recorded depreciation and amortization expenses and decrease noncurrent assets of both current and future periods.

As at December 31, 2022 and 2021, the carrying amount of the Organization's property and equipment amounted to P180.04 million and P186.02 million, respectively (see Note 10).

The carrying value of the Organization's intangible assets with finite useful lives amounted to P10.82 million and P0.08 million as at December 31, 2022 and 2021, respectively (see Note 11).

The carrying amount of the Organizations' ROU assets amounted to P16.81 million and P16.96 million as at December 31, 2022 and 2021, respectively (see Note 12).

Determining Fair Value of Land and Building

The Organization initially measures its land and building under "Property and equipment" in the statements of assets, liabilities and fund balance at cost and subsequently measured at fair value. Any change in such fair value is recognized in other comprehensive income and accumulated in fund balance under "Revaluation increment in property" in the statements of assets, liabilities and fund balance. The fair value is dependent on the selection of certain assumptions by the appraiser. The appraiser used the cost approach to determine the fair values, except for a building located in a commercial area, where the market data approach was used.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. An increase in carrying amount as a result of revaluation, however, shall be recognized in other comprehensive income to the extent of the amount accumulated in fund balance under "Revaluation increment in property" account.

The carrying value of the Organization's land and building lodged in the "Property and equipment" account amounted to P178.32 million and P183.43 million as at December 31, 2022 and 2021, respectively (see Note 10).

Impairment of Nonfinancial Assets
The Organization assesses impairment on its property and equipment and intangible asset with definite useful life whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Organization considers important which could trigger an impairment review include the following:

- Significant underperformance relative to the expected historical or projected future operating results;

- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and that of its value in use. The fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Organization is required to make estimates and assumptions that can materially affect the financial statements.

As at December 31, 2022 and 2021 there were no indications of impairment on the Organization's property and equipment, intangible assets and ROU assets.

Retirement Benefits
The determination of the net defined benefit obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates, expected return on plan assets and salary increase rates.

While the Organization believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligation.

As at December 31, 2022 and 2021, the Organization's retirement asset amounted to P44.86 million and P36.12 million, respectively (see Note 19).

Provisions and Contingencies
The Organization, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

As at December 31, 2021, the Organization submitted its Offer of Compromise Settlement in relation to Income Tax (IT), Value-Added Tax (VAT) and Documentary Stamp Tax (DST) and Abatement and/or Cancellation of interest penalties relative to Expanded Withholding Tax (WE) and Withholding Tax on Compensation (WC). As of date, the Organization is awaiting resolution of the local tax authorities.

5. Financial Risk Management, Fund Management and Fair Value Measurement

Risk Management Framework
The BOT of the Organization has overall responsibility for the establishment and oversight of the risk management framework. The oversight function is carried out through its Board committees: 1) Audit and Compliance Committee (ACC), 2) Risk Committee and Executive Committee (ExeCom). These committees perform its tasks mainly through regular meetings held every two months.

The Organization's risk management policies are established to identify and analyze the risks faced by the Organization, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Organization, through its training program and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The senior management is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Organization.

In the ordinary course of business, the Organization is exposed to the following financial risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

There are no changes in the risk assessment on the objectives, policies and manner of how the Organization manages these risks in 2022 and in 2021.

a. *Credit Risk*
Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables from borrowers. The Organization manages its credit risk by setting limits for individual borrowers and group of borrowers. It also monitors credit exposures, and continually assesses the credit worthiness of counterparties. In addition, the Organization obtains security where appropriate, enters into collateral arrangements with counterparties and limits the duration of the exposures. Moreover, certain loans are guaranteed by co-makers or by the group to which the individual belongs.

To further mitigate the risk for its TPP program the Organization has also partnered with the Agricultural Guarantee Fund Pool (AGFP), a pool of contributions from the National Government and various government-owned and controlled corporations. Specifically, the AGFP provides an 85% guarantee cover on the principal balance of the TPP loan at the time of claim but not to exceed the amount of credit ceiling per commodity as set by the AGFP Governing Board. The Organization shall be charged a guarantee fee based on the amount of loan.

The Organization's policy towards credit risk management remains the same from prior year.

Exposure to Credit Risk
The following summarizes the Organization's quantitative credit risk information as at December 31, 2022 and 2021.

The carrying amount of financial assets represents the maximum credit risk exposure. The Organization's maximum exposure to credit risk as at December 31 follows:

	Note	2022	2021
Cash and cash equivalents*	*6*	**P282,582,995**	P84,097,558
Reserved fund**	*7*	**-**	296,410,837
Loans receivable - net	*8*	**881,909,937**	704,208,081
Other receivables - net***	*9*	**5,327,685**	4,660,207
Due from related parties	*18*	**8,154,075**	7,364,731
Rental deposits and other noncurrent receivables****	*13*	**3,662,761**	4,517,240
		P1,181,637,453	P1,101,258,654

**Excluding cash on hand.*
***Restricted cash under COVID 19 pandemic, appropriated and committed for loan releases.*
****Excluding advances to suppliers and contractors.*
*****Presented under other noncurrent assets.*

The Organization's concentration of credit risk arises from loans receivables since the said financial instruments amounted to P0.88 billion (2021: P0.70 billion) and 75% (2021: 67%) of its total financial assets as at December 31, 2022 (see Note 8).

The table below provides information regarding the credit risk of financial instruments for which loss allowance are recognized:

	December 31, 2022				
	Neither Past Due nor Impaired				
	Investment Grade	Non-investment Grade Satisfactory	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	**P282,582,995**	**P -**	**P -**	**P -**	**P282,582,995**
Reserved fund**	**-**	**-**	**-**	**-**	**-**
Loans receivables	**-**	**881,909,937**	**-**	**125,429,149**	**1,007,339,086**
Other receivables***	**-**	**5,327,685**	**-**	**21,588,733**	**26,916,418**
Due from related parties	**-**	**8,154,075**	**-**	**-**	**8,154,075**
Rental deposits and other noncurrent receivables****	**-**	**3,662,761**	**-**	**-**	**3,662,761**
	P282,582,995	**P899,054,458**	**P -**	**P147,017,882**	**P1,328,655,335**

**Excluding cash on hand.*
***Restricted cash under COVID 19 pandemic, appropriated and committed for loan releases.*
****Excluding advances to suppliers and contractors.*
*****Presented under other noncurrent assets.*

	December 31, 2021				
	Neither Past Due nor Impaired				
	Investment Grade	Non-investment Grade Satisfactory	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P84,097,558	P -	P -	P -	P84,097,558
Reserved fund**	296,410,837	-	-	-	296,410,837
Loans receivables	-	704,208,081	-	201,786,585	905,994,666
Other receivables***	-	4,660,207	-	21,566,029	26,226,236
Due from related parties	-	7,364,731	-	-	7,364,731
Rental deposits and other noncurrent receivables****	-	4,517,240	-	-	4,517,240
	P380,508,395	P720,750,259	P -	P223,352,614	P1,324,611,268

**Excluding cash on hand.*
***Restricted cash under COVID 19 pandemic, appropriated and committed for loan releases.*
****Excluding advances to suppliers and contractors.*
*****Presented under other noncurrent assets.*

As at December 31, 2022 and 2021, the exposure to credit risk for the loans receivable by geographic region of the Organization was as follows:

	2022			2021		
	Outstanding Balance	**Portfolio-at-Risk**	**%**	Outstanding Balance	Portfolio-at-Risk	%
North Region	**P410,488,753**	**P49,143,822**	**11.97%**	P371,850,168	P80,633,949	21.68%
South Region	**237,691,767**	**21,732,197**	**9.14%**	209,582,793	51,404,548	24.53%
Central Region	**109,873,258**	**14,741,118**	**13.42%**	109,872,833	23,196,386	21.11%
North Central	**140,239,418**	**23,675,807**	**16.88%**	168,909,111	74,515,428	44.12%
South Central	**109,255,034**	**12,932,329**	**11.84%**	86,078,211	23,471,653	27.27%
	1,007,548,230	**122,225,273**	**12.13%**	946,293,116	253,221,964	26.76%
Collection from AGFP	**(209,144)**	**(209,144)**	**100%**	(40,298,450)	(40,298,450)	100.00%
Receivable from AGFP	**-**	**-**	**-**	-	(29,225,862)	-
	(209,144)	**(209,144)**	**100%**	(40,298,450)	(69,524,312)	172.52%
	P1,007,339,086	**P122,016,129**	**12.11%**	P905,994,666	P183,697,652	20.28%

As at December 31, 2022 and 2021, the exposure to credit risk for trade receivables per product was as follows:

	2022			2021		
	Outstanding Balance	**Portfolio-at-Risk**	**%**	Outstanding Balance	Portfolio-at-Risk	%
TKP	**P884,630,321**	**P100,259,906**	**11.33%**	P751,144,699	P136,821,218	18.22%
HSLP	**86,438,070**	**14,688,906**	**16.99%**	84,801,255	32,261,162	38.04%
TPP	**20,721,441**	**2,135,495**	**10.31%**	75,122,041	61,541,746	81.92%
TMP	**5,190,291**	**3,180,867**	**61.28%**	31,803,424	21,731,581	68.33%
SEDP	**-**	**-**	**-**	847,966	847,966	100.00%
TSPI MI Premium Loan Program	**10,568,107**	**1,960,099**	**18.55%**	2,573,731	18,291	0.71%
	1,007,548,230	**122,225,273**	**12.13%**	946,293,116	253,221,964	26.76%
Collection from AGFP	**(209,144)**	**(209,144)**	**100.00%**	(40,298,450)	(40,298,450)	100.00%
Receivable from AGFP	**-**	**-**	**-**	-	(29,225,862)	0.00%
	(209,144)	**(209,144)**	**100%**	(40,298,450)	(69,524,312)	172.52%
	P1,007,339,086	**P122,016,129**	**12.11%**	P905,994,666	P183,697,652	20.28%

Portfolio-at-risk pertains to the portion of outstanding balance of loans with arrears of over 30 days and refinanced loans as of reporting date. The Organization does not require collateral in respect of loans and other receivables. The Organization does not have loans receivables for which no allowance is recognized because of collateral.

Loans receivable are regularly monitored and reviewed to ascertain the recoverability and collectible values as at reporting date.

Credit exposures are classified into three expects of credit impairment with corresponding time horizons in measuring ECL:

- Stage 1 - High Grade (Neither Past Due nor Impaired) pertains to accounts with very low probability of default as demonstrated by the debtor's long history of stability, profitability and diversity. The debtor has the ability to raise substantial amounts of funds through the public market. The debtor has a strong debt service record and a moderate use of leverage.

- Stage 2 - Medium Grade (Past Due but not Impaired) is when the borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. Operating performance could be marginal or on the decline.

  The borrower may have a history of default of interest but must have regularized its service record to date.

- Stage 3 - Low Grade (Past Due and Impaired) is where contractual interest or principal payments are past due and the Organization believes that there is evidence of impairment based on the cash flows of the available collateral or status of collection of the amounts due to the Organization.

Most of the Organization's financial assets are classified as high grade. The past due and impaired financial assets as at December 31, 2022 and 2021 amounted to P147.02 million and P223.35 million, respectively.

The analysis of financial assets and amortized cost in 2022 and 2021 are as follows (amounts gross of loss allowances):

	2022						
	Neither Past Due nor Impaired	**Past Due nor Impaired 1 - 30 Days**	**31 - 180 Days**	**More than 180**	**Total Past Due but not Impaired**	**Past Due and Impaired**	**Total**
Cash and cash equivalents*	**P282,582,995**	**P -**	**P -**	**P -**	**P -**	**P -**	**P282,582,995**
Reserved fund**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans receivables	**881,909,937**	**-**	**-**	**-**	**-**	**125,429,149**	**1,007,339,086**
Other receivables***	**5,327,685**	**-**	**-**	**-**	**-**	**21,588,733**	**26,916,418**
Due from related parties	**8,154,075**	**-**	**-**	**-**	**-**	**-**	**8,154,075**
Rental deposits and other noncurrent receivables****	**3,662,761**	**-**	**-**	**-**	**-**	**-**	**3,662,761**
	P1,181,637,453	**P -**	**P -**	**P -**	**P -**	**P147,017,882**	**P1,328,655,335**

**Excluding cash on hand.*
***Restricted cash under COVID 19 pandemic, appropriated and committed for loan releases.*
****Excluding advances to suppliers and contractors.*
*****Presented under other noncurrent assets.*

	2021						
	Neither Past Due nor Impaired	Past Due nor Impaired 1 - 30 Days	31 - 180 Days	More than 180	Total Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P84,097,558	P -	P -	P -	P -	P -	P84,097,558
Reserved fund**	296,410,837	-	-	-	-	-	296,410,837
Loans receivables	704,208,081	-	-	-	-	201,786,585	905,994,666
Other receivables***	4,660,207	-	-	-	-	21,566,029	26,226,236
Due from related parties	7,364,731	-	-	-	-	-	7,364,731
Rental deposits and other noncurrent receivables****	4,517,240	-	-	-	-	-	4,517,240
	P1,101,258,654	P -	P -	P -	P -	P223,352,614	P1,324,611,268

**Excluding cash on hand.*
***Restricted cash under COVID 19 pandemic, appropriated and committed for loan releases.*
****Excluding advances to suppliers and contractors.*
*****Presented under other noncurrent assets.*

The Organization uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness. A satisfactory rating is given to borrowers and counterparties who possess strong to very strong capacity to meet their obligations in accordance with the agreed terms and conditions and unsatisfactory rating to borrowers and counterparties who possess average capacity.

b. *Liquidity Risk*

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations from its financial liabilities. The Organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by senior management.

The table below analyzes the financial liabilities of the Organization into their relevant maturity groups using contractual undiscounted amounts based on the remaining period at the reporting dates to their contractual maturities or based on the estimated timing of the net cash outflows:

		December 31, 2022		
	Note	**Up to a Year**	**1 - 5 Years**	**Total**
Clients' capital build-up	*14*	**P588,951,610**	**P -**	**P588,951,610**
Accounts payable and accrued expenses*	*15*	**133,794,953**	**-**	**133,794,953**
Loans payable	*16*	**27,687,072**	**-**	**27,687,072**
Due to related parties	*18*	**5,722**	**-**	**5,722**
Funds held in trust	*17*	**25,179,213**	**-**	**25,179,213**
Current portion of lease liabilities	*24*	**12,084,753**	**-**	**12,084,753**
Lease liabilities - net of current portion	*24*	**-**	**5,575,721**	**5,575,721**
		P787,703,323	**P5,575,721**	**P793,279,044**

***Excluding payables to government agencies.**

		December 31, 2021		
	Note	Up to a Year	1 - 5 Years	Total
Clients' capital build-up	*14*	P558,403,515	P -	P558,403,515
Accounts payable and accrued expenses*	*15*	142,248,270	-	142,248,270
Loans payable	*16*	5,500,000	-	5,500,000
Due to related parties	*18*	4,741,683	-	4,741,683
Funds held in trust	*17*	2,860,501	-	2,860,501
Current portion of lease liabilities	*24*	10,951,578	-	10,951,578
Lease liabilities - net of current portion	*24*	-	4,883,528	4,883,528
		P724,705,547	P4,883,528	P729,589,075

**Excluding payables to government agencies.*

c. *Market Risk*

Market risk is the risk of change in fair value of financial instruments from fluctuation in market interest rates (interest rate risk) whether such change is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risks arise from open position in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Organization is not exposed to price risk as it does not hold any investment in equity securities while the exposure to market risk due to foreign currency is insignificant as the Association holds a minimal amount of currency other than Philippine peso.

Interest Rate Risk

The Organization's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Organization's business strategies.

Asset-liability risk management activities are conducted in the context of the Organization's sensitivity to interest rate changes.

The interest rate profiles of the Organization's interest-bearing financial instruments as at December 31 are as follows:

	Note	**2022**	2021
Financial Assets			
Cash and cash equivalents*	*6*	**P282,582,995**	P84,097,558
Reserved fund**	*7*	**-**	296,410,837
Loans receivable - net	*8*	**881,909,937**	704,208,081
Other receivables - net***	*9*	**2,979,382**	2,420,946
Rental deposits and other noncurrent receivables****	*13*	**3,662,761**	4,517,240
		1,171,135,075	1,091,654,662
Financial Liabilities			
Clients' capital build-up	*14*	**588,951,610**	558,403,515
Loans payable	*16*	**27,687,072**	5,500,000
		616,638,682	563,903,515
Net Exposure		**P554,496,393**	P527,751,147

**Excluding cash on hand.*
***Restricted cash under COVID 19 pandemic, appropriated and committed for loan releases.*
****Includes receivable from employees, receivable from client for basic life insurance (BLIP), receivable from Social Security System (SSS), and receivable from Lafarge.*
*****Presented under other noncurrent assets.*

Sensitivity of Net Interest Income
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Organization's interest-bearing financial instruments, with all other variables held constant, on the Organization's profit or loss for the years ended December 31:

	Increase/Decrease in Interest Rate (in basis points)	**Effect in Income before Income Tax**
2022	**+100bps**	**P5,544,964**
	-100bps	**(5,544,964)**
2021	+100bps	P5,277,511
	-100bps	(5,277,511)

Fund Management
The overarching principle of the Organization in terms of fund management is to have sufficient fund to meet its obligations, business needs and ensure the safety of these funds. The Organization has two main sources of funding. These are: (a) internally generated funds from collection of receivables and from (b) borrowings.

Internally generated funds from collection of receivables are managed at the branches. Collection is done either through deposit of payment by members to bank or through an agent. Any excess funds from the Branches are siphoned to the Head Office for liquidity management. Overall liquidity is adjusted depending on the requirements of the Organization. Seasonal spikes in releases and collections are a natural occurrence in their business cycle. In addition, the Organization partnered with various institutions to ensure a steady source of fund from borrowings. It actively continues to explore for possible partners who has the same vision as the Organization, in terms of inclusive financing.

The Organization manages its capital structure and makes adjustments, in light of changes in economic conditions, its business activities, expansion programs, and the risk characteristics of the underlying assets. There are no changes made in the fund management objectives, policies or processes in 2022 and 2021.

The Organization is not subject to externally-imposed fund requirements as at December 31, 2022 and 2021.

Fair Value Measurement

A number of the Organization's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values are disclosed in the noted specific to that asset or liability.

The carrying amounts of cash in bank and cash equivalents, restricted investments, other receivables, clients' capital build-up, accounts payable and accrued expenses (excluding government payables) and funds held in trust approximate fair value at year end due to the relatively short-term maturities of these financial assets and liabilities.

The carrying amounts of rental deposits and other noncurrent receivables (presented under noncurrent assets), and funds held in trust approximate their fair values at year end. The management believes that the effect of discounting and future cash flows of this instrument using prevailing market rate is not significant.

The fair value of loans receivable is determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques. It is estimated using the discounted cash flow methodology using the current EIR which amounted to P0.88 billion and P0.70 billion as at December 31, 2022 and 2021, respectively (see Note 8). While, the fair value of the lease liability presented under "Current portion of lease liabilities" and "Lease liabilities - net of current portion" are calculated using the present value of cash flows discounted using the Organization's incremental borrowing rate.

Fair value of due to and due from related parties approximate carrying amount considering that these are expected to be received and paid by the Organization within the next 12 months.

The carrying amount of loans payable approximate the fair values either due to the relatively short-term maturities of these payables or the estimated future cash flows expected to be paid discounted using current market rates approximates the carrying amount of the payables.

In addition, land and building under "Property and equipment - net" are stated at fair value. These have been categorized under Level 2 of the fair value hierarchy. The Organization engaged with Intech Property Appraisal, Inc. and Royal Asia Appraisal Corporation in June 2021, external appraisers for the valuation of land, building and improvements. The value of the property was arrived using the Sales Comparison approach for land and Cost approach for building. The Sales Comparison approach considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. The Cost approach on the other hand, estimates the current replacement/reproduction cost of the replaceable property in accordance with prevailing market prices for materials, labor, contractor's overhead and other related expenses. Adjustments are made to reflect depreciation resulting from physical deterioration and any functional and economic obsolescence that may exist to arrive at a reasonable valuation (see Note 10).

As at December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfer into and out of Level 3 fair value measurement.

6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash in banks	**P218,869,952**	P82,350,299
Cash on hand	**10,624,772**	6,275,584
E-money	**23,732,975**	1,747,259
Short-term placements	**39,980,068**	-
	P293,207,767	P90,373,142

Cash in banks which is composed of demand deposits, earn interest at bank deposit rates averaging 0.10% to 0.125% in 2022 and 2021. Short-term placements are made for varying periods of up to three (3) months and earn interest at 1.0% to 3.5% in 2022 and 2021.

Interest income earned from cash in banks (net of final tax) amounted to P0.36 million and P0.67 million in 2022 and 2021, respectively (see Note 23).

E-money account pertains to the Organization's G-cash wallet powered by G-Xchange, a company affiliated with Globe. This account is used by the Organization for the disbursement of loans, CBU withdrawal of its clients and advances and reimbursements of employees.

7. Reserved Fund

Under the COVID-19 pandemic, the Organization developed a business continuity plan (BCP) where a reserve fund was created which represents funds primarily appropriated and committed for loan releases.

As at December 31, 2021, this account consists of P27.96 million in time deposit and P268.45 million in negotiable instrument. By December 31, 2022, this fund was reverted to general fund.

8. Loans Receivable

Loans receivable represents short term and interest-bearing loans (with interest rates of 1.50% to 3.00% per month) granted to individuals as well as small, cottage-scale and micro-entrepreneurs under the following lending programs:

	Note	**2022**	2021
TKP		**P884,630,321**	P751,144,699
HSLP		**86,438,070**	84,801,255
TMP		**5,190,291**	31,003,339
TPP		**19,931,177**	5,597,729
TSPI MI Premium Loan Program		**10,568,107**	2,573,731
Small Enterprise Development Program (SEDP)		**-**	847,965
TSPI Masikap Program		**-**	800,086
Receivable from AGFP		**581,120**	29,225,862
	5	**1,007,339,086**	905,994,666
Less allowance for impairment loss		**125,429,149**	201,786,585
	5	**P881,909,937**	P704,208,081

For the period May to December 2022 TSPI offered 2.5% interest rate for TKP as COVID Recovery Program.

The Organization has 160,069 and 189,882 outstanding loan borrowers as at December 31, 2022 and 2021, respectively.

The staging analysis of the gross loan portfolios follows:

	2022	2021
Stage 1	**P835,531,600**	P594,941,887
Stage 2	**49,791,356**	37,601,346
Stage 3	**122,016,130**	273,451,433
	1,007,339,086	905,994,666
Less allowance for impairment loss	**125,429,149**	201,786,585
	P881,909,937	P704,208,081

Loans are considered past due if any payment has fallen due and remained unpaid. The number of days overdue is based on the due date of the earliest loan installment that has not been fully paid. Under the TKP program, payments are applied in the following order - mandatory and loan availment insurance, interest and principal.

Interest income earned on these loans for the years ended December 31, 2022 and 2021 amounted to P422.97 million and P395.40 million, respectively (see Note 20).

The Organization's main measure of loan delinquency is based on aged portfolio-at-risk ratio. Loans are separated into classes depending on the number of days they are overdue. For each class of loans, the outstanding principal balance of such loans is divided by the outstanding principal balance of the gross loan portfolio (i.e., before deducting the loss allowance).

The movements in the loss allowance on loans receivable are as follows:

	2022	2021
Balance at beginning of year	**P201,786,585**	P346,381,755
Provision for impairment loss for the year	**60,000,000**	72,485,665
Write-off during the year	**(136,357,436)**	(217,080,835)
Balance at end of year	**P125,429,149**	P201,786,585

At the reporting date, the Organization reviews all loans overdue for 365 days. The Organization's management makes case-to-case decisions on loan write-offs, depending on whether reasonable collection efforts have failed.

Based on the revised ECL Model approved by the Board of Trustees, the allowance for impairment losses was determined to be adequate, in compliance with the PFRS 9. As such, the write-off was taken up against existing allowance for impairment losses amounting to P136.36 million and P217.08 million in December 31, 2022 and 2021, respectively. This write-off represents long outstanding past due accounts for 360 days and over covering 2019 and prior years. The write-off was in line with Board approved write-off policy.

9. Other Receivables

This account consists of:

	2022	2021
Receivable from separated employees	**P21,588,733**	P21,566,029
Receivables from client for basic life insurance (BLIP)	**661,019**	992,879
Receivables from employees	**1,741,105**	881,059
Receivables from Social Security System	**577,258**	536,146
Advances to suppliers and contractors	**-**	69,750
Receivables from Lafarge	**-**	10,862
Others	**2,348,303**	2,239,261
	26,916,418	26,295,986
Less allowance for impairment loss	**21,588,733**	21,566,029
	P5,327,685	P4,729,957

Receivable from separated employees refers to claims from terminated or resigned employees of the organization.

Receivable from employees relates to claims from existing employees of the Organization through cash advances for their official business and personal loans.

Advances to suppliers and contractors are cash advances given by the Organization for certain goods and services providers.

The movements in the loss allowance account on other receivables are as follows:

	2022	2021
Balance at beginning of year	**P21,566,029**	P21,784,984
Provision for impairment loss for the year	**22,704**	-
Reversal of impairment loss	**-**	(218,955)
Balance at end of year	**P21,588,733**	P21,566,029

10. Property and Equipment

The movements in this account are as follows:

Measurement Bases	Land Revalued	Office Buildings and Improvements Revalued	Office Equipment Cost	Computer Equipment Cost	Furniture and Fixtures Cost	Transportation Equipment Cost	Total
Gross Carrying Amounts							
January 1, 2021	P80,919,000	P139,769,297	P31,414,458	P64,421,653	P27,452,399	P29,180,435	P373,157,242
Additions	-	-	63,350	616,395	-	-	679,745
Recovery of previous impairment loss		7,997,076	-	-	-	-	7,997,076
Appraisal increase	23,427,000	5,138,638	-	-	-	-	28,565,638
Disposals	-	-	(13,720)	(31,290)	(179,509)	(955,241)	(1,179,760)
December 31, 2021	104,346,000	152,905,011	31,464,088	65,006,758	27,272,890	28,225,194	409,219,941
Additions	-	1,300,000	285,888	664,300	-	-	2,250,188
Disposals	-	-	(293,490)	(328,080)	(42,821)	(3,095,805)	(3,760,196)
December 31, 2022	**104,346,000**	**154,205,011**	**31,456,486**	**65,342,978**	**27,230,069**	**25,129,389**	**407,709,933**
Accumulated Depreciation							
January 1, 2021	-	69,021,486	29,558,684	63,212,919	26,879,121	26,364,083	215,036,293
Depreciation	-	4,797,078	951,709	1,279,753	374,254	1,942,795	9,345,589
Disposals	-	-	(13,682)	(31,289)	(179,471)	(955,235)	(1,179,677)
December 31, 2021	-	73,818,564	30,496,711	64,461,383	27,073,904	27,351,643	223,202,205
Depreciation	-	6,417,411	595,707	338,355	163,175	711,190	8,225,838
Disposals	-	-	(293,476)	(328,070)	(42,816)	(3,095,799)	(3,760,161)
December 31, 2022	**-**	**80,235,975**	**30,798,942**	**64,471,668**	**27,194,263**	**24,967,034**	**227,667,882**
Net Carrying Amounts							
December 31, 2021	P104,346,000	P79,086,447	P967,377	P545,375	P198,986	P873,551	P186,017,736
December 31, 2022	**P104,346,000**	**P73,969,036**	**P657,544**	**P871,310**	**P35,806**	**P162,355**	**P180,042,051**

Depreciation and amortization consist of:

	Note	2022	2021
Right-of-use (ROU) assets	*12, 24*	**P15,488,637**	P14,989,827
Property and equipment		**8,225,838**	9,345,589
Intangible asset	*11*	**80,930**	1,082,320
		P23,795,405	P25,417,736

Depreciation and amortization are distributed as follows:

	Note	2022	2021
Project and operational costs	*21*	**P16,878,068**	P18,065,572
General and administrative expenses	*22*	**6,917,337**	7,352,164
		P23,795,405	P25,417,736

The revaluation increment on land and building amounted to P79.43 million as at December 31, 2022 and 2021, resulting to net change in revaluation increment in 2021 of P28.57 million presented under other comprehensive income. This is based on the latest appraisal report determined by the independent appraisers in July 2021.

The carrying amounts of land, buildings and improvements at revaluation model are as follows:

	Note	2022	2021
Land		**P104,346,000**	P104,346,000
Office buildings and improvements		**73,969,036**	79,086,447
	4	**P178,315,036**	P183,432,447

In 2022 and 2021, the Organization sold properties amounting to P3.76 million and P1.18 million, respectively, with proceeds recognized amounted to P0.43 million and P0.33 million in 2022 and 2021, respectively. As a result, a gain on disposal of P0.43 million and P0.33 million was earned in 2022 and 2021, respectively (see Note 23).

The costs of fully depreciated property and equipment which are still in use as at December 31, 2022 and 2021 amounted to P177.01 million and P219.04 million, respectively.

There are no properties and equipment that are pledged as collateral as at December 31, 2022 and 2021.

11. Intangible Asset

The Organization's intangible asset pertains to computer software. The movements in this account are as follows:

	Note	**2022**	2021
Gross Carrying Amount			
Balance at beginning of year		**P41,702,404**	P41,702,404
Additions		**10,818,200**	-
December 31, 2022		**52,520,604**	41,702,404
Accumulated Amortization			
Balance at beginning of year		**41,621,327**	40,539,007
Amortization during the year	*11*	**80,930**	1,082,320
Balance at end of year		**41,702,257**	41,621,327
Net Carrying Amount		**P10,818,347**	P81,077

12. Right-of-Use Assets

The Organization's ROU assets pertain to the Organization's leases to its office branches from various third parties. The movements in this account are as follows:

	Note	**2022**	2021
Gross Carrying Amount			
Balance at beginning of year	*24*	**P46,115,597**	P40,706,158
Additions during the year	*24*	**16,210,665**	11,991,490
Termination during the year		**(12,519,903)**	(6,582,051)
Balance at end of year		**49,806,359**	46,115,597
Accumulated Depreciation			
Balance at beginning of year		**29,156,961**	20,574,974
Depreciation during the year	*10, 24*	**15,488,637**	14,989,827
Termination during the year		**(11,644,324)**	(6,407,840)
Balance at end of year		**33,001,274**	29,156,961
Net Carrying Amount	*4, 24*	**P16,805,085**	P16,958,636

13. Other Noncurrent Assets

This account consists of:

	Note	**2022**	2021
Acquired assets		**P4,893,336**	P5,040,705
Rental deposits	*5*	**3,387,209**	3,905,238
Other noncurrent receivables	*5*	**275,552**	612,002
Others		**14,400**	14,400
		P8,570,497	P9,572,345

Acquired assets represent ceded properties of SEDP loans' borrowers which by law are subject to one (1) year redemption period and for sale to generate cash. The recorded value of the account approximates its fair value as at December 31, 2022 and 2021.

Rental deposits are to be refunded to the Organization by the respective lessors at the end of the lease term.

Other noncurrent receivables pertain to car and housing loans availed by the Organization's employees.

14. Clients' Capital Build-up

Clients' capital build-up represents client deposit under each of the following programs administered by the Organization:

TSPI Kabuhayan (Livelihood) Program (TKP)
- Weekly deposit ranging from sixty pesos (P60) to two hundred pesos (P200) from all members, depending on loan amount.

TSPI Programang Pang-agrikultura (TPP)
- Monthly deposit of two hundred pesos (P200) to seven hundred pesos (P700) from all members, depending on loan amount.

TSPI Maunlad Program
- Mandatory deposit is based on approved loan amount and repayment frequency. The weekly deposit of three hundred fifty pesos (P350) to one thousand one hundred pesos (P1,100) from all members, depending on loan amount must be multiplied by 2, for semi-monthly payments, or by 4, if paid monthly.

The clients' capital build-up earns interest at a rate of 1.00% per annum for the above loan programs. The amount of deposit plus any interest thereon can be withdrawn by the members (clients) subject to certain conditions as set by the Organization such as the member must have no delinquent loan balance.

As at December 31, 2022 and 2021, clients' capital build-up amounted to P588.95 million and P558.40 million, respectively (see Note 5). The interest expense on the clients' capital build up amounted to P4.02 million and P3.83 million in 2022 and 2021, respectively (see Note 20).

15. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Accounts payable	**P101,421,792**	P115,557,818
Accrued expenses	**32,373,161**	26,690,452
Gross receipt tax	**2,718,089**	1,850,017
Other payables	**3,065,342**	2,095,172
	P139,578,384	P146,193,459

Accounts payable and accrued expenses include liabilities incurred from operations, salaries, wages and employee benefits and other amounts payable by the Organization within one-year.

Other payables include payables to regulatory agencies such as Bureau of Internal Revenue (BIR), Philhealth and Social Security System.

16. Loans Payable

This account consists of:

	Note	2022	2021
Commercial Banks and Financial Institutions			
Land Bank of the Philippines		**P10,000,000**	P -
Small Business Corporation		**17,687,072**	-
		27,687,072	-
Non-government Organization			
Rotary Club of Makati		**-**	3,000,000
Cemex Philippines Foundation, Inc.		**-**	1,500,000
Zonta Club of Makati		**-**	1,000,000
		-	5,500,000
Loans Payable - current portion	*5*	**P27,687,072**	P5,500,000

Loans from commercial banks and financial institutions represent short-term loans with annual interest rates of 5.00% in 2022. Loans from non-government organization are short-term loans with annual interest of 3.00% in 2021.

Finance charges on these loans amounted to P0.75 million and P0.42 million in 2022 and 2021, respectively.

17. Funds Held in Trust

This account consists of cash obtained from various funding agencies.

	2022	2021
Standard Chartered Foundation	**P16,832,100**	P -
Rotary Club of Makati	**3,000,000**	-
CEMEX Phils Foundation	**1,500,000**	-
Zonta Club of Makati Environs Foundation	**1,000,000**	-
Jollibee Group Foundation, Inc	**742,715**	178,838
Standard Chartered Bank Finance	**676,725**	1,250,000
Water.Org, Inc.	**198,219**	202,209
MCPI	**114,855**	114,855
Opportunity International	**114,599**	114,599
Others	**1,000,000**	1,000,000
	P25,179,213	P2,860,501

18. Related Party Transactions

Parties are considered related party if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. Transactions between related parties were made on terms equivalent to those that prevail in arms' length transaction or on terms similar to those offered to non-related entities in economically comparable market except for the non-interest-bearing advances to related party or personnel.

Outstanding receivables from and payables to related parties which are expected to be settled in cash.

Related parties of:

a. Key management personnel providing management services to the Organization which is composed of senior management directors; and

b. Entities under common control such as TSPI MBAI, TSEI, TSPI Cooperative, and TSPI Foundation.

The summary and nature of accounts with the related parties as of December 31, 2022 and 2021 and for the years then ended are the following:

				Outstanding Balance			
Category/Transaction	**Year**	***Note***	**Amount of the Transaction**	**Due from Related Parties**	**Due to Related Parties**	**Terms**	**Conditions**
Entity under Common Control							
▪ Credit Life and Life insurance premiums collected from client on behalf of TSPI MBAI - net of claims and benefits	**2022**	*18a*	**P198,935,518**	**P -**	**P -**	On demand; non-interest bearing	Unsecured
	2021		135,026,094	-	4,741,128	On demand; non-interest bearing	Unsecured
▪ Reimbursable expenses by TSPI on behalf of TSPI MBAI	**2022**	*18b*	**36,060,469**	**983,320**	**-**	On demand; non-interest bearing	Unsecured, no impairment
	2021		75,699,562	-	-	On demand; non-interest bearing	Unsecured
▪ Advances by TSPI on behalf of TSEI	**2022**	*18c*	**10,408**	**6,165,728**	**-**	On demand; non-interest bearing	Unsecured; no impairment
	2021		13,526	6,359,704	-	On demand; non-interest bearing for the excess of P1.30 million	Unsecured; no impairment
▪ Loan payment collected from TSPI employees on behalf of TSPI Cooperative	**2022**	*18d*	**11,783,202**	**-**	**5,722**	On demand; non-interest bearing	Unsecured
	2021		1,775,273	-	555	On demand; non-interest bearing	Unsecured
▪ Advances by TSPI on behalf of TSPI Foundation	**2022**	*18e*	**-**	**1,005,027**	**-**	Non-interest bearing	Unsecured; no impairment
	2021		1,300	1,005,027	-	Non-interest bearing	Unsecured; no impairment
TOTAL	**2022**	*5*		**P8,154,075**	**P5,722**		
TOTAL	2021	*5*		P7,364,731	P4,741,683		

18a) In case of death and physical disability, the credit life insurance covers not only the life of borrowers but also pays off their outstanding debt to the Organization.

The Organization's mutual benefit fund management was formalized under the umbrella of TSPI MBAI, which was registered with SEC on May 12, 2006 and was given license to operate by the Insurance Commission on December 22, 2006. Effective January 2007, the mutual fund collections under the TSPI TKP program was transferred to TSPI MBAI. However, all insurance premiums paid under the TSPI TKP program are collected by the Organization on behalf of TSPI MBAI.

18b) The Organization provides the promotion and marketing of the TSPI MBAI's products to the Organization's microfinance clients including collection of premium payments for the said products of the TSPI MBAI. Effective January 1, 2018 based on the Amendment to the Memorandum of Agreement dated September 27, 2017, TSPI charges the TSPI MBAI 15% service fee based on members' contributions and premiums collected for the services rendered for the Association.

18c) The Organization made cash advances to TSEI such as payment of expenses on behalf of TSEI. Out of the outstanding cash advances, P1.30 million is subject to interest of 6.25% per annum starting 2013.

18d) The Organization, through employee payroll deductions, collects payment of employees' loans availed from TSPI Cooperative and certain amounts for employee savings contributions. The amounts represent the December 2021 collections to be remitted to TSPI Cooperative.

18e) The Organization made cash advances to TSPI Foundation Inc. to cover for its corporate registration requirements.

Compensation of Key Management Personnel
Compensation of key management personnel consists of salaries and other short-term benefits amounting to P16.47 million and P15.37 million in 2022 and 2021, respectively. The retirement expense recognized in profit or loss of the Organization in 2022 and 2021 amounted to P1.20 million and P1.46 million, respectively; while this was offset by the actuarial gain recognized in the other comprehensive income in 2022 and 2021 amounting to P3.75 million and P5.42 million, respectively.

19. Retirement Plan

The Organization has a funded, non-contributory, defined benefit plan covering all of its officers and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Organization's latest actuarial valuation date is as at December 31, 2022. Valuations are obtained on a periodic basis.

The Plan entitles a retired employee to receive a lump sum pension payment. Employees who retire at the normal age of 60 with at least five (5) years of credited service are entitled to receive payment equal to 100% of the latest monthly salary per year of service.

Employees may elect to retire with the consent of the Organization prior to their normal retirement date provided he is at least 50 years old and has completed at least 10 years of credited service.

Employees who are allowed by the Organization to continue to work on a yearly extension basis beyond their normal retirement age shall continue to be a member of the plan until they retire. However, the benefit shall be computed only up to the employee's normal retirement date.

The Plan is registered with the BIR as a tax-qualified plan under Republic Act No. 4917, an act providing that retirement benefits of employees of private firms shall not be subject to attachment, levy, execution or any tax whatsoever, as amended. The control and administration of the plan is vested in the BOT. The retirement plan is being administered by its trustee, BPI Asset Management and Trust Corporation.

	Defined Benefit Obligation		Fair Value of Plan Assets		Effect of Asset Ceiling		Net Defined Benefit Asset	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Balance at January 1	**P23,314,620**	P152,150,154	**P72,678,229**	P177,947,553	**(P13,244,911)**	(P11,500,904)	**(P36,118,698)**	(P14,296,495)
Included in Profit or Loss								
Current service cost	**11,698,069**	15,348,587	**-**	-	**-**	-	**11,698,069**	15,348,587
Interest cost (income)	**6,483,785**	6,172,539	**8,972,372**	7,189,290	**-**	-	**(2,488,587)**	(1,016,751)
Interest on effect of asset ceiling	**-**	-	**-**	-	**(688,421)**	(466,577)	**688,421**	466,577
	18,181,854	21,521,126	**8,972,372**	7,189,290	**(688,421)**	(466,577)	**9,897,903**	14,798,413
Included in Other Comprehensive Income								
Remeasurement (gain) loss:								
Actuarial (gain) loss arising from:								
Financial assumptions	**(33,380,385)**	(25,539,880)	**-**	-	**-**	-	**(33,380,385)**	(25,539,880)
Experience adjustment	**82,630,595**	(21,916,432)	**101,430,448**	-	**-**	-	**(18,799,853)**	(21,916,432)
Return on plan assets excluding interest income	**-**	-	**(13,905,928)**	(9,558,266)	**-**	-	**13,905,928**	9,558,266
Change in the effect of asset ceiling	**-**	-	**-**	-	**(19,638,413)**	(1,277,430)	**19,638,413**	1,277,430
Reclassification of 2020 contribution	**-**	(101,430,448)	**-**	-	**-**	-	**-**	(101,430,448)
	49,250,210	(148,886,760)	**87,524,520**	(9,558,266)	**(19,638,413)**	(1,277,430)	**(18,635,897)**	(138,051,064)
Others								
Contributions paid by the employer	**-**	-	**-**	(101,430,448)	**-**	-	**-**	101,430,448
Benefits paid directly from plan assets	**(2,968,650)**	(1,469,900)	**(2,968,650)**	(1,469,900)	**-**	-	**-**	-
	(2,968,650)	(1,469,900)	**(2,968,650)**	(102,900,348)	**-**	-	**-**	101,430,448
Balance at December 31	**P87,778,034**	P23,314,620	**P166,206,471**	P72,678,229	**(P33,571,745)**	(P13,244,911)	**(P44,856,692)**	(P36,118,698)

The retirement benefit expense under “Project and operational costs” and “General and administrative expenses” in profit or loss amounted to P9.90 million and P14.80 million in 2022 and 2021, respectively (see Notes 21 and 22).

The movements in the employee benefit reserve are as follows:

	Note	**2022**	2021
Balance at beginning of year		**(P115,944,990)**	(P17,478,214)
Amount charged to other comprehensive income			
Actuarial loss due to decrease in defined benefit obligation		**(52,180,238)**	(148,886,760)
Remeasurement gain on plan asset		**13,905,928**	9,558,266
Remeasurement gain on changes in the effect of asset ceiling		**19,638,413**	1,277,430
		(18,635,897)	(138,051,064)
Tax effect	*25*	**4,658,974**	39,584,288
		(13,976,923)	(98,466,776)
Balance at end of year		**(P129,921,913)**	(P115,944,990)

The changes in the effect of asset ceiling are as follows:

	2022	2021
Balance at beginning of year	**P13,244,911**	P11,500,904
Remeasurement gain on the change in the effect of asset ceiling	**19,638,413**	1,277,430
Interest expense on effect of asset ceiling	**688,421**	466,577
Balance at end of year	**P33,571,745**	P13,244,911

The Organization's plan assets consist of the following:

	2022	2021
Cash and cash equivalents	**P315**	P705
Investments	**165,057,993**	172,868,638
Receivables	**1,329,035**	1,424,628
Accrued income payable	**(11,151)**	(8,462)
Trust fee payable	**(169,721)**	(176,832)
	P166,206,471	P174,108,677

The expected contribution to the defined benefit retirement plan in 2023 is P21.52 million.

Assumptions regarding future mortality have been based on published statistics and on the 2001 CSO Table - Generational mortality table. The current members' longevity is at age 36.33.

The following were the principal actuarial assumptions at the reporting date:

	2022	2021
Discount rate	**7.42%**	5.20%
Future salary growth	**5.00%**	5.00%

The weighted-average duration of the defined benefit obligation is 23.41 years and 23.11 years as at December 31, 2022 and 2021, respectively.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Defined Benefit Obligation	
	Increase	Decrease
Discount rate (1% movement)	(P11,218,434)	P13,392,832
Future salary growth (1% movement)	12,632,240	(10,821,913)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Organization to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Organization's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Organization monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

20. Revenues

Financial income is earned from the lending programs as shown below:

	Note	2022	2021
Interest income:			
TKP		**P369,867,157**	P341,172,162
HSLP		**40,601,699**	32,577,203
TPP		**6,150,261**	5,244,843
TMP		**4,050,844**	16,095,385
TSPI MI Premium Loan Program		**2,286,757**	289,557
SEDP		**12,420**	18,629
TSLP		**2,183**	930
	8	**422,971,321**	395,398,709
Service income:			
Income from service fees on collection		**29,840,328**	20,253,914
Income from service fees on TSPI Agent Account System (TAAS)		**4,807,436**	1,546,663
Income from Philhealth premium discount		**-**	105,482
Income from service fees on Pureit		**-**	2,543
		34,647,764	21,908,602
Total revenues		**457,619,085**	417,307,311
Interest expense on clients' capital build up	*14*	**(4,024,366)**	(3,834,805)
		P453,594,719	P413,472,506

21. Project and Operational Costs

This account consists of:

	Note	2022	2021
Salaries, wages and allowances		**P177,843,949**	P184,075,750
Rent, utilities and maintenance		**20,309,656**	15,428,836
Other benefits		**19,768,977**	21,674,452
Transportation, meals and lodging		**19,280,955**	13,283,993
Depreciation and amortization	*10*	**16,878,068**	18,065,572
SSS, Philhealth, HDMF and other contributions		**16,571,466**	16,365,679
Retirement expense	*19*	**8,607,296**	13,521,687
Software and hardware maintenance		**8,434,979**	3,381,356
Office supplies		**6,407,584**	7,214,878
Postage, telephone and communication		**5,517,358**	5,564,388
Taxes and licenses		**4,253,557**	4,126,566
Trainings		**506,819**	92,055
Insurance, membership dues and subscriptions		**221,233**	234,808
Guarantee fees and premiums		**124,846**	279,477
Project expenses		**-**	1,402
Professional fees		**47,368**	-
Miscellaneous		**448,834**	186,628
		P305,222,945	P303,497,527

Project and operational costs are operating expenses which is directly related to the services of the Organization.

Salaries, wages and allowances account is used to record the gross wages and salaries earned by employees directly related to operations. While, other benefits include various types of non-wage compensation provided to employees in addition to their normal wages or salaries such as meal allowance, rice allowance, medical assistance, wedding gifts, birthday gifts, bereavements, vacation and sick leaves, insurance and the like.

Transportation meals and lodging refers to travel expenses incurred by personnel assigned to carry out task in other branches. It also includes project meals pertains to meal allowances for employees to cover working meals and light refreshments given to employees.

22. General and Administrative Expenses

This account consists of:

	Note	2022	2021
Salaries, wages and allowances		**P33,167,505**	P35,417,016
Depreciation and amortization	*10*	**6,917,337**	7,352,164
Professional fees		**6,069,130**	6,902,703
Office supplies		**2,554,318**	851,029
Other benefits		**2,413,748**	2,828,232
SSS, Philhealth, HDMF and other contributions		**2,125,789**	2,104,876
Rent, utilities and maintenance		**1,853,340**	1,830,588
Training		**1,436,963**	170,261
Retirement expense	*19*	**1,290,607**	1,276,726
Taxes and licenses		**1,273,974**	1,298,293
Transportation, meals and lodging		**993,193**	486,436
Postage, telephone and communication		**973,405**	912,260
Insurance, membership dues and subscriptions		**845,854**	890,712
Software and hardware maintenance		**71,397**	356,961
Miscellaneous		**107,404**	34,793
		P62,093,964	P62,713,050

General and administrative expenses pertain to operation expenses rather than to expenses that can be directly related to the production of services, including rent, utilities, insurance, and salaries.

Salaries and wages expense and other benefits account is used to record the gross wages and salaries and other benefits earned by employees not directly involved in branch operations.

Rent, utilities and maintenance account pertain to expenses related to the head office.

23. Other Income - net

This account consists of:

	Note	2022	2021
Recovery from written-off loan receivables		**P6,060,226**	P244,699
Interest income from:			
Cash in banks	6	**355,710**	668,160
Restricted investments		**538,910**	310,648
Employee loans		**51,358**	123,096
Bank charges		**(874,271)**	(195,175)
Gain from disposal of property and equipment	10	**430,624**	330,669
Recovery of previous impairment loss on property and equipment	10	**-**	7,997,076
Miscellaneous income		**-**	1,015
		P6,562,557	P9,480,188

Gain from disposal of property and equipment amounting to P0.43 million and P0.33 million in 2022 and 2021, respectively, is recognized by the Organization upon sale of various fully depreciated assets to the Organization's employees.

Bank charges represent mainly documentary stamp taxes on loan availment.

Miscellaneous income refers to gain on early lease termination during the year.

24. Leases

The Organization leases its branch office spaces from various third parties. The lease agreements are for a period of not more than three years and are renewable under terms and conditions mutually acceptable to the parties of the lease contract.

Information about leases for which the Organization is a lessee is presented below.

Right-of-Use Assets

	Note	2022	2021
Balance at 1 January		**P16,958,636**	P20,131,184
Additions	12	**16,210,665**	11,991,490
Depreciation	12	**(15,488,637)**	(14,989,827)
Termination or expiration		**(875,579)**	(174,211)
Balance at 31 December	12	**P16,805,085**	P16,958,636

Lease Liabilities

	2022	2021
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**P11,227,041**	P12,041,204
More than one year	**8,776,687**	5,104,303
Total undiscounted lease liabilities at December 31	**20,003,728**	17,145,507
Lease liabilities included in the statements of assets, liabilities and fund balance as at December 31	**P17,660,474**	P15,835,106
Current	**P12,084,753**	P10,951,578
Non-current	**5,575,721**	4,883,528

The movement in this account is as follows:

	2022	2021
Balance at 1 January	**P15,835,106**	P19,267,685
Additional lease liabilities during the year	**14,778,224**	13,049,809
Amortization of interest	**1,208,782**	1,704,356
Lease payments	**(14,161,638)**	(18,186,744)
Balance at 31 December	**P17,660,474**	P15,835,106

As at December 31, 2022 and 2021, the accrued interest related to lease liability amounted to P110,267 and P109,001, respectively, is recognized under "Current portion of lease liabilities" account in the statements of assets, liabilities and fund balance.

	Note	**2022**	2021
Amounts Recognized in Profit and Loss			
Depreciation of right-of-use assets	*12*	**P15,488,637**	P14,989,827
Rent expense relating to short-term lease		**7,358,509**	5,640,038
Interest expense on lease liabilities		**1,208,782**	1,704,356
Rent expense relating to low-value items		**13,775**	13,360
		P24,069,703	P22,347,581

Amounts Recognized in the Statements of Cash Flows

	2022	2021
Total cash outflow for lease liabilities	**P14,161,638**	P18,186,744

Total rent expense recognized is as follows:

	2022	2021
Project and operational costs	**P7,358,509**	P5,640,038
General and administrative expenses	**13,775**	13,360
	P7,372,284	P5,653,398

25. Income Taxes

The Organization's income tax expense amounting to P9.51 million and P8.33 million for the year ended December 31, 2022 and 2021, respectively, is based on R.A. No. 10693 which subjects the Organization to a two percent (2%) tax based on its gross receipts from microfinance operations in lieu of all national taxes. R.A. No. 10693 was approved on November 3, 2015 and took effect on November 23, 2015.

The components of the Organization's income tax expense in profit or loss are as follows:

	2022	2021
Current tax expense:		
2% preferential tax (gross tax receipts)	**P8,987,825**	P8,315,266
25% income tax in 2022	**519,705**	18,783
	9,507,530	8,334,049
Deferred tax expense	**-**	-
Income tax expense	**P9,507,530**	P8,334,049

The reconciliation between the income tax expense based on statutory income tax rate and the effective income tax rate on income before income tax is as follows:

	2022	2021
Gross income	**P457,619,085**	P417,307,311
Preferential tax at 2%	**9,152,382**	8,346,146
25% Income tax	**519,705**	18,783
Decrease in income tax resulting from tax effects of:		
Nondeductible expense	**(96,148)**	(30,880)
MCIT	**(68,409)**	-
Income tax expense	**P9,507,530**	P8,334,049

The Organization is subject to MCIT which is computed at 1% of gross income or RCIT, whichever is higher.

Below is the movement of the deferred tax liabilities (asset) - net recognized as at December 31, 2022 and 2021:

	2022			
	Beginning Balance	**Amount Charged to Profit or Loss**	**Amount Recognized in Other Comprehensive Income**	**Ending Balance**
Retirement asset	**P23,403,720**	**P -**	**P4,658,974**	**P28,062,694**
Revaluation increment on property	**21,827,965**	**-**	**-**	**21,827,965**
Deferred Tax Liabilities - net	**P45,231,685**	**P -**	**P4,658,974**	**P49,890,659**

	2021			
	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
Retirement asset	(P16,180,568)	P -	P39,584,288	P23,403,720
Revaluation increment on property	14,686,555	-	7,141,410	21,827,965
Deferred Tax Liabilities - net	(P1,494,013)	P -	P46,725,698	P45,231,685

The Organization's MCIT that can be claimed as deduction from future taxable income or used as deduction against future income tax liabilities is as follow:

Inception Year	Amount	Applied	Balance	Expiry Year
2020	P49,626	P49,626	P -	2023
2021	18,783	18,783	-	2024
Total	**P68,409**	**P68,409**	**P -**	

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the President of the Philippines has approved the CREATE Act, with nine (9) provisions vetoed by the President.

On April 8, 2021, the BIR issued the following implementing Revenue Regulation (RR) that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by RA No. 11534, or the Act, to the National Internal Revenue Code (NIRC) of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of R.A. No. 11534, Otherwise Known as the Act, Amending Section 20 of the NIRC of 1997, As Amended;*

- BIR RR No. 4-2021, *Implementing the Provisions on VAT and Percentage Tax Under R.A. No. 11534, Otherwise Known as the Act Which Further Amended the NIRC of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended;* and

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to R.A. No. 11534 or the Act, Which Further Amended the NIRC of 1997.*

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in Act. The RCIT and MCIT of the Organization changed from 30% to 25% and 2% to 1%, respectively effective July 1, 2020.

26. Other Matters

Continuing Effects of Coronavirus Disease (COVID-19)
The COVID-19 outbreak has spread across the globe causing disruptions to businesses and economic activities. On January 30, 2020, the World Health Organization announced COVID-19 as a global health emergency and, on March 11, 2020, declared it as a pandemic.

The Organization has assessed that although COVID-19 will not have significant effect on its ability to continue as a going concern, the Organization expect this matter to affect its business still negatively.

27. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following is the tax information required for the taxable year ended December 31, 2022:

Based on RR No. 15-2010

A. VAT

In 2022, the Organization declared output VAT amounting to P0.63 million based on the following gross receipts:

Output VAT	**P628,567**
Account title used:	
Basis of the output VAT:	
Vatable sales - Income from service fee - TAAS	**P4,807,436**
Vatable sales - Sale on assets	**430,625**
	P5,238,061

The Organization has no transactions subject to input VAT.

B. Taxes on Importation

The Organization does not have any customs duties or tariff fees in 2022 since it does not have any importation.

C. Excise Taxes

The Organization has no transactions subject to excise taxes.

D. Documentary Stamp Tax

The Organization has no transactions subject to documentary stamp taxes.

E. Withholding Taxes

Tax on compensation and benefits	**P4,005,964**
Creditable withholding taxes	**2,527,695**
Final tax	**804,873**
Fringe benefit tax	**1,772**
	P7,340,304

F. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Project and operational costs" and "General and administrative" accounts	
Tax compromise	**P8,224,848**
License and permit fees	**4,337,832**
Real estate taxes	**1,187,406**
Others	**2,393**
	P13,752,479

G. Tax Assessments

The Organization has tax assessments for taxable years 2014, 2015 and 2019.

For taxable years 2014 and 2015, said assessments involved alleged tax deficiencies. In 2021, the Organization has entered into an Offer of Compromise Settlement and provided the necessary documents to satisfy BIR requirements. We are presently awaiting final resolution on the same.

For taxable year 2019, the Organization received a Preliminary Assessment Notice for alleged tax deficiencies. The Organization has complied filing the supporting documents. There are on-going negotiations with the BIR in the context that the Organization is a duly accredited Microfinance NGO with the Microfinance NGO Regulatory Council (MNRC) which is subject to a preferential tax rate of 2%.

The Organization ensures that all matters relating to said tax assessments are in accordance with the applicable tax laws.

H. Tax Cases

As at December 31, 2022, aside from the ongoing tax assessments, the Organization is not a party to any outstanding tax case that is under investigation, litigation and/or prosecution in courts or bodies outside the BIR.

Based on RR No. 34-2020

In relation to Section 4 of BIR RR No. 34-2020, the Organization is not covered by the prescribed requirements and procedures for the submission of BIR form No. 1709 *Information Return on Related Party Transactions*, Transfer Pricing Documentation and other supporting documents.

SWORN STATEMENT

We Rene E. Cristobal and Ricardo G. Lazatin, President and Treasurer, respectively of Tulay Sa Pag-Unlad, Inc (A Microfinance NGO), with address at 2363 Antipolo St. Guadalupe Nuevo, Makati City hereby depose and state that:

In compliance with Revised SRC Rule 68, as amended, we are stating the following information that related to the preceding fiscal year December 31, 2022, to wit:

Documents/ Schedules to the Audited Financial Statements as of December 31, 2022	NSPO Forms	Check if applicable
1. Affidavit of Willingness to be Audited by the Commission	NSPO Form-2	✓
2. Schedule of Receipts or Income or Sources of Funds Other Than Contributions and Donations	NSPO Form-3	✓
3. Schedule of Contributions and Donations	NSPO Form-4	✓
4. Schedule of Application of Funds	NSPO Form-5	✓
5. Certificate of Existence of Program/Activity (COEP)		✓
6. COEP issued by Heads/Officers of private institution or actual beneficiaries/recipients of the program/activity shall be allowed in lieu of COEP issued by the government offices/entities		✓

We hereby certify that this Sworn Statement with duly attached documents/schedules is executed to attest to the truth of the foregoing and for whatever legal purpose it may serve.

In witness thereof, we have hereunto affixed our signature this ______ day of APR 18 2023, at SAN MATEO, RIZAL, Philippines.

Rene E. Cristobal
President
OSCA ID No. 2758219
Sept. 97, Makati City

Ricardo G. Lazatin
Treasurer
Philippine Passport No. P60189938
Jan. 4, 2021 / DFA NCR South

Subscribed and sworn to before me, a Notary Public for and in SAN MATEO, RIZAL City, on APR 18 2023 affiants personally, exhibiting their respective competent evidence of Identification Card _______ issued at _________ issued on ____________________________.

NOTARY PUBLIC
Doc. No. 124
Page No. 26
Book No. LX
Series of 2023

LEONARDA BANCOS DIAZ
Notary Public for San Mateo, Rizal | Until December 31, 2024
No.4 Kambal Road, Guitnang Bayan II, San Mateo, Rizal 1850
Roll of Attorney's No. 50495 | IBP Lifetime Roll No. 05600/RSM
MCLE Compliance No. VII-0026054/04-14-2025
PTR No. 19168357/SMR/01-09-2023

REPUBLIC OF THE PHILIPPINES
SAN MATEO, RIZAL

AFFIDAVIT OF WILLINGNESS TO BE AUDITED BY THE COMMISSION

I, **Robert Anthony D. Sia**, of legal age, Filipino and resident of Interior 509D Canteras St., Brgy. New Zaniga, Mandaluyong City, after having been sworn to in accordance with law hereby depose and state:

I am the Finance & Comptrollership Group Head of Tulay Sa Pag-Unlad, Inc (A Microfinance NGO), a non-stock non-profit organization registered with the Securities and Exchange Commission.

That I, as authorized by the Board of Directors of the corporation, hereby manifest its willingness to be audited by the Commission upon its Order and Authority for the purpose of determining compliance of the corporation with existing laws and regulations.

That this affidavit is executed to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

In witness whereof, I hereby sign this affidavit this ______day of APR 1 8 2023 at SAN MATEO, RIZAL

Robert Anthony D. Sia
Affiant

SUBSCRIBED AND SWORN to before me this APR 1 8 2023, affiant exhibiting to me his LTO DL No. F01-91-066849 issued on 2032/09/30 at ______________ as competent evidence of identity.

Doc. No. 125;
Page No. 26;
Book No. IX;
Series of 2023
(Use separate sheet if necessary)

LEONARDA BARCOS DIAZ
Notary Public for San Mateo, Rizal | Until December 31, 2024
No.4 Kambal Road, Guitnang Bayan II, San Mateo, Rizal 1850
Roll of Attorney's No. 50495 | IBP Lifetime Roll No. 05600/RSM
MCLE Compliance No. VII-0026054/04-14-2025
PTR No. 19168357/SMR/01-09-2023

NSPO Form - 3

SCHEDULE OF RECEIPTS OR INCOME OR SOURCES OF FUNDS OTHER THAN CONTRIBUTIONS AND DONATIONS

Name of Foundation/ Organization
Tulay sa Pag-unlad, Inc. (A Microfinance NGO)

SEC Registration No.
101676

For the Year Ended
December 31, 2022

Receipts or Income or Sources of Funds				
(a) No.	(b) Description of Income	(c) Source	(d) Amount (indicate by footnote if other than Philippine currency, then translate in this column)	(e) Date Received/ Period Covered
1	Interest and service income	Operation	P457,619,085	January 1, 2022 to December 31, 2022
2	Interest Income from bank deposits	Operation	894,620	
3	Collection on written off accounts	Operation	6,060,226	
4	Interest Income from employee's loan	Operation	51,358	
5	Gain from disposal of property	Operation	430,624	
6				
7				
8				
9				
10	Others (aggregate of all sources of income which are individually below P100,000)			

NSPO Form-4

SCHEDULE OF CONTRIBUTIONS AND DONATIONS

Name of Foundation/ Organization
Tulay sa Pag-unlad, Inc. (A Microfinance NGO)

SEC Registration No.
101676

For the Year Ended
December 31, 2022

Part I Contributors/Donors

(a) No.	(b) Name and address	(c) Nationality	(d) Total Contribution	(e) Type of Contribution
1	Standard Chartered Foundation 1 Basinghall Avenue, London EC2V 5DD, United Kingdom		P16,832,100	Cash Noncash (Complete Part II if there is a noncash contribution)
2	Jollibee Group Foundation, Inc 6th Floor, Jollibee Plaza Building, 10F, Ortigas Jr. Avenue, Ortigas Center, Pasig City	Filipino	1,233,166	Cash Noncash (Complete Part II if there is a noncash contribution)

Part II Noncash Property

(a) No.	(b) Description of noncash property given	(d) Fair market Value (or estimate)	(e) Date Received
1			
2			
3			

There were no donations and contributions made under noncash contributions for the year ended December 31, 2022.