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Showing 41-41 out of 41 | 1 2 3 4 5 | 10



Version 1.0.2.0

# C O V E R   S H E E T
## for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | |
|---|---|---|---|---|---|
| 1 | 0 | 1 | 6 | 7 | 6 |

**C O M P A N Y   N A M E**

T U L A Y   S A   P A G - U N L A D ,   I N C .

( A   M i c r o f i n a n c e   N G O )

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

2 3 6 3   A n t i p o l o   S t .   G u a d a l u p e   N u e v o ,

M a k a t i   C i t y   1 2 1 2

| Form Type | Department Requiring the Report | Secondary License Type, If Applicable |
|---|---|---|
| A A F S | C R M D | N / A |

**C O M P A N Y   I N F O R M A T I O N**

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| tspi.legal@tspi.org | (632) 8403-8627 | 0917-594-4899 |

| No. of Stockholders | Annual Meeting | Calendar Year (Month / Day) |
|---|---|---|
| N/A | 4th Monday of May | 12/31 |

**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 | (632) 8403-8627 | 0917-517-7229 |

**CONTACT PERSON'S ADDRESS**

2363 Antipolo St, Guadalupe Nuevo, Makati City 1212

***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 shall not excuse the corporation from liability for its deficiencies.*

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, 2023 and 2022**, 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.

Reyes Tacandong & Co. and KPMG R. G. Manabat & Co., the independent auditors appointed by the members for the periods December 31, 2023 and 2022, respectively, have audited the financial statements of the Association in accordance with Philippine Standards on Auditing, and in their reports to the members, have expressed their opinion on the fairness of presentation upon completion of such audit.

Atty. Lamberto L. Meer
Chairman of the Board

Ricardo G. Lazatin
Chief Finance Officer / Treasurer

RENE E CRISTOBAL

Rene E. Cristobal
President

Alice Z. Cordero
Executive Director / Chief Executive Officer

Signed this 3rd day of April, 2024

| Name | Competent Evidence of Identity | Issued on/At |
|---|---|---|
| Lamberto L. Meer | Phil Passport No. P5502587A | 04 Jan 2018 / DFA NCR South |
| Rene E. Cristobal | OSCA Makati ID No. 2758219 | September 1997 |
| Ricardo G. Lazatin | Phil Passport No. P6018993B | 04 Jan 2021 / DFA NCR South |
| Alice Z. Corder | OSCA Pasig ID No. 99100 | 03/13/07 / Pasig City |

SUBSCRIBED AND SWORN TO BEFORE ME, this APR 15 2024 on SAN MATEO, RIZAL, affiants exhibited their respective identifications as competent proof of identity.

Doc. No. 291;
Page No. 60;
Book No. IX;
Series of 2024.

LEONARDA B. BOCOS 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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

## INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees
Tulay sa Pag-unlad, Inc. (A Microfinance NGO)
2363 Antipolo St, Guadalupe Nuevo
Makati City 1212

*Opinion*

We have audited the accompanying financial statements of Tulay sa Pag-unlad, Inc. (A Microfinance NGO) (a non-stock, non-profit organization) (the Organization), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and notes to financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). 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 the 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.

*Other Matter*

The financial statements of the Organization as at and for the year ended December 31, 2022 were audited by another auditor, whose report dated April 24, 2023 expressed an unmodified opinion on those financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 PSA 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, these 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 PSA, 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.

**REYES TACANDONG & CO.**

GRACE M. ALBUNIAN
Partner
CPA Certificate No. 0144364
Tax Identification No. 410-858-879-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-018-2022
Valid until January 24, 2025
PTR No. 10072426
Issued January 2, 2024, Makati City

April 3, 2024
Makati City, Metro Manila

## TULAY SA PAG-UNLAD, INC. (A MICROFINANCE NGO)
**(A Non-Stock, Non-Profit Organization)**

## STATEMENT OF FINANCIAL POSITION
**DECEMBER 31, 2023**
**(With Comparative Figures for 2022)**

| | Note | 2023 | 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 4 | **₱106,376,956** | ₱293,207,767 |
| Restricted cash equivalents and short-term investments | 5 | **174,025,368** | – |
| Loans receivable | 6 | **743,450,963** | 881,909,937 |
| Other receivables | 7 | **9,595,860** | 5,327,685 |
| Due from related parties | 15 | **6,493,960** | 8,154,075 |
| Prepayments and other current assets | | **3,416,725** | 3,431,513 |
| Total Current Assets | | **1,043,359,832** | 1,192,030,977 |
| **Noncurrent Assets** | | | |
| Property and equipment | 8 | **177,755,220** | 180,042,051 |
| Right-of-use asset | 21 | **14,600,231** | 16,805,085 |
| Net retirement asset | 20 | **52,238,359** | 44,856,692 |
| Intangible asset | 9 | **–** | 10,818,347 |
| Other noncurrent assets | 10 | **8,412,376** | 8,570,497 |
| Total Noncurrent Assets | | **253,006,186** | 261,092,672 |
| | | **₱1,296,366,018** | ₱1,453,123,649 |
| **LIABILITIES AND FUND BALANCE** | | | |
| **Current Liabilities** | | | |
| Client's capital build-up | 11 | **₱453,766,286** | ₱588,951,610 |
| Accounts payable and accrued expenses | 12 | **105,422,521** | 136,772,274 |
| Income tax payable | | **2,221,521** | 2,806,110 |
| Due to related parties | 15 | **3,757** | 5,722 |
| Loans payable | 13 | **25,000,000** | 27,687,072 |
| Funds held in trust | 14 | **6,820,096** | 25,179,213 |
| Current portion of lease liabilities | 21 | **1,879,615** | 12,084,753 |
| Total Current Liabilities | | **595,113,796** | 793,486,754 |
| **Noncurrent Liabilities** | | | |
| Deferred tax liabilities | 22 | **52,916,698** | 49,890,659 |
| Lease liabilities - net of current portion | 21 | **13,700,022** | 5,575,721 |
| Total Noncurrent Liabilities | | **66,616,720** | 55,466,380 |
| Total Liabilities | | **₱661,730,516** | ₱848,953,134 |

(Forward)

| | | 2022 | 2021 |
|---|---|---|---|
| **Fund Balance** | | | |
| Accumulated net income | | **₱405,280,198** | ₱394,821,347 |
| Restricted fund balance | 6 | **10,928,018** | – |
| Cumulative remeasurement gains on retirement plan | 20 | **139,000,031** | 129,921,913 |
| Revaluation increment on property and equipment | 8 | **79,427,255** | 79,427,255 |
| Total Fund Balance | | **634,635,502** | 604,170,515 |
| | | **₱1,296,366,018** | ₱1,453,123,649 |

*See accompanying Notes to Financial Statements.*

## TULAY SA PAG-UNLAD, INC. (A MICROFINANCE NGO)

**(A Non-Stock, Non-Profit Organization)**

## STATEMENT OF COMPREHENSIVE INCOME

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**(With Comparative Figures for 2022)**

| | Note | 2023 | 2022 |
|---|---|---|---|
| **REVENUE FROM MICROFINANCE ACTIVITIES** | 16 | | |
| Interest income | | **₱425,763,949** | ₱422,971,321 |
| Service fees | | **23,695,665** | 34,647,764 |
| | | **449,459,614** | 457,619,085 |
| **EXPENSE** | | | |
| Project and operational costs | 17 | **297,056,797** | 305,222,945 |
| Impairment losses on loans receivable and other receivables | 6, 7 | **76,000,000** | 60,022,704 |
| General and administrative expenses | 18 | **60,832,073** | 62,093,964 |
| Interest expense on client's capital build-up | 11, 16 | **4,190,663** | 4,024,366 |
| | | **438,079,533** | 431,363,979 |
| **INCOME FROM OPERATIONS** | | **11,380,081** | 26,255,106 |
| **OTHER INCOME (CHARGES)** | | | |
| Finance cost | 21 | **(1,286,600)** | (1,208,782) |
| Finance charges | 13 | **(1,034,712)** | (748,921) |
| Other income - net | 19 | **21,236,621** | 6,562,557 |
| | | **18,915,309** | 4,604,854 |
| **NET OPERATING INCOME** | | **30,295,390** | 30,859,960 |
| Income tax compromise | 3 | **–** | 8,224,948 |
| **INCOME BEFORE INCOME TAX** | | **30,295,390** | 22,635,012 |
| Income tax expense | 22 | **8,908,521** | 9,507,530 |
| **NET INCOME** | | **21,386,869** | 13,127,482 |
| **OTHER COMPREHENSIVE INCOME** | 20 | | |
| *Not to be reclassified to profit or loss in subsequent periods* | | | |
| Remeasurement of defined benefit asset | | **12,104,157** | 18,635,897 |
| Tax effect | | **(3,026,039)** | (4,658,974) |
| | | **9,078,118** | 13,976,923 |
| **TOTAL COMPREHENSIVE INCOME** | | **₱30,464,987** | ₱27,104,405 |

*See accompanying Notes to Financial Statements.*

## TULAY SA PAG-UNLAD, INC. (A MICROFINANCE NGO)
**(A Non-Stock, Non-Profit Organization)**

## STATEMENT OF CHANGES IN FUND BALANCE
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(With Comparative Figures for 2022)**

| | Note | 2023 | 2022 |
|---|---|---|---|
| **ACCUMULATED NET INCOME** | | | |
| Balance at beginning of year | | **₱394,821,347** | ₱381,693,865 |
| Net income | | **21,386,869** | 13,127,482 |
| Reclassified to restricted fund balance | 6 | **(10,928,018)** | – |
| Balance at end of year | | **405,280,198** | 394,821,347 |
| **RESTRICTED FUND BALANCE** | 6 | **10,928,018** | – |
| **OTHER COMPREHENSIVE INCOME** | 20 | | |
| *Cumulative remeasurement gain on retirement asset, net of deferred tax* | | | |
| Balance at beginning of year | | **129,921,913** | 115,944,990 |
| Remeasurement gain on retirement liability | | **9,078,118** | 13,976,923 |
| Balance at end of year | | **139,000,031** | 129,921,913 |
| *Revaluation increment on property and equipment, net of deferred tax* | | | |
| Balance at beginning and end of year | 8 | **79,427,255** | 79,427,255 |
| | | **₱634,635,502** | ₱604,170,515 |

*See accompanying Notes to Financial Statements.*

## TULAY SA PAG-UNLAD, INC. (A MICROFINANCE NGO)
**(A Non-Stock, Non-Profit Organization)**

## STATEMENT OF CASH FLOWS
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(With Comparative Figures for 2022)**

| | Note | 2023 | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | | **₱30,295,390** | ₱22,635,012 |
| Adjustments for: | | | |
| Interest and service fees | 16 | **(449,459,614)** | (457,619,085) |
| Impairment losses on loans receivable and other receivables | 6, 7 | **76,000,000** | 60,022,704 |
| Depreciation and amortization | 8 | **21,189,782** | 23,795,405 |
| Retirement expense | 20 | **4,722,490** | 9,897,903 |
| Interest expense on client's capital build-up | 11 | **4,190,663** | 4,024,366 |
| Interest expense on lease liability | 21 | **1,286,600** | 1,208,782 |
| Gain from disposal of property and equipment | 8 | **–** | (430,624) |
| Operating loss before working capital changes | | **(311,774,689)** | (336,465,537) |
| Decrease (increase) in: | | | |
| Restricted cash equivalents and short-term investments | | **(174,025,368)** | 296,410,837 |
| Loans receivable | | **62,458,974** | (237,747,264) |
| Other receivables | | **(4,268,175)** | (575,023) |
| Due from related parties | | **1,660,115** | (789,344) |
| Prepayments and other current assets | | **(10,634,102)** | 565,306 |
| Increase (decrease) in: | | | |
| Client's capital build-up | | **(135,185,324)** | 30,548,095 |
| Accounts payable and accrued expenses | | **(14,236,061)** | (6,395,399) |
| Due to related party | | **(1,964)** | (4,735,961) |
| Funds held in trust | | **(18,359,117)** | 22,318,712 |
| Net cash used in operations | | **(604,365,711)** | (236,865,578) |
| Interest received | 16 | **449,459,614** | 457,619,085 |
| Interest paid | | **(5,477,263)** | (4,326,147) |
| Income tax paid | | **(6,687,000)** | (9,425,426) |
| Net cash provided by (used in) operating activities | | **(167,070,360)** | 207,001,934 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from: | | | |
| Disposal of noncurrent assets | | **10,976,468** | 444,986 |
| Disposal of property and equipment | | **–** | 430,659 |
| Acquisitions of property and equipment and intangible assets | 8, 9 | **(6,049,207)** | (13,068,388) |
| Net cash provided by (used in) investing activities | | **4,927,261** | (12,192,743) |

(Forward)

| | Note | **2023** | 2022 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payment of lease liability | 21 | **(₱22,000,640)** | (₱14,161,638) |
| Payments of loans payable | | **(2,687,072)** | (5,500,000) |
| Proceeds from loans payable | | **–** | 27,687,072 |
| Net cash provided by (used in) financing activities | | **(24,687,712)** | 8,025,434 |
| **NET INCREASE (DECREASE) IN CASH** | | **(186,830,811)** | 202,834,625 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **293,207,767** | 90,373,142 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 4 | **₱106,376,956** | ₱293,207,767 |

*See accompanying Notes to Financial Statements.*

# TULAY SA PAG-UNLAD, INC. (A MICROFINANCE NGO)
**(A Non-Stock, Non-Profit Organization)**

## NOTES TO FINANCIAL STATEMENTS
**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2023**
**(With Comparative Figures and Information for 2022)**

1. **Corporate Information**

<u>**General Information**</u>

Tulay sa Pag-unlad, Inc. (A Microfinance NGO) (the Organization) was registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1981 as a non-stock and non-profit organization. The Organization's primary purpose is to provide individuals, families and communities the opportunity to experience fullness of life in Christ through Christian micro-enterprise development. The Organization provides the poor with opportunities to lead self-sufficient, responsible, and dignified lives, through a broad range of microfinance services for micro and small 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.

The Organization is composed of Central Head Office and 119 branches as at December 31, 2023 and 2022. The registered head office address of the Organization is 2363 Antipolo St, Guadalupe Nuevo, Makati City 1212.

The financial statements of the Organization as at and for the year ended December 31, 2023 (with comparative figures for 2022) were approved and authorized for issue by the Board of Trustees (BOT) on April 3, 2024.

<u>**Accreditation with Microfinance NGO Council (MNRC)**</u>

In accordance with Republic Act No. 10693, *The Microfinance NGOs Act*, Microfinance NGOs are subject to 2% tax based on its gross receipts from microfinance operations in lieu of all national taxes, subject to certain conditions and requirements.

The Organization applied for a renewal of its accreditation with the Microfinance NGO Regulatory Council (MNRC) in February 2022 for the purpose of availing the preferential tax rate and other purposes pursuant to Section 20 of RA No. 10693. The MNRC granted the Certificate of Accreditation on May 15, 2022. The Organization has to continue to comply with specified conditions to have it valid until May 15, 2025.

<u>**Microfinance Programs and Services**</u>

The Organization currently administers the following programs and services:

- Microfinance for Livelihood

  These are loans that are aimed at assisting poor households in sustaining or growing their livelihood, including marginalized farmers for cheaper source of productions.

  a) TSPI Kabuhayan (Livelihood Program (TKP)

     This is a livelihood assistance program that provides collateral-free loans of up to ₱50,000 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 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.

b) 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 ₱150,000 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 the 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).

c) 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 ₱60,000. TMP offers maximum amount of ₱300,000, 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 ₱100,000. Clients are also provided access to microinsurance products and other loan programs such as healthcare, education, housing and sanitation.

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

e) 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 ₱50,000 for TKP and ₱300,000 for TMP, with 1-year credit term.

- Microfinance for Social Development
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:

a) 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.

b) 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 ₱20,000 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.

c) 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.

d) Microinsurance 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.

e) Microinsurance (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 microinsurance policies including contribution for the capital build-up, payable in ₱20 pesos semi-monthly amortization for one year.

Others

a) Special Loan Payment Options (SLPO)

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.

## 2. Material Accounting Policy Information

**Basis of Preparation and Statement of Compliance**

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

**Measurement Bases**
The financial statements are presented in Philippine Peso (Peso), which is the Organization's functional and presentation currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities.

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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, then 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.

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

Further information about the assumptions made in measuring fair values is included in Note 24, *Fair Value Measurement.*

**Adoption of Amendments to PFRS**
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments – Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 12, *Income Taxes – Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amendments to PFRS did not materially affect the financial statements of the Organization.

**Amendments to PFRS In Issue But Not Yet Effective or Adopted**
Relevant amendments to PFRS, which are not yet effective as at December 31, 2023, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases – Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers,* to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Organization shall also apply Amendments to PAS 1 – *Classification of Liabilities as Current or Noncurrent* for that period.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures – Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

The adoption of the foregoing amendments to PFRS is not expected to have any material effect on the financial statements of the Organization.

**Financial Instruments**

*Date of Recognition.* The Organization recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of 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 the statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where there are no observable data on inception, the Organization deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in the statements of comprehensive income 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.

**Financial Assets**

*Classification.* The Organization classifies its financial assets under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial asset largely depends on the Organization's business model and the instrument's contractual cash flow characteristics.

As at December 31, 2023 (and 2022), the Organization does not have financial assets at FVPL and FVOCI.

Financial Assets at Amortized Cost

Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 (and 2022), the Organization's cash and cash equivalents, restricted cash equivalents and short-term investments, loans and other receivables (excluding advances to employees), due from related parties and other noncurrent assets (excluding acquired assets) are classified under this category.

Cash and cash equivalents includes cash on hand, cash in banks, E-money and temporary investment or highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

*Impairment.* The Organization recognizes an allowance for impairment losses on its financial assets carried at amortized cost based on expected credit loss (ECL) model.

ECL is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Organization expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Organization measures loss allowances at an amount equivalent to the 12-month ECL for debt instruments on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as "Stage 1 financial instruments."

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as "Stage 2 financial instruments."

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Organization compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Organization considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

At each reporting date, the Organization assesses whether financial assets carried at amortized cost are credit-impaired (referred to as "Stage 3 financial instruments"). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows.

The Organization considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Organization may also consider a financial asset to be in default when internal or external information indicates that the Organization is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Organization.

A financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Organization determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

**Financial Liabilities**

*Classification.* The Organization classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at FVPL and (b) financial liabilities at amortized cost.

As at December 31, 2023 (and 2022), the Organization does not have any financial liabilities at FVPL.

<u>Financial Liabilities at Amortized Cost</u>
Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Organization having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Classified under this category are the Organization's client's capital build-up (CBU), accounts payable and accrued expenses (excluding statutory payables), loans payable, due to related parties, fund held in trust and lease liabilities.

CBU payable which consists of cash deposits collected from members for purposes of maintaining the compensating balance are interest-bearing.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Organization retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Organization has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Organization has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the continuing involvement of the Organization in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Organization could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income.

**Offsetting of Financial Assets and Liabilities**
Financial assets and liabilities are offset and the net amount is reported in the statements of financial position 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 assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

**Prepayments and Other Current Assets**
Prepayments and other current assets represent expenses not yet incurred but paid in advance. Prepayments are initially recorded as asset and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in the operations or expire with the passage of time. Prepayments and other current assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

**Property and Equipment**
Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value, except for land and building 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 to five 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 consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to profit or loss in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization commence when an item of property and equipment is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale and the date the asset is derecognized.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets or the term of the lease, in case of leasehold improvements, whichever is shorter. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

| Asset Type | Number of Years |
|---|---|
| Office building and improvement | 25 |
| Office equipment | 5 |
| Computer equipment | 3 |
| Furniture and fixtures | 5 |
| Transportation equipment | 5 |
| Right-of-use assets | Lease term |

The estimated useful lives and depreciation and amortization methods are reviewed and adjusted prospectively, if appropriate, if there is an indication of a significant change since the last reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated assets are retained in the accounts until these are no longer in use.

**Intangible Asset**
Intangible asset pertains to the Organization's computer software that is measured initially at cost.

Intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Organization and the cost of the asset can be measured reliably. After initial recognition, intangible asset is measured at cost less accumulated amortization and any impairment loss.

Amortization of intangible asset is computed on a straight-line basis over the estimated useful life of five years. The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible asset.

An item of intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income in the year the asset is derecognized.

**Impairment of Nonfinancial Assets**
Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the Organization makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit'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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization for property and equipment and intangible asset, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**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.

**Fund Balance**

*Accumulated Net Income.* Accumulated net income represents the cumulative balance of the Organization's results of operations.

*Restricted Fund Balance.* Restricted fund balance represents that portion which has been restricted to comply with loan loss provisioning requirements of MNRC.

*Other Comprehensive Income.* Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. The other comprehensive income of the Organization represents the cumulative balance of remeasurement gain on retirement asset.

**Revenue Recognition**
Revenue from contract with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those services.

The Organization also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Organization has assessed that it acts as a principal in all of its revenue sources except for income from microinsurance transactions.

*Service Fees.* Service fees are earned for loan processing, administration and other credit-related fees are recognized when the services are provided.

*Grants.* Grants are funds received from funding agencies without donor-imposed conditions that are recognized as revenue in profit and loss when the right to receive is established.

*Other Income.* Income from other sources is recognized when earned.

*Interest Income.* Interest income is recognized as it accrues. For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Organization calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial asset is no longer credit-impaired, the Organization reverts to calculating interest income on a gross basis.

**Expenses Recognition**
Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability, other than those relating to distributions to equity participants, has arisen that can be measured reliably.

*Project and Operational Costs.* Project and operating costs, except for interest expense on CBU and impairment loss on loans and other receivables, are recognized as expense when incurred.

*General and Administrative Expenses.* General and Administrative costs constitute costs of administering the Organization. These are recognized in profit or loss upon receipt of goods, utilization of services or when the expenses are incurred.

*Interest Expense on Client's Capital Build-up.* Interest expense on CBU is recognized in the statements of comprehensive income using the effective interest method.

*Finance Costs.* Finance costs are interest expense recognized when recording the settlement of lease liabilities on the Organization's leased premises.

*Finance Charges.* Finance charges are interest expense on loan payables recognized in statement of comprehensive income if incurred.

**Employee Benefits**

*Short-term Benefits.* The Organization recognizes a liability net of amounts already paid and expense for services rendered by employees during the year. The Organization provides short-term benefits to its employees in the form of 13th month pay, bonuses, employer's share on government contribution and other short-term benefits.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Organization has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Organization recognizes retirement benefits costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Current service costs pertain to the increase in the present value of a defined benefit obligation (DBO) resulting from employee service in the current period.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Organization recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate amount of the present value of the DBO which is determined by discounting the estimated future cash flows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

**Leases**

At inception, the Organization assesses whether the contracts 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 assets for a period of time, the Organization assesses whether:

i. 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;
ii. the Organization has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period use; and
iii. 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.

*Organization as a Lessee.* The Organization applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

*ROU Assets.* At commencement date of the lease contract, the Organization measures ROU assets at cost. The initial measurement of ROU assets includes the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- An estimation of costs to be incurred by the Organization in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from two to five years.

*Lease Liabilities.* At commencement date, the Organization measures the lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Organization uses its incremental borrowing rate (IBR).

Lease payments included in the measurement of the lease liabilities comprise the following:

- 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 by the lessee under residual value guarantees; 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 liabilities are subsequently measured at amortized cost. Interest on the lease liabilities and any variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liabilities are remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

**Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as OCI.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the end of reporting date.

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

**Related Parties and Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

**Contingencies**
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to 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 financial position at the end of reporting year (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to financial statements when material.

## 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Organization's financial statements requires management to exercise judgments, make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Organization believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

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

*Determining the Lease Term - Organization as a Lessee.* The Organization has entered into lease agreements with various lessors covering the premises it uses for its operations. The non-cancellable term of these leases is 12 months with an option to renew for another 12 months upon mutual agreement. The Organization did not consider the extension option in determining the lease term as they are not enforceable without the lessor's consent and the Organization does not have the right to use the asset beyond the non-cancellable period. Rental payments are recognized in profit or loss on a straight-line basis.

Rent expense charged to operations amounted to ₱7.9 million in 2023 (₱7.4 million in 2022) (see Notes 17 and 18).

*Evaluating the Contingencies and Other Legal Claims.* The Organization is a party to certain claims arising from the ordinary course of business which the management assessed would not have a material adverse impact on the Organization's financial conditions and results of operations.

The outcome of these claims cannot be presently determined and no provision for probable losses arising from contingencies has been recognized as at December 31, 2023 and 2022.

The Organization has an ongoing tax assessment for taxable years 2014 and 2015. In 2021, the Organization has entered into an Offer of Compromise Settlement for taxable years 2014 and 2015 and provided the necessary documents to satisfy the BIR requirements. As of December 31, 2023, the Organization is awaiting the final resolution on this matter.

**Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation or uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Assessing the ECL on Financial Assets at Amortized Cost.* The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining provision for ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The ECL calculation for loans and other receivables considers a number of underlying assumptions, among which, the following are considered significant:

- Internal credit quality and their equivalent probability of default;
- Criteria for assessing if there has been a significant increase in credit risk which will trigger the change in measurement from 12-month to lifetime ECL;
- Segmentation of loans and other receivables for collective assessment;
- Determination and selection of forward-looking macroeconomic factors; and
- Requirements of MNRC on loan loss provisioning.

The credit risk of particular loan account is deemed to have increased significantly since initial recognition, if based on the Organization's internal credit assessment, the borrower or counterparty requires close monitoring or determined to have well-defined credit weaknesses. In addition, the Organization considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For purposes of determining the ECL, loans and other receivables are grouped based on the programs that originated the loan. The key forward-looking economic variable used is the inflation rate. Loans and other receivables are considered as credit-impaired when contractual payments are 90 days past due and the counterparty is unlikely to settle its obligation to the Organization.

Allowance for impairment loss amounted to ₱173.9 million as at December 31, 2023 (₱147.0 million as at December 31, 2022). The carrying amount of loans and other receivables (excluding advances to employees) amounted to ₱ 749.8 million as at December 31, 2023 ( ₱ 885.5 million as at December 31, 2022) (see Notes 6 and 7).

The Organization has assessed that the impairment losses on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Organization only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no provision for impairment loss on other financial assets at amortized cost was recognized in 2023 and 2022.

*Estimating the Useful Lives of Property and Equipment and Intangible Asset.* The Organization estimates the useful lives of property and equipment and intangible asset based on the economic lives of these assets. The estimated useful lives of property and equipment and intangible asset are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment and intangible asset. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any year would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment and intangible asset would increase the recorded expenses and decrease the noncurrent assets.

There was no change in the estimated useful lives of property and equipment and intangible asset in 2023 and 2022.

The carrying amounts of property and equipment and intangible asset are disclosed in Notes 8 and 9.

*Assessing the Impairment of Nonfinancial Assets.* The Organization assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Organization considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends.

The Organization recognizes an impairment loss whenever the carrying amount of an asset exceeds it recoverable amount. The recoverable amount of nonfinancial assets represents the higher of fair value less cost of disposal or value-in-use. Estimating the value-in-use requires the Organization to make an assessment of the expected future cash flows from the use of the nonfinancial assets and allows it to choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment loss on nonfinancial assets was recognized in 2023 and 2022. The carrying amounts of nonfinancial assets as at December 31 are disclosed in Notes 8, 9, and 10.

*Estimating the Net Retirement Asset.* The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts.

Those assumptions which include, among others, discount rate and salary increase rate are disclosed in Note 20, *Retirement Liability*. While the Organization has assessed that the assumptions are reasonable and appropriate, significant differences in the actual experiences or significant changes in the assumptions may materially affect the retirement liability.

Retirement assets amounted to ₱ 52.2 million as at December 31, 2023 (₱ 44.9 million as at December 31, 2022) (see Note 20).

*Assessing the Realizability of Deferred Tax Assets.* The Organization reviews its deferred tax assets at each reporting date and reduces the carrying amount 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 assets to be utilized. The amount of deferred income tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

*Provisions and Contingencies*
The Organization, in the ordinary course of business, sets up appropriate provisions for its present and 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.

The Organization has a pending Offer of Compromise Settlement for taxable years 2014 and 2015 which is pending evaluation and approval of the National Evaluation Board (NEB) at the BIR National Office as at December 31, 2023.

## 4. Cash and Cash Equivalents

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Cash on hand | **₱5,824,649** | ₱10,624,772 |
| Cash in banks | **92,388,920** | 218,869,952 |
| E-money | **8,163,387** | 23,732,975 |
| Short-term placements | **–** | 39,980,068 |
| | **₱106,376,956** | ₱293,207,767 |

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for the Organization's current operations.

E-money account pertains to the Organization's e-wallet account for the disbursement of loans, CBU withdrawal of its clients and advances and reimbursements of employees.

Short-term placements pertain to time deposits with maturity of less than three months from date of placement and earn interest annually ranging from 5.3% to 6.3% in 2023 (1.0% to 3.5% in 2022) (see Note 5).

Interest income earned are as follows:

| | Note | **2023** | 2022 |
|---|---|---|---|
| Loans receivable | 6 | **₱425,763,949** | ₱422,971,321 |
| Restricted cash equivalents and short-term investments | 5 | **5,209,000** | 538,910 |
| Cash | | **344,926** | 355,710 |
| | | **₱431,317,875** | ₱423,865,941 |

## 5. Restricted Cash Equivalents and Short-term Investments

This account represents funds appropriated primarily for loan releases following the TSPI Product Program guidelines. Details are as follows:

| | 2023 | 2022 |
|---|---|---|
| Short-term placements | **₱136,025,368** | ₱– |
| Short-term investments | **38,000,000** | – |
| | **₱174,025,368** | ₱– |

Short-term investments are time deposits with maturity beyond three months but within one year from the date of placement and earn an annual interest rate ranging from 6.4% to 7.0% in 2023.

Interest income from restricted cash equivalents and short-term investments amounted to ₱5.2 million in 2023 (₱538,910 in 2022) (see Note 4).

## 6. Loans Receivable

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Loans receivable: | | |
| TKP | **₱783,938,564** | ₱884,630,321 |
| HSLP | **76,362,647** | 86,438,070 |
| TPP | **28,634,088** | 19,931,177 |
| TSPI MI Premium Loan Program | **3,679,674** | 10,568,107 |
| TMP | **3,193,358** | 5,190,291 |
| Receivable from AGFP | – | 581,120 |
| | **895,808,331** | 1,007,339,086 |
| Less allowance for impairment loss | **(152,357,368)** | (125,429,149) |
| | **₱743,450,963** | ₱881,909,937 |

Loans receivable pertain to the balances arising from the Organization's lending program which are partially secured by CBU of the members, interest-bearing and with a maximum term of one year. The loans bear monthly interest rates ranging from 1.50% to 3.00% in 2023 (and 2022).

The Organization has 123,146 outstanding loan borrowers as of December 31, 2023 (160,069 outstanding loan borrowers as of December 31, 2022).

Interest income recognized in the statement of comprehensive income from loans to members amounted to ₱425.8 million in 2023 (₱423.0 million in 2022) (see Note 16).

Movements in the allowance for impairment loss on loans receivables are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | **₱125,429,149** | ₱201,786,585 |
| Provisions | **76,000,000** | 60,000,000 |
| Write-off | **(49,071,781)** | (136,357,436) |
| Balance at end of year | **₱152,357,368** | ₱125,429,149 |

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 BOT, the allowance for impairment losses was determined to be adequate, in compliance with PFRS 9. As such, the write-off was taken up against existing allowance for impairment losses amounting to ₱49.1 million in 2023 (₱136.4 million in December 31, 2022). 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.

As at December 31, 2023, in compliance with MNRC-MC No. 02 s.2021 *Guidelines for the Accreditation of Microfinance NGOs for the period 2022 to 2025: Portfolio Quality on Loan Loss Reserve Ratio,* the Organization has restricted its fund balance amounting to ₱10.9 million, representing the excess of loan loss provisioning computed using MNRC rates over the allowance for impairment losses based on the Organization's ECL model.

An analysis of changes in the gross carrying amount and the corresponding allowance for impairment loss in relation to loans receivable follow:

| | **2023** | 2022 |
|---|---|---|
| Stage 1 | **₱713,712,640** | ₱835,531,600 |
| Stage 2 | **15,234,326** | 49,791,356 |
| Stage 3 | **166,861,365** | 122,016,130 |
| | **895,808,331** | 1,007,339,086 |
| Less allowance for impairment loss | **(152,357,368)** | (125,429,149) |
| | **₱743,450,963** | ₱881,909,937 |

The increase in allowance for impairment loss of the portfolio of loans receivable was driven by the movements between stages as a result of changes in credit risk.

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.

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).

## 7. Other Receivables

| | **2023** | 2022 |
|---|---|---|
| Receivables from separated employees | **₱21,706,935** | ₱21,588,733 |
| Accrued interest receivable | **3,444,386** | – |
| Receivables from employees | **3,274,030** | 1,741,105 |
| Receivables from Social Security System (SSS) | **262,981** | 577,258 |
| Advances to suppliers and contractors | **133,629** | – |
| Receivables from client for basic life insurance | **123,871** | 661,019 |
| Others | **2,238,761** | 2,348,303 |
| | **31,184,593** | 26,916,418 |
| Less allowance for impairment loss | **(21,588,733)** | (21,588,733) |
| | **₱9,595,860** | ₱5,327,685 |

Receivables from separated employees refer to claims from terminated or resigned employees of the Organization.

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

Accrued interest arises from cash equivalents, short-term investments and loans receivables.

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

Others pertain mostly to microinsurance claims of the Organization from members.

Movements in the allowance for impairment loss on other receivables are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balance at beginning of year | **₱21,588,733** | ₱21,566,029 |
| Provisions | **–** | 22,704 |
| Balance at end of year | **₱21,588,733** | ₱21,588,733 |

## 8. Property and Equipment

The composition and movements in this account are as follows:

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land Revalued | Office Building and Improvements Revalued | Office Equipment Cost | Computer Equipment Cost | Furniture and Fixtures Cost | Transportation Equipment Cost | Total |
| **Cost** | | | | | | | |
| Balances at beginning of year | ₱104,346,000 | ₱154,205,011 | ₱31,456,486 | ₱65,342,978 | ₱27,230,069 | ₱25,129,389 | ₱407,709,933 |
| Additions | – | – | 771,887 | 5,277,320 | – | – | 6,049,207 |
| Disposals | – | – | (24,000) | – | – | (687,000) | (711,000) |
| Balances at end of year | 104,346,000 | 154,205,011 | 32,204,373 | 70,620,298 | 27,230,069 | 24,442,389 | 413,048,140 |
| **Accumulated Depreciation and Amortization** | | | | | | | |
| Balances at beginning of year | ₱– | ₱80,235,975 | ₱30,798,942 | ₱64,471,668 | ₱27,194,263 | ₱24,967,034 | ₱227,667,882 |
| Depreciation and amortization | – | 6,107,359 | 381,574 | 1,659,197 | 25,724 | 162,184 | 8,336,038 |
| Disposals | – | – | (24,000) | – | – | (687,000) | (711,000) |
| Balances at end of year | – | 86,343,334 | 31,156,516 | 66,130,865 | 27,219,987 | 24,442,218 | 235,292,920 |
| **Carrying Amount** | ₱104,346,000 | ₱67,861,677 | ₱1,047,857 | ₱4,489,433 | ₱10,082 | ₱171 | ₱177,755,220 |

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land Revalued | Office Buildings and Improvements Revalued | Office Equipment Cost | Computer Equipment Cost | Furniture and Fixtures Cost | Transportation Equipment Cost | Total |
| **Cost** | | | | | | | |
| Balances at beginning of year | ₱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) |
| Balances at end of year | 104,346,000 | 154,205,011 | 31,456,486 | 65,342,978 | 27,230,069 | 25,129,389 | 407,709,933 |
| **Accumulated Depreciation and Amortization** | | | | | | | |
| Balances at beginning of year | – | 73,818,564 | 30,496,711 | 64,461,383 | 27,073,904 | 27,351,643 | 223,202,205 |
| Depreciation and amortization | – | 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) |
| Balances at end of year | – | 80,235,975 | 30,798,942 | 64,471,668 | 27,194,263 | 24,967,034 | 227,667,882 |
| **Carrying Amount** | ₱104,346,000 | ₱73,969,036 | ₱657,544 | ₱871,310 | ₱35,806 | ₱162,355 | ₱180,042,051 |

The Organization disposed of fully depreciated property and equipment with original cost of ₱711,000 in 2023 (₱3.8 million in 2022). No gain or loss was recognized in 2023 (gain of ₱430,624 was recognized in 2022).

Fully depreciated property and equipment with aggregate cost of ₱173.0 million as at December 31, 2023 (₱177.0 million as at December 31, 2022) are still in use for the Organization's operations.

Depreciation and amortization recognized in the statement of comprehensive income arises from:

| | Note | **2023** | 2022 |
|---|---|---|---|
| Right-of-use (ROU) assets | 21 | **₱12,853,744** | ₱15,488,637 |
| Property and equipment | | **8,336,038** | 8,225,838 |
| Intangible asset | 9 | **–** | 80,930 |
| | | **₱21,189,782** | ₱23,795,405 |

Depreciation and amortization are charged to the following:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Project and operational costs | 17 | **₱14,316,230** | ₱16,878,068 |
| General and administrative costs | 18 | **6,873,552** | 6,917,337 |
| | | **₱21,189,782** | ₱23,795,405 |

The revaluation increment on land and building amounted to ₱79.4 million as at December 31, 2023 and 2022. This is based on the latest appraisal report determined by independent appraisers in July 2021.

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

| | 2023 | 2022 |
|---|---|---|
| Land | **₱104,346,000** | ₱104,346,000 |
| Office buildings and improvement | **67,861,677** | 73,969,036 |
| | **₱172,207,677** | ₱178,315,036 |

## 9. Intangible Asset

Intangible asset pertains to computer software used by the Organization. Movements in this account are as follows:

| | 2023 | 2022 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | **₱52,520,604** | ₱ 41,702,404 |
| Additions | **–** | 10,818,200 |
| Disposal | **(10,818,347)** | – |
| Balance at end of year | **41,702,257** | 52,520,604 |
| **Accumulated Amortization** | | |
| Balance at beginning of year | **41,702,257** | 41,621,327 |
| Amortization | **–** | 80,930 |
| Balance at end of year | **41,702,257** | 41,702,257 |
| **Carrying Amount** | **₱–** | ₱ 10,818,347 |

## 10. Other Noncurrent Assets

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Acquired assets | **₱4,893,336** | ₱4,893,336 |
| Rental deposits | **3,353,847** | 3,387,209 |
| Other noncurrent receivables | **150,793** | 275,552 |
| Others | **14,400** | 14,400 |
| | **₱8,412,376** | ₱8,570,497 |

Acquired assets represent foreclosed properties of Secondary Education Development Program (SEDP) loans' borrowers which by law are subject to one year redemption period and for sale to generate cash. The recorded value of the account approximates its fair value as at December 31, 2023 (and 2022).

Rental deposits represent amount paid by the Organization to the lessors in relation to lease agreements covering its program offices and branches (see Note 21).

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

## 11. Client's Capital Build-Up

CBU pertains to cash deposits required from the members who obtained loans from the Organization for purposes of maintaining the compensating balance in relation to the members' outstanding loans. As at December 31, 2023, CBU payable amounted to ₱453.8 million (₱589.0 million as at December 31, 2022). This is based on the type of loan program administered and principal loan amount.

CBU earns an annual interest of 1% in 2023 (and 2022). This will be returned to the members upon withdrawal from the Organization provided that the loans availed have been fully paid.

Movements in this account are as follows:

| | Note | **2023** | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **₱588,951,610** | ₱558,403,515 |
| Withdrawals | | **(934,682,016)** | (761,843,263) |
| Contributions | | **795,306,029** | 788,366,992 |
| Interest earned | 16 | **4,190,663** | 4,024,366 |
| Balance at end of year | | **₱453,766,286** | ₱588,951,610 |

## 12. Accounts Payable and Accrued Expenses

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Accounts payable | **₱59,269,431** | ₱101,333,771 |
| Accrued expense | **42,575,508** | 32,373,161 |
| Statutory payables | **3,577,582** | 3,065,342 |
| | **₱105,422,521** | ₱136,772,274 |

Accounts payable pertains to amounts owed to suppliers of goods and services. These are unsecured, noninterest-bearing and are normally settled within the next reporting year.

Accrued expenses mainly pertain to accrual for salaries, wages and allowances, utilities, and professional fees. These are payable within the next reporting year.

Statutory payables include payables to regulatory agencies such as Bureau of Internal Revenue (BIR), PhilHealth and SSS. These are normally settled within the next reporting year.

## 13. Loans Payable

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Land Bank of the Philippines | ₱20,000,000 | ₱10,000,000 |
| Small Business Corporation | 5,000,000 | 17,687,072 |
| | ₱25,000,000 | ₱27,687,072 |

Loans payable represent short-term loans with annual interest rates of 5.0% in 2023 (and 2022).

Finance charges on these loans amounted to ₱1.0 million in 2023 (₱0.7 million in 2022).

## 14. Funds Held in Trust

As at December 31, 2023, funds held in trust amounted to ₱6.8 million (₱25.2 million as at December 31, 2022). This account consists of funds received from various funding entities with certain conditional promises related to the Organization's microfinance activities. These are classified as liabilities until the conditions of the grantor have been substantially met or the conditions have been explicitly waived by the funding entities.

## 15. Related Party Transaction

The Organization, in the normal course of business, has transactions with its related parties as follows:

| | Nature of Transaction | Amount of Transaction 2023 | Amount of Transaction 2022 | Outstanding Balance 2023 | Outstanding Balance 2022 |
|---|---|---|---|---|---|
| **Under common key management** | | | | | |
| TSEI | Advances on behalf of | ₱8,929 | ₱10,408 | ₱4,392,206 | ₱6,165,728 |
| TSPI Foundation | Advances on behalf of | 30,350 | – | 1,005,027 | 1,005,027 |
| TSPI MBAI | Credit insurance premiums collected from client | – | 198,935,518 | – | – |
| | Reimbursable expenses | 30,127,347 | 36,060,469 | 1,096,727 | 983,320 |
| TSPI Cooperative | Loan payment collection | 12,369,779 | 11,783,202 | (3,757) | (5,722) |
| | | | | ₱6,490,203 | ₱8,148,353 |

<u>**Terms and Conditions**</u>
Transactions with related parties are unsecured, noninterest-bearing and settlement occurs in cash.

<u>**Compensation of Key Management Personnel**</u>
The compensation of key management personnel follows:

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | ₱14,439,541 | ₱16,470,000 |
| Post-employment benefits | 288,772 | 1,200,000 |
| | ₱14,728,313 | ₱17,670,000 |

## 16. Revenue from Microfinance Activities

This account consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Interest income: | | | |
| TKP | | **₱373,520,758** | ₱369,867,157 |
| HSLP | | **37,534,002** | 40,601,699 |
| TPP | | **7,711,993** | 6,150,261 |
| SEDP | | **4,440,835** | 12,420 |
| TSPI MI Premium Loan Program | | **1,783,344** | 2,286,757 |
| TMP | | **773,017** | 4,050,844 |
| TSLP | | **–** | 2,183 |
| | | **425,763,949** | 422,971,321 |
| Service fees: | | | |
| Income from service fees on collection | | **21,274,045** | 29,840,328 |
| Income from service fees on TSPI Agent Account System (TAAS) | | **2,421,620** | 4,807,436 |
| | | **23,695,665** | 34,647,764 |
| Total revenue from microfinance activities | | **₱449,459,614** | ₱457,619,085 |
| Less interest expense on CBU payable | 11 | **(4,190,663)** | (4,024,366) |
| | | **₱445,268,951** | ₱453,594,719 |

## 17. Project and Operational Costs

This account consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Salaries, wages and employee benefits | | **₱177,758,934** | ₱177,843,949 |
| Other benefits | | **20,713,107** | 19,768,977 |
| Rent, utilities and maintenance | | **18,976,041** | 20,309,656 |
| SSS, PhilHealth, HDMF and other contributions | | **17,339,287** | 16,571,466 |
| Transportation and other travel expense | | **16,832,728** | 19,280,955 |
| Depreciation and amortization | 8 | **14,316,230** | 16,878,068 |
| Stationeries and office supplies | | **7,324,428** | 6,407,584 |
| Taxes and licenses | | **7,170,327** | 4,253,557 |
| Software and hardware maintenance | | **5,651,700** | 8,434,979 |
| Communication and postage | | **5,133,228** | 5,517,358 |
| Retirement expense | 20 | **4,250,241** | 8,607,296 |
| Training and seminars | | **1,101,346** | – |
| Insurance, membership dues and subscriptions | | **207,829** | 221,233 |
| Guarantee fee and premiums | | **–** | 124,846 |
| Others | | **281,371** | 1,003,021 |
| | | **₱297,056,797** | ₱305,222,945 |

Others pertain to program expenses, printing expense and other miscellaneous expenses.

## 18. General and Administrative Expenses

This account consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Salaries, wages and employee benefits | | **₱33,305,004** | ₱33,167,505 |
| Professional fees | | **6,951,177** | 6,069,130 |
| Depreciation and amortization | 8 | **6,873,552** | 6,917,337 |
| Other benefits | | **3,661,948** | 2,413,748 |
| SSS, PhilHealth, HDMF and other contributions | | **2,712,320** | 2,125,789 |
| Rent, Utilities and Maintenance | | **2,300,305** | 1,853,340 |
| Taxes and licenses | | **1,328,090** | 1,273,974 |
| Insurance | | **920,285** | 845,854 |
| Transportation and other travel expense | | **914,702** | 993,193 |
| Postage and communication | | **617,355** | 973,405 |
| Stationeries and office supplies | | **597,126** | 2,554,318 |
| Retirement expense | 20 | **472,249** | 1,290,607 |
| Repairs and maintenance | | **71,435** | 71,397 |
| Trainings and seminars | | **–** | 1,436,963 |
| Others | | **106,525** | 107,404 |
| | | **₱60,832,073** | ₱62,093,964 |

Others pertain to trainings and seminars, litigation expense, bank charges, program expense and other miscellaneous expenses.

## 19. Other income - net

This account consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Grants | | **₱11,103,027** | ₱– |
| Interest income from banks | | **5,553,926** | 894,620 |
| Recovery from written-off accounts | | **4,980,195** | 6,060,226 |
| Bank charges | | **(422,040)** | (874,271) |
| Gain from disposal of property and equipment | 8 | **–** | 430,624 |
| Others | | **21,513** | 51,358 |
| | | **₱21,236,621** | ₱6,562,557 |

## 20. Retirement Plan

The Organization has a funded, non-contributory defined benefit retirement plan covering all its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an external actuary using the projected unit credit method. The latest actuarial valuation report is as at January 26, 2024.

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.

Retirement benefits cost recognized in statement of comprehensive income is as follows:

| | **2023** | 2022 |
|---|---|---|
| Current service cost | **₱7,896,163** | ₱11,698,069 |
| Interest expense on net asset | **(5,663,136)** | (2,488,587) |
| Interest on the effect of asset ceiling | **2,489,463** | 688,421 |
| | **₱4,722,490** | ₱9,897,903 |

Retirement benefits cost is charged to the following:

| | **2023** | 2022 |
|---|---|---|
| Project and operational costs | **₱4,250,241** | ₱8,607,296 |
| General and administrative costs | **472,249** | 1,290,607 |
| | **₱4,722,490** | ₱9,897,903 |

Components of the net retirement asset recognized in the statement of financial position follow:

| | **2023** | 2022 |
|---|---|---|
| Fair value of plan assets (FVPA) | **₱175,895,746** | ₱166,206,471 |
| Present value of DBO | **(103,427,311)** | (87,778,034) |
| Effect of asset ceiling | **(20,230,076)** | (33,571,745) |
| | **₱52,238,359** | ₱44,856,692 |

The components in FVPA recognized in the statements of financial position as at December 31 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | ₱166,206,471 | ₱174,108,677 |
| Interest income | 12,172,185 | 8,972,372 |
| Benefits paid | (4,116,000) | (2,968,650) |
| Gain (loss) on FVPA | 1,633,090 | (13,905,928) |
| Balance at end of year | ₱175,895,746 | ₱166,206,471 |

The components of retirement liability recognized in the statement of financial position and the changes in the present value of DBO as at December 31 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | ₱87,778,034 | ₱23,314,620 |
| Current service cost | 7,896,163 | 11,698,069 |
| Interest cost | 6,509,049 | 6,483,785 |
| Benefits paid | (4,116,000) | (2,968,650) |
| Remeasurement gain | 5,360,065 | 49,250,210 |
| Balance at end of year | ₱103,427,311 | ₱87,778,034 |

The movements in the effect of asset ceiling are as follow:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | ₱33,571,745 | ₱13,244,911 |
| Remeasurement gain (loss) | (15,831,132) | 19,638,413 |
| Interest on effect of asset ceiling | 2,489,463 | 688,421 |
| Balance at end of year | ₱20,230,076 | ₱33,571,745 |

As at December 31, the cumulative remeasurement income recognized in other comprehensive income (loss) is as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | ₱129,921,913 | ₱115,944,990 |
| Remeasurement gain on DBO | 9,078,118 | 13,976,923 |
| Balance at end of year | ₱139,000,031 | ₱129,921,913 |

The principal actuarial assumptions used to determine the retirement liability of the Organization are as follows:

| | 2023 | 2022 |
|---|---|---|
| Discount rate | 6.19% | 7.42% |
| Salary increase rate | 5.00% | 5.00% |

The sensitivity analysis showing the movement in retirement liability based on reasonable possible changes in the assumptions as at December 31, 2023 is as follows:

| | Change in Basis Points | Effect to present value of DBO |
|---|---|---|
| Discount rate | +100 | (₱13,190,577) |
| | -100 | 15,741,706 |
| Salary rate | +100 | ₱14,647,753 |
| | -100 | (12,579,097) |

As at December 31, 2023, the expected future benefit payments are as follows:

| | Amount |
|---|---|
| Within five years | ₱6,270,469 |
| Beyond five years | 41,034,761 |

The average duration of the defined benefit plan at the end of the reporting period is 22.80 years.

## 21. Significant Contracts and Commitments

**Organization as Lessee**

The Organization leases its program offices and branches. The leases typically run for a period of one to five years, with an option to renew the lease after date.

Amounts recognized in the statement of comprehensive income follow:

| | 2023 | 2022 |
|---|---|---|
| Amortization on ROU assets | **₱12,853,744** | ₱15,488,637 |
| Rent expense | **7,851,495** | 7,372,284 |
| Interest expense on lease liabilities | **1,286,600** | 1,208,782 |
| | **₱21,991,839** | ₱24,069,703 |

Rent expense pertains to low-value and short-term asset leases on program offices and branches. Total rental deposits which shall be applied at the end of the lease term amounted to ₱3.4 million as at December 31, 2023 (and 2022) (see Note 10).

Rent expense in 2023 and 2022 amounting to ₱7.9 million (₱7.4 million in 2022) is charged to the following:

| | 2023 | 2022 |
|---|---|---|
| Project and operational costs | **₱7,844,746** | ₱7,358,509 |
| General and administrative costs | **6,749** | 13,775 |
| | **₱7,851,495** | ₱7,372,284 |

Interest expense on lease liabilities is recognized under "Finance cost" account in the statement of comprehensive income.

The movements in the ROU assets are presented below:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **₱16,805,085** | ₱16,958,636 |
| Amortization | 8 | **(12,853,744)** | (15,488,637) |
| Additions | | **10,708,984** | 16,210,665 |
| Termination | | **(60,094)** | (875,579) |
| Balance at end of year | | **₱14,600,231** | ₱16,805,085 |

The movements in the lease liabilities are presented below:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | **₱17,660,474** | ₱15,835,106 |
| Payments | **(22,000,640)** | (14,161,638) |
| Additions | **18,633,203** | 14,778,224 |
| Interest expense | **1,286,600** | 1,208,782 |
| | **15,579,637** | 17,660,474 |
| Current portion | **1,879,615** | 12,084,753 |
| Noncurrent portion | **₱13,700,022** | ₱5,575,721 |

The future minimum lease payments under noncancellable leases are as follows:

| | 2023 | 2022 |
|---|---|---|
| Within one year | **₱1,775,443** | ₱11,227,041 |
| After one year but not more than five years | **11,561,200** | 8,776,687 |
| | **₱13,336,643** | ₱20,003,728 |

## 22. Income Taxes

The provision for current income tax pertains to minimum corporate income tax (MCIT) and 2% preferential tax on gross receipts from microfinance operations based on R.A. No. 10693.

The components of the income tax expense are as follows:

| | 2023 | 2022 |
|---|---|---|
| 2% preferential tax on gross receipts from microfinance operations | **₱8,871,878** | ₱8,987,825 |
| 1.5% MCIT | **36,643** | – |
| 25% regular corporate income tax (RCIT) | **–** | 519,705 |
| | **₱8,908,521** | ₱9,507,530 |

The reconciliation of income tax computed at applied statutory tax rate and income tax at effective tax rate are as follows:

| | 2023 | 2022 |
|---|---|---|
| Tax on gross taxable income computed at | ₱8,920,735 | ₱9,152,382 |
| 2% preferential tax rate | 36,643 | – |
| Income tax expense at 1.5% MCIT | – | 519,705 |
| Income tax expense at 25% RCIT | | |
| Tax effects of: | (48,857) | (96,148) |
| Nondeductible expenses | – | (68,409) |
| MCIT | ₱8,908,521 | ₱9,507,530 |

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

Details of MCIT is as follow:

| Year Incurred | Beginning | Incurred | Expired | Balance | Expiry year |
|---|---|---|---|---|---|
| 2023 | ₱– | ₱36,643 | ₱– | ₱36,643 | 2026 |

Details of deferred tax liabilities as at December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| *Recognized in other comprehensive income:* | ₱31,088,733 | ₱28,062,694 |
| Retirement asset | 21,827,965 | 21,827,965 |
| Revaluation increment on property | ₱52,916,698 | ₱49,890,659 |

## 23. Financial Risk Management Objectives and Policies

**Risk Management Framework**

The BOT has overall responsibility for the establishment and oversight of the Organization's risk management framework. The BOT has delegated to the management the responsibility for monitoring the Organization's financial risks, in line with the strategies, policies and limits set by the BOT.

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 procedures are reviewed regularly to reflect changes in market conditions. The Organization, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

The main financial risks arising from the Organization's use of financial instruments include market risk, credit risk and liquidity risk. The BOT regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

**Market Risk**
Market risk is the risk that changes in market prices, such as interest rates, will affect the Organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

*Interest Rate Risk.* Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Organization's exposure to interest rate risk pertains to the fluctuations in interest rates of cash in banks and cash equivalents. The Organization follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

**Credit Risk**
Credit risk refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due, especially those arising from the Organization's lending activities. It is inherent to the business as potential losses may arise due to the failure of its partners and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

Generally, the credit risk of the Organization is attributable to cash in banks and cash equivalents, loans and other receivables and financial assets at amortized cost. The Organization limits its exposure to credit risk by depositing and investing the excess funds with highly reputable and pre-approved financial institutions. In addition, it is the Organization's policy that new potential borrowers are subject to credit verification procedures. Loans are granted by the Organization based on the creditworthiness and payment history of borrowers. In addition, the Organization continuously monitors defaults of borrowers identified individually, and incorporate this information into its credit risk controls.

*Maximum Exposure to Credit Risk After Taking into Account Credit Enhancement.* The Organization's maximum exposure to credit risk is generally equal to the carrying amount of the financial assets, except for the following loans receivable:

| | Carrying Amount | Fair Value of Credit Enhancement | Maximum Exposure to Credit Risk | Financial Effect of Credit Enhancement |
|---|---|---|---|---|
| Loans receivable: | | | | |
| **2023** | **₱743,450,963** | **₱591,093,596** | **₱152,357,368** | **₱591,093,596** |
| 2022 | 881,909,937 | 756,480,787 | 125,429,149 | 756,480,787 |

*Concentration of Credit Risk.* The Organization monitors concentrations of credit risk by program location. An analysis of concentrations of credit risk of the Organization's loans and receivables as at December 31 is shown below:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Amount** | **%** | Amount | % |
| Central Region | **₱186,485,858** | **20.8** | ₱109,873,258 | 10.9 |
| North Region | **383,539,661** | **42.8** | 550,728,171 | 54.7 |
| South Region | **325,782,812** | **36.4** | 346,946,801 | 34.4 |
| | **₱895,808,331** | **100.0** | ₱1,007,548,230 | 100.0 |

The Organization has no significant concentration of credit risk with any single counterparty.

*Credit Quality of Financial Assets.* The table below shows the credit quality by class of financial assets (gross of allowance for impairment loss) of the Organization as at December 31:

| | 2023 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Financial Assets at Amortized Cost** | | | | |
| *Cash in Banks and Cash Equivalents -* High grade | **₱100,552,307** | **₱–** | **₱–** | **₱100,552,307** |
| *Loans and Other Receivables:* | | | | |
| High grade | **743,450,963** | **–** | **–** | **743,450,963** |
| Impaired | **–** | **–** | **152,357,368** | **152,357,368** |
| *Financial Assets at Amortized Cost -* High grade | **19,460,685** | **–** | **21,588,733** | **41,049,418** |
| | **₱863,463,955** | **₱–** | **₱173,946,101** | **₱1,037,410,056** |

| | 2022 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Financial Assets at Amortized Cost** | | | | |
| *Cash in Banks and Cash Equivalents -* High grade | ₱282,582,995 | ₱– | ₱– | ₱282,582,995 |
| *Loans and Other Receivables:* | | | | |
| High grade | 881,909,937 | – | – | 881,909,937 |
| Impaired | – | – | 125,429,149 | 125,429,149 |
| *Financial Assets at Amortized Cost -* High grade | – | – | 21,588,733 | 21,588,733 |
| | ₱1,164,492,932 | ₱– | ₱147,017,882 | ₱1,311,510,814 |

The credit quality of financial assets is managed by the Organization using the following internal credit ratings:

a. High grade - loans that are neither past due nor impaired loans which are fully secured by CBU and with good loan collection status. These loans have a high probability of collection, as evidenced by counterparties having the ability to readily discharge their obligations. This pertains also to deposits or placements to banks or counterparties with good credit rating or bank standing.

b. Standard grade - loans are neither past due nor impaired loans and with partially secured loan status. The standard grade category includes loans for which collections are probable due to the reputation and the financial stability of the counterparty but have been outstanding for a considerable length of time. These loans had instances of default in the past but were already regularized. Any credit enhancement securing the loan is readily enforceable.

c. Past due but not impaired - pertains to loans where contractual payments are past due but the Organization believes that impairment is not appropriate based on the probability of collection of amounts owed to the Organization.

d. Impaired - pertains to receivables for which the Organization determines that it is probable that it will not be able to collect all principal and interest due based on the contractual terms and agreements.

**Liquidity Risk**

Liquidity risk is the risk that the Organization will not be able to settle or meet its obligations on time. Management is responsible for liquidity, funding, and settlement management. In addition, liquidity and funding risks, as well as related processes and policies are overseen by management. The Organization manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of financing in order to maintain flexibility.

The table below summarizes the maturity profile of the Organization's financial liabilities and financial assets used for liquidity management based on undiscounted payments and receipt as at December 31:

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Within 30 days | 31-180 days | 181-360 days | Over 360 days | Total |
| **Financial Assets** | | | | | | |
| Cash in banks and cash equivalents | ₱106,376,956 | ₱– | ₱– | ₱– | ₱– | ₱106,376,956 |
| Loans and other receivables* | 749,772,793 | – | – | – | – | 749,772,793 |
| Financial assets at amortized cost | 19,460,685 | – | – | – | 21,588,733 | 41,049,418 |
| | ₱875,610,434 | ₱– | ₱– | ₱– | ₱21,588,733 | ₱897,199,167 |
| **Financial Liabilities** | | | | | | |
| Accounts payable and accrued expenses** | 88,144,917 | – | – | – | 13,700,022 | 101,844,939 |
| CBU payable | 453,766,286 | – | – | – | – | 453,766,286 |
| | 541,911,203 | – | – | – | 13,700,022 | 555,611,225 |
| **Asset-liability Gap** | ₱333,699,231 | ₱– | ₱– | ₱– | ₱7,888,711 | ₱341,587,942 |

**Excluding advances to employees.*
***Excluding statutory payables.*

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Within 30 days | 31-180 days | 181-360 days | Over 360 days | Total |
| **Financial Assets** | | | | | | |
| Cash in banks and cash equivalents | ₱282,582,995 | ₱– | ₱– | ₱– | ₱– | ₱282,582,995 |
| Loans and other receivables* | 968,407,904 | – | – | 38,931,182 | – | 1,007,339,086 |
| Financial assets at amortized cost | 17,144,522 | – | – | – | 21,588,733 | 38,733,255 |
| | ₱1,268,135,421 | ₱– | ₱– | ₱38,931,182 | ₱21,588,733 | ₱1,328,655,336 |
| **Financial Liabilities** | | | | | | |
| Accounts payable and accrued expenses** | 128,131,211 | – | – | – | 5,575,721 | 133,706,932 |
| CBU payable | 588,951,610 | – | – | – | – | 588,951,610 |
| | 717,082,821 | – | – | – | 5,575,721 | 722,658,542 |
| **Asset-liability Gap** | ₱551,052,600 | ₱– | ₱– | ₱38,931,182 | ₱16,013,012 | ₱605,996,794 |

**Excluding advances to employees.*
***Excluding statutory payables.*

**Fund Management**

The primary objectives of the Organization's fund management are to ensure its ability to continue as a going concern and to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Organization considers its fund balance aggregating ₱634.4 million as at December 31, 2023 (₱604.2 million as at December 31, 2022) as its capital employed. The Organization manages its capital structure and makes adjustments to it when there are changes in economic conditions, its business activities, expansion programs, and the risk characteristics of the underlying assets. No changes were made in the objective, policies or processes in 2023 and 2022.

In compliance with MNRC Memorandum Circular No. 1, series of 2017, *Rules of Capital Contribution and Corporate and Trade Names of Microfinance Non-Government Organization,* all Microfinance NGOs are required to maintain a minimum fund balance of ₱1.0 million. As at December 31, 2023 and 2022, the Organization is compliant with the requirement.

## 24. Fair Value Measurement

*Cash and Cash Equivalents, Loans and Other Receivables (excluding Advances to Employees), Accounts Payable and Accrued Expenses (excluding Statutory Payables) and CBU payable.* Due to the short-term nature of the transactions, the carrying amounts of these financial instruments approximate their fair values.

*Financial Assets at Amortized Cost.* The carrying amount of the financial assets at amortized cost of the Organization as at December 31, 2023 is ₱ 1,037.9 million (₱1,311.5 million as at December 31, 2022). Its estimated fair value amounted to ₱1,906.4 million as at December 31, 2023 (₱2,409.0 million as at December 31, 2022). The fair value of financial assets at amortized cost is estimated using adjusted quoted market prices of comparative investments. The discount rate used in determining the fair value of financial assets at amortized cost is 5.9% as at December 31, 2023 and 2022.

The estimated fair value of the investment was calculated using significant indirectly observable input (Level 2).

There are no transfers between levels of fair value in 2023 and 2022.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
**Phone** : +632 8 982 9100
**Fax** : +632 8 982 9111
**Website** : www.reyestacandong.com

**REPORT OF INDEPENDENT AUDITORS**
**TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Members and the Board of Trustees
Tulay sa Pag-unlad, Inc. (A Microfinance NGO)
2363 Antipolo St, Guadalupe Nuevo
Makati City 1212

We have audited the accompanying financial statements of Tulay sa Pag-unlad, Inc. (A Microfinance NGO) (a non-stock, non-profit organization) (the Organization), as at and for the year ended December 31, 2023, on which we have rendered our report dated April 3, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Organization has no stockholder being a non-stock, non-profit organization.

**REYES TACANDONG & CO.**

Grace M. Albunian

GRACE M. ALBUNIAN
Partner
CPA Certificate No. 0144364
Tax Identification No. 410-858-879-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-018-2022
Valid until January 24, 2025
PTR No. 10072426
Issued January 2, 2024, Makati City

April 3, 2024
Makati City, Metro Manila

## 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, 2023, to wit:

| Documents/ Schedules to the Audited Financial Statements as of December 31, 2023 | 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 15 2024 at ~~SAN MATEO, RIZAL~~ Philippines.

Rene E. Cristobal
President

Ricardo G. Lazatin
Treasurer

Subscribed and sworn to before me, a Notary Public for and in SAN MATEO, RIZAL City, APR 15 2024 affiants personally, exhibiting their respective competent evidence of Identification Card ______ issued at ______ issued on ______.

| Name | Competent Evidence of Identity | Issued on/At |
|---|---|---|
| Rene E. Cristobal | OSCA Makati ID No. 2758219 | September 1997 |
| Ricardo G. Lazatin | Phil Passport No. P6018993B | 04 Jan 2021 / DFA NCR South |

NOTARY PUBLIC
Doc. No. 293
Page No. 60
Book No. IX
Series of 2024

LEONARDA B. MARCOS 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 15 2024 at SAN MATEO, RIZAL

**Robert Anthony D. Sia**
Affiant

SUBSCRIBED AND SWORN to before me this APR 15 2024 affiant exhibiting to me his LTODL No. F01-91-066849 issued on 2032/09/30 at ______________ as competent evidence of identity.

Doc. No. 294;
Page No. 60;
Book No. IX;
Series of 2024.
*(Use separate sheet if necessary)*

LEONARDA B[...]COS 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, 2023

| Receipts or Income or Sources of Funds | | | | |
|---|---|---|---|---|
| (a)<br>No. | (b)<br>Description of Income | (c)<br>Source | (d)<br>Amount (indicate by footnote if other than Philippine currency, then translate in this column) | (e)<br>Date Received/ Period Covered |
| 1 | Financial Income | Operation | P449,459,614 | January 1, 2023 to December 31, 2023 |
| 2 | Interest Income from bank deposits | Operation | 5,553,926 | |
| 3 | Collection on written off accounts | Operation | 4,980,195 | |
| 4 | Interest Income from employee's loan | Operation | 21,513 | |
| 5 | | | | |
| 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, 2023

**Part I Contributors/Donors**

| (a) No. | (b) Name and address | (c) Nationality | (d) Total Contribution | (e) Type of Contribution |
|---|---|---|---|---|
| 1 | Standard Chartered Foundation<br><br>1 Basinghall Avenue, London EC2V 5DD, United Kingdom | | P15,567,889<br><br>– | Cash<br><br>Noncash<br><br>(Complete Part II if there is a noncash contribution) |
| 2 | Jollibee Group Foundation, Inc<br><br>6th Floor, Jollibee Plaza Building, 10F, Ortigas Jr. Avenue, Ortigas Center, Pasig City | Filipino | 952,883<br><br>– | Cash<br><br>Noncash<br><br>(Complete Part II if there is a noncash contribution) |
| 3 | | | | Cash<br>Noncash<br>(Complete Part II if there is a noncash contribution) |
| 4 | | | | Cash<br>Noncash<br>(Complete Part II if there is a noncash contribution) |
| 5 | | | | Cash<br>Noncash<br>(Complete Part II if there is a noncash contribution) |
| 6 | | | | Cash<br>Noncash<br>(Complete Part II if there is a noncash contribution) |
| 7 | | | | Cash<br>Noncash<br>(Complete Part II if there is a noncash contribution) |
| 8 | | | | Cash<br>Noncash<br>(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 | **There were no donations and contributions made under noncash contributions for the year ended December 31, 2023.** | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |

**NSPO Form-5**

**SCHEDULE OF APPLICATION OF FUNDS**

**Name of Foundation/Organization**
TULAY SA PAG-UNLAD, INC (A MICROFINANCE NGO)

**SEC Registration No.**
101676

**For the Year Ended**
December 31, 2023

| (a) Item Number | (b) Description of Program/Projects/Activities | ( c) Status | (d) Project Officer-In-Charge |
|---|---|---|---|
| 1 | **Name of Program/Project/Activity:**<br>Futuremakers by Standard Chartered COVID-19 Recovery Program.<br>**Complete Office Address:**<br>1 Basinghall Avenue, London EC2V 5DD, United Kingdom<br>**Contact Number of Project Office:** | _x_ Accomplished<br>___On-going<br>___Planned | **Name:**<br>Aquilina G. Oneza<br><br>**Complete Address:**<br>Lot 1, Blk 1-A Foresthill St., Summerhills Village, Brgy Dela Paz, Antipolo City |
| | | | |
| 2 | **Name of Program/Project/Activity:**<br>Implementation of the Farmer Entrepreneurship Program<br>**Complete Office Address:**<br>6th Floor, Jollibee Plaza Building, 10F, Ortigas Jr. Avenue, Ortigas Center, Pasig City<br>**Contact Number of Project Office:** | ___Accomplished<br>_x_ On-going<br>___Planned | Name:<br>Aquilina G. Oneza<br><br>Complete Address:<br>Lot 1, Blk 1-A Foresthill St., Summerhills Village, Brgy Dela Paz, Antipolo City |
| 3 | **Name of Program/Project/Activity:**<br>Farmer Entrepreneurship Project Expansion to White Onion Farmer<br>**Complete Office Address:**<br>6th Floor, Jollibee Plaza Building, 10F, Ortigas Jr. Avenue, Ortigas Center, Pasig City<br>**Contact Number of Project Office:** | ___Accomplished<br>_x_ On-going<br>___Planned | Name:<br>Aquilina G. Oneza<br><br>Complete Address:<br>Lot 1, Blk 1-A Foresthill St., Summerhills Village, Brgy Dela Paz, Antipolo City |
| 4 | **Name of Program/Project/Activity:**<br><br>**Complete Office Address:**<br>**Contact Number of Project Office:** | ___Accomplished<br>___On-going<br>___Planned | Name:<br><br>Complete Address: |
| 5 | **Name of Program/Project/Activity:**<br><br>**Complete Office Address:**<br>**Contact Number of Project Office:** | ___Accomplished<br>___On-going<br>___Planned | Name:<br><br>Complete Address: |

REPUBLIC OF THE PHILIPPINESS
~~SAN MATEO, RIZAL~~ ) S.S.

## CERTIFICATION

I, RENE E. CRISTOBAL, of legal age, married, Filipino citizen, with residence address at No. 5 Sto. Domingo St., Urdaneta Village, Makati City, after having been sworn to in accordance with law, do hereby depose and state that:

1. I am the duly elected President of TULAY SA PAG-UNLAD, INC. (A Microfinance NGO), a non-stock non-profit social development corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at 2363 Antipolo Street, Guadalupe Nuevo, Makati City;

2. Except for duly approved credit and/or guarantee lines from financial/guarantee institutions and donations/grants /contributions received in the amount of at least Five hundred Thousand Pesos (Php500,000.00) in one or aggregate transactions per donor/grantor/contributor as listed in NSPO Form-4 hereto attached, the Corporation has not received any funds from any Philippine government agency or any department, bureau or office of the national government, or any of its branches and instrumentalities, or any political subdivision or its instrumentalities, as well as any government-owned or controlled corporation, including its subsidiaries, or other self-governing board or commission of the government; and

3. To the best of my knowledge, no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Corporation, its duly elected Trustees and/or corporate officers.

IN WITNESS WHEREOF, I have hereunto signed this Certification this APR 1 5 2024 of ____ at ~~Makati~~ SAN MATEO, RIZAL City, Philippines.

**RENE E. CRISTOBAL**
**President**

SUBSCRIBED AND SWORN to before me this APR 1 5 2024, the affiant having exhibited to me his OSCA ID No. 2758219 issued September 1997 in Makati as competent proof of his identity.

Doc. No. 295;
Page No. 60;
Book No. IX;
Series of 2024;

LEONARDA BAÑOS DIAZ
Notary Public for San Mateo, Rizal Until December 31, 2024
No.4 Kambal Road, Guitnang Bayan II, San Mateo, Rizal 1850
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REPUBLIC OF THE PHILIPPINES
CITY OF MAKATI
# BARANGAY GUADALUPE NUEVO
Sports Complex and Multi-Purpose Hall
Orense Street, Guadalupe Nuevo, Makati City
Tel. Nos.: 8-882-1992 • 8-883-1770 • 8-883-1773
barangayguadalupenuevo2023@gmail.com



## *CERTIFICATION*

This is to certify Tulay sa Pag-unlad Inc. (TSPI) a non-profit organization existing and registered with the Securities and Exchange Commission with address at #2363 Antipolo Street, Barangay Guadalupe Nuevo .

This certification is issued to the above corporation as documentary requirement of the Securities and Exchange Commission and for whatever other legal purpose/s this may deem serve them.

***Issued this 11th day of April 2024, at the Office of the Punong Barangay, Guadalupe Nuevo, Makati City.***

**HON. GERMAN O. SUNGA**
*Punong Barangay*