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

(A Non-Stock, Non-Profit Organization)

Financial Statements
As at and for the Years Ended
December 31, 2024 and 2023

With independent auditors' report provided by

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees
TULAY SA PAG-UNLAD, INC. (A Microfinance NGO)

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 statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to financial statements, including a summary of 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, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits 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.

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 Accounting Standards, 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 audits.

REYES TACANDONG & CO.

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BOA Accreditation No. 4782/P-024; Valid until June 6, 2026
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PTR No. 10467118
Issued January 2, 2025, Makati City

March 31, 2025
Makati City, Metro Manila

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

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2024**	2023
ASSETS			
Current Assets			
Cash	6	**₱152,807,466**	₱106,376,956
Reserved fund	7	**309,695,104**	174,025,368
Loans receivable	8	**528,815,089**	743,450,963
Other receivables	9	**13,185,481**	9,595,860
Due from related parties	16	**5,608,621**	6,493,960
Prepayments		**9,172,066**	3,416,725
Total Current Assets		**1,019,283,827**	1,043,359,832
Noncurrent Assets			
Property and equipment:	10		
At revalued amount		**172,417,249**	172,207,677
At cost		**3,930,493**	5,547,541
Right-of-use assets	22	**6,536,178**	14,600,231
Net retirement asset	21	**80,966,944**	52,238,359
Other noncurrent assets	11	**8,496,514**	8,412,378
Total Noncurrent Assets		**272,347,378**	253,006,186
		₱1,291,631,205	₱1,296,366,018

LIABILITIES AND FUND BALANCE			
Current Liabilities			
Capital build-up	12	**₱441,565,808**	₱453,766,286
Accounts payable and accrued expenses	13	**109,552,666**	105,422,521
Income tax payable		**1,550,658**	2,221,521
Funds held in trust	15	**5,927,701**	6,820,096
Loans payable	14	**–**	25,000,000
Due to related parties	16	**–**	3,757
Current portion of lease liabilities	22	**4,682,089**	1,879,615
Total Current Liabilities		**563,278,922**	595,113,796
Noncurrent Liabilities			
Deferred tax liabilities	23	**61,453,991**	52,916,698
Lease liabilities - net of current portion	22	**1,775,850**	13,700,022
Total Noncurrent Liabilities		**63,229,841**	66,616,720
Total Liabilities		**626,508,763**	661,730,516

(Forward)

		December 31	
		2024	2023
Fund Balance			
Accumulated net income		**₱359,083,277**	₱405,280,198
Restricted fund balance	8	**62,000,000**	10,928,018
Cumulative remeasurement gains on retirement plan	21	**164,611,910**	139,000,031
Revaluation increment on property and equipment	10	**79,427,255**	79,427,255
Total Fund Balance		**665,122,442**	634,635,502
		₱1,291,631,205	₱1,296,366,018

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2024**	2023
REVENUE FROM MICROFINANCE ACTIVITIES	17		
Interest income		**₱370,369,952**	₱425,763,949
Service fees		**23,389,341**	23,695,665
		393,759,293	449,459,614
EXPENSES			
Project and operational costs	18	**269,347,453**	297,056,797
Impairment losses on loans and other receivables	8, 9	**74,444,539**	76,000,000
General and administrative expenses	19	**61,734,527**	61,254,113
Interest expense on capital build-up	12	**3,504,656**	4,190,663
		409,031,175	438,501,573
OTHER INCOME (CHARGES)			
Interest expense on lease liabilities	22	**(823,162)**	(1,286,600)
Finance charges	14	**(689,670)**	(1,034,712)
Other income - net	20	**29,629,448**	21,658,661
		28,116,616	19,337,349
INCOME BEFORE INCOME TAX		**12,844,734**	30,295,390
PROVISION FOR INCOME TAX	23	**7,969,673**	8,908,521
NET INCOME		**4,875,061**	21,386,869
OTHER COMPREHENSIVE INCOME	21		
Not to be reclassified to profit or loss in subsequent periods			
Remeasurements of retirement plan		**34,149,172**	12,104,157
Income tax effect		**(8,537,293)**	(3,026,039)
		25,611,879	9,078,118
TOTAL COMPREHENSIVE INCOME		**₱30,486,940**	₱30,464,987

See accompanying Notes to Financial Statements.

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

(A Non-Stock, Non-Profit Organization)

STATEMENTS OF CHANGES IN FUND BALANCE

		Years Ended December 31	
	Note	**2024**	2023
ACCUMULATED NET INCOME			
Balance at beginning of year		**₱405,280,198**	₱394,821,347
Reclassified to restricted fund balance	8	**(51,071,982)**	(10,928,018)
Net income		**4,875,061**	21,386,869
Balance at end of year		**₱359,083,277**	405,280,198
RESTRICTED FUND BALANCE	8		
Balance at beginning of year		**10,928,018**	–
Reclassification		**51,071,982**	10,928,018
Balance at end of year		**62,000,000**	10,928,018
CUMULATIVE REMEASUREMENT GAINS ON RETIREMENT PLAN	21		
Balance at beginning of year		**139,000,031**	129,921,913
Net remeasurement gains		**25,611,879**	9,078,118
Balance at end of year		**164,611,910**	139,000,031
REVALUATION INCREMENT ON PROPERTY AND EQUIPMENT	10	**79,427,255**	79,427,255
		₱665,122,442	₱634,635,502

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱12,844,734**	₱30,295,390
Adjustments for:			
Impairment losses on loans and other receivables	8, 9	**74,444,539**	76,000,000
Depreciation and amortization	10	**16,900,757**	21,189,782
Interest income from cash in banks and reserved fund	20	**(9,483,606)**	(5,553,926)
Retirement benefits cost	21	**5,420,590**	4,722,490
Interest expense on lease liabilities	22	**823,162**	1,286,600
Finance charges	14	**689,670**	1,034,712
Operating income before working capital changes		**101,639,846**	128,975,048
Decrease (increase) in:			
Reserved fund		**(135,669,736)**	(174,025,368)
Loans receivable		**140,571,491**	62,458,974
Other receivables		**(3,969,780)**	(4,268,175)
Due from related parties		**885,339**	1,660,115
Prepayments		**(5,755,341)**	74,882
Increase (decrease) in:			
Capital build-up		**(12,200,478)**	(135,185,324)
Accounts payable and accrued expenses		**4,130,145**	(23,425,534)
Funds held in trust		**(892,395)**	(18,359,117)
Due to related parties		**(3,757)**	(1,965)
Net cash generated from (used for) operations		**88,735,334**	(162,096,464)
Interest received from cash in banks and reserved fund		**9,483,606**	5,553,926
Income taxes paid		**(8,640,536)**	(9,493,110)
Net cash provided by (used in) operating activities		**89,578,404**	(166,035,648)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	10	**(6,251,549)**	(6,049,207)
Decrease (increase) in noncurrent assets		**(84,136)**	10,976,468
Proceeds from disposal of property and equipment	10	**1,056**	–
Net cash provided by (used in) investing activities		**(6,334,629)**	4,927,261

(Forward)

	Note	2024	2023
		Years Ended December 31	
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable	14	**(₱35,000,000)**	(₱2,687,072)
Lease liabilities	22	**(11,123,595)**	(22,000,640)
Proceeds from loan availments	14	**10,000,000**	–
Finance charges paid	14	**(689,670)**	(1,034,712)
Net cash used in financing activities		**(36,813,265)**	(25,722,424)
NET INCREASE (DECREASE) IN CASH		**46,430,510**	(186,830,811)
CASH AT BEGINNING OF YEAR		**106,376,956**	293,207,767
CASH AT END OF YEAR	6	**₱152,807,466**	₱106,376,956
OPERATING CASH FLOWS FROM INTEREST			
Interest received from loans		**₱368,069,958**	₱422,319,563
Interest paid on capital build-up		**3,417,156**	4,079,658

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. **Corporate Information**

General Information
Tulay sa Pag-unlad, Inc. (A Microfinance NGO) (TSPI or the Organization) was registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1981 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.

The Organization is composed of Central Head Office and 119 branches as at December 31, 2024 and 2023. The registered head office address of the Organization is 2363 Antipolo St, Guadalupe Nuevo, Makati City 1212.

Accreditation with Microfinance Non-Government Organization (NGO) Regulatory Council (MNRC)
In accordance with the 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 including accreditation with MNRC.

The Organization was granted a three-year accreditation by the MNRC on May 15, 2022 valid until May 14, 2025. On March 19, 2025, MNRC granted the renewal of the Organization's accreditation valid for another three years from May 15, 2025.

Microfinance Programs and Services
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, clients 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 12 months with option to pre-terminate after six months. The repayment schedule is flexible with weekly, semi-monthly and monthly options based on member'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 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 one-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:

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 members and immediate family members can also be covered by this program.

c) Microinsurance Loan Program for Life Plus Insurance Plan (LPIP) and Life Max Insurance Plan (LMIP)

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

Approval of the Financial Statements

The financial statements of the Organization as at and for the years ended December 31, 2024 and 2023 were approved and authorized for issue by the Board of Trustees (BOT) on March 31, 2025.

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) Accounting Standards. 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 currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

The financial statements of the Organization have been prepared on a historical cost basis except for land, buildings and improvements under "Property and equipment" account which are carried at revalued amount and net retirement asset which is measured as the difference between the fair value of plan assets and present value of defined benefit obligation.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

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 fair value measurement is based on the presumption that these transactions take place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Organization.

The Organization measures the fair value of an asset or liability using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or liability measured at fair value has both bid and ask prices, the Organization uses the price within the bid-ask price spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Organization measures the fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use it in its highest and best use.

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 5, *Fair Value Measurement* and Note 10, *Property and Equipment.*

Adoption of Amendments to PFRS Accounting Standards

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

- 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 (ROU) 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.

- Amendments to PAS 1, *Presentation of Financial Statements - 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.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS Accounting Standards 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.

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

New and Amendments to PFRS Accounting Standards in Issue But Not Yet Effective

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2024 and have not been applied in preparing the financial statements, are summarized below:

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7– *Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for financial assets and liabilities with contingent features and equity instruments classified at fair value through other comprehensive income (FVOCI). Earlier application is permitted.

- Annual Improvements to PFRS 11:

  - Amendments to PFRS 7 – The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.

  - Amendments to PFRS 9, *Transaction Price and Lessee Derecognition of Lease Liabilities* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments also replace the reference to *'transaction price as defined by PFRS 15'* to *'the amount determined by applying PFRS 15'* to remove potential confusion. Earlier application is permitted.

  - Amendments to PAS 7, *Cost Method* – The amendments replace the term 'cost method' with 'at cost' following the deletion of the definition of 'cost method'. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1 and sets out the requirements for the presentation and disclosure of information to help ensure that the financial statements provide relevant information that faithfully represents the entity's assets, liabilities, equity, income and expenses. The standard introduces new categories and sub-totals in the statements of comprehensive income, disclosures on management-defined performance measures, and new principles for grouping of information, which the entity needs to apply retrospectively. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing relevant new and amendments to PFRS Accounting Standards is not expected to have any material effect on the financial statements of the Organization. Additional disclosures will be included in the financial statements, as applicable.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

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.

Classification of Financial Instruments. The Organization classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends on its contractual cash flow characteristics and on the Organization's business model for managing them.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

The Organization reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

As at December 31, 2024 and 2023, the Organization does not have financial assets and financial liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. A financial asset 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 the normal operating cycle after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2024 and 2023, the Organization's cash, reserved fund, loans receivables, other receivables (excluding advances to suppliers and contractors), due from related parties and other noncurrent assets (excluding acquired assets) are classified under this category.

Cash includes cash on hand, cash in banks and E-money.

Reserved fund represents funds appropriated and committed for loan releases.

Financial Liabilities at Amortized Cost. 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 capital build-up (CBU), accounts payable and accrued expenses (excluding statutory payables), funds held in trust, loans payable, due to related parties and lease liabilities.

CBU represents mandatory deposit of clients for them to avail of Organization's program, which are returned once the clients withdraw from the programs of the Organization.

Funds held in trust pertain to funds received from various funding entities and non-government organizations with a conditional promise to contribute. This is classified as liability until the conditions of the grantor have been substantially met or the conditions have been explicitly waived by the funding organizations

Impairment of Financial Assets at Amortized Cost

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 became 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 more than 30 days past due except for TPP loans that are considered in default when the borrower failed to meet the contractual obligation one day after the maturity date. 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.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at reversal date.

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.

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.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Organization; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Organization does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

Property and Equipment
Property and equipment, except land and building and improvements, are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment 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 operation, 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.

The Organization adopted the revaluation model in measuring its land and building and improvements.

Under the revaluation model, land and building and improvements are initially measured at cost and subsequently measured at fair value. Valuations are performed with sufficient regularity to ensure that fair value of a revalued asset does not differ materially from its carrying amount. Additions subsequent to the last appraisal date are stated at acquisition cost.

A revaluation increase is recorded initially in other comprehensive income and accumulated to the "Revaluation increment on property and equipment" account under fund balance. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. A revaluation decrease is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in revaluation surplus in equity in which case the decrease is recognized in other comprehensive income.

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 fund balance. Upon disposal, any revaluation increment related to a particular asset being sold is transferred to accumulated net income account.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Asset Type	Number of Years
Building	25
Building Improvements	25 or remaining life of building, whichever is shorter
Office equipment	5
Computer equipment	3
Furniture and fixtures	5
Transportation equipment	5

The estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods and methods of depreciation and amortization is consistent with the expected pattern of economic benefits from items of property and equipment.

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, which is comprised of costs incurred to acquire the computer software that is not an integral part of its related hardware and bring it to its intended use.

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.

Fully amortized intangible asset is retained in the accounts until it is no longer in use.

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 assets 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 unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. 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.

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.

Cumulative Remeasurement Gains on Retirement Plan. Cumulative remeasurement gains on retirement plan represents the accumulated actuarial gains and losses from the remeasurement of the plan assets and defined benefit obligation.

Revaluation Increment on Property and Equipment. Revaluation increment on property pertains to the accumulated increase in the carrying amount of land and buildings and improvements which are recognized in other comprehensive income as a result of appraisal of the related property and equipment.

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 earned for loan collection, administration and other credit-related fees are recognized when the related services are provided.

Grants. Income from grants include funds received from funding agencies without donor-imposed conditions which are recognized as revenue in profit and loss when the right to receive is established. This also includes grants initially recorded as liability and subsequently recognized as revenue upon its utilization for their intended purpose and satisfaction of donor-imposed conditions.

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

The following specific recognition criteria must also be met before revenue outside PFRS 15 is recognized.

Interest Income. Interest income is recognized in profit or loss as the interest accrues, taking into account the effective yield of the asset.

When calculating the effective interest rate, the Organization estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective rate, transaction costs and all other premiums or discounts.

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 operational costs are recognized as expense when incurred.

General and Administrative Expenses. General and administrative expenses 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 CBU and Lease Liabilities, and Finance Charges on Loans Payables. Interest expense on CBU and lease liabilities, and finance charges on loans payable are recognized in the statements of comprehensive income using the effective interest method.

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 a funded, 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 net interest on the retirement liability or asset.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on the retirement liability or asset) 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.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Organization, nor can they be paid directly to the Organization. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Organization's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The retirement liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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 – the Organization as a Lessee

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.

At the commencement date, the Organization recognizes ROU assets and lease liabilities.

ROU Assets. ROU assets are initially measured at cost, which comprises the initial amount of lease liabilities adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred, less any incentives received. ROU assets are subsequently amortized using the straight-line method from the commencement date to the end of the lease term. In addition, ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

Lease Liabilities. Lease liabilities are initially measured 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.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments, and if applicable:

- 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.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

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

When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the ROU assets, or is recorded in profit or loss if the carrying amount of the ROU assets has been reduced to zero.

Short-term and Low-Value Leases. The Organization applies the recognition exemption to its short-term and low-value leases of office spaces. Lease payments on short-term and low-value leases are recognized as expense on a straight-line basis over the lease term.

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 other comprehensive income.

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.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to offset the amounts and it can be demonstrated without undue cost or effort that the Organization plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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.

Comparatives
When necessary, comparative figures have been reclassified to conform to the changes in the presentation of the current year.

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3. **Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the Organization's financial statements requires management to exercise judgments, make estimates and use 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 Appropriate Lease Term for Lease Contracts with Renewal and Termination Options. The Organization, as a lessee, has entered into lease agreements over the office premises it uses for its operations.

The Organization determines the lease term which is the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Organization has lease contracts that include extension and termination options. The Organization applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement, the Organization reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects the ability to exercise or not to exercise the option to renew or terminate such as construction of a significant leasehold improvement or significant customization of the leased asset.

The Organization elected not to recognize ROU assets and lease liabilities for short-term leases. The Organization recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of ROU assets, lease liabilities, rent expense of short-term leases and other relevant information related to the Organization's lease agreements are disclosed in Note 22.

Evaluating 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, 2024 and 2023.

The Organization has final tax assessments covering taxable years 2014 and 2015 for which the Organization has already submitted an Offer of Compromise Settlement and provided the necessary documents to satisfy the BIR requirements in 2021. As at report date, the Organization is awaiting the final evaluation and approval of the National Evaluation Board (NEB) at the BIR National Office.

Accounting 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 Impairment Losses on Financial Assets at Amortized Cost. The measurement of impairment losses requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses 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.

Loans and Receivable

Key inputs to the measurement of ECL for loans receivable include probability of default, loss given default and exposure at default. The ECL determination also considers a number of underlying assumptions, among which, the following are considered significant:

- Segmentation of loans and other receivables for collective assessment;
- 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;
- Determination and selection of forward-looking macroeconomic factors; and,
- Requirements of MNRC on loan loss provisioning.

The Organization considers the age of its loans and other receivables as an indicator for credit risk. Generally, there is a significant increase in credit risk when contractual payments become past due.

For purposes of determining the ECL, loans receivable are grouped based on the programs that originated the loan. The Organization considers inflation rate, gross domestic product, unemployment rate, foreign exchange rate, and interest rates as key forward-looking economic variables in making its assessment. Generally, loans receivable are considered as credit-impaired when contractual payments are overdue for more than 30 days and the counterparty is unlikely to settle its obligation to the Organization.

In determining the loss given default, the Organization primarily considers the collections and recoveries after the loans receivable were tagged as defaulted accounts.

Provision for credit and impairment loss and the carrying amount of loans receivable are disclosed in Note 8.

Other Financial Assets at Amortized Cost

The Organization has assessed that the impairment losses on other financial assets at amortized cost which mainly comprised of cash, reserved funds, other receivables, due from related parties and other noncurrent assets (excluding acquired assets) is not material because these are transactions entered into by the Organization with reputable banks and counterparties with good credit standing and relatively low risk of defaults.

In 2024 and 2023, the Organization recognized a provision for impairment loss on other receivables amounting to ₱380,159 and nil, respectively. No impairment loss was recognized on the remaining financial assets. The carrying amount of other financial assets at amortized cost are disclosed in Notes 4, 5, 9, 11 and 16.

Determining the Appropriate Discount Rates for Establishing Present Value of Lease Liabilities. The Organization, as a lessee, has entered into lease agreements over the premises it uses for its operations.

The Organization cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The Organization estimates the incremental borrowing rate using observable inputs such as market interest rates when available and is required to make certain entity-specific adjustments.

The incremental borrowing rate used in establishing present value of lease liabilities are obtained through adjusting risk-free borrowing costs for credit spread derived from historical lending rates from other banks and financial institutions.

The carrying amount of lease liabilities and the related interest expense incurred in 2024 and 2023 are disclosed in Note 22.

Estimating the Useful Lives of Property and Equipment, Intangible Asset and ROU Assets. The Organization estimates the useful lives of property and equipment, intangible asset and ROU assets based on the economic lives of these assets. The estimated useful lives of property and equipment, intangible asset and ROU assets 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 assets. 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, intangible asset and ROU assets would increase the recorded expenses and decrease the noncurrent assets.

There was no change in the estimated useful lives of property and equipment, intangible asset and ROU assets in 2024 and 2023.

The carrying amounts of property and equipment, intangible asset and ROU assets are disclosed in Notes 10, 11 and 22.

Assessing the Impairment of Significant Nonfinancial Assets. The Organization assesses impairment on its significant 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 its 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 significant nonfinancial assets was recognized in 2024 and 2023. The carrying amounts of significant nonfinancial assets as at December 31 are disclosed in Notes 10, 11 and 22.

Determining the Fair Value of Property and Equipment Measured at Revalued Amount. The Organization engaged an independent appraiser in June 2021 to determine the fair value of land and building and improvements. The fair value was determined using Sales Comparison Approach for the land and Cost approach for the building and improvements. The Sales Comparison approach considers the sales of similar properties or substitute properties and related market data and establishes a value estimate by process involving comparison. The Cost approach, on the other hand, estimates the current replacement/reproduction cost of the replaceable property in accordance with prevailing market prices for materials, labor, contractor's overhead and other related expenses. Adjustments are made to reflect depreciation resulting from physical deterioration and any functional and economic obsolescence that may exist to arrive at a reasonable valuation.

Further information about the assumptions made in measuring fair values of property and equipment measured at revalued amount are disclosed in Note 10.

Estimating the Retirement Benefits. 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. These assumptions are described in Note 21, *Retirement Plan,* and include, among others, discount rates, salary increase rates and expected rates of return on plan assets.

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 benefits.

The carrying amounts of net retirement asset and the related cumulative remeasurement gains recognized in fund balance are disclosed in Note 21.

Assessing Realizability of Deferred Tax Assets. The Organization reviews the carrying amount at the end of each reporting period and reduces the amount of deferred tax assets 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. The Organization's assessment on the recognition of deferred tax assets on deductible temporary differences is based on forecasted taxable income of the subsequent reporting periods. This forecast is based on the Organization's past results and future expectations on revenue and expenses.

As at December 31, 2024 and 2023, the Organization did not recognize deferred tax assets on certain temporary differences as disclosed in Note 23. Management has assessed that it is not probable that sufficient taxable profits will be available in the near future against which the benefit of the deferred tax assets on these deductible temporary differences can be utilized.

4. Financial Risk Management Objectives and Policies

The use of financial instruments is fundamental to the Organization's core business. Accordingly, the risks associated with financial instruments represent a significant component of the risks being faced by the Organization. These risks and the Organization's risk management framework and specific risk management policies and procedures for measuring, monitoring and managing such risks are outlined below. Relevant quantitative disclosures are included as appropriate.

The Organization has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

There are no changes in the risk assessment on the objectives, policies and manner of how the Organization manages these risks in 2024 and 2023.

Risk Management Framework

The BOT has overall responsibility for the establishment and oversight of the Organization's risk management framework. The oversight function is carried out through its Board Committees: (1) Audit and Compliance Committee (ACC), and (2) Risk and Executive Committee (ExeCom).

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 senior 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.

Credit Risk

Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations, as and when they fall due, especially those arising from the Organization's lending activities.

Management of Credit Risk. Loans are granted by the Organization based on the creditworthiness and payment history of borrowers. The Organization manages its credit risk from loans receivable by setting limits for individual borrowers and group of borrowers. It also monitors credit exposures and continually assesses the credit worthiness of counterparties. In addition, the Organization obtains security where appropriate, enters in collateral arrangements with counterparties and limits the duration of the exposures. Moreover, certain loans are guaranteed by the group to which the individual belongs.

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

The Organization also has credit risk arising from cash in banks, E-money, reserved fund, other receivables, due from related parties and other noncurrent assets (excluding acquired assets). The Organization limits its exposure to credit risk by depositing the funds with highly reputable and pre-approved financial institutions. All counterparties are subject to credit verification procedures. In addition, financial asset balances are monitored on an ongoing basis with the result that the Organization's exposure to bad debt is not significant.

Maximum Exposure to Credit Risk. The information below shows the Organization's maximum credit risk exposure, net of allowance for credit losses, and before considering the effect of collateral agreements and credit enhancements.

	Note	**2024**	2023
Cash in banks and E-money	6	**₱148,324,459**	₱100,552,307
Reserved fund	7	**309,695,104**	174,025,368
Loans receivable	8	**528,815,089**	743,450,963
Other receivables*	9	**13,185,481**	9,462,231
Due from related parties	16	**5,608,621**	6,493,960
Other noncurrent assets**	11	**3,603,178**	3,519,042
		₱1,009,231,932	₱1,037,503,871

**Excluding advances to suppliers and contractors.*
***Excluding acquired assets.*

Concentration of Credit Risk. The Organization's concentration of credit risk arises from loans receivable since it accounts for 52.4% and 71.7% of the Organization's total financial assets subject to credit risk. The Organization monitors concentrations of credit risk from loans receivable by program location as shown below (gross of allowance for impairment losses):

	2024		2023	
Program Location	**Amount**	%	Amount	%
Region 1	**₱254,787,677**	**34%**	₱308,734,619	34%
Region 4A	**200,875,104**	**27%**	254,178,276	28%
Region 3	**101,328,279**	**13%**	122,426,276	14%
Region 5	**82,660,984**	**11%**	95,122,296	11%
National Capital Region	**72,189,039**	**9%**	68,002,087	7%
Region 2	**37,609,127**	**5%**	41,309,477	5%
Cordillera Administrative Region	**5,786,627**	**1%**	6,035,300	1%
	₱755,236,837	**100%**	₱895,808,331	100%

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

Pursuant to MNRC requirements, the Organization also monitors the level of loans receivable over total assets. The Organization considers its reserved funds committed for loan releases in determining its loans-to-total assets ratio (see Note 7).

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:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial Assets at Amortized Cost				
Cash in Banks and E-money -				
High grade	**₱148,324,459**	**₱–**	**₱–**	**₱148,324,459**
Reserved Fund -				
High grade	**309,695,104**	**–**	**–**	**309,695,104**
Loans Receivable:				
Standard grade	**378,814,621**	**–**	**–**	**378,814,621**
Past due but not impaired	**–**	**21,407,667**	**–**	**21,407,667**
Impaired	**–**	**–**	**355,014,549.**	**355,014,549**
Other Receivables:				
Standard grade	**13,185,481**	**–**	**–**	**13,185,481**
Impaired	**–**	**–**	**21,818,215**	**21,818,215**
Due from Related Parties -				
Standard grade	**5,608,621**	**–**	**–**	**5,608,621**
*Other noncurrent assets -**				
Standard grade	**3,603,178**	**–**	**–**	**3,603,178**
	₱850,019,665	**₱21,407,667**	**₱376,832,764**	**₱1,248,260,096**

**Excluding acquired assets*

	2023			
	Stage 1	Stage 2	Stage 3	Total
Financial Assets at Amortized Cost				
Cash in Banks and E-money -				
High grade	₱100,552,307	₱–	₱–	₱100,552,307
Reserve fund -				
High grade	174,025,368	–	–	174,025,368
Loans Receivable:				
Standard grade	698,977,724	–	–	698,977,724
Past due but not impaired	–	15,234,327	–	15,234,327
Impaired	–	–	181,596,280	181,596,280
Other Receivables:*				
Standard grade	9,595,860	–	–	9,595,860
Impaired	–	–	21,588,733	21,588,733
Due from Related Parties -				
Standard grade	6,490,203			6,490,203
*Other noncurrent assets -***				
Standard grade	3,519,042	–	–	3,519,042
	₱993,160,504	₱15,234,327	₱203,185,013	₱1,211,579,844

** Excluding advances to suppliers and contractors.*
***Excluding acquired assets.*

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 full 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 receipts as at December 31:

	2024					
	On Demand	**Within 30 days**	**31-180 days**	**181-360 days**	**Over 360 days**	**Total**
Financial Assets						
Cash	**₱152,807,466**	**₱–**	**₱–**	**₱–**	**₱–**	**₱152,807,466**
Reserved fund	**–**	**72,643,882**	**237,051,222**	**–**	**–**	**309,695,104**
Loans receivable	**118,560,369**	**404,693,385**	**–**	**686,485**	**4,874,850**	**528,815,089**
Other receivables	**1,945,443**	**11,240,038**	**–**	**–**	**–**	**13,185,481**
Due from related parties	**5,608,621**	**–**	**–**	**–**	**–**	**5,608,621**
Other noncurrent assets*	**–**	**–**	**–**	**–**	**3,603,178**	**3,603,178**
	278,921,899	**488,577,305**	**237,051,222**	**686,485**	**8,478,028**	**1,013,714,939**
Financial Liabilities						
CBU	**109,027,910**	**74,848,139**	**238,768,727**	**18,762,767**	**158,265**	**441,565,808**
Accounts payable and accrued expenses**	**27,986,237**	**72,526,730**	**–**	**–**	**–**	**100,512,967**
	137,014,147	**147,374,869**	**238,768,727**	**18,762,767**	**158,265**	**542,078,775**
Asset-liability Gap	**₱141,907,752**	**₱341,202,436**	**(₱1,717,505)**	**(₱18,076,282)**	**₱8,319,763**	**₱471,636,164**

**Excluding acquired assets*
***Excluding statutory payables.*

	2023					
	On Demand	Within 30 days	31-180 days	181-360 days	Over 360 days	Total
Financial Assets						
Cash	₱106,376,956	₱–	₱–	₱–	₱–	₱106,376,956
Reserved fund	–	157,025,368	17,000,000	–	–	174,025,368
Loans receivable	68,390,180	668,939,570	–	1,602,102	4,519,111	743,450,963
Other receivables*	1,945,443	7,516,788	–	–	–	9,462,231
Due from related parties	6,493,960	–	–	–	–	6,493,960
Other noncurrent assets**	–	–	–	–	3,519,042	3,519,042
	183,206,539	833,481,726	17,000,000	1,602,102	8,038,153	1,043,328,520
Financial Liabilities						
CBU	3,959,969	88,693,908	3,858,534	58,837	357,195,038	453,766,286
Accounts payable and accrued expenses***	42,166,998	59,677,941	–	–	–	101,844,939
Due to related parties	3,757	–	–	–	–	3,757
	46,130,724	148,371,849	3,858,534	58,837	357,195,038	555,614,982
Asset-liability Gap	₱137,075,815	₱685,109,877	₱13,141,466	₱1,543,265	(₱349,156,885)	₱487,713,538

**Excluding advances to suppliers and contractors.*
***Excluding acquired assets*
****Excluding statutory payables.*

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

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

The Organization's exposure to interest rate risk arises from the following interest-bearing financial instruments:

	Note	**2024**	2023
Cash in banks	6	**₱140,116,386**	₱92,388,920
Reserved fund	7	**309,695,104**	174,025,368
Loans receivable	8	**528,815,089**	743,450,963
CBU	12	**(441,565,808)**	(453,766,286)
Loans payable	14	**–**	(25,000,000)
		₱537,060,771	₱531,098,965

The primary measure of interest rate risk is the duration of the financial instruments. It quantifies the effect of changes in interest rates in the value of financial instruments. The longer the duration, the more sensitive it should be to changes in interest rates.

The following table illustrates the sensitivity of the Organization's income before income tax to a reasonably possible change in interest rates of its interest-bearing financial instruments with all other variables held constant.

	2024		2023	
	Increase	**Decrease**	Increase	Decrease
Percentage increase (decrease) in basis points	**3%**	**(3%)**	3%	(3%)
Effect on net interest income	**₱16,111,823**	**(₱16,111,823)**	₱15,932,969	(₱15,932,969)

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 ₱665.1 million and ₱634.6 million as at December 31, 2024 and 2023, respectively, 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 2024 and 2023.

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, 2024 and 2023, the Organization is compliant with the requirement.

5. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Organization's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding hierarchy:

	2024				
	Carrying	**Fair Value**			
	Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets Measured at Fair Value					
Property and equipment:					
Land	**₱104,346,000**	**₱–**	**₱104,346,000**	**₱–**	**₱104,346,000**
Building and improvement	**68,071,249**	**–**	**68,071,249**	**–**	**68,071,249**
	172,417,249	**–**	**172,417,249**	**–**	**172,417,249**
Assets for which Fair Values are Disclosed					
Loans receivable	**528,815,089**	**–**	**–**	**530,610,203**	**530,610,203**
Other noncurrent assets*	**3,603,178**	**–**	**–**	**2,680,042**	**2,680,042**
	532,418,267	**–**	**–**	**533,290,245**	**533,290,245**
	₱704,835,516	**–**	**₱172,417,249**	**₱533,290,245**	**₱705,707,494**
Liabilities for which Fair Values are Disclosed					
CBU	**₱441,565,808**	**₱–**	**₱441,565,808**	**₱–**	**₱441,565,808**
Lease liabilities	**6,457,939**	**–**	**–**	**6,915,054**	**6,915,054**
	₱448,023,747	**₱–**	**₱441,565,808**	**₱6,915,054**	**₱448,480,862**

**Excluding acquired assets.*

	2023				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Assets Measured at Fair Value					
Property and equipment:					
Land	₱104,346,000	₱–	₱104,346,000	₱–	₱104,346,000
Building and improvement	67,861,677	–	67,861,677	–	67,861,677
	172,207,677	–	172,207,677	–	172,207,677
Assets for which Fair Values are Disclosed					
Loans receivable	743,450,963	–	–	745,260,320	745,260,320
Other noncurrent assets*	3,519,042	–	–	2,617,461	2,617,461
	746,970,005	–	–	747,877,781	747,877,781
	₱919,177,682	₱–	₱172,207,677	₱747,877,781	₱920,085,458
Liabilities for which Fair Values are Disclosed					
CBU	₱453,766,286	₱–	₱453,766,286	₱–	₱453,766,286
Loans payable	25,000,000	–	–	25,739,823	25,739,823
Lease liabilities	15,579,637	–	–	17,970,964	17,970,964
	₱494,345,923	₱–	₱453,766,286	₱43,710,787	₱497,477,073

**Excluding acquired assets.*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Property and Equipment. Fair value is determined based on an independent appraiser's report dated June 2021, using the Sales Comparison Approach for land and Cost Approach for the building and improvements.

The Sales Comparison approach considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. The Cost approach estimates the current replacement/reproduction cost of the replaceable property in accordance with prevailing market prices for materials, labor, contractor's overhead and other related expenses. Adjustments are made to reflect depreciation resulting from physical deterioration and any functional and economic obsolescence that may exist to arrive at a reasonable valuation (see Note 10).

Loans Receivable, Other Noncurrent Assets (Excluding Acquired Assets), CBU, Loans Payable and Lease Liabilities. Fair values are based on the discounted cash flows, using the prevailing interest rate for similar types of instruments.

Significant increase (decrease) in the discount rate would result to a significantly higher or lower fair value measurement.

There were no transfers between levels/hierarchies of fair value measurements in 2024 and 2023.

The table below presents the financial assets and liabilities of the Organization whose carrying amounts approximate the fair values due to the short-term maturities or demandable nature of the instruments.

	2024	2023
Assets		
Cash	**₱152,807,466**	₱106,376,956
Reserved fund	**309,695,104**	174,025,368
Due from related parties	**5,608,621**	6,493,960
Other receivables*	**13,185,481**	9,462,231
	₱481,296,672	₱296,358,515
Liabilities		
Accounts payable and accrued expenses**	**₱100,512,967**	₱101,844,939

**Excluding advances to suppliers and contractors.*
***Excluding statutory payables.*

6. Cash

This account consists of:

	2024	2023
Cash on hand	**₱4,483,007**	₱5,824,649
Cash in banks	**140,116,386**	92,388,920
E-money	**8,208,073**	8,163,387
	₱152,807,466	₱106,376,956

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

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

7. Reserved Fund

This account represents funds set aside primarily for loan releases following the TSPI Product Program guidelines and as approved by the BOT.

As at December 31, 2024 and 2023, the carrying amount of reserved fund which consists mainly of short-term time deposits amounted to ₱309.7 million and ₱174.0 million, respectively.

The reserved fund earns annual interest ranging from 4.0% to 6.0% and 5.3% to 7.0% in 2024 and 2023, respectively. Interest income earned from reserved fund amounted to ₱9.3 million and ₱5.2 million in 2024 and 2023, respectively (see Note 20).

8. Loans Receivable

This account consists of:

	2024	2023
Loans receivable:		
TSPI Kabuhayan Livelihood Program (TKP)	**₱682,159,541**	₱783,938,564
Housing Improvement and Sanitation Loan Program (HISLP)	**39,928,888**	76,362,647
TSPI Programang Pang-agrikultura (TPP)	**27,848,980**	28,634,088
TSPI Microinsurance Premium Loan Program (MPLP)	**3,058,442**	3,679,674
TSPI Maunlad Program (TMP)	**2,240,986**	3,193,358
	755,236,837	895,808,331
Allowance for impairment losses	**(226,421,748)**	(152,357,368)
	₱528,815,089	₱743,450,963

Loans receivable are the balances arising from the Organization's lending program which are partially secured by the CBU of the members, interest-bearing and generally have a maximum term of one year.

The loans bear monthly interest rates ranging from 3.00% in 2024 and 1.50% to 3.00% in 2023. Interest income recognized from loans receivable amounted to ₱370.4 million in 2024 and ₱425.8 million in 2023 (see Note 17).

The Organization has 152,031 and 177,624 outstanding loan borrowers as at December 31, 2024 and 2023, respectively.

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

	2024	2023
Balance at beginning of year	**₱152,357,368**	₱125,429,149
Provisions	**74,064,380**	76,000,000
Write-off	**–**	(49,071,781)
Balance at end of year	**₱226,421,748**	₱152,357,368

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.

In 2023, the BOT approved the write off of loans receivable with gross amount of ₱49.1 million. These loans receivable represent long outstanding past due accounts which were previously provided with full allowance for impairment losses.

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 ₱51.1 million and ₱10.9 million, respectively, representing the excess of loan loss provisioning computed using MNRC rates over the allowance for impairment losses based on the Organization's ECL model. As at December 31, 2024 and 2023, the restricted fund balance amounted to ₱62.0 million and ₱10.9 million, respectively.

An analysis of changes in the gross carrying amount and the corresponding allowance for impairment loss in relation to TKP and related loans receivable (HISLP and MPLP) follow:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross Amount				
Balances at beginning of year	**₱669,254,621**	**₱15,215,595**	**₱179,510,669**	**₱863,980,885**
Loan releases	**1,911,072,332**	**–**	**–**	**1,911,072,332**
Collections/application of CBU	**(2,041,313,659)**	**(713,335)**	**(7,879,352)**	**(2,049,906,346)**
Transfers to stage 1	**53,347,863**	**(1,649,515)**	**(51,698,348)**	**–**
Transfers to stage 2	**(21,934,397)**	**21,997,525**	**(63,128)**	**–**
Transfers to stage 3	**(218,025,411)**	**(13,474,469)**	**231,499,880**	**–**
Balances at end of year	**₱352,401,349**	**₱21,375,801**	**₱351,369,721**	**₱725,146,871**
Allowance for Credit and Impairment Losses				
Balances at beginning of year	**4,400,221**	**7,630,723**	**133,772,256**	**145,803,200**
Provisions (reversals)	**(29,103,816)**	**2,384,171**	**101,081,782**	**74,362,137**
Transfers to stage 1	**28,309,128**	**(362,418)**	**(27,946,710)**	**–**
Transfers to stage 2	**(140,741)**	**174,866**	**(34,125)**	**–**
Transfers to stage 3	**(1,398,947)**	**(2,960,503)**	**4,359,450**	**–**
Balances at end of year	**2,065,845**	**6,866,839**	**211,232,653**	**220,165,337**
Carrying Amount	**₱350,335,504**	**₱14,508,962**	**₱140,137,068**	**₱504,981,534**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱751,824,767	₱49,469,401	₱180,342,330	₱981,636,498
Loan releases	2,400,256,400	–	–	2,400,256,400
Collections/application of CBU	(2,386,235,663)	(7,722,639)	(77,445,678)	(2,471,403,980)
Write-offs	–	–	(46,508,033)	(46,508,033)
Transfers to stage 1	31,335,217	(7,084,433)	(24,250,784)	–
Transfers to stage 2	(7,590,604)	7,721,638	(131,034)	–
Transfers to stage 3	(120,335,496)	(27,168,372)	147,503,868	–
Balances at end of year	669,254,621	15,215,595	179,510,669	863,980,885
Allowance for Credit and Impairment Losses				
Balances at beginning of year	5,870,413	25,352,288	68,660,105	99,882,806
Write-offs	–	–	(46,508,033)	(46,508,033)
Provisions (reversals)	(16,348,939)	(9,877,449)	118,654,815	92,428,427
Transfers to stage 1	15,888,502	(1,650,685)	(14,237,817)	–
Transfers to stage 2	(59,915)	136,846	(76,931)	–
Transfers to stage 3	(949,840)	(6,330,277)	7,280,117	–
Balances at end of year	4,400,221	7,630,723	133,772,256	145,803,200
Carrying Amount	₱664,854,400	₱7,584,872	₱45,738,413	₱718,177,685

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

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross Amount				
Balances at beginning of year	**₱29,723,103**	**₱18,732**	**₱2,085,611**	**₱31,827,446**
Loan releases	**55,435,000**	**–**	**–**	**55,435,000**
Collection	**(43,698,303)**	**–**	**(13,474,177)**	**(57,172,480)**
Transfers to stage 1	**1,311,238**	**–**	**(1,311,238)**	**–**
Transfers to stage 2	**(13,134)**	**13,134**	**–**	**–**
Transfers to stage 3	**(16,344,632)**	**–**	**16,344,632**	**–**
Balances at end of year	**26,413,272**	**31,866**	**3,644,828**	**30,089,966**
Allowance for Credit and Impairment Losses				
Balances at beginning of year	**5,389,252**	**–**	**1,164,916**	**6,554,168**
Provisions (reversals)	**11,237,096**	**(15,762)**	**(11,519,091)**	**(297,757)**
Transfers to stage 1	**1,065,200**	**–**	**(1,065,200)**	**–**
Transfers to stage 2	**(10,670)**	**10,670**	**–**	**–**
Transfers to stage 3	**(13,277,759)**	**–**	**13,277,759**	**–**
Balances at end of year	**4,403,119**	**(5,092)**	**1,858,384**	**6,256,411**
Carrying Amount	**₱22,010,153**	**₱36,958**	**₱1,786,444**	**₱23,833,555**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱20,014,994	₱321,954	₱5,365,640	₱25,702,588
Loan releases	53,983,885	–	–	53,983,885
Collection	(43,918,197)	–	(1,377,082)	(45,295,279)
Write-offs	–	–	(2,563,748)	(2,563,748)
Transfers to stage 1	555,513	(321,954)	(233,559)	–
Transfers to stage 2	(18,732)	18,732	–	–
Transfers to stage 3	(894,360)	–	894,360	–
Balances at end of year	29,723,103	18,732	2,085,611	31,827,446
Allowance for Credit and Impairment Losses				
Balances at beginning of year	22,655,643	5,092	2,885,608	25,546,343
Provisions (reversals)	(5,043,162)	(15,762)	(11,369,503)	(16,428,427)
Write-offs	–	–	(2,563,748)	(2,563,748)
Transfers to stage 1	1,065,200	–	(1,065,200)	–
Transfers to stage 2	(10,670)	10,670	–	–
Transfers to stage 3	(13,277,759)		13,277,759	–
Balances at end of year	5,389,252	–	1,164,916	6,554,168
Carrying Amount	₱24,333,851	₱18,732	₱920,695	₱25,273,278

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.

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.

In 2024 and 2023, the Organization recognized a recovery from previously written-off loans receivable amounting to ₱20.0 million and ₱5.0 million, respectively.

9. Other Receivables

This account consists of:

	2024	2023
Receivables from:		
Separated employees	**₱21,818,215**	₱21,706,935
Existing employees	**4,958,971**	3,274,030
Accrued interest	**5,744,380**	3,444,386
Advances to suppliers and contractors	**–**	133,629
Others	**2,482,130**	2,625,613
	35,003,696	31,184,593
Allowance for impairment losses	**(21,818,215)**	(21,588,733)
	₱13,185,481	₱9,595,860

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

Receivables from existing employees relate to cash advances for official business and personal loans.

Accrued interest arises from loans and other receivables.

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

Others pertain mostly to receivable from clients, Social Security System (SSS), and other debtors not falling under any of the specific receivable accounts.

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

	Note	**2024**	2023
Balance at beginning of year		**₱21,588,733**	₱21,588,733
Provisions		**380,159**	–
Recovery from previously written off other receivables	20	**(150,677)**	–
		₱21,818,215	₱21,588,733

10. **Property and Equipment**

At Revalued Amounts

The Organization adopted the revaluation model in measuring its land and building and improvements. Movements in this account are as follows:

	2024			2023		
	Land	**Building and Improvements**	**Total**	Land	Building and Improvements	Total
Cost						
Balances at beginning of year	**₱104,346,000**	**₱154,205,011**	**₱258,551,011**	₱104,346,000	₱154,205,011	₱258,551,011
Additions	**–**	**5,380,961**	**5,380,961**	–	–	–
Balances at end of year	**104,346,000**	**159,585,972**	**263,931,972**	104,346,000	154,205,011	258,551,011
Accumulated Depreciation and Amortization						
Balances at beginning of year	**–**	**86,343,334**	**86,343,334**	–	80,235,977	80,235,977
Depreciation and amortization	**–**	**5,171,389**	**5,171,389**	–	6,107,357	6,107,357
Balances at end of year	**–**	**91,514,723**	**91,514,723**	–	86,343,334	86,343,334
Carrying Amount	**₱104,346,000**	**₱68,071,249**	**₱172,417,249**	₱104,346,000	₱67,861,677	₱172,207,677

The carrying amount of land, building and improvements as at December 31 had it been recognized at cost follows:

	2024			2023		
	Land	**Building and Improvements**	**Total**	Land	Building and Improvements	Total
Cost						
Balances at beginning of year	**₱22,110,000**	**₱115,893,800**	**₱138,003,800**	₱22,110,000	₱115,893,800	₱138,003,800
Additions	**–**	**5,380,961**	**5,380,961**	–	–	–
Balances at end of year	**22,110,000**	**121,274,761**	**143,384,761**	22,110,000	115,893,800	138,003,800
Accumulated Depreciation and Amortization						
Balances at beginning of year	**–**	**65,877,990**	**65,877,990**	–	61,834,778	61,834,778
Depreciation and amortization	**–**	**4,184,246**	**4,184,246**	–	4,043,212	4,043,212
Balances at end of year	**–**	**70,062,236**	**70,062,236**	–	65,877,990	65,877,990
Carrying Amount	**₱22,110,000**	**₱51,212,525**	**₱73,322,525**	₱22,110,000	₱50,015,810	₱72,125,810

Fair Value Measurement

The fair value of land and building and improvements is based on an independent appraiser's report dated June 2021, using the Sales Comparison Approach for the land and Cost Approach for the building and improvements. These have been categorized as Level 2 (significant observable inputs) in the fair value hierarchy. The revaluation increment on property and equipment amounted to ₱79.4 million as at December 31, 2024 and 2023.

At Cost

Movements in this account are as follows:

	2024				
	Office Equipment	**Computer Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Total**
Cost					
Balances at beginning of year	**₱32,204,373**	**₱70,620,298**	**₱27,230,069**	**₱24,442,388**	**₱154,497,128**
Additions	**555,887**	**295,701**	**19,000**	**–**	**870,588**
Disposals	**(289,640)**	**(8,021,271)**	**–**	**(7,344,884)**	**(15,655,795)**
Balances at end of year	**32,470,620**	**62,894,728**	**27,249,069**	**17,097,504**	**139,711,921**
Accumulated Depreciation and Amortization					
Balances at beginning of year	**31,156,517**	**66,130,865**	**27,219,987**	**24,442,218**	**148,949,587**
Depreciation and amortization	**343,657**	**2,140,088**	**2,835**	**–**	**2,486,580**
Disposals	**(289,628)**	**(8,020,332)**	**–**	**(7,344,779)**	**(15,654,739)**
Balances at end of year	**31,210,546**	**60,250,621**	**27,222,822**	**17,097,439**	**135,781,428**
Carrying Amount	**₱1,260,074**	**₱2,644,107**	**₱26,247**	**₱65**	**₱3,930,493**

	2023				
	Office Equipment	Computer Equipment	Furniture and Fixtures	Transportation Equipment	Total
Cost					
Balances at beginning of year	₱31,456,486	₱65,342,978	₱27,230,069	₱25,129,389	₱149,158,922
Additions	771,887	5,277,320	–	–	6,049,207
Disposals	(24,000)	–	–	(687,001)	(711,001)
Balances at end of year	32,204,373	70,620,298	27,230,069	24,442,388	154,497,128
Accumulated Depreciation and Amortization					
Balances at beginning of year	30,798,942	64,471,668	27,194,263	24,967,034	147,431,907
Depreciation and amortization	381,575	1,659,197	25,724	162,185	2,228,681
Disposals	(24,000)	–	–	(687,001)	(711,001)
Balances at end of year	31,156,517	66,130,865	27,219,987	24,442,218	148,949,587
Carrying Amount	₱1,047,856	₱4,489,433	₱10,082	₱170	₱5,547,541

In 2024, the Organization disposed property and equipment with a carrying amount of original cost of ₱1,056 at its book value. In 2023, the Organization disposed fully depreciated property and equipment with a cost of ₱711,001. No gain or loss was recognized in 2024 and 2023.

Fully depreciated property and equipment with aggregate cost of ₱161.7 million and ₱173.0 million as at December 31, 2024 and 2023, respectively are still in use for the Organization's operations.

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

	Note	2024	2023
ROU assets	22	**₱9,242,788**	₱12,853,744
Property and equipment:			
At revalued amount		**5,171,389**	6,107,357
At cost		**2,486,580**	2,228,681
		₱16,900,757	₱21,189,782

Depreciation and amortization are charged to the following:

	Note	2024	2023
Project and operational costs	18	**₱10,799,654**	₱14,316,230
General and administrative expenses	19	**6,101,103**	6,873,552
		₱16,900,757	₱21,189,782

11. Other Noncurrent Assets

This account consists of:

	Note	2024	2023
Acquired assets		**₱4,893,336**	₱4,893,336
Rental deposits	22	**3,522,454**	3,353,848
Others		**80,724**	165,194
		₱8,496,514	₱8,412,378

Acquired assets represent foreclosed properties of loans' borrowers which by law are subject to one year redemption period and for sale to generate cash.

Rental deposits represent amount paid by the Organization to the lessors in relation to lease agreements covering its program offices and branches (see Note 22).

Others mainly pertain to car and housing loans availed by the Organization's employees.

Other noncurrent assets also included fully amortized computer software still in use by the Organization with a cost of ₱41.7 million

12. Capital Build-Up

CBU pertains to deposits required from the clients who obtained loans from the Organization for purposes of maintaining the compensating balance in relation to the clients' outstanding loans.

Movements in this account are as follows:

	2024	2023
Balance at beginning of year	**₱453,766,286**	₱588,951,610
Withdrawals/application on loans	**(355,785,895)**	(934,682,016)
Contributions	**340,080,761**	795,306,029
Interest earned	**3,504,656**	4,190,663
Balance at end of year	**₱441,565,808**	₱453,766,286

CBU earns an annual interest of 1.0% in 2024 and 2023. The amount of CBU can be withdrawn by the clients subject to certain conditions as set by the Organization such as the clients must have no delinquent loan balance.

13. Accounts Payable and Accrued Expenses

This account consists of:

	2024	2023
Accounts payable	**₱41,086,700**	₱59,269,431
Accrued expenses	**59,426,267**	42,575,508
Statutory payables	**9,039,699**	3,577,582
	₱109,552,666	₱105,422,521

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), Philippine Health Insurance Corporation (PhilHealth) and SSS. These are normally settled within the next reporting year.

14. Loans Payable

Movements in this account are as follows:

	2024	2023
Balance at beginning of year	**₱25,000,000**	₱27,687,072
Payments	**(35,000,000)**	(2,687,072)
Availment	**10,000,000**	–
Balance at end of year	**₱–**	₱25,000,000

Loans payable represent short-term loans with annual interest rates of 7.50% in 2024 and 5.00% in 2023.

Interest expense on loans payable which was recognized as "Finance charges" in the statements of comprehensive income amounted to ₱689,670 and ₱1.0 million in 2024 and 2023, respectively.

15. Funds Held in Trust

As at December 31, 2024 and 2023, funds held in trust amounted to ₱5.9 million and ₱6.8 million, respectively. This account consists of funds received from various funding entities with certain conditions 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.

16. 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		Outstanding Balance - Receivable (Payable)	
		2024	2023	**2024**	2023
Under common key management					
TSPI Social Enterprises, Inc	Advances on behalf of	**₱9,423**	₱8,929	**₱4,401,629**	₱4,392,206
TSPI Foundation, Inc.	Advances on behalf of	**50,200**	30,350	**1,049,700**	1,005,027
TSPI Cooperative	Loan payment collection	**14,098,144**	12,369,779	**157,292**	(3,757)
TSPI Mutual Benefit Association, Inc.	Collection of insurance premium	**24,300,476**	30,127,347	**–**	1,096,727
				₱5,608,621	₱6,490,203

Terms and Conditions

Transactions with related parties are unsecured, noninterest-bearing, payable on demand and are normally settled in cash.

Compensation of Key Management Personnel

The compensation of key management personnel follows:

	2024	2023
Short-term employee benefits	**₱14,024,172**	₱14,439,541
Post-employment benefits	**238,519**	288,772
	₱14,262,691	₱14,728,313

17. **Revenue from Microfinance Activities**

This account consists of:

	Note	2024	2023
Interest income from:	6		
TSPI Kabuhayan Livelihood Program		**₱339,182,168**	₱377,961,593
Housing Improvement and Sanitation Loan Program		**22,861,854**	37,534,002
TSPI Programang Pang-agrikultura		**7,429,394**	7,711,993
TSPI Microinsurance Premium Loan Program		**412,362**	1,783,344
TSPI Maunlad Program		**484,174**	773,017
		370,369,952	425,763,949
Service fees from:			
Collection		**15,726,203**	21,274,045
TSPI Agent Account System		**3,104,338**	2,421,620
CBU Handling fee		**4,558,800**	–
		23,389,341	23,695,665
Total revenue from microfinance activities		**₱393,759,293**	₱449,459,614

18. **Project and Operational Costs**

This account consists of:

	Note	2024	2023
Salaries, wages and employee benefits		**₱159,873,535**	₱177,758,934
Other benefits		**21,137,782**	20,713,107
Rent, utilities and maintenance		**18,861,567**	18,976,041
SSS, PhilHealth, Home Development Mutual Fund (HDMF) and other contributions		**18,510,820**	17,339,287
Depreciation and amortization	10	**10,799,654**	14,316,230
Transportation and other travel expense		**10,573,039**	16,832,728
Software and hardware maintenance		**7,271,069**	5,651,700
Stationeries and office supplies		**5,697,528**	7,324,428
Communication and postage		**4,621,428**	5,133,228
Taxes and licenses		**4,573,704**	7,170,327
Retirement benefits	21	**4,401,116**	4,250,241
Training and seminars		**1,757,985**	1,101,346
Insurance, membership dues and subscriptions		**148,463**	207,829
Others		**1,119,763**	281,371
		₱269,347,453	₱297,056,797

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

19. General and Administrative Expenses

This account consists of:

	Note	**2024**	2023
Salaries, wages and employee benefits		**₱29,875,692**	₱33,305,004
Professional fees		**7,109,153**	6,951,177
Depreciation and amortization	10	**6,101,103**	6,873,552
Rent, utilities and maintenance		**4,374,341**	2,300,305
Other benefits		**4,222,611**	3,661,948
SSS, PhilHealth, HDMF and other contributions		**2,754,393**	2,712,320
Trainings and seminars		**1,794,888**	–
Taxes and licenses		**1,334,614**	1,328,090
Retirement benefits	21	**1,019,474**	472,249
Insurance		**971,351**	920,285
Transportation and other travel expense		**694,621**	914,702
Postage and communication		**630,892**	617,355
Stationeries and office supplies		**369,447**	597,126
Software and hardware maintenance		**59,778**	71,435
Others		**422,169**	528,565
		₱61,734,527	₱61,254,113

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

20. Other Income

This account consists of:

	Note	**2024**	2023
Recovery from written-off receivables:			
Loans receivable	8	**₱19,985,770**	₱4,980,195
Other receivables	9	**150,677**	–
Interest income from:			
Cash in banks	6	**9,347,911**	5,209,000
Reserved fund	7	**135,695**	344,926
Grants		**–**	11,103,027
Others		**9,395**	21,513
		₱29,629,448	₱21,658,661

21. **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 December 31, 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 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/she 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 statements of comprehensive income is as follows:

	2024	2023
Current service cost	**₱8,654,144**	₱7,896,163
Net interest income	**(4,485,796)**	(5,663,136)
Interest on the effect of asset ceiling	**1,252,242**	2,489,463
	₱5,420,590	₱4,722,490

Retirement benefits cost is charged to the following:

	Note	**2024**	2023
Project and operational costs	18	**₱4,401,116**	₱4,250,241
General and administrative costs	19	**1,019,474**	472,249
		₱5,420,590	₱4,722,490

As at December 31, the cumulative remeasurement gains recognized in the statements of changes in fund balance follows:

	2024	2023
Balance at beginning of year	**₱139,000,031**	₱129,921,913
Net remeasurement gain	**25,611,879**	9,078,118
Balance at end of year	**₱164,611,910**	₱139,000,031

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

	2024	2023
Fair value of plan assets	**₱180,862,230**	₱175,895,746
Present value of defined benefit obligation	**(99,895,286)**	(103,427,311)
Effect of asset ceiling	**–**	(20,230,076)
	₱80,966,944	₱52,238,359

Movements in the fair value of the plan assets are as follows:

	2024	2023
Balance at beginning of year	**₱175,895,746**	₱166,206,471
Interest income	**10,887,947**	12,172,185
Benefits paid	**(2,992,412)**	(4,116,000)
Remeasurement gain (loss)	**(2,929,051)**	1,633,090
Balance at end of year	**₱180,862,230**	₱175,895,746

The composition of the plan assets of the Organization as at December 31 is as follows:

	2024	2023
Cash	**₱145**	₱167
Investments	**179,254,676**	174,326,291
Accrued interest receivable	**1,805,971**	1,758,477
Other liabilities	**(198,562)**	(189,189)
	₱180,862,230	₱175,895,746

Movements in the present value of defined benefit obligation as at December 31 are as follows:

	2024	2023
Balance at beginning of year	**₱103,427,311**	₱87,778,034
Remeasurement loss (gain)	**(15,595,908)**	5,360,065
Current service cost	**8,654,144**	7,896,163
Interest cost	**6,402,151**	6,509,049
Benefits paid	**(2,992,412)**	(4,116,000)
Balance at end of year	**₱99,895,286**	₱103,427,311

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

	2024	2023
Balance at beginning of year	**₱20,230,076**	₱33,571,745
Remeasurement gain	**(21,482,318)**	(15,831,132)
Interest on effect of asset ceiling	**1,252,242**	2,489,463
Balance at end of year	**₱–**	₱20,230,076

The Organization is not expected to contribute to the plan in 2025.

The retirement plan exposes the Organization to the following risks:

- *Salary risk* – any increase in the qualified employees' salary will increase the present value of defined benefit obligation.

- *Longevity risk* – any increase in the qualified employees' life expectancy will increase the present value of defined benefit obligation.

- *Interest rate risk* – a decrease in the bond interest rate will increase the present value of the defined benefit obligation. However, this is partially counterbalanced by an increase in the return on the plan assets.

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

	2024	2023
Discount rate	**6.10%**	6.19%
Salary increase rate	**5.00%**	5.00%

The sensitivity analysis of the defined benefit obligation to reasonable possible changes in the assumptions as at December 31, 2024 is as follows:

	Change in Basis Points	Effect to present value of DBO
Discount rate	+100	(₱93,063,805)
	-100	(66,624,644)
Salary rate	+100	(67,195,128)
	-100	(92,829,675)

The average duration of the defined benefit plan at the end of the reporting period is 21.80 years.

As at December 31, 2024, the expected future benefit payments are as follows:

	Amount
Within five years	₱17,405,759
Beyond five years	811,928,894

22. **Significant Contracts, Commitments and Contingencies**

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 expiration date. The rentals are subject to annual escalation rates ranging from 5.0% to 8.0%.

Amounts recognized in the statements of comprehensive income follow:

	2024	2023
Rent expense	**₱10,022,826**	₱7,851,495
Amortization on ROU assets	**9,242,788**	12,853,744
Interest expense on lease liabilities	**823,162**	1,286,600
	₱20,088,776	₱21,991,839

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 ₱3.5 million and ₱3.4 million as at December 31, 2024 and 2023, respectively (see Note 11).

Rent expense is included under “Rent, utilities and maintenance” account and is classified as follows::

	2024	2023
Project and operational costs	**₱10,022,826**	₱7,844,746
General and administrative expenses	**–**	6,749
	₱10,022,826	₱7,851,495

The movements in the ROU assets are presented below:

	Note	**2024**	2023
Balance at beginning of year		**₱14,600,231**	₱16,805,085
Amortization	10	**(9,242,788)**	(12,853,744)
Additions		**1,178,735**	10,708,984
Derecognition		**–**	(60,094)
Balance at end of year		**₱6,536,178**	₱14,600,231

The movements in the lease liabilities are presented below:

	2024	2023
Balance at beginning of year	**₱15,579,637**	₱17,660,474
Payments	**(11,123,595)**	(22,000,640)
Additions	**1,178,735**	18,633,203
Interest expense	**823,162**	1,286,600
	6,457,939	15,579,637
Current portion	**4,682,089**	1,879,615
Noncurrent portion	**₱1,775,850**	₱13,700,022

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

	2024	2023
Within one year	**₱6,715,248**	₱10,992,045
After one year but not more than five years	**3,276,369**	8,856,567
	₱9,991,617	₱19,848,612

Contingencies
As at December 31, 2024, the Organization has an ongoing tax assessment for taxable years 2014, 2015 and 2022. 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. For taxable year 2022, reply was submitted by the Organization to refute the discrepancies noted by the BIR. As at December 31, 2024, the Organization is awaiting the resolution on these matters. The management and its legal counsel has assessed that the results of the tax assessments will not have a material impact on the Organization's financial statements.

23. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) 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:

	2024	2023
2% preferential tax on gross receipts from microfinance operations	**₱7,767,103**	₱8,871,878
25% RCIT	**202,570**	–
1.5% minimum corporate income tax (MCIT)	**–**	36,643
	₱7,969,673	₱8,908,521

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

	2024	2023
Tax on gross taxable income computed at 2% preferential tax rate	**₱7,767,103**	₱8,871,878
Income tax expense (benefit) at 25% RCIT	**279,931**	(21,935)
Income tax expense at 1.5% MCIT	**–**	–
Tax effects of:		
Applied MCIT	**(55,426)**	–
Change in unrecognized deferred tax assets	**(21,935)**	–
Nondeductible expenses	–	58,578
	₱7,969,673	₱8,908,521

Details of MCIT is as follow:

Year Incurred	Beginning	Incurred	Applied/Expired	Balance	Expiry year
2023	₱36,643	₱–	(₱36,643)	₱–	2026
2021	18,783	–	(18,783)	–	2024
Total	₱55,426	₱–	(₱55,426)	₱–	

In 2023, the Organization incurred a NOLCO of ₱87,740. This was applied in 2024.

Details of deferred tax liabilities (assets) as at December 31, 2024 and 2023 are as follows:

	2024	2023
Recognized in profit or loss:		
Retirement liability	**(₱19,892,397)**	(₱19,892,397)
Recognized in other comprehensive income:		
Cumulative remeasurement gains on retirement plan	**54,870,636**	46,333,343
Revaluation increment on property	**26,475,752**	26,475,752
	₱61,453,991	₱52,916,698

Deferred tax assets on the following temporary differences were not recognized:

	2024	2023
Retirement liability	**₱58,946,013**	₱53,525,428
NOLCO	**–**	87,740
Excess MCIT over RCIT	**–**	55,426
	₱58,946,013	₱53,668,594

24. Supplemental Disclosures of Cash Flow Information

Changes in Liabilities Arising from Financing Activities

		Noncash Changes		**Cash Flows**		
2024	**Balance at Beginning of Year**	**Additions**	**Accretion of Interest**	**Proceeds**	**Payments**	**Balance at End of Year**
Lease liabilities	**₱15,579,637**	**₱1,178,735**	**₱823,162**	**₱–**	**(₱11,123,595)**	**₱6,457,939**
Loan payable	**25,000,000**	**–**	**–**	**10,000,000**	**(35,000,000)**	**–**
Finance charges on loan payable	**–**	**–**	**689,670**	**–**	**(689,670)**	**–**
Total liabilities from financing activities	**₱40,579,637**	**₱1,178,735**	**₱1,512,832**	**₱10,000,000**	**(46,813,265)**	**₱6,457,939**

		Noncash Changes		Cash Flows		
2023	Balance at Beginning of Year	Additions	Accretion of Interest	Receipts	Payments	Balance at End of Year
Lease liabilities	₱17,660,474	₱18,633,203	₱1,286,600	₱–	(₱22,000,640)	₱15,579,637
Loan payable	27,687,072	–	–	–	(2,687,072)	25,000,000
Finance charges on loan payable	–	–	1,034,712	–	(1,034,712)	–
Total liabilities from financing activities	₱45,347,546	₱18,633,203	₱2,321,312	₱–	(₱25,722,424)	₱40,579,637

Noncash Information

	Note	**2024**	2023
Additions to:	22		
ROU assets		**₱1,178,735**	₱10,708,984
Lease liabilities		**–**	18,633,203
Derecognition of ROU assets	22	**–**	60,094

Changes in Presentation of Prior Year Statement of Cash Flows

The following changes in the 2023 statement of cash flows were made to conform with the current year presentation:

	As Reported in Previous Year	As Reported in Current Year	Reclassification
Cash Flows from Operating Activities			
Operating income (loss) before working capital changes	(₱311,774,689)	₱128,975,048	(₱440,749,737)
Decrease (increase) in prepayments	(10,634,102)	74,882	(10,708,984)
Decrease in accounts payable and accrued expenses	(14,236,061)	(23,425,534)	9,189,473
Interest received from cash and reserved fund	449,459,614	5,553,926	443,905,688
Cash Flows from Investing Activities			
Proceeds from disposal noncurrent assets	10,976,468	–	10,976,468
Decrease (increase) in noncurrent assets	–	10,976,468	(10,976,468)
Cash Flows from Financing Activities			
Finance charges paid	–	(1,034,712)	(1,034,712)

Reclassifications are mainly due to the following:

- Operating cash flows from interest (i.e. interest received on loans receivable and interest paid on CBU) are presented separately.
- Additions to ROU assets and lease liabilities were accounted as noncash items.
- Finance charges are classified as financing activity instead of adjustment to operating income.
- Reflect income tax paid for the previous year as such and not as movement in accounts payable and accrued expenses.