Peace Equity Access for Community Empowerment (PEACE) Foundation Inc. and Subsidiary

Consolidated Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Peace Equity Access for Community Empowerment (PEACE) Foundation Inc.

We have audited the accompanying consolidated financial statements of Peace Equity Access for Community Empowerment (PEACE) Foundation Inc. (the Foundation) and Subsidiary, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in fund balances and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Peace Equity Access for Community Empowerment (PEACE) Foundation Inc. and Subsidiary as at December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

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PTR No. 4751311, January 5, 2015, Makati City

March 27, 2015

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱43,225,259**	₱72,369,231
Receivables - net (Note 5)	**196,279,084**	103,976,748
Available-for-sale (AFS) financial assets (Note 6)	**1,945,403,837**	1,952,802,423
Other current assets (Note 7)	**17,570,459**	25,445,105
Total Current Assets	**2,202,478,639**	2,154,593,507
Noncurrent Assets		
Receivables - net of current portion and allowance (Note 5)	**55,146,848**	32,729,392
Property and equipment - net (Note 8)	**29,659,521**	31,545,597
Investment properties (Note 9)	**4,911,814**	4,911,814
Other noncurrent assets (Note 17)	**748,037**	607,538
Total Noncurrent Assets	**90,466,220**	69,794,341
TOTAL ASSETS	**₱2,292,944,859**	₱2,224,387,848
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**₱21,269,969**	₱16,840,980
Grants payable (Note 11)	**19,074,261**	8,821,429
Funds held in trust (Note 12)	**83,419,633**	153,322,410
Total Current Liabilities	**123,763,863**	178,984,819
Fund Balances (Note 21)		
Restricted	**1,936,073,280**	1,879,682,796
Unrestricted	**233,107,716**	165,720,233
Total Fund Balances	**2,169,180,996**	2,045,403,029
TOTAL LIABILITIES AND FUND BALANCES	**₱2,292,944,859**	₱2,224,387,848

See accompanying Notes to Consolidated Financial Statements.

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
REVENUES		
Investment income (Note 6)	**₱122,999,596**	₱155,694,957
Interest income (Notes 4, 5 and 7)	**4,998,101**	4,141,242
Foreign exchange gain - net	**–**	36,568
Others (Note 16)	**935,118**	2,607,917
	128,932,815	162,480,684
EXPENSES		
Grant expenses (Note 11)	**61,460,148**	25,571,285
Project expenses (Note 13)	**46,983,847**	22,265,420
General and administrative (Note 14)	**19,261,557**	16,699,942
Provision for impairment losses on receivables - net (Note 5)	**10,979,459**	13,336,954
Depreciation and amortization (Note 8)	**2,972,643**	2,839,411
Foreign exchange loss - net	**90,823**	–
	141,748,477	80,713,012
INCOME (LOSS) BEFORE INCOME TAX	**(12,815,662)**	81,767,672
PROVISION FOR INCOME TAX (Note 18)	**5,093,859**	8,661,226
NET INCOME (LOSS)	**(17,909,521)**	73,106,446
OTHER COMPREHENSIVE INCOME (LOSS)		
Item to be reclassified to profit or loss in subsequent periods:		
Net unrealized valuation gain (loss) on AFS financial assets (Notes 6 and 7)	**141,889,224**	(84,003,288)
Item not to be reclassified to profit or loss in subsequent periods:		
Remeasurement losses on defined benefit plan (Note 17)	**(201,736)**	(10,567)
	141,687,488	(84,013,855)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱123,777,967**	(₱10,907,409)

See accompanying Notes to Consolidated Financial Statements.

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Unrestricted Funds					Restricted Funds			
	Members' Contribution	Cumulative Excess of Revenues over Expenses	Revaluation Reserves on AFS (Notes 6 and 7)	Remeasurement Gains (Losses) on Defined Benefit Plan (Note 17)	Total	Endowment Fund (Note 1)	Provision for Inflation (Note 21)	Total	Grand Total
Balances at January 1, 2013	₱100,000	₱67,959,811	₱163,103,571	₱212,303	₱231,375,685	₱1,318,371,694	₱506,563,059	₱1,824,934,753	₱2,056,310,438
Net income	–	73,106,446	–	–	73,106,446	–	–	–	73,106,446
Other comprehensive loss	–	–	(84,003,288)	(10,567)	(84,013,855)	–	–	–	(84,013,855)
Total comprehensive income (loss)	–	73,106,446	(84,003,288)	(10,567)	(10,907,409)	–	–	–	(10,907,409)
Provision for inflation (Note 21)	–	(54,748,043)	–	–	(54,748,043)	–	54,748,043	54,748,043	–
Balances at December 31, 2013	100,000	86,318,214	79,100,283	201,736	165,720,233	1,318,371,694	561,311,102	1,879,682,796	2,045,403,029
Net loss	–	(17,909,521)	–	–	(17,909,521)	–	–	–	(17,909,521)
Other comprehensive income (loss)	–	–	141,889,224	(201,736)	141,687,488	–	–	–	141,687,488
Total comprehensive income (loss)	–	(17,909,521)	141,889,224	(201,736)	123,777,967	–	–	–	123,777,967
Provision for inflation (Note 21)	–	(56,390,484)	–	–	(56,390,484)	–	56,390,484	56,390,484	–
Balances at December 31, 2014	₱100,000	₱12,018,209	₱220,989,507	₱–	₱233,107,716	₱1,318,371,694	₱617,701,586	₱1,936,073,280	₱2,169,180,996

See accompanying Notes to Consolidated Financial Statements.

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱12,815,662)**	₱81,767,672
Adjustments for:		
Provision for impairment losses on receivables (Note 5)	**10,979,459**	13,336,954
Depreciation and amortization (Note 8)	**2,972,643**	2,839,411
Unrealized foreign exchange loss (gain)	**90,823**	(36,568)
Investment income (Note 6)	**(122,999,596)**	(155,694,957)
Interest income (Notes 4, 5 and 7)	**(4,998,101)**	(4,141,242)
Operating loss before working capital changes	**(126,770,434)**	(61,928,730)
Decrease (increase) in:		
Receivables	**(127,893,215)**	(32,742,222)
Other current assets	**8,157,837**	(3,940,186)
Other noncurrent assets	**(342,235)**	(17,072)
Increase (decrease) in:		
Accounts payable and accrued expenses	**4,428,989**	5,132,000
Grants payable	**10,252,832**	(2,097,789)
Funds held in trust	**(69,875,091)**	(18,502,470)
Net cash used in operations	**(302,041,317)**	(114,096,469)
Income taxes paid	**(5,093,859)**	(8,661,226)
Net cash flows used in operating activities	**(307,135,176)**	(122,757,695)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in AFS financial assets	**149,287,810**	22,537,617
Investment income received	**122,999,596**	155,694,957
Interest received	**6,908,874**	3,177,912
Additions to property and equipment (Note 8)	**(1,114,253)**	(1,596,171)
Net cash flows from investing activities	**278,082,027**	179,814,315
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(90,823)**	36,568
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(29,143,972)**	57,093,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**72,369,231**	15,276,043
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱43,225,259**	₱72,369,231

See accompanying Notes to Consolidated Financial Statements.

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Peace Equity Access for Community Empowerment (PEACE) Foundation Inc. (the Foundation) was formed by the Caucus of Development NGO Networks (CODE-NGO) and incorporated on November 27, 2001. It is governed by a Board of Trustees (BOT) whose members do not receive any compensation.

The purpose of the Foundation is to provide financial, managerial, technical and policy assistance to non-governmental organizations (NGOs), people's organizations, community associations, social entrepreneurs, educational and research institutions, cooperatives and other similar groups or corporations in their effort to reduce or totally eliminate poverty, by increasing the entitlements of the poor in a sustained manner, through the distribution of resources and provision of public goods and by raising the level and quality of social services, thereby empowering them to improve their socio-economic condition and to participate in community and civic affairs. The Foundation's strategic direction is to enable Civil Society Organizations and other partner-intermediaries to develop and innovate on best practices and models using a social enterprise approach. The Foundation engages other stakeholders (government, business and academe) in leveraging resources and technologies to replicate and scale up models that work for sustainable communities and enterprises.

On February 14, 2003, CODE-NGO executed a deed of donation in favor of the Foundation, to transfer and convey an endowment fund in trust of ₱1.3 billion. The fund represents a portion of the net proceeds earned by CODE-NGO from the sale of Poverty Eradication and Alleviation Certificates in the capital market. As agreed between the Foundation and CODE-NGO, only the earnings of the principal fund shall be utilized for poverty alleviation and development projects, general administrative expenses and acquisition of assets necessary for the furtherance of the Foundation's objectives.

On September 23, 2013, Peace and Equity Holdings Inc. ("the Subsidiary" or "PEHI"), a wholly-owned subsidiary of the Foundation, was registered with the Philippine Securities and Exchange Commission (SEC) primarily to invest, purchase, own, hold in financially viable, primarily development-oriented social enterprises that have proven and/or offer innovative and high impact solutions to problems of poverty reduction such as enterprises on climate smart and sustainable agriculture, sustainable forestry, coastal resource management, eco-tourism, small and medium industries, alternative and renewable energy, information and communication technology and basic services and other similar endeavors, without engaging in business as an investment company, financing company or lending investor, broker and dealer of securities. The Foundation and its wholly owned subsidiary PEHI, collectively referred to as "the Group", were incorporated in the Philippines.

The registered office address of the Foundation is 69 Esteban Abada Street, Loyola Heights, Quezon City.

The consolidated financial statements as at and for the years ended December 31, 2014 and 2013 were approved and authorized for issue by the BOT on March 27, 2015.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The consolidated financial statements have been prepared under the historical cost basis, except for AFS financial assets which are carried at fair value. The consolidated financial statements are presented in Philippine peso (₱), which is the Group's functional currency.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies
The accounting policies are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) which the Group has adopted starting January 1, 2014:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
- PAS 32 (Amendments), *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- PAS 36 (Amendments), *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets*
- PAS 39 (Amendments), *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- Philippine Interpretation IFRIC 21, *Levies*

Improvements to PFRSs
The Annual Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2010-2012 Cycle
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*

2011-2013 Cycle
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*

The adoption of these new and amended standards and interpretation did not have any significant impact on the Group's financial statements.

Cash and Cash Equivalents
Cash represents cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of acquisition (or placement) and that are subject to an insignificant risk of change in value.

Financial Instruments
Financial instruments are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation at each balance sheet date.

All regular way purchases and sales of financial instruments are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of instruments within the period generally established by regulation or convention in the marketplace.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS financial assets. Also under PAS 39, financial liabilities are classified as financial liabilities at FVPL or other financial liabilities.

Financial Assets
The Group's financial assets are of the nature of loans and receivables and AFS financial assets. As of December 31, 2014 and 2013, the Group has no outstanding financial assets at FVPL and HTM investments.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or designated as financial assets at FVPL.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, receivables are measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is recognized as "Interest income" in the consolidated statement of comprehensive income. The losses arising from impairment of receivables are recognized in profit or loss. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts.

Loans and receivables are classified as current assets when these are expected to be realized within twelve months from the balance sheet date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

This accounting policy relates to the Group's "Cash and cash equivalents", "Receivables", escrow deposit included under "Other current assets" and refundable deposit included under "Other noncurrent assets".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is recognized in profit or loss.

AFS Financial Assets
AFS financial assets are those nonderivative financial assets which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets, or loans and receivables. AFS financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include various funds held in

trust by various fund managers which were invested to different financial assets such as special deposit accounts, debt and equity securities, unit investment trust funds and mutual funds.

After initial measurement, AFS financial assets are measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, and are reported as part of the "Revaluation reserves on AFS" account in the consolidated statement of changes in fund balances. When the investment is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is recognized in profit or loss and is presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, except impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of "Investment income" in the consolidated statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in "Revaluation reserves on AFS" is recognized as gain or loss in the consolidated statement of comprehensive income. Interest earned on holding AFS financial assets are reported as interest income using the EIR. Dividends earned on holding AFS equity are recognized in profit or loss when the right to the payment has been established.

AFS financial assets are classified as current if they are expected to be realized within twelve months after the balance sheet date. Otherwise, these are classified as noncurrent assets.

This category consists of debt and equity instruments presented as "AFS financial assets" in the consolidated balance sheet.

Financial Liabilities
The Group's financial liabilities are of the nature of other financial liabilities. As of December 31, 2014 and 2013, the Group has no outstanding financial liabilities at FVPL.

Issued financial instruments or their components, which are not designated as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity shares. The components of issued financial instruments that contain both liability and equity components are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR 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 EIR. The EIR amortization is recognized in profit or loss.

This accounting policy applies primarily to the Group's "Accounts payable and accrued expenses", "Grants payable", "Funds held in trust" and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

Grants payable represents unreleased and committed grants of the Group to project proponents.

Funds received by the Group from donors for specific projects are initially recognized as liabilities forming part of the "Funds held in trust" account in the consolidated balance sheet at the time the funds are received. Revenue and expenses related to these projects are closed against this liability account.

Other financial liabilities are presented as current when these are expected to be settled within twelve months from the balance sheet date or the Group does not have an unconditional right to defer settlement for at least twelve months from the balance sheet date. Otherwise, these are classified as noncurrent liabilities.

Fair Value Measurement
The Group measures financial instruments such as AFS financial assets at fair value at each balance sheet date.

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 the transaction to sell the asset or transfer the liability takes 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 Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets 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; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each balance sheet date.

This accounting policy applies primarily to the Group's "AFS Financial Assets".

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if:

1. there is a currently enforceable legal right to offset the recognized amounts; and
2. there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of Financial Assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flow, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). Time value is generally not considered when the effect of the discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. The financial assets, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. The amount of the impairment loss is recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. Those objective evidences are relevant to the estimation of future cash flows of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets
For AFS financial assets, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of AFS financial assets is impaired. In the case of quoted equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than six months for quoted equity securities. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in equity.

<u>Derecognition of Financial Instruments</u>
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group 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 Group has transferred its rights 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 Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained. 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 Group could be required to repay.

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where 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, and the difference in the respective carrying amounts is recognized in profit or loss.

Other Current Assets

Escrow Deposit

Escrow deposit relates to fund set aside by the Group as guarantor for various community organizations who joined the "Community Mortgage Program (CMP)" project.

Escrow deposits are classified as current assets under "Other current assets" when these are expected to be realized within twelve months after the balance sheet date or within the normal operating cycle, whichever is longer. Otherwise, escrow deposits are classified as noncurrent assets under the "Other noncurrent assets" account.

Input Value-added Taxes (VAT)

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is stated at its estimated net realizable value.

Prepaid Expenses

Prepaid expenses are carried at cost and are amortized on a straight-line method over the period of expected usage, which is equal to or less than twelve months or within the normal operating cycle.

Property and Equipment

Property and equipment, excluding land, are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the item has been put into operation, such as repairs and maintenance, are charged to operations. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, significantly add service potential and extend the economic useful life of the existing asset, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization commence once the property and equipment are available for use and are computed using the straight-line method, net of an estimated residual value, over the estimated useful lives of the assets, as follows:

Category	Number of Years
Building and improvements	10
Office furniture, fixtures and equipment	3-5
Transportation equipment	5

The useful lives, residual values and depreciation and amortization method are reviewed periodically and adjusted if appropriate, at each financial year, to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized when assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts, any gain or loss arising on derecognition of the asset (calculated as the difference between net disposals proceeds and the carrying amount of the asset) is recognized in profit or loss in the year the asset is derecognized.

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

Investment Properties

Investment properties, accounted for under cost model, are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at acquisition cost. The cost of the asset is comprised of its purchase price and directly attributable costs of making the asset ready for its intended use.

The carrying value of the investment properties is reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized in profit or loss.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of retirement or disposal.

Impairment of Nonfinancial Assets

Input VAT, Prepaid Expenses, Property and Equipment and Investment Properties

The Group assesses at each balance sheet date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell 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 their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

An assessment is made at each balance sheet 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 Group makes an estimate of recoverable amount. Any 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Retirement Benefit Costs

The Group has a funded, noncontributory, defined benefit retirement plan.

The net plan asset is the aggregate of the fair value of the plan asset reduced by the defined benefit obligation adjusted for the effect of 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.

The cost of providing benefits under the defined benefit plan is actuarially determined by an independent qualified actuary using the projected unit credit method.

Defined benefit income comprise the following:
- Service cost
- Interest income on the net plan asset
- Remeasurements of net plan asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest income on the net plan asset is the change during the period in the net plan asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net plan asset. Net interest income on the net plan asset is recognized in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Provisions

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

Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is recognized in profit or loss, net of any reimbursement.

Fund Balances

Fund balances represent contributions made by the members of the Group, including endowment fund, upon incorporation. The member's contribution is not available for distribution.

Cumulative excess of revenues over expenses includes all current and prior period results as disclosed in the consolidated statement of comprehensive income.

Revaluation reserves on AFS comprise unrealized valuation gains and losses due to the revaluation of AFS financial assets.

Remeasurement gains (losses) on defined benefit plan comprise actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are included in the fund balances every reporting period.

Restricted Fund
The fund account is used only in accordance with a donor's or grantor's specifications. Included in this account is the provision for inflation computed at 3% per year based on the beginning balance of the restricted fund balance.

Unrestricted Fund
The fund account pertains to all resources of the Group which are not subject to outside restrictions and is used for day-to-day operations.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Investment Income
Investment income from AFS financial assets is recognized when earned.

Interest Income
Interest income on loans and receivables and bank deposits are recognized as it accrues using the EIR method.

Revenue from Restricted Support
Revenue from restricted support is recognized upon fulfilment of the donor-imposed conditions attached to the support and/or to the extent that expenses are incurred. For presentation purposes, the related expenses are offset against the revenue. At project completion date, any excess funds are returned to the donors unless otherwise agreed by both parties that the excess be retained by the Group and therefore credited to unrestricted support.

Grants, Donations and Contributions
Grants are recognized when the scope of work and the purpose of the grants stipulated in the agreements are performed and the donor's imposed conditions are substantially complied. Donations and contributions are recognized when actually received.

Other Income
Other income is recognized when earned.

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in fund balances. Expenses are generally recognized when the services are used or the expenses arise.

Grant Expenses
Grant expenses pertain to the approved grants awarded to partners/proponents for institutional support, capability building and relief assistance during natural calamities.

Project Expenses
Project expenses consist of the following accounts: project development, monitoring and evaluation, project compliance audit, technical assistance provided by the Group to partners/proponents, product and market trade promotions, research and publications, and personnel and administrative cost of operations group, among others.

General and Administrative Expenses
Expenses incurred in the direction and general administration of day-to-day operations of the Group and are generally recognized when the services are used or the expenses arise.

Foreign Currency Transactions
Transactions in foreign currencies are recorded in ₱ using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange prevailing as of balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as of the dates of the initial transactions. Exchange gains or losses arising from foreign currency-denominated transactions are credited to or charged against current operations.

Income Taxes
Current Income Tax
Current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income.

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

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

Events After the Balance Sheet Date

Post year-end events that provide additional information about the consolidated financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

New Accounting Standards and Amendments to Existing Standards Effective Subsequent to December 31, 2014

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group will adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and improvements to PFRS to have significant impact on its financial statements.

Effective in 2015

PAS 19 (Amendments), *Employee Benefits - Defined Benefit Plans: Employee Contributions*

Improvements to PFRSs

The Annual Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2010-2012 Cycle
- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method Proportionate Restatement of Accumulated Depreciation and Amortization*
- PAS 24, *Related Party Disclosures - Key Management Personnel*

2011-2013 Cycle
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
- PAS 40, *Investment Property*

Effective in 2016

- Disclosure Initiatives (Amendments to PAS 1, *Presentation of Financial Statements)*
- PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 38 (Amendments), *Intangible Assets Clarification of Acceptable Methods of Depreciation and Amortization*
- PAS 16 (Amendments) and PAS 41 (Amendments), *Agriculture - Bearer Plants*
- PAS 27 (Amendments), *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment in Associates and Joint Ventures*)
- PFRS 10 (Amendments), *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- PFRS 11 (Amendments), *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*

Improvements to PFRSs (2012-2014 Cycle)

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7 - Disclosure - Offsetting Financial Assets and Financial Liabilities to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Effective in 2018

- PFRS 9, *Financial Instruments*
  The Group is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date once adopted locally.

Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

3. Significant Accounting Judgment, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRS require management to make judgment, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The judgment, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. Judgment, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgment
Determining Functional Currency
The functional currency of the Group has been determined to be the ₱. The ₱ is the currency of the primary economic environment in which the Group operates.

Estimates and Assumptions
Determining Fair Values of Financial Instruments
The Group carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted prices, interest rates, foreign exchange rates, volatility), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect income or loss and fund balances.

The fair values of the Group's financial instruments are presented in Note 20 to the consolidated financial statements.

Estimating Impairment Losses on Receivables
The Group maintains allowance on receivables at a level considered adequate to provide for potentially uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that may affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the proponents, the proponents' payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimate made.

Provision for and reversal of impairment losses recognized in the consolidated statements of comprehensive income amounted to ₱22,923,352 and ₱11,943,893, respectively, in 2014 and ₱14,453,910 and ₱1,116,956, respectively, in 2013. The aggregate allowance for impairment losses on advances to proponents and accrued interest receivable from proponents amounted to ₱65,748,108 and ₱57,053,953 as of December 31, 2014 and 2013, respectively. The carrying value of the Group's receivables amounted to ₱251,425,932 and ₱136,706,140 as of December 31, 2014 and 2013, respectively (see Note 5).

Estimating Impairment of AFS Financial Assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the cost of AFS financial assets and 'prolonged' if the decline in fair value has been continuing for more than six months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows. No impairment loss on AFS financial assets was recognized in 2014 and 2013. The carrying values of AFS financial assets amounted to ₱1,945,403,837 and ₱1,952,802,423 as of December 31, 2014 and 2013, respectively.

Estimating Impairment of Nonfinancial Assets
The Group assesses impairment of input VAT, prepaid expenses, property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group 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.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates that can materially affect the consolidated financial statements. The Group has no provision for impairment loss in 2014 and 2013. The aggregate carrying values of these nonfinancial assets amounted to ₱36,734,806 and ₱37,926,588 (see Notes 7, 8 and 9).

Estimating Useful Lives of Property and Equipment
The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the useful lives of the assets in 2014 and 2013. The carrying values of property and equipment amounted to ₱29,659,521 and ₱31,545,597 as of December 31, 2014 and 2013, respectively (see Note 8).

Determining Retirement Benefits Obligation
The costs of defined benefit plans as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

Net retirement benefit income amounted to ₱342,235 and ₱17,073 in 2014 and 2013, respectively. The net retirement benefit asset amounted to ₱702,437 and ₱561,938 as of December 31, 2014 and 2013, respectively (see Note 17).

Estimating Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at balance sheet date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of the deferred income tax assets to be utilized.

The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on forecasted taxable income. This forecast is based on the Group's past results and future expectations on revenues and expenses. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized in the future.

The Group did not recognize deferred income tax assets on carryforward benefit of unused NOLCO and other deductible temporary differences amounting to ₱178,326,126 and ₱125,776,779 as of December 31, 2014 and 2013, respectively, as the management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized in the future (see Note 18).

4. Cash and Cash Equivalents

	2014	2013
Cash	**₱43,225,259**	₱43,569,231
Short-term investments	**–**	28,800,000
	₱43,225,259	₱72,369,231

Cash includes donor-restricted funds amounting to ₱12,138,702 and ₱8,994,293 as of December 31, 2014 and 2013, respectively.

Cash with banks generally earn interest at rates based on daily bank deposit rates. Short-term investments are made for varying periods of between 31 to 90 days and earn EIRs ranging from 0.60% to 2.00% in 2014 and 0.75% to 2.00% in 2013.

Interest income from cash and short-term investments amounted to ₱150,307 and ₱21,082 in 2014 and 2013, respectively.

5. Receivables

	2014	2013
Current:		
Advances to project proponents	**₱243,336,578**	₱118,940,173
Receivable from donor-funded projects	**8,223,245**	1,956,449
Accrued interest	**4,504,362**	6,698,325
Others	**5,920,007**	11,008,119
	261,984,192	138,603,066
Less allowance for impairment losses	**65,705,108**	34,626,318
	196,279,084	103,976,748
Noncurrent advances to project proponents	**55,189,848**	55,157,027
Less allowance for impairment losses	**43,000**	22,427,635
	55,146,848	32,729,392
	₱251,425,932	₱136,706,140

Advances to project proponents represent cash released to project proponents subject to repayment for social enterprise, micro-finance, agricultural development, housing and proactive projects. These advances earn annual interest rates ranging from 6.00% to 12.00% to cover administrative costs of servicing the projects except for soft loans, which earn 3.00% interest annually. Financial advances extended to micro-enterprise, housing and other projects involving acquisition of assets are secured with real and chattel mortgages and/or joint security.

Interest income on advances to proponents amounted to ₱4,564,603 and ₱3,830,828 in 2014 and 2013, respectively.

All of the Group's receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and provisions have been recorded accordingly. The impaired receivables are mostly due from partner organizations that experienced defaults of loan payments from their clients.

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

	2014	2013
Balances at beginning of year	**₱57,053,953**	₱36,202,530
Provisions	**30,508,998**	21,990,793
Write-off	**(7,917,471)**	–
Reversals	**(13,897,372)**	(1,139,370)
Balances at end of year	**₱65,748,108**	₱57,053,953

The amount of impairment losses in the consolidated statements of comprehensive income is determined as follows:

	2014	2013
Impairment losses	**₱30,508,998**	₱21,990,793
Less amounts closed to:		
REHAB*	**3,412,692**	1,690,769
CBRED**	**2,121,287**	344,229
MP3***	**2,051,667**	5,501,885
	22,923,352	14,453,910
Reversals	**(13,897,372)**	(1,139,370)
Less amounts closed to:		
REHAB*	**984,802**	15,807
CBRED**	**43,883**	–
MP3***	**924,794**	6,607
	(11,943,893)	(1,116,956)
	₱10,979,459	₱13,336,954

**REHAB - Ondoy-Pepeng Rehabilitation Project*
*** CBRED - Capacity Building to Remove Barriers to Renewable Energy Development in the Philippines*
****MP3 - Mindanao Partnership Project for Peace*

The reversal and impairment loss for REHAB, CBRED and MP3 are excluded from the determination of provision for and reversal of impairment losses in the consolidated statements of comprehensive income since these are presented net of funds held in trust account in the consolidated balance sheets.

6. AFS Financial Assets

AFS financial assets held by the following financial managers consist of:

	2014	2013
Asia United Bank (AUB)		
Equity securities	**₱192,276,866**	₱148,971,208
Corporate bonds	**100,695,782**	10,075,214
Republic of the Philippines (ROP) bonds and treasury notes	**23,397,781**	210,988,112
Unit investment trust fund (UITF)	**20,444,735**	17,526,494
Special savings account	**1,930,786**	13,287,200
	338,745,950	400,848,228

(Forward)

	2014	2013
Banco De Oro (BDO) Unibank		
Equity securities	**₱276,603,509**	₱160,452,396
Corporate bonds	**43,916,496**	60,464,541
Special savings account	**13,028,182**	41,183,276
ROP bonds and treasury notes	**–**	22,235,367
	333,548,187	284,335,580
BDO Private Bank		
Equity securities	**196,960,576**	182,903,567
ROP bonds and treasury notes	**34,795,548**	35,736,750
Special savings account	**8,127,281**	57,382,838
Corporate bonds	**3,300,000**	15,000,000
	243,183,405	291,023,155
Bank of the Philippine Islands (BPI)		
UITF	**96,324,480**	59,570,479
Equity securities	**68,872,569**	71,477,418
Corporate bonds	**36,330,908**	44,469,438
ROP bonds and treasury notes	**28,698,358**	44,346,785
Special savings account	**190,247**	24,352,198
	230,416,562	244,216,318
Philam Asset Management Inc. (PAMI)		
Equity securities	**214,221,348**	181,462,518
Special savings account	**9,349,592**	2,966,352
	223,570,940	184,428,870
Security Bank		
ROP bonds and treasury notes	**55,174,734**	48,931,587
Equity securities	**50,889,420**	45,041,834
Corporate bonds	**9,586,442**	9,086,358
Special savings account	**6,403,963**	2,129,357
	122,054,559	105,189,136
RCBC Trust		
Equity securities	**44,205,300**	37,695,731
Special savings account	**20,684,874**	1,585,988
ROP bonds and treasury notes	**15,977,736**	57,237,914
Corporate bonds	**9,293,127**	10,473,778
	90,161,037	106,993,411
Short-Term Investments		
CARD Bank Inc.	**2,528,707**	2,528,707
Siargao Bank Inc.	**2,000,000**	2,000,000
RCBC Time Deposit	**–**	24,000,000
	4,528,707	28,528,707

(Forward)

	2014	2013
Investment in Equity		
NCMFP*	**₱46,397,494**	₱40,944,995
Metrosouth**	**6,000,000**	20,000,000
MASS-SPECC***	**5,000,000**	5,000,000
HSSI****	**5,000,000**	5,000,000
CISP*****	**3,411,763**	3,411,763
CARD NGO******	**3,000,000**	3,000,000
BALMUCO*******	**144,000**	135,000
ISDA Foundation********	**135,000**	–
KWSS*********	**100,000**	–
	69,188,257	77,491,758
Others		
Equity securities	**289,870,840**	229,656,200
Special savings account	**135,393**	91,060
	290,006,233	229,747,260
	₱1,945,403,837	₱1,952,802,423

**National Cooperative Mutual Fund of the Philippines, Inc.*
***Metro South Cooperative Bank*
**** MASS-SPECC Cooperative Development Center*
***** Hybrid Social Solutions, Inc.*
****** Cooperative Insurance System of the Philippines*
******* Center for Agriculture and Rural Development, Inc.*
********Barangay Alapang Multi-purpose Cooperative*
*********Islas Ecology Development Advocacy (ISDA) Foundation*
**********Kauswagan Water and Sanitation Service*

The Group pays AUB, BDO Unibank, BDO Private Bank, PAMI, BPI, Security Bank and RCBC Trust an annual service fee of 0.25% based on the average market value of the fund.

AFS financial assets under "Others" above are held by the Group.

The reconciliation of the carrying amounts of AFS financial assets as of December 31, 2014 and 2013 are as follows:

	2014	2013
AUB		
Balances at beginning of year	**₱400,848,228**	₱412,921,879
Realized investments gains - net	**33,363,025**	42,515,325
Contributions/deposits	**3,540,869**	2,500,000
Disposals/withdrawals	**(95,000,000)**	(44,043,023)
Unrealized valuation losses - net	**(4,006,172)**	(13,045,953)
	338,745,950	400,848,228
BDO Unibank		
Balances at beginning of year	**284,335,580**	293,521,958
Realized investments gains - net	**26,775,379**	41,545,656
Unrealized valuation gain (loss) - net	**22,437,228**	(26,332,034)
Disposal/withdrawal	–	(24,400,000)
	333,548,187	284,335,580

(Forward)

	2014	2013
BDO Private Bank		
Balances at beginning of year	**₱291,023,155**	₱352,700,068
Realized investment gains - net	**26,940,308**	24,945,750
Unrealized valuation gain (loss) - net	**7,819,942**	(12,622,663)
Disposals/withdrawals	**(82,600,000)**	(74,000,000)
	243,183,405	291,023,155
BPI		
Balances at beginning of year	**244,216,318**	283,594,680
Unrealized valuation gain (loss) - net	**10,619,408**	(10,411,535)
Realized investments gains - net	**3,498,870**	22,923,109
Foreign exchange gains	**107,016**	1,610,564
Disposals/withdrawals	**(50,700,000)**	(53,500,500)
Contributions and deposits	**22,674,950**	–
	230,416,562	244,216,318
PAMI		
Balances at beginning of year	**184,428,870**	211,018,957
Unrealized valuation gain (loss) - net	**27,729,428**	(23,441,343)
Realized investment gain (loss) - net	**11,412,642**	(3,148,744)
	223,570,940	184,428,870
Security Bank		
Balances at beginning of year	**105,189,136**	101,541,425
Realized investment gains - net	**9,445,163**	8,368,815
Unrealized valuation gain (loss) - net	**7,420,260**	(4,721,104)
	122,054,559	105,189,136
RCBC Trust		
Balances at beginning of year	**106,993,411**	100,657,555
Unrealized valuation gains - net	**5,993,858**	774,204
Realized investment gains - net	**2,173,768**	5,561,652
Disposals/withdrawals	**(25,000,000)**	–
	90,161,037	106,993,411
Short-term Investments		
Balances at the beginning of year	**28,528,707**	76,412,890
Disposals/withdrawals	**(24,000,000)**	(74,000,000)
Contribution/deposit	**–**	26,000,000
Realized investment gain - net	**–**	115,817
	4,528,707	28,528,707
Investment in Equity		
Balances at the beginning of year	**77,491,758**	79,786,021
Unrealized valuation gain (loss) - net	**5,452,499**	(4,017,490)
Contributions/deposits	**244,000**	5,135,000
Disposals/withdrawals	**(14,000,000)**	(1,195,730)
Realized investment loss - net	**–**	(2,216,043)
	69,188,257	77,491,758

(Forward)

	2014	2013
Others		
Balances at the beginning of year	**₱229,747,260**	₱147,187,895
Unrealized valuation gains - net	**56,889,590**	8,305,712
Realized investment gains - net	**6,355,767**	6,393,792
Contributions/deposits	**44,333**	113,500,000
Disposals/withdrawals	**(3,030,717)**	(45,640,139)
	290,006,233	229,747,260
	₱1,945,403,837	₱1,952,802,423

The balance of investment income recognized in profit or loss is as follows:

	2014	2013
Total realized investment gains*	**₱124,972,080**	₱157,737,609
Income (loss) from investment in equity	**1,195,013**	(2,371,755)
Closed to funds held in trust (CBRED)	**(3,167,497)**	28,602
Income from short-term investments	**–**	300,501
	₱122,999,596	₱155,694,957

**Gross of final tax expense.*

The net unrealized valuation gain (loss) recognized in other comprehensive income is as follows:

	2014	2013
Unrealized valuation gain (loss) - net	**₱140,356,042**	(₱85,512,206)
Less unrealized valuation gain closed to funds held in trust (CBRED)	**1,918,050**	1,508,918
	₱142,274,092	(₱84,003,288)

Special savings accounts have annual interest rates ranging from 0.38% to 2.2% in 2014 and 0.68% to 3.66% in 2013. Equity securities mainly consist of investment in companies listed in the Philippine Stock Exchange (PSE).

Corporate bonds include those issued by holding companies, property, utilities and telecommunication companies. These bonds earn annual interest rates ranging from 4.03% to 6.94% in 2014 and 3.87% to 8.64% in 2013.

ROPs and treasury notes (Fixed Rate Treasury Notes) earn annual interest rates ranging from 2.95% to 8.13% in 2014 and 3.47% to 14.38% in 2013. UITFs include placements in AUB and BPI's own funds.

Net realized investment gains (losses), gross of tax, are detailed as follows:

	2014	2013
AUB		
Trading gains	**₱19,925,391**	₱28,326,730
Interest	**9,935,187**	11,313,410
Dividends	**5,569,909**	6,269,522
Expenses	**(80,425)**	(1,130,554)
	35,350,062	44,779,108

(Forward)

	2014	2013
BDO Private Bank		
Trading gains	**₱16,884,392**	₱12,900,095
Dividends	**8,302,835**	8,233,346
Interest	**3,129,527**	5,717,060
Expenses	**(750,541)**	(760,782)
	27,566,213	26,089,719
BDO Unibank		
Trading gains	**22,139,368**	30,621,111
Dividends	**3,960,519**	2,793,484
Interest	**2,608,326**	11,986,296
Expenses	**(1,411,169)**	(1,456,808)
	27,297,044	43,944,083
PAMI		
Trading gain (loss)	**8,619,278**	(6,632,859)
Dividends	**4,080,075**	2,533,979
Interest	**68,601**	2,304,129
Expenses	**(1,341,592)**	(892,943)
	11,426,362	(2,687,694)
Security Bank		
Trading gains	**6,948,651**	6,036,170
Interest	**2,282,849**	2,646,475
Dividends	**1,133,521**	495,184
Expenses	**(463,288)**	(279,463)
	9,901,733	8,898,366
RCBC Trust		
Interest	**2,247,771**	3,346,665
Dividend	**826,728**	570,832
Expenses	**(352,873)**	(292,644)
Trading gain (loss)	**(98,304)**	2,606,458
	2,623,322	6,231,311
BPI		
Dividends	**17,654,750**	1,589,640
Interest	**4,763,536**	5,584,157
Trading gain (loss)	**(17,489,712)**	17,423,447
Expenses	**(476,997)**	(556,760)
	4,451,577	24,040,484
Investment in Equity		
Dividends	**1,195,013**	(2,371,755)
Short-term Investments		
Interest	**–**	300,501
Others		
Dividends	**6,355,767**	6,200,640
Interest	**–**	242,068
Expenses	**–**	(476)
	6,355,767	6,442,232
Amount closed to funds held in trust (CBRED)	**(3,167,497)**	28,602
	₱122,999,596	₱155,694,957

7. Other Current Assets

	2014	2013
Escrow deposit (see Notes 12 and 19)	**₱15,406,988**	₱23,975,928
Input VAT	**1,583,369**	1,079,307
Prepaid expenses and others	**580,102**	389,870
	₱17,570,459	₱25,445,105

Escrow deposit relates to fund set aside by the Group as guarantor for various community organizations who joined the CMP project. The deposit is made at 25% of total loan application amount for one year upon fulfillment of conditions. Interest income from escrow deposit amounted to ₱283,191 and ₱289,332 in 2014 and 2013, respectively. Net unrealized valuation loss recognized in other comprehensive income in the consolidated statements of comprehensive income amounted to ₱384,868 in 2014. No unrealized valuation gain or loss was recognized in other comprehensive income in the consolidated statements of comprehensive income in 2013.

8. Property and Equipment

2014

	Land	**Building and Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Total**
Cost:					
Balances at beginning of year	**₱22,124,434**	**₱19,225,345**	**₱8,476,407**	**₱2,243,220**	**₱52,069,406**
Additions	**–**	**156,189**	**958,064**	**–**	**1,114,253**
Balances at end of year	**22,124,434**	**19,381,534**	**9,434,471**	**2,243,220**	**53,183,659**
Accumulated depreciation and amortization:					
Balances at beginning of year	**–**	**12,568,318**	**6,833,224**	**1,122,267**	**20,523,809**
Depreciation and amortization	**–**	**1,533,431**	**1,018,254**	**448,644**	**3,000,329**
Balances at end of year	**–**	**14,101,749**	**7,851,478**	**1,570,911**	**23,524,138**
Net book values	**₱22,124,434**	**₱5,279,785**	**₱1,582,993**	**₱672,309**	**₱29,659,521**

2013

	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost:					
Balances at beginning of year	₱22,124,434	₱19,225,345	₱11,004,906	₱1,223,041	₱53,577,726
Additions	–	–	575,992	1,020,179	1,596,171
Disposals	–	–	(3,104,491)	–	(3,104,491)
Balances at end of year	22,124,434	19,225,345	8,476,407	2,243,220	52,069,406
Accumulated depreciation and amortization:					
Balances at beginning of year	–	10,893,994	9,161,713	692,959	20,748,666
Depreciation and amortization	–	1,674,324	776,002	429,308	2,879,634
Disposals	–	–	(3,104,491)	–	(3,104,491)
Balances at end of year	–	12,568,318	6,833,224	1,122,267	20,523,809
Net book values	₱22,124,434	₱6,657,027	₱1,643,183	₱1,120,953	₱31,545,597

Depreciation and amortization expense above includes depreciation and amortization charges of property and equipment acquired through funds held in trust amounting to ₱27,686 and ₱40,223 in 2014 and 2013, respectively. Such amounts were excluded from the determination of depreciation and amortization expense in the consolidated statements of comprehensive income since these are presented net of funds held in trust account in the consolidated balance sheets.

9. Investment Properties

The investment properties include parcels of land foreclosed by the Group from borrowers that were not able to settle their obligations to the Group.

The cost of investment properties amounted to ₱4,911,814 as of December 31, 2014 and 2013, respectively. The fair value of the Group's investment properties approximates its carrying value based on the latest appraisal report issued by an independent valuer.

In determining the appropriate class of investment properties, the Group has considered the nature, characteristics and risks of its properties as well as the level of the fair value hierarchy within which the fair value measurements are categorized. This resulted in determining the fair value of investment properties under level 2 of the fair value hierarchy.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop its investment properties.

10. Accounts Payable and Accrued Expenses

	2014	2013
Accounts payable	**₱12,897,250**	₱11,158,509
Accrued expenses	**8,372,719**	5,682,471
	₱21,269,969	₱16,840,980

Accounts payable are noninterest-bearing and are generally on 30 to 90-days term.

Accrued expenses include Ateneo Center for Economic Research and Development baseline survey fees, audit and other professional fees and service billing in acquiring accounting system.

11. Grants Payable

Grants payable represents unreleased and committed grants to project proponents and will be released upon compliance with the conditions set forth in the project agreement. Grants payable amounted to ₱19,074,261 and ₱8,821,429 as of December 31, 2014 and 2013, respectively. Grant expenses amounted to ₱61,460,148 and ₱25,571,285 in 2014 and 2013, respectively.

12. **Funds Held in Trust**

This account includes the following:

	2014	2013
Catholic Organization for Relief and Development Agency for International Development (CORDAID) - Ondoy-Pepeng Rehabilitation Project		
Balances at beginning of year	**₱51,705,822**	₱52,521,221
Net loss	**(1,669,310)**	(815,399)
	50,036,512	51,705,822
Department of Energy (DOE) and United Nation Development Program (UNDP) - CBRED Project		
Balances at beginning of year	**25,464,745**	25,739,585
Amount received	**4,337,000**	–
Net loss	**(796,450)**	(274,840)
	29,005,295	25,464,745
CORDAID - Shariah Project		
Amount received	**3,803,730**	–
BPI Foundation		
Balances at beginning of year	**428,692**	–
Amount received	**1,000,000**	800,000
Expenses	**(446,004)**	(371,308)
	982,688	428,692
CORDAID - Climate Change Project		
Balances at beginning of year	**279,153**	890,058
Expenses	**–**	(610,905)
	279,153	279,153
The Coca-Cola Foundation (Coca-Cola)		
Balances at beginning and end of year	**44,490**	44,490
CORDAID - MP3		
Balances at beginning of year	**75,532,139**	92,435,785
Return of funds	**(73,992,955)**	(12,423,518)
Net loss	**(1,539,184)**	(4,480,128)
	–	75,532,139
CORDAID - Emergency Response for Typhoon Pablo		
Balances at beginning of year	**(1,172,203)**	–
Amount received	**1,172,203**	1,138,000
Expenses	**–**	(2,310,203)
	–	(1,172,203)
CORDAID - Emergency Response for Typhoon Sendong		
Balances at beginning of year	**233,964**	233,964
Amount received	**1,773,089**	–
Expenses	**(2,492,289)**	–
	(485,236)	233,964

(Forward)

	2014	2013
CORDAID - Knowledge Management Project		
Balances at beginning of year	**₱805,608**	₱–
Amount received	**1,707,900**	805,608
Expenses	**(2,760,507)**	–
	(246,999)	805,608
	₱83,419,633	₱153,322,410

The details of the funds are fully discussed as follows:

CORDAID - Ondoy-Pepeng Rehabilitation Project
In 2010, the Group partnered with CORDAID for a 5-year EUR1.5 million loan fund and was awarded a grant amounting to EUR8,007. The project Ondoy-Pepeng Rehabilitation fund seeks to provide a meaningful contribution to the rebuilding of livelihoods of families affected by the Ondoy and Pepeng typhoons. It is also expected that the project will document best practices in providing financing and development assistance to partners and households who are victims of calamities.

DOE and UNDP - CBRED Project
In October 2006, the Group was awarded a grant amounting to $535,500 by the Global Environment Facility through UNDP and DOE for the CBRED project. Such grant shall be used to fund micro-finance intermediaries for re-lending to small-scale projects focusing on expanding renewable energy. The proceeds have been invested as part of the AFS financial assets account under BPI (see Note 6).

CORDAID - Shariah Project
On November 10, 2014, the Group was awarded a grant amounting to EUR75,571. The project aims to build competitive social enterprises in Mindanao. The project involves promotion of Shariah based financing through learning exchanges, staff immersion, forum among investors and partner organizations.

Another component of the project is the certification of four identified products that are produced in Mindanao. Expenses involve field validation and product documentation.

BPI Foundation
As of December 31, 2014, the Group was awarded a grant amounting to ₱1,800,000 by the Bank of the Philippine Islands Foundation, Inc. Such grant shall be used to develop partnerships among indigenous communities via a social enterprise approach. Releases of the funds are in tranches subject to the submission of accomplishment reports.

CORDAID - Climate Change Project
In 2011, the Group received a grant amounting to EUR30,500 for capacity building and technical assistance program to introduce "climate smart" capacities and technologies to communities facing varying degrees of climate induced risks and vulnerabilities and whose existing agri-enterprises are at various stages of growth.

Coca-Cola
In December 2008, the Group was awarded a grant amounting to $65,278 by The Coca-Cola Foundation, Atlanta Georgia, USA. Such fund shall be used to provide potable water to the residents of San Jose Municipality in the province of Romblon through the installation of rain water harvester and biosand filters which will help develop the watershed in the said municipality.

The project was completed on December 12, 2010. As of December 31, 2014, the Group is waiting for the advice to return remaining fund amounting to ₱44,490.

CORDAID - MP3
In June 2007, the Group availed of an 8-year ₱80.0 million loan fund from CORDAID, Netherlands and was awarded a grant amounting to EUR70,696. Such fund shall be used for an 8-year micro-finance fund program tagged as MP3 that will focus on providing credit assistance and institutional support to eligible borrowers. The available funds have been invested as part of the short-term investments (see Note 6). The Group withdraws from this investment to fund the approved projects. At the end of eight years, the Group will return to CORDAID the nominal peso value of the entire principal that it has received less any loan write-offs. The income at the end of the program will be shared 80%-20% by CORDAID and the Group, respectively.

As mutually decided by CORDAID and the Group, the project was closed on June 30, 2014. Full settlement to CORDAID was made on November 21, 2014 in the amount of ₱73.99 million or equivalent to EUR1.29 million. This amount represents the principal loan amount net of losses incurred for years 2014 and 2013.

CORDAID - Emergency Response for Typhoon Pablo
In 2013, the Group received a grant from CORDAID amounting to EUR46,188 for relief and rehabilitation support for communities in Compostela Province, Mindanao who are affected by typhoon Pablo. Relief and rehabilitation support include provision of food, school supplies, solar lights, and housing materials.

CORDAID - Emergency Response for Typhoon Sendong
In 2012, the Group received a grant from CORDAID amounting to EUR83,845 for relief and rehabilitation support for communities in Cagayan de Oro (CDO), Mindanao who are affected by typhoon Sendong. The program is to set up a performance guarantee for housing of more than 2,000 families in partnership with three (3) organizations based in CDO namely - Technology Outreach and Community Help Foundation, Foundation for Growth, Organizational Upliftment of People and The Social Action Center of the Archdiocese of Cagayan De Oro. Through Socialized housing Finance Corporation's (SHFC) CMP, the Group will provide the guarantee - serving as security for the immediate release of financing - that the housing associations will comply with all required documents. In July 2012, the BOT approved the Memorandum of Understanding with SHFC for the performance guarantee for the immediate release of the CMP loan. Further, on October 3, 2012, the BOT approved to open the escrow account in favor of SHFC with AUB, as escrow agent, equivalent to 25% of total approved loan stipulated in guarantee agreement (see Note 7).

CORDAID - Knowledge Management Project
In August 2013, the Group received a grant from CORDAID amounting to EUR14,231 for knowledge management project in support of the Climate Change Fund program. Major activities include industry studies to be able to identify different technologies being used in the production of goods and services and how these affect the business, the beneficiaries and environment; technology assessments to determine the CO2 impact of technologies being used by selected social enterprises and provide interventions for reducing their carbon footprints; and partners mentoring program on climate change mitigation and adaptation.

13. **Project Expenses**

	2014	2013
Project development, monitoring and evaluation (PDME)	**₱26,145,868**	₱14,486,788
Knowledge management	**12,081,633**	2,751,812
Institutional support	**3,671,961**	2,809,826
Project support	**2,849,626**	1,076,672
CORDAID related expenses	**1,322,389**	535,484
Advocacy and communications	**806,295**	588,971
CBRED related expenses	**106,075**	15,867
	₱46,983,847	₱22,265,420

PDME, CORDAID and CBRED related expenses are summarized below:

	2014	2013
Salaries and benefits (see Note 15)	**₱14,874,147**	₱8,262,445
Project monitoring	**6,873,494**	2,720,448
Project appraisals	**2,066,604**	1,206,234
Project audit	**1,738,816**	1,479,732
Pre and post project meetings and workshops	**946,735**	785,655
Supplies, services and other operating costs	**732,961**	315,878
Outside services	**287,929**	63,902
Project evaluation and documentation	**44,604**	123,155
Others	**9,042**	80,690
	₱27,574,332	₱15,038,139

Knowledge management includes ACEND baseline survey and social enterprise conference. Institutional support includes staff learning and development and organizational development costs. Project support expenses include expenses for projects capability building. Advocacy and communications include media coverage, press briefing and publicity promotions.

14. **General and Administrative Expenses**

	2014	2013
Salaries and benefits (see Note 15)	**₱10,801,003**	₱8,798,166
Meetings	**2,991,629**	1,724,907
Outside services	**1,166,681**	1,176,144
Share of project losses from MP3	**996,402**	–
Legal fee	**762,570**	823,273
Utilities	**541,093**	542,489
Communications	**413,658**	444,131
Repair and maintenance	**371,755**	293,712
Office supplies	**336,160**	329,775
Transportation and travel	**277,581**	364,812
Taxes and licenses	**199,939**	1,707,126
Recruitment and advertising	**182,013**	185,844
Association dues and membership	**70,517**	102,980
Representation	**11,415**	30,215
Others	**139,141**	176,368
	₱19,261,557	₱16,699,942

15. **Personnel Expenses**

	2014	2013
Salaries and wages	**₱16,998,651**	₱11,165,999
Completion pay	**2,728,750**	1,879,400
Bonuses	**2,293,175**	1,850,454
Social security costs	**1,427,564**	978,825
De minimis benefits	**1,778,423**	860,417
Compensated absences	**448,587**	325,516
	₱25,675,150	₱17,060,611

Compensation of identified key management personnel of the Group are as follows:

	2014	2013
Salaries and wages	**₱7,484,000**	₱6,410,000
Employee benefits	**1,439,354**	1,203,949
	₱8,923,354	₱7,613,949

16. **Other Income**

	2014	2013
Income from guarantee (see Note 19)	**₱374,282**	₱547,891
Retirement benefit income (see Note 17)	**342,235**	17,073
Management fee	**107,142**	107,142
Share of project income from MP3	–	1,831,945
Others	**111,459**	103,866
	₱935,118	₱2,607,917

17. **Retirement Benefit Costs**

The Group has a funded, noncontributory defined benefit retirement plan (the Plan) covering one of its qualified regular employees. Retirement benefits are based on the employee's year of service and compensation level during their employment period. Actuarial valuations are made with sufficient regularity. The funds are administered by a Retirement Plan Trustee. The Retirement Plan Trustee is responsible for the investing decisions of the Plan and defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants.

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of net retirement benefit income recognized in the consolidated statements of comprehensive income and the funded status and amounts recognized in the consolidated balance sheets.

Net retirement benefit income to be recognized in profit or loss is as follows:

	2014	2013
Settlement	**₱342,235**	₱–
Current service cost	–	(17,197)
Net interest income	–	104,247
Changes in the effect of asset ceiling	–	(69,977)
	₱342,235	₱17,073

Remeasurement effects to be recognized in other comprehensive income are as follows:

	2014	2013
Actuarial loss (gain) on defined benefit obligation	**₱201,736**	(₱5,383)
Return on assets excluding amount included in net interest cost	–	(9,698)
Changes in the effect of asset ceiling	–	25,648
	₱201,736	₱10,567

Net retirement benefit asset is as follows:

	2014	2013
Present value of obligation	**₱–**	₱140,499
Fair value of plan asset	**(1,932,205)**	(1,932,205)
Effect of asset ceiling	**1,229,768**	1,229,768
	(₱702,437)	(₱561,938)

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
Balances at beginning of year	**₱140,499**	₱121,207
Net retirement benefit costs to be recognized in profit or loss:		
Reversal	**(342,235)**	–
Current service cost	–	17,197
Interest cost	–	7,478
	(201,736)	145,882
Remeasurement effect to be recognized in other comprehensive income:		
Actuarial loss (gain) due to experience adjustments	**201,736**	(3,697)
Actuarial gain due to changes in financial assumptions	–	(1,686)
	201,736	(5,383)
Balances at end of year	**₱–**	₱140,499

Changes in the fair value of plan asset are as follows:

	2014	2013
Balances at beginning of year	**₱1,932,205**	₱1,810,782
Interest income included in net interest cost	**–**	111,725
Actual return excluding amount included in net interest cost	**–**	9,698
Balances at end of year	**₱1,932,205**	₱1,932,205

The fair value of plan asset by each class is as follows:

	2014	2013
Cash and cash equivalents	**₱2,450**	₱2,450
Equity instruments - financial institution	**1,929,755**	1,929,755
Fair value of plan asset	**₱1,932,205**	₱1,932,205

All equity instruments held have quoted prices in active market. The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used in 2013 in determining pension benefits for the Group's Plan are shown below:

Discount rate	6.21%
Salary increase rate	7.00%

The Group's defined benefit pension plan is funded by the Group. The Group is not required to pre-fund the future defined benefits payable under the Plan before they become due. For this reason, the amount and timing of contributions to the Plan are at the Group's discretion. However, in the event a benefit claim arises and the Plan is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Plan.

18. **Income Taxes**

The Foundation is a non-stock, nonprofit private foundation, organized and operated exclusively for providing financial, managerial, technical assistance to proponents of poverty alleviation and development projects. It is exempt from income tax pursuant to Section 30 of the Tax Reform Act of 1997 RA 8424. However, income derived from its properties, real or personal, or from any of its activities conducted for profit regardless of the disposition made of such income, is subject to tax.

On December 23, 2004, the Bureau of Internal Revenue (BIR) issued to the Foundation a five-year certificate of registration in accordance with Revenue Regulations (RR) 13-98. This certification allows the Foundation certain incentives such as: (a) full or limited deduction by the donors of their donation, grants, and contributions pursuant to Section 34(H) of the Tax Code; and, (b) exemption from donor's tax pursuant to Section 101 of RA 8424. The certification issued by the BIR is subject to the representation and commitments set forth in the accreditation issued to the Foundation by the Philippine Council for NGO Certification (PCNC) on October 27, 2004.

On January 22, 2008, BIR issued Revenue Memorandum Circular (RMC) No. 14-2008 which states that the above-mentioned Certificate of Accreditation issued by PCNC prior to November 15, 2007 will be valid only until March 31, 2008. Accordingly, holders of the said certificates are directed to renew their accreditation with the proper accrediting government entity on or before the said date. This circular was issued pursuant to Executive Order (EO) No. 671, as circularized under RMC No. 88-2007 which lists in detail the government agencies designated as accrediting entities that will certify and accredit charitable organizations as donee-institutions relative to the deductibility and exemption from donor's tax of contributions or gifts received by them pursuant to the Sections 34 and 101, respectively, of the Tax Code, as amended.

This order was repealed by EO No. 720, where PCNC has the function of accrediting donee institutions. Further, no corporations, associations, or NGO shall be processed by the PCNC unless it has secured a valid registration with the government agency that exercises regulatory functions over such corporation, association or NGO. On May 31, 2014, the PCNC issued to the Foundation a five-year certification for donee institution status. As of April 7, 2014, the Foundation is waiting for the confirmation of certification from the BIR.

Furthermore, pursuant to Revenue Memorandum Order No. 20-2014 dated July 22, 2014, which prescribes the policies and guidelines in the issuance of tax exemption rulings to qualified nonstock, nonprofit corporations and associations under Section 30 of the National Internal Revenue Code of 1997, as amended, the Foundation is currently in the process of revalidating its tax exemption certification with the BIR.

The tax expense shown in the consolidated statements of comprehensive income only pertains to final taxes withheld from interest income on the Foundation's bank accounts, short-term placements and AFS debt financial assets.

There are no current provisions for regular corporate income tax in 2014 and 2013 due to the Group's net taxable loss positions.

The Group has the following temporary differences and unused NOLCO, on which no deferred income tax assets were recognized as the management believes that it is not probable that sufficient taxable income will be available in the future against which the benefit of these deferred tax assets can be utilized:

	2014	2013
NOLCO	**₱112,487,195**	₱68,722,826
Allowance for impairment losses on receivables	**65,748,108**	57,053,953
Unrealized foreign exchange loss - net	**90,823**	–
	₱178,326,126	₱125,776,779

As of December 31, 2014, the Group's unused NOLCO that can be claimed as deduction from future taxable income is as follows:

Year incurred	Available up to	Amount
2014	2017	₱56,064,152
2013	2016	30,588,223
2012	2015	25,834,820
		₱112,487,195

The movements in unused NOLCO are as follows:

	2014	2013
Balances at beginning of year	**₱68,722,826**	₱59,468,668
Additions	**56,064,152**	30,588,223
Expirations	**(12,299,783)**	(21,334,065)
Balances at end of year	**₱112,487,195**	₱68,722,826

The reconciliation of income before income tax computed at the statutory tax rate is as follows:

	2014	2013
Provision for income tax at statutory rate of 30%	**(₱3,844,699)**	₱24,530,302
Additions to (reductions in) income taxes arising from:		
Movement of unrecognized deferred income tax assets	**20,140,330**	13,166,582
Nondeductible expenses	**20,836,216**	9,109,849
Nontaxable dividend income and valuation gains	**(29,206,193)**	(33,716,648)
Interest income on investment subject to final tax	**(2,667,119)**	(93,124)
Nontaxable income	**(101,919)**	(5,122)
Interest income subject to final tax - others	**(62,757)**	(4,330,613)
	₱5,093,859	₱8,661,226

19. **Commitments and Contingencies**

Guarantee Agreement

Community Mortgage Program

In September and October 2012, the Foundation entered into guarantee agreements where the Foundation is the guarantor for the account of Consolacion Homeowners Association, Inc. (HOAI), Medella Milgrosa HOAI Phase 1 and Phase 2 , Villeview Lumbia HOAI, Bermundo HOAI, Mergeville HOAI, Greenfield HOAI, Virgen Del Rosarion HOAI, Grandville HOAI, Monsanto Village HOAI and Blessed Ville HOAI, the borrowers with SHFC under the "CMP Express Lane for Victims of Demolition and Disasters Projects" for one year. The program is to assist the above mentioned legally organized associations underprivileged and homeless citizens to purchase and develop a tract of land or resettlement site (see Note 13).

The borrowers need only to submit specific documentations required under CMP project to the Foundation and maintain a collection efficiency rating of 80% within one year from release of loan.

Pinoy ME Foundation, Inc.

On October 21, 2008, the Foundation entered into a guarantee agreement where the Foundation is the guarantor for the account of Pinoy ME Foundation, Inc., the borrower, with Development Bank of the Philippines (DBP) as the lender up to ₱100,000,000. The Foundation guarantees, without the benefit of excussion, the payment of up to 80% of the outstanding loans availed by Pinoy ME Foundation, Inc.

On March 4, 2013, the Foundation entered into a surety agreement where the Foundation is the surety for the account of Pinoy ME Foundation, Inc., the borrower, with Land Bank of the Philippines (LBP) as the lender up to ₱40,000,000. The Foundation guarantees, without the benefit of excussion, the payment of the principal amount availed by Pinoy ME Foundation, Inc., amounting to ₱40,000,000.

The outstanding payable of Pinoy ME Foundation, Inc. to DBP and LBP amounted to ₱46,203,426 and ₱69,246,962 as of December 31, 2014 and 2013, respectively.

Pinoy ME Foundation, Inc. pays the Foundation a guarantee fee of one and a half percent (1.5%) per annum, based on the outstanding balance of the loan guaranteed computed quarterly and on a pro-rata basis. The Foundation earned income from guarantee fee, net of output VAT, amounting to ₱374,282 and ₱547,891 in 2014 and 2013, respectively, presented as part of "Other income" in the consolidated statements of comprehensive income (see Note 17).

Others

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that the losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

20. Financial Risk Management Objectives and Policies

In October 2012, the Group implemented an enterprise-wide risk management (EWRM) that manages the risks across the organization in a structured and an integrated way.

The main purpose of the Group's financial instruments is to fund the Group's operations. The main risks arising from the use of financial instruments are liquidity risk, foreign currency risk, interest rate risk, equity price risk, investment evaluation risk and credit risk. The Group's BOT reviews and agrees with policies for managing each of these risks. These are summarized below:

Liquidity Risk

The Group is exposed to liquidity risk. Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. It aims to maintain flexibility in funding its operations by realizing income from its investments, collecting efficiently from its project proponents and maintaining sufficient and available cash. The Group manages its liquidity profile to meet the following objectives: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The table below shows the maturity profile of the Group's financial assets used for liquidity purposes based on contractual undiscounted cash flows and the Group's financial liabilities based on contractual undiscounted payments:

2014

	On demand	< 1 year	> 1 year	Total
Financial assets:				
Cash and cash equivalents	₱43,225,259	₱–	₱–	₱43,225,259
Receivables	–	196,279,084	55,146,848	251,425,932
	43,225,259	196,279,084	55,146,848	294,651,191
Financial liabilities:				
Accounts payable and accrued expenses*	–	21,269,969	–	21,269,969
Grants payable	–	19,074,261	–	19,074,261
Funds held in trust	–	83,419,633	–	83,419,633
	–	123,763,863	–	123,763,863
	₱43,225,259	₱72,515,221	₱55,146,848	₱170,887,328

Excluding government related payables.

2013

	On demand	< 1 year	> 1 year	Total
Financial assets:				
Cash and cash equivalents	₱43,569,231	₱28,800,000	₱–	₱72,369,231
Receivables	–	103,976,748	32,729,392	136,706,140
	43,569,231	132,776,748	32,729,392	209,075,371
Financial liabilities:				
Accounts payable and accrued expenses*	–	16,316,102	–	16,316,102
Grants payable	–	8,821,429	–	8,821,429
Funds held in trust	–	153,322,410	–	153,322,410
	–	178,459,941	–	178,459,941
	₱43,569,231	(₱45,683,193)	₱32,729,392	₱30,615,430

Excluding government related payables.

Foreign Currency Risk

The Group has transactional currency exposures. The exposure arises from cash with banks denominated in currencies other than the reporting currency which is the ₱.

The Group closely monitors the movement in the exchange rate and makes a regular assessment of future foreign exchange movements. The Group then manages the balance of its foreign currency-denominated assets and liabilities based on this assessment.

The balance of foreign currency-denominated accounts are as follows:

	2014		2013	
	Other Currencies	**Peso Equivalent**	Other Currencies	Peso Equivalent
In USD:				
Cash with banks	**$1,641**	**₱73,386**	$2,923	₱129,767
AFS financial assets	**290,753**	**13,002,474**	447,164	19,851,846
In EUR:				
Cash with banks	**€100,667**	**5,470,144**	€5,500	336,787
		₱18,546,004		₱20,318,400

The exchange rates used are as follows:

	1 USD: Peso	1 EUR: Peso
December 31, 2014	**44.720**	**54.339**
December 31, 2013	44.395	61.234

The following table presents the impact on income before income tax due to change in the fair value of its monetary assets, brought about by a change in the USD and EUR exchange rates (holding all other variables constant):

2014

	Increase (decrease) in income before income tax	
	₱ strengthens by 5%	**₱ weakens by 5%**
Effect in income before income tax:		
Change in PHP/USD exchange rate	**(₱653,793)**	**₱653,793**
Change in PHP/EUR exchange rate	**(273,507)**	**273,507**

2013

	Increase (decrease) in income before income tax	
	₱ strengthens by 5%	₱ weakens by 5%
Effect in income before income tax:		
Change in PHP/USD exchange rate	(₱999,081)	₱999,081
Change in PHP/EUR exchange rate	(16,839)	16,839

There is no other impact on the Group's fund balances other than those already affecting income (loss) before income tax.

Interest Rate Risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group derives majority of its revenue from short-term deposits and AFS financial assets. Accordingly, the Group is subject to financial risk arising from changes in interest rates. The Group manages interest rate risk by investing mainly on fixed coupon interest bonds and other investments. By doing so, the Group is assured of future interest revenues from such investments.

Since the Group invests on fixed coupon interest bonds and other investments, the Group is not exposed to cash flow interest rate risk.

Equity Price Risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's financial assets in AFS equity instruments. For investments in equities, all funds are invested in equities listed in the PSE.

The Group measures the sensitivity of its equity instruments by using PSE indices fluctuations and its effect to respective share prices.

The following table demonstrates the sensitivity to a reasonably possible change in the equity price based on past price performance and macroeconomic forecast for 2014 and 2013, with all other variables held constant, of the Group's fund balances:

	2014	2013
Investment in AFS equity securities		
Change in market share prices (%)		
+10%	**₱133,390,043**	₱105,766,087
–10%	**(133,390,043)**	(105,766,087)

Investment Evaluation Risk

Investment evaluation risk is defined as the lack of relevant and or reliable information supporting investment decisions and linking the risks undertaken to the capital at risk may result in poor investment decisions.

The Group put in place the policy on trust investments to ensure that the Group is not exposed to unnecessary risk. The policy includes portfolio mix, currency mix, monitoring and reporting, criteria in selecting fund managers and social responsible investing policy.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation.

The Group is exposed to credit risk primarily because of its investing activities. The Group is exposed to credit risk arising from the counterparties to its financial assets (i.e., debt instruments, short-term investments, fixed income deposits and receivables).

Credit Risk Management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy third parties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in equity securities represent investments in companies with good dividend track record as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed regularly by the Group's Finance and Investments Committee.

With respect to credit risk arising from the other financial assets of the Group, which consist of cash and cash equivalents, receivables, escrow deposit and refundable deposit, the Group's Finance and Investments Committee monitors these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant.

Credit Risk Exposures

At balance sheet date, the Group's maximum exposure to credit risk is equal to the carrying amount of each class of financial assets recognized in the consolidated balance sheets less the amount of advances to proponents covered by collaterals.

Credit Risk Concentration Profile

The Group has no significant concentrations of credit risk.

Aging Analysis
Aging analysis per class of financial assets is as follows:

2014

	Neither Past Due nor Impaired	Past due but not impaired <1 year	>1 year	Impaired Financial Assets	Total
Loans and receivables:					
Cash and cash equivalents	**₱43,225,259**	**₱–**	**₱–**	**₱–**	**₱43,225,259**
Receivables	**251,425,932**	**–**	**–**	**65,748,108**	**317,174,040**
Escrow deposit	**15,406,988**	**–**	**–**	**–**	**15,406,988**
Refundable deposit	**45,600**	**–**	**–**	**–**	**45,600**
AFS financial assets	**1,945,403,837**	**–**	**–**	**–**	**1,945,403,837**
	₱2,255,507,616	**₱–**	**₱–**	**₱65,748,108**	**₱2,321,255,724**

2013

	Neither Past Due nor Impaired	Past due but not impaired <1 year	>1 year	Impaired Financial Assets	Total
Loans and receivables:					
Cash and cash equivalents	₱72,369,231	₱–	₱–	₱–	₱72,369,231
Receivables	136,706,140	–	–	57,053,953	193,760,093
Escrow deposit	23,975,928	–	–	–	23,975,928
Refundable deposit	45,600	–	–	–	45,600
AFS financial assets	1,952,802,421	–	–	–	1,952,802,421
	₱2,185,899,320	₱–	₱–	₱57,053,953	₱2,242,953,273

Credit Quality
The table below presents information about the credit quality per class of financial assets:

2014

	High Grade	Standard Grade	Total
Cash and cash equivalents	**₱43,225,259**	**₱–**	**₱43,225,259**
Receivables	**–**	**251,425,932**	**251,425,932**
AFS financial assets	**1,945,403,837**	**–**	**1,945,403,837**
Escrow deposit	**15,406,988**	**–**	**15,406,988**
Refundable deposit	**–**	**45,600**	**45,600**
Total	**₱2,004,036,084**	**₱251,471,532**	**₱2,255,507,616**

2013

	High Grade	Standard Grade	Total
Cash and cash equivalents	₱72,369,231	₱–	₱72,369,231
Receivables	–	136,706,140	136,706,140
AFS financial assets	1,952,802,421	–	1,952,802,421
Escrow deposit	23,975,928	–	23,975,928
Refundable deposit	–	45,600	45,600
Total	₱2,049,147,580	₱136,751,740	₱2,185,899,320

Cash and cash equivalents and escrow deposit included under "Other current assets" are considered high grade since the counterparties are reputable banks with high quality external credit ratings. High grade also include AFS financial assets related to special deposit accounts, debt and equity instruments, unit investment trust funds and mutual funds entered into by the Group with various fund managers, most of which are top banks in their respective locations. Standard grade pertains to receivables and refundable deposit which would require some reminder follow-ups to obtain settlement from the counterparty.

Fair Value of Financial Instruments
The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash Equivalents
The carrying amount of cash and cash equivalents approximates the fair value of the financial instruments due to the short-term nature of these instruments.

Receivables, Accounts Payable and Accrued Expenses, Grants Payable and Funds Held In Trust
Similarly, the historical cost carrying amounts of receivables, accounts payable and accrued expenses, grants payable and funds held in trust approximate their fair values due to the short-term maturities of these financial instruments.

Escrow Deposit and Refundable Deposit
These deposits are presented at cost since management has no reliable basis to estimate the timing of cash flows from these deposits and the lack of discount rate necessary to calculate the fair value of these deposits.

AFS Financial Assets
The carrying value of quoted AFS financial assets is equal to its fair value because the instruments were revalued based on the quoted market prices at the close of business at balance sheet date.

Fair Value Hierarchy
The following is the breakdown of the Group's AFS financial assets per level on the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2014	**₱256,389,938**	**₱1,689,013,899**	**₱–**	**₱1,945,403,837**
2013	419,476,515	1,533,325,908	–	1,952,802,423

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement during the year ended December 31, 2014.

21. Fund Management Objectives, Policies and Procedures

The Group's fund management objective is to maintain the real value of the endowment fund and to work towards its growth. The Group manages the fund structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to preserve the value of the fund, the Group allocates a certain percentage of its net earnings to cover for the cost of inflation.

The Group's total provision for inflation for 2014 and 2013 amounted to ₱56.4 million and ₱54.7 million, respectively.

The Group's goal in fund management is to ensure the long-term continuity of the fund and its services through the following undertakings:

- Investing the principal of the endowment fund;
- Limiting disbursements for Group operations and assistance to partners to the amount of the investment and interest income earned by the endowment fund; and,
- Limiting operating costs to 15% of total income earned on an annual basis.

Fund balances for the reporting periods under review are summarized as follows:

	2014	2013
Total liabilities	**₱123,763,863**	₱178,984,819
Fund balance	**2,169,180,996**	2,045,403,029
Liability to fund balance ratio	**5.71%**	8.75%

The Group sets the amount of fund in proportion to its overall financing structure. The Group manages the fund structure and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of the underlying assets.

No changes were made in the objectives, policies or processes in 2014 and 2013.