



A.M. YU & Associates
CERTIFIED PUBLIC ACCOUNTANTS

No.5 Dalsol St., GSIS Village, Brgy Sangandaan, Project 8, Quezon City

Phone: (632) 724-4862 / 727-8462
Fax: (632) 727-8462
Direct Line: 881-9023
Cell Nos.: 0922-892-4388 / 0917-521-1234

BOA Certificate No. 4589
SEC Accreditation No. 0193-F
BIR Accreditation No. AN-07-004888-0-2009

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and Members
AHON SA HIRAP, INC.
No. 76, 8th Avenue, Cubao 1109,
Quezon City, Philippines

We have audited the accompanying financial statement of **AHON SA HIRAP, INC.** which comprises the statement of financial position as at December 31, 2010, and the statements of operation, statement of change in fund balance, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

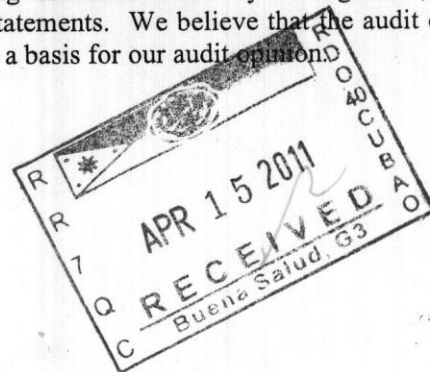
Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 whether the financial statements are free from material misstatements.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of **AHON SA HIRAP, INC.** as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with *Philippine Financial Reporting Standards (PFRS)*

A.M. YU & ASSOCIATES


ROSEMARIE R SALVIO-LEONIDA
Partner
CPA Cert. No. 035637
BOA Cert. No. 4589
IC Accreditation No. IA-0004-O
SEC Accreditation No. 0772-A
BIR Accreditation No. AN 07-002557-1-2009
TIN No. 116-243-200
PTR NO. 6370453, January 14, 2011, Cainta Rizal

April 14, 2011





A.M. YU & Associates
CERTIFIED PUBLIC ACCOUNTANTS

No.5 Dalsol St., GSIS Village, Brgy
Sangandaan, Project 8, Quezon City

Phone: (632) 724-4862 / 727-8462
Fax: (632) 727-8462
Direct Line: 881-9023
Cell Nos.: 0922-892-4388 / 0917-521-1234

BOA Certificate No. 4589
SEC Accreditation No. 0193-F
BIR Accreditation No. AN-07-004888-0-2009

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
TO ACCOMPANY PHILIPPINE INCOME TAX RETURNS**

The Board of Trustees and Members
AHON SA HIRAP, INC.
No. 76, 8th Avenue, Cubao 1109,
Quezon City, Philippines

We have examined the financial statements of **AHON SA HIRAP, INC.** as of
December 31, 2010, on which we have rendered our report dated April 14, 2011.

In compliance with Revenue Regulations V-20,

1. The taxes paid or payable by the above company during the year are shown in
the Schedule of Taxes and Licenses attached to the Income Tax Returns.
2. We don't have any direct financial interest with the Company.

A. M. YU & ASSOCIATES

ROSEMARIE R SALVIO-LEONIDA
Partner
CPA Cert. No. 035637
BOA Cert. No. 4589
SEC Accreditation No 0772-A
IC Accreditation No. IA-0004-O
BIR Accreditation No. AN 07-002557-1-2009
TIN No. 116-243-200
PTR NO. 6370453, January 14, 2011
Cainta, Rizal

April 14, 2011





AHON SA HIRAP, INC.

No. 76, 8th Avenue, Cubao 1109, Quezon City, Philippines
Tel/Fax (632) 912-0688 * 913-2452

April 14, 2011

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

“STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN”

The management of Ahon Sa Hirap, Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2010. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, withholding tax returns, documentary stamps returns, and any and all other tax returns.

In this regard, management affirms that the attached audited financial statements for the year ended December 31, 2010 and the accompanying Annual Income Tax Return are in accordance with the books and records of Ahon Sa Hirap, Inc., complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of Income Tax Return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company’s books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Ahon Sa Hirap, Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

MILA G. MERCADO-BUNKER
President

ATTY. JAIME G. HOFILÉÑA
Corporate Secretary

MA. WIVINA L. DE VERA
Treasurer



AHON SA HIRAP, INC.

No. 76, 8th Avenue, Cubao 1109, Quezon City, Philippines

Tel/Fax (632) 912-0688 * 913-2452

April 14, 2011

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

“STATEMENT OF MANAGEMENT’S RESPONSIBILITY”

The management of Ahon Sa Hiras, Inc. is responsible for all information and representations contained in the financial statements for the year ended December 31, 2010. The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

A.M. YU & Associates, Certified Public Accountants (Rosemarie R. Salvio-Leonida – Partner) the independent auditors engaged by the Board of Trustees, has examined the financial statements of the company in accordance with the Philippine Standards on Auditing and has expressed their opinion on the fairness of presentation upon completion of such examination in their report to the Board of Trustees.

MILA G. MERCADO-BUNKER
President

ATTY. JAIME G. HOFIÑEÑA
Corporate Secretary

MA. WIVINA L. DE VERA
Treasurer

AHON SA HIRAP, INC.
(a Non-Stock Non-Profit Organization)

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and December 31, 2009
(All amounts in Philippine Pesos)

	Notes	2010	2009
ASSETS			
CURRENT ASSETS			
Cash & Cash Equivalents	2, 3, 5, 26	90,308,559.27	66,987,251.97
Receivables	2, 3, 6, 26	220,582,513.30	172,049,872.30
Other Current Assets	2, 3, 7, 26	13,346,070.13	22,498,147.54
		324,237,142.70	261,535,271.81
NON CURRENT ASSETS			
Property & Equipment	2, 3, 8	15,062,649.80	13,682,435.07
Other Receivables	2, 3, 9, 26	34,952,045.95	31,275,515.72
Other Non-Current Assets	2, 3, 10, 26	10,749,591.51	6,732,854.70
		60,764,287.26	51,690,805.49
TOTAL ASSETS		385,001,429.96	313,226,077.30
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest Payables – Others	2, 3, 11, 26	2,406,732.16	2,259,116.71
Loans Payable – Others	2, 3, 11, 26	95,236,399.50	62,526,732.42
Fund Savings	2, 3, 12, 26	59,378,423.86	58,678,194.58
Other Current Liabilities	2, 3, 13, 26	11,473,704.18	10,835,508.48
		168,495,259.70	134,299,552.19
NON CURRENT LIABILITIES			
Loans Payable – Others	2, 3, 11, 26	112,796,605.57	88,470,508.85
		281,291,865.27	222,770,061.04
EQUITY	2, 3, 14	103,709,564.70	90,456,016.26
TOTAL LIABILITIES & EQUITY		385,001,429.97	313,226,077.30

(See accompanying Notes to Financial Statements)

AHON SA HIRAP, INC.
(a Non-Stock Non-Profit Organization)

STATEMENTS OF REVENUES

For the period ended December 31, 2010 and December 31, 2009
 (All amounts in Philippine Pesos)

	Notes	2010	2009
Financial Income	2, 3, 16	69,666,751.72	55,772,050.19
Financial Expenses	2, 3, 17	(20,400,150.09)	(16,521,851.91)
Financial Margin		49,266,601.63	39,250,198.28
Other Income	2, 3, 18	1,770,267.80	1,664,072.47
GROSS FINANCIAL MARGIN		51,036,869.43	40,914,270.75
EXPENSES:			
Personnel Expenses	2, 3, 19	35,114,168.26	30,640,100.27
Administrative Expenses	2, 3, 20	17,211,358.17	14,459,817.48
Rental/Depreciation and Maintenance	2, 3, 21	2,032,669.80	1,695,654.61
INCOME(LOSS) FROM OPERATIONS		(3,321,326.80)	(5,881,301.61)
Grants	2, 3, 25	5,117,989.81	6,442,157.35
Donations	2, 3, 23, 25	589,505.10	885,393.85
Program Expenses	2,3,22	(5,983,761.38)	(5,943,161.92)
NET LOSS AFTER GRANTS & DONATIONS		(3,597,593.27)	(4,496,912.33)
Salamat Fund – Current Year	2,3,25	16,608,406.50	13,331,174.92
NET INCOME		13,010,813.23	8,834,262.59

(See accompanying Notes to Financial Statements)

AHON SA HIRAP, INC.
(a Non-Stock Non-Profit Organization)

STATEMENTS OF FUND BALANCE

For the years ended December 31, 2010 and December 31, 2009
 (All amounts in Philippine Pesos)

	Notes	2010	2009
Donated Equity			
Kabalikat Membership Fee/ Annual Dues	2, 3, 14	1,027,251.50	808,136.50
Endowment Fund	2, 3, 14	8,201,770.75	8,178,270.75
Salamat Fund	2, 3, 14	9,635,616.45	9,635,616.45
Reserves/Net Surplus	2, 3, 14	84,844,926.00	71,833,992.56
TOTAL EQUITY		103,709,564.70	90,456,016.26

(See accompanying Notes to Financial Statements)

AHON SA HIRAP, INC.
(a Non-Stock Non-Profit Organization)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and December 31, 2009

(All amounts in Philippine Pesos)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess(Deficit) of Receipts over Disbursements including realized forex adjustments	2, 3	13,010,813.23	8,834,262.59
Adjustments for:			
Depreciation	2, 3, 21	1,829,355.80	1,469,288.91
Prior Period Adjustments			
For Loans & Savings (Antique Branches)	2, 3		(3,303,222.77)
(Luzon Branches)			
For Loan Loss Reserve	2, 3	120.21	
Adjustments to Accum. Dep.- Property & Equipment	2, 3, 8	(1,898,075.41)	(234,446.96)
(Increase) Decrease in Other Current Assets	2, 3, 7	9,152,077.41	(609,081.08)
Increase (Decrease) in Other Current Liabilities	2, 3, 13	638,195.70	(10,345.30)
Net Cash provided by (Used in) Operating Activities		22,732,486.94	6,146,455.39
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase) Decrease in Assets			
Receivables (Net Portfolio)	2, 3, 6	(48,532,641.00)	(20,090,326.12)
Increase (Decrease) in Liabilities			
Interest Payable	2, 3, 11	147,615.45	390,135.28
Loans Payable – Others (Current)	2, 3, 11	32,709,667.08	25,323,601.21
Loans Payable – Others (Long Term)	2, 3, 11	24,326,096.72	21,674,638.87
Fund Savings	2, 3, 12	700,229.28	9,988,356.06
Donated Equity	2, 3, 14	242,615.00	74,564.00
Net Cash provided by (Used in) Financing Activities		9,593,582.53	37,360,969.30
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in			
Property & Equipment	2, 3, 8	(1,311,495.12)	(3,647,495.93)
Other Non-Current Assets	2, 3, 10	(7,693,267.04)	(9,820,674.76)
Net Cash provided by (Used in) Investing Activities		(9,004,762.16)	(13,468,170.69)
Net Decrease in Cash & Cash Equiv.		23,321,307.30	(30,039,254.00)
Cash & Cash Equivalents			
Jan. 01	2, 3, 5	66,987,251.97	36,947,997.97
December 31	2, 3, 5	90,308,559.27	66,987,251.97

(See accompanying Notes to Financial Statements)

AHON SA HIRAP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Amounts in Philippine Peso)

1. CORPORATE INFORMATION

AHON SA HIRAP, INC. (ASHI) (the Company) was registered with the Securities and Exchange Commission (SEC) on July 24, 1991 with SEC Reg. No. AN091-193608 as a Non-profit, Non-sectarian, Non-Stock Poverty Alleviation institution using Grameen Methodology organized as a Non-Government Organization (NGO).

The Company's registered business address is at No. 76, 8th Avenue, Cubao, Quezon City 1109.

Ahon Sa Hirap Inc. or ASHI has the distinction of the first replicator of the Grameen approach to credit for the bottom poor in the Philippines. ASHI expresses its vision that its poor members will be empowered to rise above poverty through their unity, discipline, hard work and perseverance. ASHI's leadership has taken on the challenge to make the organization an agent of change among the bottom poor women by strengthening their economic life and promoting spiritual and educational well-being. Moreover, with its outstanding achievements over the years, it has become the role model of credit delivery to the poor in the country.

The accompanying financial statements of the Company for the years ended December 31, 2010 (including the comparatives for the year ended December 31, 2009) were authorized for issue by the Board of Trustees (BOT) on April 4, 2010. The Board of Trustees is still empowered to make revisions on these Financial Statements even after the issuance thereof.

2. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

Basis of Preparation

The financial statements of the Company have been prepared on a fair value measurement basis. The measurement basis is more fully described in the accounting policies below.

Functional and Presentation Currency

The financial statements are presented in Philippine Pesos, which is the Company's functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All amounts are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous years, except for the adoption of the following amendments, which the company has adopted effective on or after January 1, 2010.

“Improvements to PFRSs 2009,” is a collection of amendments to twelve PFRS, issued by the FRSC which comprise the latest set of annual improvements. The FRSC uses the annual improvements project to make necessary, but non-urgent, amendments to PFRS that will not be included as part of another major project. The 2009 amendments reflects issues that were included in exposure drafts of (a) proposed amendments to PFRS in October 2007; (b) proposed amendments to PFRS in August 2008; and (c) January 2009.

PAS 1, “Presentation of Financial Statements”, “Current/non-current classification of convertible instruments,” clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

PAS 7, “Statement of Cash Flows”, “Classification of expenditures on unrecognized assets,” requires that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities.

PAS 17, “Leases”, “Classification of leases of land and Buildings,” deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of PAS 17.

PAS 18, “Revenue”, “Determining whether an entity is acting as a principal or as an agent,” additional guidance added to the appendix to PAS 18 *Revenue* regarding the determination as to whether an entity is acting as a principal or an agent.

The adoption of these amendments did not have a significant impact on the Company's financial position or performance as of December 31, 2010.

Future Changes in Accounting Policy

The company did not early adopt the following new and revised standards, Philippine interpretations and amendments that have been approved but not yet effective.

PFRS 9, Financial Instruments. The FRSC is yet to adopt International Financial Reporting Standard (IFRS) 9, Financial Instruments as of the financial report date. With IFRS 9, which will become effective for annual periods beginning January 1, 2013, the IASB aims to replace IAS 39 (PAS 39 in the Philippines), Financial Instruments: Recognition and Measurement, in its entirety by the end of 2010. IFRS 9 is the first part of Phase 1 of this project. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology

PFRS 9 introduces major simplifications of the classification and measurement provisions under PAS 39. These include reduction from four measurement categories into two categories, i.e. fair value and amortized cost, and from several impairment methods into one method.

Management is yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, management does not expect to implement the amendments until all chapters of PAS 39 replacement have been published and the impact of all changes can be comprehensively assessed.

Financial Assets and Liabilities

Financial assets and liabilities are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of the financial assets and liabilities are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss.

The Company recognized a financial asset or a financial liability in the balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of regular way purchase or sale of financial assets, recognition and de recognition, as applicable, is done using settlement date accounting. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument of a component that is a financial liability, are reported as expense or income.

Financial assets are further classified into the following categories:

- a. Financial asset at fair value through profit or loss
Financial asset at fair value through profit or loss includes financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the assets contain an embedded derivative that would need to be separately recorded.

As of December 31, 2010, the Company has no financial asset at fair value through profit or loss.

- b. Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at cost or amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company has non-derivative financial assets.

Impairment of Financial Assets or Provisioning

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a 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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups 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. 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and

the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of operations. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the "Other income" account.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as term and past-due status.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivable carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If it is determined that no objective evidence of impairment exists for an individual asset 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 on continues to be recognized are not included n a collective assessment or impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instruments has been occurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of 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 Company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchased, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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 the statement of income.

Impairment of Non-Financial Assets

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset or cash generating unit to which the asset belongs is written down to its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets or investments, the recoverable amount represents the net selling price.

An assessment is made at the balance sheet date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset or cash generating unit to which the asset belongs is written down to its recoverable amount.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property and equipment) had no impairment loss been recognized for the asset in prior years. A reversal for impairment loss, if any, is credited to current operations.

Offsetting Financial Instruments

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation, either 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 the amount of the obligation can be estimated reliably. When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimated of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Financial Assets

Financial assets include cash on hand and in banks and other financial instruments.

Financial assets are classified into the following categories: financial assets at fair value through profit or loss and receivables. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired.

Cash

Cash represents cash in banks in Peso and Foreign Currency deposits, which are immediately available for use in current operations at Balance Sheet date.

As part of internal control, Petty Cash Fund and Revolving Fund is being set up at the Beginning of year and then closed at year-end.

Cash Equivalents

Cash Equivalents are highly liquid placements with maturity of three months or less from acquisition date.

As of December 31, 2010, the Company has Cash Equivalents stated at fair value.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are stated at amortized cost less provision for impairment. Impairment is considered when there is objective evidence that the Company will not be able to collect the debts. Receivables are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets.

The Loan loss reserve which is equivalent to Allowance for Doubtful Accounts is the estimated amount of probable losses arising from non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables under the provisioning policies passed by the Board of Trustees.

As of December 31, 2010, the Company has receivables stated at fair value.

Property and Equipment

Property and Equipment are carried at acquisition costs, excluding the cost of day-to-day serving, less accumulated depreciation and amortization and any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of operations of such period.

Depreciation and amortization are calculated on a straight-line basis over the useful lives of the assets.

The useful life of each of the property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. - Any gain or loss arising on de- recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the year the item is derecognized.

As of December 31, 2010, the Company has Property and Equipment stated at fair value.

Other Receivables - Land Acquisition -TPP –represents costs not limited to purchase of lot but to include taxes and fees for land conversion, capital gains and facilitation fees.

Tulong Pabahay Program (TPP)

ASHI, through its balance sheet or using its access to available funding acquired the land for development. The Board of Trustees passed Resolution No.07-09-05 “Resolution to procure the 41,831 sq.m. lot located at Brgy, Bagong Silang, Molino, Bacoor, Cavite particularly for the relocation of members of Ahon Sa Hiras, Inc., living in danger zones, estereros and in private property with demolition order...That the continuing program of Tulong Pabahay will be subject to evaluation of the success of this project”

It will identify all the beneficiaries from its membership who will be provided units in the development plan.

The “Assistance to Housing” or Tulong Pabahay Program- Molino Project is off- site project for Victims of Demolition, living in danger zone, affected by Government ordinance for south rail Rehabilitation program in the cities of Muntinlupa, San Pedro and Calamba.

The development plan made by ASHI through the formation of one Home Owners Association called VILLA MILA NEIGHBORHOOD ASSOCIATION who are also members of ASHI to be leaders who help develop the kind of

community that will be built consistent with the objectives of ASHI and its vision to contribute to the eradication of poverty.

The plans have been presented to the membership for everyone's appreciation and for consideration of specific needs that will have to be addressed. **What will be planned will be a total community. The community that enhances value formation, where innovative programs for the environment, sanitation, clean and green projects will be undertaken through the Training Center and Ecological Park build inside the village.**

The units will be allocated to the members at a rate affordable to them in partnership , with leading financing institutions providing housing loan to members who are primarily employed or duly registered business entity. The Program allows each member a total amount of P300, 000 per household payable in 25 years. This included site development and housing. Where applicable, "sweat" equity can be supplied by the members and their families to even enhance the value of the dwelling that will be provided .The development will paved a way to organization of community association by phase unde one Home Owners Assoiacion each phase will have a maximum membership of 150 organized to run the entire affected families.

The cost of the 4.3 hectares is estimated at P20.9 Million. If 70% of the land will be the area for residence/unit, 28,000 square meters will be available. With the theoretical allocation of 36 square meters per unit, some 600 units can be accommodated. An appropriation of P300,000 as the loan for each unit under the socialized housing program. The development of the utilities and services and road network will have to be cost-effective and take into account the ecological setting in the site. The design of the units should take advantage of economies which cluster housing can offer. Common facilities for community activities will be included. The project development can be done in stages to spread out the expenditure and capital outlay.

APRROOT Rebuilding Program

In response to the need of ASHI Members whose houses were destroyed by Typhoon Ondoy in September 26, 2009, this project was launched in partnership with PEF-CORDAID who will provide the Loan Funds (as covered by ExCOM Resolution No. 10-07-001 for the construction of 167 houses **using solidarity "Bayanihan" concept.** As for the land/site,in February 3, 2010 ASHI, through its President Mila G. Mercado-Bunker and Hon.Juanita Manzana- Municipal Mayor of Pangil signed a Memorandum of Agreement – for the Local Government Unit (LGU)of Pangil to provide the land as a relocation site situated in Brgy Balian, Pangil, Laguna beneficiaries were residents of Pangil living Metro east road and those in coastal area. The LGU will also help in the land development such as access road, water installation, electrification and other community facilities.

Other non-current asset

Trust Fund for Retirement Benefit- The Board passed a resolution to place 5.5 million pesos to a restricted fund account for a period of 5 years as retirement benefit of qualified employees. The increase in value of the fund is to be treated as an addition the fund.

Financial Liabilities

Financial liabilities include short and long term interest and non-interest bearing borrowings, member's funds and other payables.

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Interest Payables

The company accrues interest on current and long term loans outstanding at balance sheet date interest of which ranges from 2% to 12% per annum.

Loans Payables

Loans payables are liabilities to pay for funds borrowed for loaning capital or for operational expenses. Loans payable are either interest or non-interest bearing and are stated at their nominal value.

Loans measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Other Current Liabilities

Other Current Liabilities are inter-branch or office accounts, as well as government agency related remittances or statutory obligations.

Other current liabilities are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Fund Savings

ASHI designed per request of members only.
Savings account:

Personal Fund - is a voluntary saving as the amount is not fixed and can be withdrawn any time. ASHI gives an interest of 4 % for the savings provided P500 is maintained and is posted every end of the year.

Compulsory Savings are:

Compulsory Fund - P5.00 per week, deposited every center meeting. It is a contribution to the Group Fund* as internally generated fund to be borrowed by members in times of need. This is can be withdrawn upon resignation or exit from the organization.

Loan Insurance Fund - P5.00 per week is contributed by the members to cover for the remaining loan outstanding balances for all types of loan of a member upon death. Should there be no loan outstanding upon death, the savings will be returned to the members. Loan Insurance Fund-originated from Kabalikat Fund which was a conversion of the Emergency Fund. This is a compulsory savings fund collected by the branch office from members, then being remitted to head office which serves as insurance premium coverage of unpaid loan balances specifically by reason of death of a member.

Center Fund - The amount is fixed upon agreement by the centers per branch. This is used for all activities of the center i.e. center hall needs; General Assemblies, workshops etc. The branch acts as a custodian to the fund, but disbursements are decided by the center.

Damayan Fund – This fund, originally similar in nature to the Center Fund used to contribute to the family upon death of a member has been institutionalized in 2006 through a one-time Membership Fee of P250.00 for all ASHI Members. In April 01, 2010 ASHI has to modify its program to comply to government regulation as prescribed in the Insurance Memorandum Circular No. 9-2006 – Regulatory Framework for Microinsurance of the National Insurance Commission. ASHI partnered with Micro Ensure, an insurance intermediary to comply with such regulation, However, the partnership with Micro Ensure only covers those members with ages of 18 years old to 64 years old. Thus ASHI has to still maintain its “self-administered” damayan program for Members with ages of 65 years old and above in partnership with St. Peter Life Plan for funeral benefit. A weekly compulsory

contribution of P20.00 is made by the Member every attendance to the center meeting with or without loan. This fund is being remitted by the Branches to the Head Office. The Head Office administers the processing of claims and the release of benefits. When a Member exits from the institution and withdraws her membership fee or becomes in-active (have not attended the center meetings in 4 consecutive weeks) she can no longer avail of the prescribed benefits whether under the modified or the self administered program. In cases wherein it has been proven with due process that a Member is also a member of other MFIs all her benefits are forfeited.

KMSB Kabalikat Micro-insurance Saving Benefit Fund - The deposit is fixed per options chosen by the member. The option varies per benefit the member prefers. The fund is collected by the branch office and in turn, remits it to the head office. For those who took option 1 & 2 this is kept in restricted bank account that covers for a fixed death benefit of the member. For those who took option 3-4 that covers pension benefit and life insurance, the savings is being remitted by the head office to an insurance company (at present, Pacific Plans) representing premium coverage for a life insurance policy of the member.

Time Deposit: These are deposits that are withdrawn at a given time and given 6%p.a. interest rate provided P500 is maintained in the bank account. Interest is computed based on average daily balance, posted every year.

Children's Fund - is a deposit voluntarily placed by a member for the education of her children. This is restricted to 2 years by which she can earn 6% pa for the deposit.

Tulong Pabahay Program Fund – represents member's deposit for the lot, This deposit is made on the basis of contract signed per lot allocation approximately for 36 sq meter per family. Classified as liability account under fund savings. This savings serves as the basis for the additional incentive for housing loan.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the balance sheets when it becomes a party to the contractual provisions of the instrument.

Initial Recognition of Financial Instruments

All financial assets are initially recognized at fair value.

Determination of Fair Value

For all other financial Instruments not listed in an active market, the fair value is determine by using appropriate valuation techniques. Valuation Techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Impairment of Financial Assets or Provisioning

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a 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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups 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. 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of operations. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the "Other income" account.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as term and past-due status.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Total Equity

Total Equity comprises donated equity and the Reserves/Net Surplus. The Company uses the term "Fund Balance" for the equity account.

Donated Equity represents capitalization of the company. At December 31, this account is composed of:

Internal Sources:

Kabalikat Membership Fee - is collected from members in two ways, either as one lump-sum payment of PHP100.00 or in installments until PHP 100.00 is completed. The fee is voluntary, after payment of which, the payor becomes an official member of ASHI. A member has to pay an annual due of PHP20.00 afterwards,

Salamat Fund - is contributed by members in the form of a deduction of 5% both from General Loan and Group Fund Loan on the date of the release of loans. In 2005 the said account has been reclassified as Revenues covering the years 2002 to 2005 covered by Board Resolution No. 04-02-005. The remaining balance reflected as Donated Equity represents ending balance of December 31, 2001. Salamat Fund forms part of the Group Fund* (in relation to Compulsory Fund) where members can borrow in times of need, interest free. This fund remains as a form of gratuity and cannot be withdrawn if a member resigns from her membership to the organization.

External Sources:

Endowment Fund - donations received from a Funder for an institutional capacity building. This is an equity investment from external sources. The amount donated for the lot allocated for the training center is also classified under this account.

Reserves/Net Surplus represents the retained earnings/deficit, or accumulated earnings/losses of the company through the years, as a result of the business operations.

Revenue and Cost Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

- Service and Administrative charges is recognized as the interest accrues (taking into account the effective yield on the asset).
- Grants and donations are recognized upon receipt of the funds.

Cost and administrative expenses are recognized in the statement of income upon utilization of the service or in the date they are incurred. Finance costs are reported on an accrual basis.

Employees' Compensation and Other Benefits

Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, Pag-ibig (HDMF) contributions, Philhealth contributions, paid vacation and sick leave, bonuses and other non-monetary benefits such as medical care and housing.

- **Loan Funds for Employees**

The company created loan funds to take care of the emergency needs of employees. These are:

ASH Fund - the primary sources of which are donations from Board officers taken from their consultancy fees. Employees are allowed to loan from this fund, free of interest for needs related to death, health, medical and education.

Employee's Loan and Savings Fund - taken from employee's semi-monthly contribution in the amount of PhP100.00. Loans from this fund bear an interest of 10% for house repair and 20% for business purposes. Interest earned on loan releases are being rolled-over as part of the fund for distribution to employees in the future. Loan ceiling is being decided by the majority vote of employees themselves during annual planning and evaluation.

Staff Micro-Loans – as of Balance Sheet date the primary source of this fund is from the credit line granted by Peoples Credit and Finance Corporation (PCFC) for all MFI Staff. The Board approved draw downs from this line to be made available as loans to ASHI staff for housing construction and improvement. The minimum amount of which is P150,000.00 per staff.

Repayment of loans is through salary deduction on a short-term basis for a maximum period of 5 years, bearing an interest of 13% per annum, based on declining balance.

Long-term Benefits

The Company provides retirement benefits to entitled employees equivalent to 30 days of salaries for every year of service per approved board resolution.

Borrowing Costs

Borrowing costs are generally expensed as incurred.

Income Taxes

The Company being a Non-stock, non-profit and non-government organization thus, is registered as exempt entity.

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payment are recognized as expense in the statement of income on a straight-line basis over the lease term.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation, either 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 the amount of the obligation can be estimated reliably. When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimated of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

Events After the End of the Reporting Period

Post-year-end events up to the date of the auditor's report that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Related Party Disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company and post-employment benefit plans for the benefit of Company's employees are also considered to be related parties.

The Company's related parties include the Company's Key Management. The compensation of the key management personnel of the Company pertains to the usual monthly salaries and government mandated benefits, there are no other special benefits paid to management personnel.

3. MANAGEMENT'S SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Company's financial statements in conformity with Financial Reporting Framework (in reference to the Philippine Financial Reporting Standards) requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

Judgments

The preparation of the Company's financial statements in conformity with Financial Reporting Framework in reference to the Philippine Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates, judgments and estimates 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.

Determining Functional Currency

Based on economic substance of underlying circumstances relevant to the company, the functional currency has been determined to be the Philippine Peso, which is the currency of the primary economic environment in which the company operates and is the currency that mainly influences the prices of the products and services and the cost of providing such products and services.

Repairs and Maintenance

Repairs and maintenance incurred by the company have not resulted in an increase in the future economic benefit of its property and equipment, therefore charged to operations.

Estimates

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements.

Estimation of Loan Loss Reserve

The Company maintains provisions for loan losses at a level considerable and adequate to provide potentially uncollectible receivables. The level of this provisions is evaluated by management on the basis of factors that may affect the collectibility of the receivables. These factors include, but are not limited to, the length of the Company's relationship with the Members, the Member's payment behavior and known other known factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with reserves on a continuous basis. The amount and timing of recorded expenses for any period would therefore differ based on judgment or estimates made.

Estimated Useful Lives of Property, Plant and Equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment 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 property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the 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.

A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the noncurrent assets.

Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

Office equipment, furniture and fixtures	2-5 years
Transportation equipment	5-10 years
Buildings and Structures	10-20 years

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

Impairment of Non-financial Assets

The Company assesses the value of property, plant and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

Revenue recognition

The Company's foreign currency transactions on grants, donations and loans are recorded in their Philippine peso equivalent based on the exchange rate prevailing as of the transaction date. Foreign exchange gains or losses on account of the exchange rate fluctuations are recognized accordingly in the Statement of Revenues

Grants and Donations are recognized as income upon actual receipt from grantees and donors. Uncollected but earned interest income on loans to branches is accrued at the Balance Sheet date.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The main purpose of the Company's principal financial instruments is to fund its operational and capital expenditures. The Company's risk management is coordinated and in close operation with the Board of Trustees, and focuses on actively securing the Company's short to medium term cash flows by minimizing the exposure to financial markets.

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

Management of Financial Risk

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risk. It also supports the effective implementation of policies.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

Capital Management Framework

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern. The Company monitors the basis of the carrying amount of equity as presented on the face of the balance sheet.

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory Framework

The operations of the Company is also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risks are credit risk, liquidity risk and market risk.

Credit risk

The Company's credit risk is primarily attributable to its loans receivables. The Company has adopted stringent procedure in extending credit terms to Members and in monitoring its credit risk.

Credit risk is the risk that one party to a financial instrument will fail to discharge and obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk to Members by setting-up and implementing Provisions for Loan Losses and the Loan Insurance Fund and fully described under Member's Fund.

Provision for loan losses on all types of loan for 2009 onwards is set at 3% annually from 2% in 2008 and prior years annually based on outstanding balance at year-end

(December 31). Standing policy of the company provides for write-off of receivables which remains uncollected for four years from due date subject to the final decision of the Board and is to be covered by an appropriate Board Resolution. Written-off loans, if collected, (recovered loans) is to be booked as miscellaneous income. In prior years, provision was applied to general loan only, now it is extended to all types of loan, following the principle of conservatism.

Losses of company properties due to theft were recognized as ordinary losses after satisfactorily determining that recovery of the items were not possible.

The table below shows the maximum exposure to credit risk for the components of the 2010 and 2009 Statements of Financial Position. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	Gross Maximum Exposure	
	2010	2009
Cash and Cash Equivalents	90,308,559.27	66,987,251.97
Receivables *	210,165,110.70	165,708,417.09
Prepaid Rent/Utilities	393,700.00	278,100.00
TOTAL	300,867,369.97	232,973,769.06

* Excludes Receivables from Company Employees (Staff Microloans).

The company has no Petty Cash Fund and Cash On Hand as of December 31, 2010

The aging analysis of financial assets as of December 31, 2010 and 2009 that were past due but not impaired are as follows:

2010	Neither Past Due nor Impaired	Past Due but not Impaired		
		31 to 90 Days	91 to 180 Days	Total
Cash and Cash Equivalents	90,308,559.27			
Receivables	205,844,032.70	669,242.00	3,651,836.00	210,165,110.70
Prepaid Rent/Utilities		393,700.00		
TOTAL	296,152,591.97	1,062,942.00	3,651,836.00	210,165,110.70

2009	Neither Past Due nor Impaired	Past Due but not Impaired		
		31 to 90 Days	91 to 180 Days	Total
Cash and Cash Equivalents	66,987,251.97			
Receivables	161,826,555.96	127,898.25	3,753,962.88	165,708,417.09
Prepaid Rent/Utilities		278,100.00		
TOTAL	228,813,807.93	405,998.25	3,753,962.88	165,708,417.09

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

The Company manages liquidity through a liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; setting up contingency funding plans; specify the sources of funding and the vents that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment

<u>2010</u>	On Demand	Due w/in 12 months	Due after after 12 months	TOTAL
Fund Savings	59,378,423.86			59,378,423.86
Trust Funds	6,462,867.90			6,462,867.90
Interest Payable	2,406,732.16			2,406,732.16
Loans Payable		95,236,399.50	112,796,605.57	208,033,005.07
	68,248,023.92	95,236,399.50	112,796,605.57	269,818,161.09

<u>2009</u>	On Demand	Due w/in 12 months	Due after after 12 months	TOTAL
Fund Savings	58,678,194.58			58,678,194.58
Trust Funds	5,156,695.93			5,156,695.93
Interest Payable		2,259,116.71		2,259,116.71
Loans Payable		62,526,732.42	88,470,508.85	150,997,241.27
	63,834,890.51	64,785,849.13	88,470,508.85	217,091,248.49

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risks), market interest rates (interest rate risk) and market prices (price risk).

Fair Value Interest Rate Risk

The fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate investments and receivables in particular are exposed to such risk.

The Company's market risk policy requires the management of interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	2010		2009	
Revolving Fund	P	75,552.64	P	0.00
Cash in banks (in 19 local banks)		72,105,686.49		40,004,344.47
Short-term Placements		18,127,320.14		26,982,907.50
	P	90,308,559.27	P	66,987,251.97

Cash in banks represents savings/current accounts in reputable local banks that earn interest at the respective bank deposit rates. The Company reconciles the books and the bank balances regularly as part of its cash monitoring and internal control measures.

Short-term placements are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term placements rates.

A reasonable amount of Petty Cash Fund is maintained to cover small payments not covered by checks, such as travel expenses, supplies, representations and other payments as defined by management not exceeding P500.00 per single payment. The fund is being closed at year-end for internal control purposes.

A Revolving Fund, particularly for the Head Office is also set-up to take care of program-based disbursement as well as travelling expense of HO personnel with branch monitoring/logistical support functions. It is also being closed at year-end for internal control purposes.

6. RECEIVABLES

This account consists of:

	2010		2009	
Loan Portfolio:				
General Loan		143,976,187.25		P113,750,517.75
Educational Loan		14,403,348.00		9,376,004.00
House Repair Loan		32,249,293.00		20,553,998.00
Tiangge/Market Day Loan		17,033.00		11,122.00
Enterprise Loan		2,368,380.69		914,525.87
Recovery Loan		1,775,867.35		4,565,119.50
Shield Loan		457,692.00		670,370.00
Aprroot Rebuilding		1,740,769.00		0.00
Center Loan		318,497.78		335,517.00
		197,307,068.07		150,177,214.12
Loan Loss Reserve		(5,919,212.04)		(4,505,316.42)
		191,387,856.03		145,671,897.70
Other Loan Portfolio:				
Group Fund Loan		19,680,182.22		15,531,202.97
Staff Micro-Loans		10,417,402.60		11,662,585.31
		30,097,584.82		27,193,788.28
Loan Loss Reserve		(902,927.54)		(815,813.68)
		29,194,657.28		P26,377,974.60
TOTAL RECEIVABLES		P220,582,513.30		P172,049,872.30

Loan Portfolio of Members is classified into two main categories:

- 1) General Loan is the basic loan that a Member can avail of for micro business purposes.
- 2) Incentive Loans covers Educational, House Repair and Market Day loan for which a Member can only avail of after she has proven her credit worthiness for the general loan granted to her.

Loan Portfolio generally have 25 to 100 week term except for Enterprise Loans to Members which are covered by Post-dated Checks, and Tiangge/Market Day Loans which are usually taken during the Christmas Season, town fiestas, All Saints Day, and other special days by Members who takes this business opportunity to earn more and the loan of which is repaid in full when the occasion is over.

Other Loan Portfolio consists of Member's loans out of their own funds with loan terms of 4 to 12 weeks, while Staff Micro Loans are loans to deserving company employees with loan terms of 2 year to 5 years.

7. OTHER CURRENT ASSETS

This account consists of:

	2010	2009
Accounts Receivables	7,414,800.81	P 7,791,842.95
Miscellaneous Advances – Philhealth	939,313.00	10,360,780.00
Miscellaneous Advances - Others	218,000.00	218,000.00
Loans to Employees	1,639,072.18	1,448,382.96
Prepayments	2,143,350.90	2,018,932.10
Advances to Officers and Employees	991,533.24	660,209.53
	13,346,070.13	P 22,498,147.54

Accounts Receivables are non-interest bearing receivables. It comprises accounts used by branches for amount advanced for training expenses of newly hired staff in favor of the head office. Further, this also represents cash accommodations of one branch for another branch. Also, it represents cash accommodations for sickness/maternity benefits of staffs and other staff accountabilities.

Loans to Employees comprise loans taken from the ASH Funds which are non interest bearing and intended for medical or educational purposes, and from the ELF Funds which are interest bearing and intended for use in house repair/renovation/construction, business loan, equipment loan of employees.

Prepayments comprised of prepaid supplies for the cost of bulk printing of all accountable forms, prepaid rent for advance rental payments and deposits, prepaid utilities for telephone/electricity/water services and prepayments of insurance premiums.

Advances to Officers and Employees comprise unliquidated cash advances for planned activities, purchases and other payments. These should be liquidated within two weeks from the occurrence of the activity.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2009	Additions	(Disposal)/ Revaluation/ Reclassification	December 31, 2010
Carrying Amount, Beginning				
Building and Structures	14,538,914.76	1,731,652.75		16,270,567.51
Office Equipment	7,549,823.88	1,304,065.50	1,739,559.89	7,114,329.49
Office Furniture and Others	1,932,882.87	217,412.28	208,515.52	1,769,379.63
Transportation Equipment	155,676.75	6,440.00		162,116.75
Branch Office Lot	82,349.10			82,349.10
Land	5,033,387.00			5,033,387.00
	29,293,034.36	3,259,570.53	1,948,075.41	30,604,529.48
Less accumulated depreciation :				
Building and Structures	8,453,155.76	730,612.41		9,183,768.17
Office Equipment	5,668,056.09	873,784.36	1,739,559.89	4,802,280.56
Office Furniture and Others	1,338,825.02	221,811.26	208,512.52	1,402,120.76
Transportation Equipment	150,562.42	3,147.77		153,710.19
	15,610,599.29	1,829,355.80	1,948,075.41	15,541,879.68
Net Carrying Amount, End	13,682,435.07			15,062,649.80

	December 31, 2008	Additions	(Disposal)/ Revaluation/ Reclassification	December 31, 2009
Carrying Amount, Beginning				
Building and Structures	11,738,388.20	2,800,526.56		14,538,914.76
Office Equipment	6,887,413.73	784,877.13	(122,466.98)	7,549,823.88
Office Furniture and Others	1,767,223.65	174,369.22	(8,710.00)	1,932,882.87
Transportation Equipment	251,776.75	5,900.00	(102,000.00)	155,676.75
Branch Office Lot	82,349.10			82,349.10
Land	4,918,387.00	115,000.00		5,033,387.00
	25,645,538.43			29,293,034.36
Less accumulated depreciation :				
Building and Structures	8,150,000.00	303,155.76		8,453,155.76
Office Equipment	4,854,897.91	935,625.16	(122,466.98)	5,668,056.09
Office Furniture and Others	1,121,104.08	226,430.94	(8,710.00)	1,338,825.02
Transportation Equipment	248,485.37	4077.05	(102,000.00)	150,562.42
	14,374,487.36			15,610,599.29
Net Carrying Amount, End	11,271,051.07			13,682,435.07

The carrying values of the property and equipment approximate their fair values.

9. OTHER RECEIVABLES

Other Receivables consist of assets represents costs not limited to purchase of lot but to include taxes and fees for land conversion, capital gains and facilitation fees.

These were classified as "Other noncurrent assets" in the balance sheet.

The details of Other Receivables are as follows:

	2010	2009
Total Lot Cost - 41,831 sqm. Molino Bacoor, Cavite	21,765,304.18	P 20,914,999.92
Taxes and Documentary Stamps Paid	1,549,695.74	1,549,695.74
Site Development/Construction Cost	11,424,546.03	8,598,320.06
Engineer's Fee - site Dev't. Plan	67,500.00	67,500.00
Geodetic Engineer's Fee - Subdivision Plan	145,000.00	145,000.00
TOTALS	34,952,045.95	P 31,275,515.72

In accordance with Section 11, subsequent to initial recognition of financial assets at their fair values, the Company should continue to measure such financial assets at fair value.

Other Receivables are stated at their fair values.

10. OTHER NON-CURRENT ASSETS

This account consists of:

	2010	2009
Trust Fund for Retirement Benefit	P7,873,953.59	P 6,722,354.70
Aprroot Rebuilding Program	2,865,137.92	0.00
PLDT Subscriber's Plan	10,500.00	10,500.00
TOTALS	P10,749,591.51	P 6,732,854.70

11. INTEREST AND LOANS PAYABLES

This account consists of:

	2010		2009	
	Current	Long Term	Current	Long Term
Interest Payable – Others				
People's Credit & Finance Corporation		P2,260,156.81		P1,931,727.58
Cordaid		0.00		327,389.13
Peace and Equity Foundation		146,575.34		
		P2,406,732.16		P 2,259,116.71
Loans Payable – Others				
People's Credit & Finance Corporation	P85,173,903.28	P102,796,605.57	P 43,481,312.65	P88,470,508.85
Cordaid	0.00	0.00	10,912,971.00	
Peace & Equity Foundation	0.00	10,000,000.00		
Generoso G. Octavio	55,000.00		55,000.00	
Fr. Raymon D. Bodson, CICM	180,000.00		180,000.00	
KIVA	9,827,496.22		7,897,448.77	
	P95,236,399.50	P112,796,605.57	P 62,526,732.42	P88,470,508.85

Loan payable generally have a 4 year term with Interest rates of 0% to 12% p.a and were taken by the company for loaning capital.

12. FUND SAVINGS

This account consists of:

	2010	2009
Cumpulsory Fund	21,632,483.50	P 18,659,845.50
Loan Insurance Fund	21,122,005.42	17,882,726.00
Personal Fund	1,771,128.50	1,921,901.75
Children's Fund	805,833.08	761,728.44
Center Fund	679,124.20	791,299.45
KMSB Fund	412,065.30	400,968.50
Damayan Fund	3,897,157.95	964,491.95
Philhealth Fund	0.00	8,699,311.00
TPP Fund	9,058,625.91	8,595,921.99
	59,378,423.86	P 58,678,194.58

13. OTHER CURRENT LIABILITIES

This account consists of:

	2010	2009
Accounts Payable	1,601,485.30	P 2,484,495.94
Advances from Officers and Employees	53,602.71	0.00
SSS/MCR/EC Premiums Payable	(6,001.25)	0.00
HDMF Premiums Payable	1,000.00	0.00
Withholding Tax Payable	14,771.94	18,686.95
SSS/HDMF Loans Payable	(40,530.07)	0.00
Employee Loans and Savings Fund	3,381,407.65	3,148,579.66
TPP-Construction Management Team Savings	5,100.00	27,050.00
Trust Funds Payable	6,462,867.90	5,156,695.93
	11,473,704.18	P 10,835,508.48

14. DONATED EQUITY/ RESERVES

This account consists of:

	2010	2009
Kabalikat Membership Fees/Annual Dues		
Balance, Beginning of year	808,136.50	P 733,572.50
Additions During the year	219,115.00	74,564.00
Balance, end of year	1,027,251.50	P 808,136.50
Endowment Fund		
Balance, Beginning of year	8,178,270.75	P 8,178,270.75
Additions During the year	23,500.00	0.00
Balance, end of year	8,201,770.75	P 8,178,270.75
Salamat Fund	9,635,516.45	P 9,635,616.45
Reserves/Net Surplus		
Balance, Beginning of year	71,833,992.56	P 66,304,222.72
Prior Period Adjustments	120.21	(3,304,492.75)
Current Year's Net Income	13,010,813.23	8,834,262.59
Balance, end of year	84,844,926.00	P 71,833,992.56
TOTAL EQUITY	103,709,564.70	P 90,456,016.26

15. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Significant transactions with related parties are as follows:

- a. Interest bearing borrowings of Loaning Capital and Operational Funds from Head Office by the branches.
- b. Non-interest bearing intercompany advances and reimbursement of expenses

	2010	2009
Intercompany Loans:		
Interests	31,434,385.75	P 29,055,677.99
Operational Funds w/ 3% Interest p.a.	32,574,720.91	28,565,368.88
Loan Funds w/ 12% Interest p.a.	60,388,048.62	46,701,798.13
	124,397,155.28	P 104,322,845.00

Compensation of Key Management Personnel

Compensation of key management personnel of the Company pertains to consultancy fees, salaries and other short-term benefits amounting to 1,643,780.00 and 1,643,780.00 in 2010 and 2009, respectively.

16. FINANCIAL INCOME

This account consists of:

	2010	2009
Service and Administrative Charges – Loan Portfolio	69,158,495.63	P 55,455,890.00
Bank Interest on Deposits	508,256.09	316,160.19
Total	69,666,751.72	P 55,772,050.19

17. FINANCIAL EXPENSES

These accounts consist of:

	2010	2009
Interest On Loans from Others	15,577,733.60	P12,791,214.11
Interest on Client Savings	28,922.79	0.00
Other Financing Costs	2,068,854.56	1,402,991.62
Bank Charges and Fees	20,162.76	19,053.11
Foreign Currency Adjustments	1,203,346.72	(55,419.57)
Losses Due to Theft	0	14,163.77
Interest Losses On Loans	0	12,888.00
Loan Loss Provisions	1,501,129.65	2,336,960.87
	20,400,150.09	P 16,521,851.91

18. OTHER INCOME

This account consists of:

	2010		2009
Increase in Value of Trust Fund for Retirement Benefit	1,151,598.89	P	1,222,354.70
PLDT Dividend	700.00		700.00
Training and Exposure Fees	0.00		174,814.77
Honorarium	0.00		5,000.00
Miscellaneous Income	617,968.91		261,203.00
Total	1,770,267.80		P1,664,072.47

19. EMPLOYEES' COMPENSATION AND OTHER BENEFITS

This account consists of:

	2010		2009
Salaries and Wages – Officers	1,300,000.00	P	1,300,000.00
Salaries and Wages – Staff	25,178,441.63		22,768,857.62
Staff Benefits	317,195.40		507,850.24
SSS, PhilHealth, EC and HDMF Contributions	2,293,716.15		2,035,807.41
Health & Other Personnel Insurance	1,478,026.00		987,701.00
Other Benefits and Allowances	4,533,739.08		3,025,734.00
Psychological Testing Fee	13,050.00		14,150.00
Total	35,114,168.26		P30,640,100.27

20. ADMINISTRATIVE EXPENSES

This account consists of:

	2010		2009
Office Supplies	1,879,810.41		P1,612,089.29
Telephone, Fax and Internet	1,039,570.19		1,070,686.46
Postage and Delivery	39,395.53		28,533.12
Forms and Documentation	1,385,492.69		1,077,201.75
Rent Expense	1,627,395.40		1,514,174.00
Utilities Expense	1,520,984.94		1,223,431.59
Security Services Expenses	165,525.00		100,800.00
Maintenance and Cleaning	615,623.34		565,920.36
	8,273,797.50		7,192,836.57
Air/Boat Fare	114,720.28		171,110.40
Land Transportation	3,411,633.82		3,077,689.79
Gas and Oil	226,214.27		190,316.01
Lodgings and Accommodations	520.00		2,086.98
Meals and Incidentals	886,331.12		726,930.04
	4,639,419.49		4,168,133.22
Taxes and Licences	243,229.54		180,298.99
Professional and Consultancy Fees	0.00		0.00
Honoraria/Per Diem	46,719.00		7,435.00
Building Insurance	33,010.88		33,010.88
Auditing and Accounting Fees	45,000.00		100,498.85
Notarial and Documentary Stamps	503,540.00		371,960.00
Subscriptions	25,523.00		66,240.00
Contributions and Donations	562,684.21		149,809.50
Meetings and Representation	2,799,482.55		2,189,594.47
	4,298,141.18		3,098,847.69
TOTAL ADMINISTRATIVE EXPENSES	17,211,358.17		14,459,817.48

21. RENTAL/DEPRECIATION AND MAINTENANCE

This account consists of:

	2010	2009
Equipment Maintenance	203,314.00	P 226,365.70
Depreciation:		
Buildings and Structures	730,612.41	P303,155.76
Office Equipments	873,784.36	935,625.16
Office Furnitures and others	221,811.26	226,430.94
Transportation Equipment	3,147.77	4,077.05
	1,829,355.80	P1,469,288.91
Total	2,032,669.80	P 1,695,654.61

22. PROGRAM EXPENSES

This account consists of:

	2010	2009
Anniversary/GAM Expenses	485,867.99	P 823,212.45
Planning and Evaluation Expenses	627,368.88	371,832.94
Member's Micro Enterprise Trainings and Workshops	1,762,381.99	736,468.44
Books and Publications	23,195.00	168,540.00
Gifts and Giveaways	438,494.00	425,829.93
Micro-credit Program Development	188,342.75	145,486.65
Networking Dues and Fees	2,300.00	0.00
Networking Meetings and Meals	393,025.33	1,028,661.20
Tulong Pabahay Program Expense	545,015.20	586,926.50
Advertisements and Promotions	1,800.00	4,000.00
Competency Based Training	1,515,970.24	1,648,036.56
Continuing Education	0	4,167.25
Total	5,983,761.38	P 5,943,161.92

23. LEASE AGREEMENTS

Generally, the lease agreements entered into by the Company (LESSEE) are the buildings, apartments, one or two-storey residential houses for its 20 existing branch Offices. The Head Office in Cubao, Quezon City, the Regional Training Center in San Jose, Antique and the Rizal south Branch Office in Talim Island, Binangonan, Rizal are fully-owned by the Company.

The following are the general terms of agreement in the lease contracts:

a) *TERMS OF LEASE:*

The lease period will be from two (2) to five (5) years commencing from date of occupancy. It is mutually agreed that the lease may be renewed under such terms and conditions as the parties may agree upon, provided, that the LESSEE shall notify the LESSOR in writing of its intention to renew the lease at least ninety (90) days before the expiration of the contract.

b) *RENTALS:*

For the use and occupancy of the housing unit the LESSEE shall pay a monthly rental of ranging from Five (P5,000.00) to Twelve (P12,000.00) Thousand pesos Philippine currency (P5,000.00) payable on or before the fifth (5th) day of each month. There shall be no increase for two (2) years. The increase on the monthly rental to be paid by the LESSEE for the third

year is 5%. Any change in percentage of increase thereafter, shall be subject to discussion and mutual agreement by both parties.

c) ADVANCE RENTALS:

Upon signing of the lease contract, the LESSEE shall advance the amount equivalent to two (2) months deposit and one (1) month advance rental.

In the event that the LESSEE, with prior written notice to the LESSOR, terminates the lease before the end of the 5 year period the LESSOR shall return to the LESSEE any advance rentals and security deposits so far paid corresponding to the lease less any charges which the LESSEE owes the LESSOR.

d) CONDITION OF LEASED PREMISES, MAINTENANCE:

- The LESSEE acknowledges that the housing unit is in good, safe and sanitary condition and suitable for its use and purpose, and agrees to keep the same in such good, safe and sanitary condition.
- The LESSEE shall be responsible for the ordinary repair and maintenance of the premises at its own expense. Ordinary repair and maintenance includes but is not limited to: repair and maintenance of water outlet faucets, of doors and screen doors, of windows and window screens.
- The LESSOR shall be responsible for the necessary major repairs and maintenance of the roof, including termite treatment.

e) USE OF PREMISES:

The LESSEE shall not introduce any permanent improvements or alter the physical appearance of the leased premises without the previous written consent of the LESSOR. Any improvements made with the consent of the LESSOR shall, upon completion, form an integral part of the leased premises and shall not be removed at the termination of the lease. Furniture and fixtures, and other movable items can be arranged or removed without destroying the leased premises by the LESSEE at the termination of the lease.

The LESSEE shall be responsible for any damage caused to the leased premises or building due to the willful act(s) or negligence of its officers, employees, agent or any person under its direction and control.

f) BILLBOARDS AND SIGNS:

The LESSEE may install a signboard as an advertisement of its business being operated in the leased premises.

g) TRANSFER OF LESSEE'S RIGHT. ASSIGNMENT OR SUBLEASE:

The housing unit and its premises will be used as the office of the LESSEE, and cannot be leased or subleased as a whole or in parts for other purposes. The LESSEE agrees not to directly or indirectly sublease, assign or transfer or encumber or otherwise dispose of its rights of lease over the whole or part of the lease property without prior written consent of the LESSOR and any such assignment, transfer or sublease shall be invalid and of no binding force whatsoever.

h) UTILITIES:

All water, telephone, electric and other utilities used and/or consumed in the leased premises shall be for the account of the LESSEE. All expenses for the installation, connection, maintenance and repair of such utilities shall be for the LESSEE'S account.

Expenses for repair and replacement parts (ballast, bulbs, etc.) of the system that lights up the leased premises shall be borne by the LESSEE.

i) RIGHT OF LESSOR TO ENTER THE LEASED PREMISES:

The LESSOR has the right at any time, with notice to the LESSEE, to enter and inspect the premises and do what it considers necessary to prevent loss/damage to life and property.

j) DISPOSITION OF THE LEASED PREMISES:

Nothing herein contained prevents the LESSOR from selling, mortgaging, assigning or otherwise disposing of the leased premises to another person/s or entity/ies. In the even of

sale, mortgage, assignment or transfer of the leased premises, the buyer, mortgagee, assignee or transferee shall be bound by and respect the provisions of this contract.

k) PAYMENT OF TAXES

The LESSOR shall be responsible for the payment of real property taxes including the monthly or annual income taxes derived from the leased premises. The monthly rental is inclusive of all income taxes due to the government and its agencies.

l) BREACH OF LEASE CONDITIONS:

Breach or violation by the LESSEE of conditions and stipulations of this agreement shall entitle the LESSOR to cancel or terminate the lease. The LESSEE further agrees that in such event, he shall forfeit the entire security deposit as penalty for such breach or violation.

24. SUPPLEMENTARY INFORMATION (In compliance with Revenue Regulation 15-2010)

On November 15, 2010, the Bureau of Internal Revenue issued RR15-2010 which prescribed additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying tax returns

KIND OF TAXES	DATE PAID	AMOUNT
a. Amount of VAT output tax declared during the year Zero rated sales/receipts and or exempt sales/receipts. The company is a non stock non profit organization and is a non VAT entity.	N/A	N/A
b. The company is a non stock non profit organization and is a non VAT entity. Input taxes passed by suppliers were treated as part of cost of items (goods and services) purchased.	N/A	N/A
c. Landed cost of imports and the amount of customs duties and tariff fees paid or accrued thereon	N/A	N/A
d. Amount of excise tax paid	N/A	N/A
e. Documentary Stamp Tax(DST) on Loan Instruments and other transactions subject thereto	Various	503,540.00
f. All other taxes, local and national, licenses and permit fees lodged under the Taxes and licenses account (Note 20)	Various	243,229.54
g. Real Property Taxes	Various	38,952.00
h. Amount of Withholding Taxes Tax on compensation and Benefits Creditable Withholding Taxes	Various Various	1,343,017.51 3,900.00
i. Periods covered and amount/s of deficiency assessments	None	None
j. Tax cases and amounts involved under preliminary investigation involved litigation and or prosecution in courts or bodies outside BIR	None	None

Taxes and licenses include local taxes and other fees.

25. GRANTS AND DONATIONS

The Company had received funds as follows:

		2010	2009
GRANTS			
Trias	In Euros 51,784.00	P2,979,287.99	P5,029,157.35
Force of Nature	In US Dollars 40,000.00	1,880,000.00	-
Little Brothers of Jesus			1,413,000.00
Cordaid – APRROOT (Net)	In US Dollars 1,397.05	258,701.82	357,863.99
Explore Program	In US Dollars 1,936.97	0.00	91,572.15
CICM			
TOTAL		P5,117,989.81	P6,891,593.49

Grants received in foreign currencies are valued at the exchange rates at the time of receipt of the funds. Grants are utilized in accordance with the terms and conditions set by the Grantors. These are given to the Company to fund programs and activities, objective of which is to alleviate poverty in the chosen or qualified areas for which the Company operates.

Donations are insignificant amounts received from various donors amounting to 589,505.10 and 435,957.71 for 2010 and 2009 respectively.

Salamat Fund which is classified as donations to equity amounts to 16,608,406.50 and 13,331,174.92 in 2010 and 2009 respectively

26. FINANCIAL INSTRUMENTS

Set out below is a comparison by category of the carrying values and fair values of all of the Company's financial instruments:

	2010		2009	
	Carrying value	Fair Value	Carrying value	Fair Value
Financial Assets:				
Cash and cash equivalents	90,308,559.27	90,308,559.27	P66,987,251.97	P66,987,251.97
Receivable	220,582,513.30	220,582,513.30	165,708,417.09	165,708,417.09
Prepaid Rent/Utilities	393,700.00	393,700.00	278,100.00	278,100.00
Other Receivables	34,952,045.95	34,952,045.95	31,275,515.72	31,275,515.72
Other Non-Current Assets	10,749,591.51	10,749,591.51	6,732,854.70	6,732,854.70
	356,986,410.03	356,986,410.03	P270,982,139.48	P270,982,139.48
Financial Liabilities:				
Interest Payable - Others	2,406,732.16	2,406,732.16	2,259,116.71	2,259,116.71
Loans payable – Others (Current)	95,236,399.50	95,236,399.50	62,526,732.42	62,526,732.42
Fund Savings	59,378,423.86	59,378,423.86	58,678,194.58	58,678,194.58
Trust Funds Payable	6,462,867.90	6,462,867.90	5,156,695.93	5,156,695.93
Loans payable – Others (Long Term)	112,796,605.57	112,796,605.57	88,470,508.85	88,470,508.85
	276,281,028.99	276,281,028.99	P217,091,248.49	P217,091,248.49

Cash and Cash Equivalents, Receivables, Other Current Assets, Other Receivables, Other Non-Current Assets, Interest Payables, and Other Current Liabilities Due to the nature of these financial instruments, their fair values approximate the carrying amounts as of balance sheet date.

Loans Payable

The fair values are determined based on the interest rates for which the loans were taken.

Other Current Assets are Accounts Receivable accounts used by branches for amount advanced for training expenses of newly hired staff in favor of the head office. Further, this also represents cash accommodations of one branch for another branch. Also, it represents cash accommodations for sickness/maternity benefits of staffs and other staff accountabilities. This account also includes Advances for Company's expenses as well as prepayments. These are non-interest bearing and are liquidated/collected within the 12-month period.