



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 1 – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

LandBank Countryside Development Foundation, Inc.
12th Floor, SSHG Law Centre Building
105 Paseo de Roxas
Legaspi Village, Makati City

We have audited the accompanying financial statements of **LandBank Countryside Development Foundation, Inc.**, a non-stock, non-profit organization, which comprise the statement of assets, liabilities and fund balances as at December 31, 2014, and the statement of revenues, expenses and changes in fund balances, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's 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 about whether the financial statements are free from material misstatement.

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 risk 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

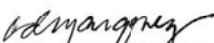
accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 **LandBank Countryside Development Foundation, Inc.** as at December 31, 2014, and its financial performance and its cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT


CORA D. MARQUEZ
State Auditor V

March 24, 2015

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
December 31, 2014
(In Philippine Peso)

	Note	2014	2013 Restated
ASSETS			
Current Assets			
Cash and cash equivalents	3	17,721,669	8,857,827
Current investment	4	1,014,931	0
Accounts receivable	5	22,487,624	23,150,962
Inventories	6	0	39,231
Prepaid expenses	7	0	194,102
Other current assets		66,404	11,617
		41,290,628	32,253,739
Non-current Assets			
Held-to-maturity investments	8	63,435,330	72,143,036
Property and equipment	9	580,225	1,000,193
Other assets		245,443	278,907
		64,260,998	73,422,136
TOTAL ASSETS		105,551,626	105,675,875
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	10	1,511,288	1,321,514
Accrued expenses	11	1,130,878	1,584,337
		2,642,166	2,905,851
FUND BALANCES	12	102,909,460	102,770,024
TOTAL LIABILITIES AND FUND BALANCES		105,551,626	105,675,875

The Notes on pages 7 to 16 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION

The LandBank Countryside Development Foundation, Inc. (LCDFI), formerly Land Bank of the Philippines (LBP) Educational Foundation, Inc. is a non-stock, non-profit foundation that was incorporated in 1983 under the provisions of the Corporation Code. The amended Articles of Incorporation was registered with the Securities and Exchange Commission on January 5, 1993 under Registration No. 110790, embodying Land Bank of the Philippines' commitment to spur development in the countryside particularly among its priority sectors such as the small farmers and fisherfolks, agrarian reform beneficiaries (ARBs), Countryside Financial Institutions, small and medium enterprises and Overseas Filipino Workers (OFWs).

The Foundation is duly accredited with the Philippine Council for NGO Certification (PCNC) and is registered with the Bureau of Internal Revenue as a donee institution in accordance with the provisions of Revenue Regulations No. 013-98 dated January 1, 1999 and donation/s received shall entitle the donor/s to limited or full deduction pursuant to Section 34(H)(1) and (2), and exemption from Donor's Tax pursuant to Section 101(A)(3) of the National Internal Revenue Code of 1997.

The initial seed money of the Foundation came from the donation of the LBP in the amount of five million pesos (P5,000,000) which must be kept intact and invested in safe and high yield securities and only the earnings thereof shall be used for the purpose of which the Foundation was created. Substantial donations came from the Bangko Sentral ng Pilipinas.

The affairs and business of the Foundation are directed by the Board of Trustees, which as at December 31, 2014 is composed of the Chairman and eight trustees as members.

The corporate officers of the Foundation are composed of an Executive Director, a Corporate Secretary and a Corporate Treasurer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of the Financial Statements

The financial statements have been prepared in conformity with the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS) which the Foundation applied for the annual period beginning on January 1, 2005. The financial statements are presented in Philippine peso and all values are rounded to the nearest peso except when otherwise indicated.

2.2 Adoption of the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS)

The accounting policies adopted are consistent with those of the previous financial year and LCDFI has adopted those new/revised standards mandatory for financial years beginning on or after January 1, 2005. The Foundation has adopted the following standards during the year:

PAS 1 - Presentation of Financial Statements, provides a framework within an entity, assesses how to present fairly the transactions and other events, provides the base criteria for classifying assets and liabilities as current or non-current; prohibits the presentation of income from operating activities and extraordinary items as separate line items in statements of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments that management has made in the process of applying the Foundation's accounting policies.

PAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omissions or misstatements and describes how to apply the concepts of materiality when applying accounting policies and correcting errors.

PAS 10 - Events after the Balance Sheet Date, prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the standards were included in the financial statements, principally the date of authorization for release of the financial statements.

PAS 16 - Property, Plant and Equipment, provides additional guidelines and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item, property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

PAS 19 - Employee Benefits, provides that the cost of providing employee benefits should be recognized in the period in which the benefit is earned by the employee, rather than when it is paid or payable. This standard applies to wages and salaries, compensated absences (paid vacation and sick leave), bonuses, medical and life insurance benefits during employment, separation and retirement benefits.

PAS 24 - Related Party Disclosures, provides additional guidance and clarification in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosures for related parties. It also requires disclosures of the total compensation of key management personnel and benefits types.

PAS 32 - Financial Instruments: Disclosure and Presentation set out the required disclosures and presentation of financial instruments to enhance financial statement users' understanding of the significance of financial instruments to an entity's overall financial position, performance, and cash flows. Financial instruments should be classified as equity or debt instruments based on the substance of the transaction. PAS 32 includes disclosures about the accounting policy adopted, methods used to apply those policies, the nature of financial instruments held for each class of financial asset,

financial liability and equity instruments including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. Fair value information is also required for each class of financial assets and financial liabilities. PAS 32 requires strict offsetting criteria for financial assets and liabilities.

PAS 39 - Financial Instruments: Recognition and Measurement, establishes specific categories into which all financial assets and liabilities must be classified. All financial assets must be classified into “loans and receivables”, “held-to-maturity”, “fair value through profit or loss” or “available-for-sale” categories. Held-to-maturity financial assets are measured at amortized cost.

2.3 Recognition of revenue and expenses

Revenue and expenses are recorded based on the accrual method of accounting. Interest income was reported net of final withholding tax of 20 per cent.

2.4 Inventories

Inventories are valued at cost. The first-in, first-out method was used in the determination of the cost.

2.5 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity. These investments are recorded at cost adjusted for discount and premium amortization.

2.6 Property and equipment

These are stated at cost, less accumulated depreciation.

2.7 Fund Balances

Interest income is allocated to different fund balances such as Program Development Fund (PDF), General and Administrative Fund (GAF), and Reserve Fund (RF) in the ratio of 60:30:10, respectively. Donations to a specific program are earmarked to the program and not distributed among the PDF, GAF and RF.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2014	2013 Restated
Cash in bank	17,701,669	8,837,827
Petty cash fund	20,000	20,000
	17,721,669	8,857,827

4. CURRENT INVESTMENT

This account contains the current portion of the long term investments that will expire within one year, as follows:

	2014	2013
Held-to-Maturity – Treasury	1,014,931	0
	1,014,931	0

5. ACCOUNTS RECEIVABLE

This account consists of the following:

	2014	2013 Restated
Accounts receivable - donations	22,000,000	22,000,000
Accounts receivable – Others	483,753	506,144
Interest receivable	3,871	639,247
Advances to officers and employees	0	5,571
	22,487,624	23,150,962

6. INVENTORIES

This account represents costs of manuals which are composed of the following:

	2014	2013
Marketing Guidebook in Cebuano	0	19,508
Marketing Guidebook in Ilocano	0	12,840
Election Committee Manuals for Cooperatives	0	4,905
Education and Training Committee Manual	0	1,348
Accounting Manual	0	262
Audit Manual	0	136
Marketing Guidebook in Pilipino	0	126
Gender Sensitivity Manual	0	67
Marketing Guidebook Volume II	0	32
Pamphlets (Getting to Know the Cooperatives)	0	7
	0	39,231

The costs of manuals were written-off in the books in CY 2014 per approved Resolution by the Board of Trustees on December 16, 2014.

7. PREPAID EXPENSES

This pertains to the payment of tax in advance for the investment and payment of training expenses amounting to P194,102 for December 2013.

8. HELD-TO-MATURITY INVESTMENTS

This account consists of the following:

	2014	2013 Restated
Held-to-Maturity – Trust	36,748,668	35,854,380
Held-to-Maturity – Treasury	21,456,154	35,674,207
10-Year LBP Agrarian Reform bonds	5,230,508	614,449
	63,435,330	72,143,036

9. PROPERTY AND EQUIPMENT

This account consists of the following:

	Furniture and Fixtures	Office Equipment	Vehicle	Leasehold Improvement	Semi- expenda- ble items	Total
Cost						
January 1, 2014	771,670	803,915	901,700	2,861,966	56,252	5,395,503
Acquisition thru Donation		151,486				151,486
Adjustments	68,625	30,204	(19,500)		(56,252)	23,077
December 31, 2014	840,295	985,605	882,200	2,861,966	0	5,570,066
Accumulated depreciation						
January 1, 2014	703,740	471,783	424,479	2,772,770	22,538	4,395,310
Depreciation	902	212,175	256,065			469,142
Amortization				89,177		89,177
Adjustments	51,632	7,118			(22,538)	36,212
December 31, 2014	756,274	691,076	680,544	2,861,947	0	4,989,841
Net book value, December 31, 2014	84,021	294,529	201,656	19	0	580,225
Net book value, December 31, 2013	67,930	332,132	477,221	89,196	33,714	1,000,193

10. ACCOUNTS PAYABLE

This represents various accounts due to the following:

	2014	2013
Bureau of Internal Revenue - withholding taxes	54,382	83,873
Social Security System - contributions	28,070	27,493
Advances from customers/AP Others	24,978	1,945
Home Development Mutual Fund - multi-purpose loan	13,398	12,371
Social Security System - salary loan	8,629	8,335
Home Development Mutual Fund - contributions	2,600	2,899
Miscellaneous liability	1,379,230	1,184,598
	1,511,288	1,321,514

11. ACCRUED EXPENSES

This represents accrual of various expenses as follows:

	2014	2013
Program development expenses	430,500	1,151,737
Audit fee	400,000	400,000
Special projects	267,779	0
Postage and Telephone	18,914	0
Retirement benefit	11,385	32,600
Representation and business development	2,300	0
	1,130,878	1,584,337

12. FUND BALANCES

This account consists of the following:

	2014	2013 Restated
Program development fund ^{12.1}	41,352,695	41,173,982
Reserve fund ^{12.2}	23,977,482	23,889,810
General and administrative fund ^{12.3}	18,732,993	20,676,417
Restricted fund ^{12.4}	15,000,000	15,000,000
Program fund ^{12.5}	3,846,290	2,029,815
	102,909,460	102,770,024

12.1 Program development fund consists of funds received by the Foundation in the form of donations, contributions, etc. from different agencies including private individuals. Also, 60 per cent of earnings on investments is allocated to this fund.

12.2 Reserve fund represents 10 per cent of the earnings on investment set aside as reserve.

12.3 General and administrative fund represents 30 per cent of the earnings in the form of interest income from investments and is allocated to manpower cost and other operating expenses.

12.4 Restricted fund represents seed fund donated by the Land Bank of the Philippines.

12.5 Program fund is intended for the implementation of specific programs. These programs include the following: Cooperative Manualization Revolving Fund (CMRF), Scholarship Program, Countryside Financial Institutions Management Development Program (CFIMDP), Cooperative Business Integration and Development (COOP-BIND) and Program for Overseas Filipino Workers (OFWs).

13. DONATIONS

This represents donations extended by the following:

	2014	2013
Land Bank of the Philippines (LBP)	21,501,486	20,000,000
LBP Leasing Corporation (LLC)	2,000,000	2,000,000
Couples for Christ (CFC) ANswering the Cry of the Poor (ANCOP)-Tekton Foundation	100,000	0
LBP (Scholarship Program)	0	1,469,198
	23,601,486	23,469,198

14. PROGRAM FUND EXPENSES

This represents various expenses of the program as follows:

	2014	2013
Food Supply Chain Program/Bank Assisted Cooperatives	14,225,406	5,098,135
Special Projects and Program Development and Management	3,726,226	2,008,430
Capability Building Program for Cooperatives	969,944	5,844,938
Capability Building for Countryside Financial Institutions and Micro-Finance Institutions	754,382	3,394,343
Integrated Community Development Program	748,612	3,558,810
Indigenous People's Organization Eco-Biodiversity Preservation	748,612	1,699,031
Integrated Rural Financing	742,320	2,276,342
GABAY ng LANDBANK (OFWs Reintegration Program)	395,539	1,235,766
	22,311,041	25,115,795

15. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

	2014	2013
Salaries and wages	528,341	335,493
Depreciation expense	467,295	54,015
Fringe benefits	380,625	297,059
Office supplies	305,826	353,806
Rent	268,800	134,400
Power, light and water	72,196	81,358
Postage and telephone	70,212	59,257
Representation and transportation allowances	68,000	25,848
Repairs and maintenance	57,317	36,856
Dues and subscriptions	53,019	2,276
Representation and business development	39,827	39,375
Miscellaneous expenses	33,217	9,265
Sports, planning and wellness	29,704	20,560
Security services	24,669	18,692
Amortization of leasehold rights and improvements	17,835	284,203
Insurance expense	9,887	4,875
Taxes and licenses	6,926	10,474
Traveling expenses	2,606	2,222
Audit fee/trustee fee	240	0
Gasoline expense	115	5,913
Condo dues expense	0	29,821
Retirement benefits	0	25,265
SSS, PhilHealth and EC contributions	0	23,530
Membership dues	0	5,000
Staff development	0	3,920
HDMF contributions	0	1,920
Business development expenses	0	115
	2,436,657	1,865,519

16. COMPLIANCE WITH TAX LAWS

In compliance with the requirements set forth by Revenue Regulation No. 15-2010 hereunder are the information on taxes, licenses and fees paid or accrued during the taxable year:

A. Local

	2014	2013
Mayor's permit	12,800	13,277
Barangay clearance	2,500	1,400
	15,300	14,677

B. National

	2014	2013
BIR registration	500	500

C. Withholding taxes paid/accrued for the year:

	2014	2013
Creditable withholding tax/es	587,994	631,128
Taxes on compensation and benefits	609,715	398,727
	1,197,709	1,029,855

17. PENSIONS AND OTHER RETIREMENT BENEFIT COSTS

LCDFI has established a retirement and separation benefit plan pursuant to Board Resolution No. 10-011 dated July 09, 2010. The Retirement fund was set up for employees who have rendered at least five years of service.

18. RESTATEMENT

Corrections of the prior year's expenses and income are classified as prior period adjustments. The prior year's financial statements were restated to correct the prior period errors in accordance with the provisions of paragraph 42 of PAS 8.

	Amount
Fund balance, December 31, 2012	103,978,811
Net loss for CY 2013, restated	
Net loss for CY 2013	(1,655,724)
Add/(Deduct): Adjustments	
Unrecorded interest income	447,037
Adjustment in training fee	(100)
Correction in interest income	470,951
Fund balance, December 31, 2013, restated	102,299,073
Net revenue for CY 2014	610,387
Fund balance, December 31, 2014	102,909,460

19. RELATED PARTY DISCLOSURES

The LCDFI is a corporate foundation whose parent bank is the Land Bank of the Philippines (LBP). The following table provides the total amount of transactions which have been entered into with related parties for the month ended December 31, 2014.

Related Party	Transactions	Amount
LBP-Trust Banking Group	Investments in government securities	36,238,193
LBP-Treasury Operations Dept.	Investments in government securities	21,557,697
LBP- Landowners Assistance and Policy Department	Investment in 10-year Agrarian Reform bonds	5,230,508
LBP Insurance Brokerage, Inc.	Lessor of office space	924,430
Masaganang Sakahan, Inc.	Supplier of rice for employees	319,457

Allowances and other benefits of Key Management Personnel

	2014	2013
Corporate Officers		
Representation and Transportation Allowance (RATA) and anniversary bonus	190,000	176,849
Board of Trustees (BOTs)		
RATA	24,500	6,000
	214,500	182,849

During the audit conducted by the Commission on Audit for the year 2004, allowances and other benefits of the BOTs and corporate officers holding permanent positions at LBP amounting to P457,250 were disallowed and recorded as Accounts Receivable.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of LCDFI for December 31, 2014 have been approved and authorized for issuance by the Board of Trustees on March 23, 2015.