



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

**LANDBANK COUNTRYSIDE
DEVELOPMENT FOUNDATION, INC.**

For the year ended December 31, 2016

EXECUTIVE SUMMARY

INTRODUCTION

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, 2016 is composed of the Chairman and six trustees as members.

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

As at December 31, 2016, one out of seven members of the Board of Trustees and two out of three corporate officers were officers of LBP.

The Foundation has 13 regular employees, including the Executive Director.

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts and financial transactions of LCDFI for the period January 1 to December 31, 2016 in accordance with the Philippine Public Sector Standards on Auditing to enable us to express an opinion on the fairness of presentation of the financial statements for the year ended December 31, 2016. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

1. Comparative Financial Position

| Particulars | 2016 | 2015 | Increase |
|---------------|-------------|-------------|-----------|
| Assets | 107,244,497 | 106,159,589 | 1,084,908 |
| Liabilities | 3,579,144 | 3,202,746 | 376,398 |
| Fund balances | 103,665,353 | 102,956,843 | 708,510 |

2. Results of Operations

| Particulars | 2016 |
|-------------|------------|
| Revenues | 19,480,722 |
| Expenses | 17,391,081 |
| Net revenue | 2,089,641 |

3. Budget Utilization

| Key Result Areas | Budget | Actual | (Over)/Under Utilization |
|---|------------|------------|--------------------------|
| A. Capacity Building Program for LANDBANK Borrowing Cooperatives & Priority Sectors | 14,402,944 | 10,951,051 | 3,451,893 |
| B. Enterprise Development | 5,933,635 | - | 5,933,635 |
| C. Likas Saka Program | 2,238,328 | 1,370,629 | 867,699 |
| D. Bangon Mini-Farm Program | 655,421 | 503,497 | 151,924 |
| E. Gawad Patnubay Scholarship Program | 16,500 | 9,037 | 7,463 |
| F. PCFC Partners Meeting | 180,000 | 57,535 | 122,465 |
| G. Manila Bay Sunset Partnership Program | 50,000 | 50,000 | - |
| H. LCDFI Other Program Development Expenses | 819,602 | 144,700 | 674,902 |
| I. LCDFI Personnel Services | 3,147,495 | 2,542,388 | 605,107 |
| J. LCDFI Maintenance and Other Operating Expenses | 3,859,500 | 1,762,244 | 2,097,256 |
| | 31,303,425 | 17,391,081 | 13,912,344 |

INDEPENDENT AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the LCDFI as at December 31, 2016.

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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.
26th Floor, LANDBANK Plaza
1598 M. H. Del Pilar cor. Dr. J. Quintos Sts.
Malate, Manila 1004

We have audited the accompanying financial statements of **LANDBANK Countryside Development Foundation, Inc.**, a non-stock, non-profit organization, which comprise the statement of financial position as at December 31, 2016, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amount 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 Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



LANDBANK Countryside Development Foundation, Inc.


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of LANDBANK Countryside Development Foundation, Inc. is responsible for all information and representations contained in accompanying Statement of Financial Position as of December 31, 2016 and the related Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows and Statement of Comparison of Budget and Actual Amount for the years then ended. The Financial Statements have been prepared in conformity with Philippine Public Sector Accounting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting, which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities recognized.

PART I

AUDITED FINANCIAL STATEMENTS


VICTOR GERARDO J. BULATAO
Chairman of the Board


GAUDIOSO CARLOS A. GARCIA VI
Executive Director


ANNALENE M. BAUTISTA
Corporate Treasurer

02 February, 2017

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2016

(With Comparative figures for 2015)

(In Philippine Peso)

| | Note | 2016 | 2015 |
|-------------------------------------|------|--------------------|--------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 31,105,588 | 27,576,450 |
| Receivables | 4 | 7,864,070 | 8,877,442 |
| Other current assets | 5 | 18,724 | 57,905 |
| | | 38,988,382 | 36,511,797 |
| Non-current Assets | | | |
| Held-to-maturity investments | 6 | 67,549,073 | 69,214,248 |
| Property and equipment, net | 7 | 652,857 | 428,582 |
| Other assets | 8 | 54,185 | 4,962 |
| | | 68,256,115 | 69,647,792 |
| TOTAL ASSETS | | 107,244,497 | 106,159,589 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Financial Liabilities | 9 | 1,381,129 | 1,549,768 |
| Inter-Agency Payables | 10 | 2,176,070 | 111,994 |
| Provisions | | 20,000 | 1,540,984 |
| Other Payables | | 1,945 | 0 |
| | | 3,579,144 | 3,202,746 |
| EQUITY | | | |
| Accumulated Surplus/(Deficit) | 11 | 61,606,098 | 59,741,584 |
| Retained Earnings | 12 | 42,059,255 | 43,215,259 |
| | | 103,665,353 | 102,956,843 |
| TOTAL LIABILITIES AND EQUITY | | 107,244,497 | 106,159,589 |

The Notes on pages 9 to 19 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended December 31, 2016
(In Philippine Peso)

| | Note | 2016 |
|--|------|-------------------------|
| REVENUES | | |
| Grants and Donations | 13 | 17,223,678 |
| Interest income | 14 | 2,200,544 |
| Miscellaneous Income | | 56,500 |
| | | <u>19,480,722</u> |
| EXPENSES | | |
| Maintenance and Other Operating Expenses | 15 | 10,512,862 |
| Personnel Services | 16 | 6,716,773 |
| Non-Cash Expenses | 17 | 158,296 |
| Financial Expenses | | 3,150 |
| | | <u>17,391,081</u> |
| NET REVENUE FOR THE YEAR | | <u>2,089,641</u> |

The Notes on pages 9 to 19 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the year ended December 31, 2016
(In Philippine Peso)

| | Note | 2016 |
|-------------------------------------|------|--------------------|
| BALANCE AT JANUARY 1 | | 102,956,843 |
| Correction of prior period errors | 18 | (1,381,131) |
| Restated Balance | | 101,575,712 |
| Net revenue for the year | | 2,089,641 |
| BALANCE AT DECEMBER 31, 2016 | | 103,665,353 |

The Notes on pages 9 to 19 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016
(In Philippine Peso)

| | Note | 2016 |
|---|-----------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash payment to Government, suppliers and employees | | (20,736,474) |
| Cash receipts from donors | | 20,600,256 |
| Cash receipts from advances of employees | | 1,168,555 |
| Income from trainings | | 56,500 |
| Net cash generated from/(used in) Operating activities | 20 | 1,088,837 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from matured investments | | 44,168,839 |
| Placements in investments | | (42,294,987) |
| Interest Received | | 808,626 |
| Purchases of Property and Equipment | | (242,177) |
| Net cash generated from/(used in) investing activities | | 2,440,301 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 3,529,138 |
| CASH AND CASH EQUIVALENTS, beginning of year | | 27,576,450 |
| CASH AND CASH EQUIVALENTS, end of year | 3 | 31,105,588 |

The Notes on pages 9 to 19 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
For the year ended December 31, 2016

| | Note | Budgeted Amounts | | Actual Amounts on Comparable Basis | Difference Final Budget and Actual |
|------------------------------------|------|------------------|------------|---|--|
| | | Original | Final | | |
| RECEIPTS | | | | | |
| Donation | | 33,468,000 | 29,322,936 | 17,223,678 | 12,099,258 |
| Interest Income | | 808,820 | 1,980,489 | 2,200,544 | (220,055) |
| Other Income | | - | - | 56,500 | (56,500) |
| | | 34,276,820 | 31,303,425 | 19,480,722 | 11,822,703 |
| PAYMENTS | | | | | |
| Personnel Services | | 9,376,684 | 9,328,561 | 6,716,773 | 2,611,788 |
| Maintenance and Operating Expenses | | 24,900,136 | 21,974,864 | 10,512,862 | 11,462,002 |
| Financial Expense | | | - | 3,150 | (3,150) |
| Non-Cash Expense | | | - | 158,296 | (158,296) |
| | | 34,276,820 | 31,303,425 | 17,391,081 | 13,912,344 |
| NET RECEIPTS/PAYMENTS | | | - | 2,089,641 | (2,089,641) |

The Notes on pages 9 to 19 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 (LANDBANK) 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 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 LANDBANK 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, 2016 is composed of the Chairman and six 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

The financial statements have been prepared in conformity with the applicable Philippine Public Sector Accounting Standards prescribed under COA Resolution No. 2014-003 dated January 24, 2014, which the Foundation adopted in annual period beginning January 1, 2016. The financial statements are presented in Philippine peso and all values are rounded off to the nearest peso except when otherwise indicated.

2.2 Adoption of the Philippine Public Sector Accounting Standards (PPSAS)

The following PPSAS were applicable to the financial transactions and operations of LCDFI and were adopted effective January 1, 2016:

| | |
|----------|---|
| PPSAS 1 | Presentation of Financial Statements |
| PPSAS 2 | Cash Flow Statements |
| PPSAS 3 | Accounting Policies, Changes in Accounting Estimates & Errors |
| PPSAS 9 | Revenue from Exchange Transactions |
| PPSAS 12 | Inventories |
| PPSAS 14 | Events After Reporting Date |
| PPSAS 17 | Property, Plant and Equipment |
| PPSAS 20 | Property, Related Parties Disclosures |
| PPSAS 23 | Revenue from Non-Exchange Transactions |
| PPSAS 24 | Presentation of Budget Information in Financial Statements |
| PPSAS 28 | Financial Instruments: Presentation |
| PPSAS 29 | Financial Instruments: Recognition and Measurement |
| PPSAS 30 | Financial Instruments: Disclosures |

2.3 Inventories

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

2.4 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.

2.5 Property and equipment

These are stated at cost, less accumulated depreciation.

2.6 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.

2.7 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:

| | 2016 | 2015 |
|------------------------------|-------------------|-------------------|
| Cash in bank- Local Currency | 31,085,588 | 27,556,450 |
| Petty cash fund | 20,000 | 20,000 |
| | 31,105,588 | 27,576,450 |

4. RECEIVABLES

This account consists of the following:

| | 2016 | 2015 |
|--------------------------------------|------------------|------------------|
| Due from LANDBANK | 6,929,803 | 7,806,250 |
| Receivables- Disallowances/Charges | 457,250 | 457,250 |
| Due from other LANDBANK Subsidiaries | 255,481 | 492,759 |
| Due from Officers and Employees | 57,258 | 73,000 |
| Interest Receivables | 85,273 | 42,376 |
| Other Receivables | 79,005 | 5,807 |
| | 7,864,070 | 8,877,442 |

5. OTHER CURRENT ASSETS

This account pertains to deposit to suppliers.

| | 2016 | 2015 |
|----------------------|---------------|---------------|
| Deposit to Suppliers | 18,724 | 57,905 |
| | 18,724 | 57,905 |

6. HELD-TO-MATURITY INVESTMENTS

This account consists of the following:

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Other Investments- Trust | 38,421,016 | 38,845,578 |
| HTM-Investments in Treasury Bills- Local | 19,013,593 | 21,024,770 |
| HTM-Investments in Bonds-Local | 10,114,464 | 9,343,900 |
| | 67,549,073 | 69,214,248 |

7. PROPERTY AND EQUIPMENT

This account consists of the following:

| | Furniture and Fixtures | Office Equipment | Vehicle | Info & Communication Technology | Total |
|---|------------------------------|---------------------|----------------|---------------------------------------|------------------|
| Cost, January 1, 2016 | 840,295 | 1,040,223 | 882,200 | 908,703 | 3,671,421 |
| Adjustments | (840,295) | (838,823) | | (284,243) | (1,963,361) |
| Acquisition thru Purchased | | 81,395 | | 129,500 | 210,895 |
| December 31, 2016 | 0 | 282,795 | 882,200 | 753,960 | 1,918,955 |
| Accumulated depreciation January 1, 2016 | 756,274 | 783,882 | 793,980 | 0 | 2,334,136 |
| Depreciation/ Amortization | | 15,621 | | 61,469 | 77,090 |
| Adjustments | (756,274) | (685,336) | | 296,482 | (1,145,128) |
| December 31, 2016 | 0 | 114,167 | 793,980 | 357,951 | 1,266,098 |
| Net book value, December 31, 2016 | 0 | 168,628 | 88,220 | 396,009 | 652,857 |
| Net book value, December 31, 2015 | 84,021 | 256,341 | 88,220 | 0 | 428,582 |

8. OTHER ASSETS

This account consists of the following unserviceable assets:

| | 2016 | 2015 |
|---------------------------------|---------------|--------------|
| Info & Communication Technology | 38,933 | 1,649 |
| Semi Expendable | 15,252 | 3,306 |
| Office Equipment | 0 | 6 |
| Vehicle | 0 | 1 |
| | 54,185 | 4,962 |

9. FINANCIAL LIABILITIES

This account consists of payables for the following expenses or items:

| | 2016 | 2015 |
|--|------------------|------------------|
| Program Development Expenses | 430,500 | 430,500 |
| Capacity Building Programs | 362,529 | 313,010 |
| Due to Officers and Employees | 262,500 | 0 |
| Special Projects | 252,171 | 127,244 |
| Scholarships | 25,000 | 125,000 |
| Printer Rental | 15,897 | 0 |
| Tax Refunds Payable to Employees | 14,334 | 0 |
| Appraisal Service Fee | 7,600 | 0 |
| Extraordinary & Miscellaneous Expenses | 6,303 | 58,832 |
| Telephone Expenses | 3,596 | 15,356 |
| Other MOOE | 699 | 17,500 |
| Advances from customers/AP Others | 0 | 62,326 |
| Audit Fees | 0 | 400,000 |
| | 1,381,129 | 1,549,768 |

10. INTER AGENCY PAYABLE

This represents various accounts due to the following:

| | 2016 | 2015 |
|--------------------------------|------------------|----------------|
| Due to Subsidiaries/Affiliates | 2,068,169 | 0 |
| Due to BIR | 57,723 | 56,326 |
| Due to SSS | 29,198 | 30,265 |
| Due to Pag-IBIG | 14,280 | 19,503 |
| Due to PhilHealth | 6,700 | 5,900 |
| | 2,176,070 | 111,994 |

11. ACCUMULATED SURPLUS/(DEFICIT)

This account consists of the following:

| | 2016 | 2015 |
|---------------------------------|-------------------|-------------------|
| Program development fund | 43,948,364 | 42,141,090 |
| General and administrative fund | 17,657,734 | 17,600,494 |
| | 61,606,098 | 59,741,584 |

a. Program development fund – This fund was received by the Foundation in the form of donations, contributions and assistance from different agencies and private individuals intended for the development of new programs (conceptualization, proposals

preparation, marketing, outsourcing of funds), pre-implementation activities (negotiations, laying down the groundwork, legal review, signing of agreements), post implementation activities (audit and terminal report) and LCDFI counterpart expenses to existing programs being implemented like Capacity Building Program, Bangon Mini-Farms Program and Likas-Saka Program.

Also, 60 per cent of the earnings on investments is allocated to this fund.

b. General and administrative fund – This represents the 30 per cent of the earnings from investments allocated to manpower costs and other operating expenses.

12. RETAINED EARNINGS

| | 2016 | 2015 |
|-----------------|-------------------|-------------------|
| Reserve Fund | 24,295,930 | 24,077,956 |
| Restricted Fund | 15,000,000 | 15,000,000 |
| Program Fund | 2,763,325 | 4,137,303 |
| | 42,059,255 | 43,215,259 |

a. Reserve fund – This represents the 10 per cent of the earnings from investments set aside as reserve for future technology upgrading and other contingencies

b. Restricted fund – This represents the seed fund donated by Land Bank of the Philippines (LBP) and Bangko Sentral ng Pilipinas in the amount of P5,000,000 and P10,000,000, respectively. The LBP donation must be kept intact and invested in safe and high yield securities and only the earnings thereof shall be used for the purpose for which the Foundation was created.

c. Program fund – This represents the fund received by the Foundation in the form of donation from different agencies and private individuals intended for the implementation of a specific programs like Capacity Building Program, Bangon Mini-Farms Program and Likas-Saka Program.

13. GRANTS AND DONATIONS

This represents donations received from the following:

| | 2016 |
|--|-------------------|
| Land Bank of the Philippines (LANDBANK) | 15,228,727 |
| LBP Insurance Brokerage, Inc. (LIBI) | 1,763,121 |
| LBP Resources and Development Corporation | 231,830 |
| LBP Leasing and Finance Corporation (LLCF) | 0 |
| LANDBANK Scholarship Program | 0 |
| | 17,223,678 |

14. INTEREST INCOME

The income were derived from:

| | 2016 |
|----------------------|------------------|
| Trust Account | 1,117,183 |
| AR Bonds | 642,352 |
| Treasury Investments | 394,211 |
| Current Account | 46,798 |
| | 2,200,544 |

15. MAINTENANCE AND OTHER OPERATING EXPENSES

This account comprises the following:

| | 2016 |
|---|-------------------|
| Training and Scholarship | 7,934,536 |
| Other MOOE | 1,166,428 |
| Extraordinary and Misc. | 323,912 |
| Professional Services | 281,365 |
| Communication | 231,084 |
| Representation | 190,643 |
| Supplies and Materials | 98,507 |
| Membership and Contributions to Organizations | 76,667 |
| Taxes, Insurance Premiums and other fees | 75,899 |
| Rent/Lease | 74,880 |
| Repairs and Maintenance | 46,684 |
| Travelling | 12,257 |
| Utility Expenses | 0 |
| Subscription | 0 |
| Donations | 0 |
| | 10,512,862 |

16. PERSONNEL SERVICES

The account consists of the following:

| | 2016 |
|---------------------------------|------------------|
| Salaries and wages | 3,422,209 |
| Other Compensation and Benefits | 2,806,960 |
| Personnel Benefit Contributions | 249,094 |
| Other Personnel Benefits | 238,510 |
| | 6,716,773 |

20. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

| | |
|---|------------------|
| Net Revenue for the year | 2,089,641 |
| Non-cash Income/Expenses: | |
| Depreciation | 77,090 |
| Loss on disposal of property | 81,206 |
| Interest Income | (1,225,535) |
| Prior period errors | (1,362,516) |
| Increase in Current Liabilities | 376,398 |
| Decrease in Current Assets | 1,052,553 |
| Net Cash Flows from Operating Expenses | 1,088,837 |

21. 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

| | |
|--------------------|---------------|
| | 2016 |
| Mayor's permit | 12,933 |
| Barangay clearance | 500 |
| | 13,433 |

B. National

| | |
|-------------------------|--------------|
| | 2016 |
| Registration of Vehicle | 2,429 |
| BIR registration | 500 |
| | 2,929 |

C. Withholding taxes paid/accrued for the year:

| | |
|--|------------------|
| | 2016 |
| Taxes on compensation and benefits | 611,982 |
| Creditable withholding and Final Taxes | 650,471 |
| | 1,262,453 |

17. NON-CASH EXPENSES

The account consists of the following:

| | 2016 |
|------------------------|----------------|
| Loss on Asset Disposal | 81,206 |
| Depreciation | 77,090 |
| Amortization | 0 |
| | 158,296 |

18. CORRECTION OF PRIOR PERIOD ERRORS

The prior year's financial statement was restated to correct the following prior period errors in accordance with the provisions of PPSAS 3:

| | 2015 |
|---------------------------------|--------------------|
| Reversal of Donation | (1,612,648) |
| Unrecorded PPE | 190,867 |
| Salary and Wages | 41,034 |
| Reversal of Accrued Expenses | 20,424 |
| Correction in HTM Investments | (18,615) |
| Interest Income | (1,518) |
| Unrecorded depreciation expense | (675) |
| | (1,381,131) |

19. FUND BALANCES

| | Donation Income | Liabilities | Total Donations |
|--|--------------------|------------------|--------------------|
| Land Bank of the Philippines (LANDBANK) | 15,228,727 | | 15,228,727 |
| LBP Insurance Brokerage, Inc. (LIBI) | 1,763,121 | | 1,763,121 |
| LBP Resources and Development Corporation (LBRDC) | 231,830 | 68,170 | 300,000 |
| LBP Leasing and Finance Corporation (LLFC) | 0 | 2,000,000 | 2,000,000 |
| | 17,223,678 | 2,068,170 | 19,291,848 |

The recognition of donations received were in accordance with the provisions of PPSAS 23. Donations amounting to P17,223,678 were recognized as donation income because there were no conditions attached or the conditions attached were already satisfied with. Donations amounting to P2,068,170 were recognized as liability pending compliance with the attached conditions.

22. RETIREMENT BENEFITS

LCDFI has a Retirement Benefit Plan, which is non-contributory and provides a retirement benefit equal to one-half month basic salary for every year of service, where one-half month salary shall mean fifteen days salary based on the latest salary rate, five days of service incentive leaves, and one-twelfth (1/12) of the 13th month pay or 22.5 days pay for every year of service after satisfying certain age and service requirements.

The Plan was approved for implementation on July 09, 2010 pursuant to Board Resolution No. 10-011.

The regular monthly accrual equivalent to five per cent of the total basic salary of LCDFI employees was taken up as Other payables from July 2010 to June 2016 prior to the opening of an Employee Retirement Plan with LANDBANK Trust Banking Group.

Starting July 2016, pursuant to Board Resolution No. 16-021, the regular monthly accrual equivalent to five per cent of the total basic salary was increased to 6.3 per cent.

The Fund is being administered by the Land Bank Trust Banking Group (TBG) which is responsible for the investment strategy of the Plan. As of November 30, 2016, the amount of funds deposited/invested in Land Bank-TBG amounted to P1,450,531 and the amount of P20,000 was lodged to Retirement Gratuity Payable account.

23. RELATED PARTY DISCLOSURES

The LCDFI is a corporate foundation whose parent bank is the Land Bank of the Philippines (LANDBANK). The following table provides the total amount of transactions which have been entered into with related parties for the month ended December 2016:

| Related Party | Transactions | Amount |
|---|---|------------|
| LBP-Treasury Operations Dept. (TOD) | Investments in government securities | 19,013,593 |
| LBP-Trust Banking Group (TBG) | Investments in government securities | 38,421,016 |
| LBP- Landowners Assistance and Policy Department (LAPD) | Investment in 10-year Agrarian Reform bonds | 10,114,464 |
| Masaganang Sakahan, Inc. (MSI) | Supplier of rice for employees | 353,700 |

Allowances and other benefits of Key Management Personnel

| | 2016 | 2015 |
|---|------------------|----------------|
| Board of Trustees (BOTs) | | |
| Extraordinary and Miscellaneous (Reimbursable Expenses) | 215,969 | 140,817 |
| Corporate Officers | | |
| Representation and Transportation Allowance (RATA) | 247,500 | 169,000 |
| Extraordinary and Miscellaneous (Reimbursable Expenses) | 107,942 | 90,000 |
| Other Benefits/Bonuses | 708,423 | 223,200 |
| | 1,279,834 | 623,017 |

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 LANDBANK amounting to P457,250 was disallowed and recorded as Accounts Receivable.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of LCDFI for December 31, 2016 have been approved and authorized for issuance by the Board of Trustees on February 2, 2017.

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

Accomplishments vs. Targets

For CY 2016, LCDFI carried out its mission through the implementation of various programs, and had accomplished to a large extent the targeted outputs for the period.

The LCDFI's mission is to deliver responsive capacity-building services while promoting sustainable development. It currently provides training seminars and other services for the following programs:

- a. Capacity Building Unit (CBU)
- b. Bangon Mini-Farms Program
- c. Likas Saka Program
- d. GAWAD PATNUBAY College Scholarship Program
- e. Manila Bay SUNSET Partnership Program, Inc.
- f. LBPEA Scholarship Program

In the implementation of its programs for CY 2016, LCDFI accomplished its targets under the following key result areas:

| Key Result Areas | Activity | Target | Actual Accomplishments | Percentage |
|--|---|--------|------------------------|------------|
| Bangon Mini-Farms Program | Assistance to Farmers | 150 | 306 | 204 |
| Likas Saka Program | Formation of Farmer Cluster | 10 | 10 | 100 |
| GAWAD PATNUBAY College Scholarship Program | Monitor the Scholarship Program | 1 | 1 | 100 |
| LBPEA Scholarship Program | Implement and monitor the Scholarship Program | 20 | 20 | 100 |
| Capacity Building Unit | Monitoring of Training Action Plans | 12 | 12 | 100 |

In addition, LCDFI is also involved in the following activities:

- a. At the request of LANDBANK's Lending Program Management Group, LCDFI, together with Systems Implementation Department of LBP, initiated the development of the LCDFI Productivity Tool as part of database management for improved monitoring of training activities; and
- b. As part of its corporate social responsibility (CSR) initiatives, LCDFI, along with other LANDBANK Subsidiaries, committed to be part of the Manila Bay SUNSET Partnership Program, Inc., the flagship CSR program of LANDBANK which aims not only to clean-up Manila Bay and nearby coastal areas but also promote environmental awareness, protection and conservation.

Gender and Development (GAD)

There were no GAD activities for CY 2016. Nonetheless, in compliance with Republic Act No. 9710 or the Magna Carta for Women, LCDFI have designated GAD focal

persons who will attend the GAD seminars. LCDFI prepared its time bound action plan for the implementation of LCDFI GAD Plan and Budget for CY 2017.

Compliance with Tax Laws

The taxes withheld from the compensation and benefits of LCDFI personnel and from suppliers amounting to P611,982 and P650,471, respectively, as disclosed in Note 20 to the Financial Statements, were remitted to the Bureau of Internal Revenue within the reglementary period.

SSS Contributions and Remittances

In 2016, LCDFI complied with Republic Act No. 8282 on the collection and remittance of contributions to SSS as follows:

- a. Mandatory monthly contribution of covered employees and employer in accordance with Section 18; and
- b. Remittance of employees' and employer's contributions and employees' compensation premium within the due date pursuant to Section 19.

Philhealth and Pag-ibig Premiums

In 2016, LCDFI complied with Title III Rule III, Section 18 of the Implementing Rules and Regulations of R.A. No. 7875, as amended, in the payment of national health insurance premium contributions to the Philhealth.

LCDFI also complied with Rule VII, Section 3 of the Implementing Rules and Regulations of R.A. No. 9679 in the collection and remittance of contributions to the Pag-ibig Fund.

Status of Disallowances, Suspensions and Charges

Notice of Disallowance (ND) No. LBP-Subs. 2008-015 (2002-2003) dated August 11, 2008, amounting to P0.561 million was issued for the payment of additional allowances and benefits of LBP Officials acting as Officers/Board of Trustees of LCDFI. The said ND was affirmed under COA Decision No. 2012-018 dated February 16, 2012.

A Motion for Reconsideration was filed by LBP with COA on March 19, 2012, however, it was denied by the Commission through its Resolution dated April 4, 2014 for lack of merit.

Subsequently, the Legal Services Group, LBP, filed a Petition for Certiorari to the Supreme Court on August 4, 2014 on the aforementioned COA Resolution.

There were no outstanding audit suspensions and charges at the end of the year.