



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

ANNUAL AUDIT REPORT

on the

**LANDBANK COUNTRYSIDE
DEVELOPMENT FOUNDATION, INC.**

For the years ended December 31, 2018 and 2017



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
CORPORATE GOVERNMENT SECTOR
Cluster 1- Banking and Credit

27 March 2019

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

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith the Auditor's report on the results of audit of the accounts and transactions of the LANDBANK Countryside Development Foundation, Inc. (LCDFI) for the years ended December 31, 2018 and 2017.

The report consists of the Independent Auditor's Report, Audited Financial Statements and Observations and Recommendations.

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LCDFI for the years ended December 31, 2018 and 2017.

The audit observation together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference on March 1, 2019, are presented in detail in Part II of the Report.

In a letter of even date, we requested the Executive Director of LCDFI that the recommendations contained in the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form and returning the same to us within 60 days from date of receipt.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

MILAGROS B. SONIDO
State Auditor V
Officer-in-Charge

Copy Furnished:

The President of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson - Senate Finance Committee
The Chairperson - Appropriations Committee

The Secretary of the Department of Budget and Management
The Governance Commission of Government-Owned or Controlled Corporation
The Presidential Management Staff, Office of the President
The National Library
The UP Law Center
The COA Commission Central Library



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
CORPORATE GOVERNMENT SECTOR
Cluster 1- Banking and Credit

27 March 2019

Mr. ROY C. OSCILLADA
Executive Director
LANDBANK Countryside Development Foundation, Inc.
26th Floor LANDBANK Plaza
1598 M.H. Del Pilar cor. Dr. J. Quintos Sts
Malate, Manila 1004

3/28/19
[Handwritten signature]

Dear Director Oscillada:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith the Auditor's report on the results of audit of the accounts and transactions of the LANDBANK Countryside Development Foundation, Inc. (LCDFI) for the years ended December 31, 2018 and 2017.

The report consists of the Independent Auditor's Report, Audited Financial Statements and Observations and Recommendations.

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LCDFI for the years ended December 31, 2018 and 2017.

The audit observation together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference on March 1, 2019, are presented in detail in Part II of the Report.

We respectfully request that the recommendations contained in the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form and returning the same to us within 60 days from date of receipt.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

[Handwritten signature]
MILAGROS B. SONIDO
State Auditor V
Officer-in-Charge

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The Governance Commission of Government-Owned or Controlled Corporation
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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 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, 2018 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, 2018, three of the six members of the Board of Trustees and two of the three corporate officers are officers of LBP.

The Foundation has 15 regular employees, including the Executive Director and three contractual employees as at December 31, 2018.

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, 2018 in accordance with the International Standards of Supreme Audit Institutions (ISSAI) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2018 and 2017. 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	2018	2017	Increase/ (Decrease)
Assets	101,399,018	105,039,985	(3,640,967)
Liabilities	2,641,013	1,976,575	664,438
Net Assets/ Equity	98,758,005	103,063,410	(4,305,405)

2. Comparative Results of Operations

Particulars	2018	2017	Increase/ (Decrease)
Revenues	31,572,243	25,540,756	6,031,487
Expenses	36,054,908	26,015,891	10,039,017
Net revenue	(4,482,665)	(475,135)	(4,957,800)

3. Budget Utilization

Key Result Areas	Budget	Actual	(Over)/Under Utilization
A. Capacity Building Program for LANDBANK Borrowing Cooperatives & Priority Sectors	17,685,673	17,685,673	0
B. Enterprise Development	12,770,060	10,386,238	2,383,822
C. LCDFI Personnel Services	4,894,163	4,623,054	271,109
D. LCDFI Maintenance and Other Operating Expenses	3,799,493	3,359,943	439,551
	39,149,389	36,054,908	3,094,482

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, 2018 and 2017.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2018, LCDFI had an outstanding audit disallowance of P0.561 million.

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

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATION

The audit recommendation in the prior year's Annual Audit Report was partially implemented and is reiterated in Part II of this report.

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PART I
AUDITED FINANCIAL STATEMENTS



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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **LANDBANK Countryside Development Foundation, Inc. (LCDFI)**, a non-stock, non-profit organization, which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of financial performance, statements of changes in net assets/equity, statements of cash flows and statement of comparison of budget and actual amount for the years then ended, and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LCDFI as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Public Sector Accounting Standards (PPSAS).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the LCDFI in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the LCDFI's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the LCDFI's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LCDFI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to the 2018 financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ROCHIE J. FELICES
Supervising Auditor

March 1, 2019





**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of LANDBANK Countryside Development Foundation, Inc. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year(s) ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing LANDBANK Countryside Development Foundation, Inc.'s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the LANDBANK Countryside Development Foundation, Inc. or to cease operations, or has no realistic alternative to do so.

The Board of Trustees is responsible for overseeing LANDBANK Countryside Development Foundation, Inc. financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

The Commission on Audit has audited the financial statements of the LANDBANK Countryside Development Foundation, Inc. in accordance with International Standards of Supreme Audit Institutions, and its report to the Board of Trustees, has expressed its opinion on the fairness of presentation upon the completion of such audit.

V. G. Bulatao

VICTOR GERARDO J. BULATAO

Chairman of the Board

Roy C. Oscillada

ROY C. OSCILLADA

Executive Director

Annalene M. Bautista

ANNALENE M. BAUTISTA

Corporate Treasurer

Signed this 1st day of March 2019

BS EN ISO 9001:2015 Certified



LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
As at DECEMBER 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	21,321,821	6,305,023
Receivables	5	13,851,390	21,771,693
Inventories	6	7,400	8,750
Other Current Assets	7	82,370	38,000
Total Current Assets		35,262,981	28,123,466
Non-Current Assets			
Financial Assets - Held-to-maturity	8	65,050,959	75,662,762
Receivables	5	511,202	511,202
Property and Equipment, net	9	573,876	688,370
Other Non-current Assets	10	0	54,185
Total Non-Current Assets		66,136,037	76,916,519
Total Assets		101,399,018	105,039,985
LIABILITIES			
Current Liabilities			
Payables	11	1,988,539	1,414,932
Inter-Agency Payables	12	220,029	129,198
Total Current Liabilities		2,208,568	1,544,130
Non-Current Liabilities			
Payables	11	430,500	430,500
Other Payables	13	1,945	1,945
Total Non-Current Liabilities		432,445	432,445
Total Liabilities		2,641,013	1,976,575
Net Assets		98,758,005	103,063,410
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)	14	59,091,124	63,610,314
Retained Earnings	15	39,666,881	39,453,096
Total Net Assets/ Equity	22	98,758,005	103,063,410

The Notes on pages 10 to 31 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL PERFORMANCE
For the years ended DECEMBER 31, 2018 AND 2017
(In Philippine Peso)

	Note	2018	2017
REVENUE			
Grants and Donations	16	29,330,777	23,829,365
Business Income	17	2,241,466	1,711,391
Total Revenue		31,572,243	25,540,756
EXPENSES			
Maintenance and Other Operating Expenses	18	21,513,868	18,190,750
Personnel Services	19	14,341,283	7,691,064
Non-Cash Expenses	20	197,677	130,777
Financial Expenses	21	2,080	3,300
Total Expenses		36,054,908	26,015,891
Net Surplus/ (Deficit) for the Period		(4,482,665)	(475,135)

The Notes on pages 10 to 31 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the years ended DECEMBER 31, 2018 AND 2017
(In Philippine Peso)

	Accumulated Surplus/ (Deficit) (Notes 14&22)	Retained Earnings (Notes 15&22)	Total
BALANCE AT JANUARY 1, 2017	64,369,423	39,295,930	103,665,353
Add/(Deduct):			
Net Surplus/ (Deficit) for the Year	(475,135)		(475,135)
Appropriation of Retained Earnings	(157,201)	157,201	0
Other Adjustments	(126,773)	(35)	(126,808)
BALANCE AT DECEMBER 31, 2017	63,610,314	39,453,096	103,063,410
Add/(Deduct):			
Net Surplus/ (Deficit) for the Year	(4,482,665)		(4,482,665)
Appropriation of Retained Earnings	(213,729)	213,729	0
Other Adjustments	177,204	56	177,260
BALANCE AT DECEMBER 31, 2018	59,091,124	39,666,881	98,758,005

The Notes on pages 10 to 31 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended DECEMBER 31, 2018 AND 2017
(In Philippine Peso)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Cash receipts from donors		37,638,460	7,102,817
Cash receipts from advances of employees		2,150,010	1,525,573
Cash receipts from employees		0	35,591
Cash Receipts from Suppliers		0	14,051
Income from trainings		104,172	139,375
Total Cash Inflows		39,892,642	8,817,407
Cash Outflows			
Cash payment to Government, suppliers and employees		(37,596,504)	(26,996,527)
Total Cash Outflows		(37,596,504)	(26,996,527)
Net Cash provided by/(used in) Operating Activities		2,296,138	(18,179,120)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from matured investments		16,719,099	3,147,396
Interest Received		1,030,560	698,174
Sale of unserviceable assets		2,500	0
Total Cash Inflows		17,752,159	3,845,570
Cash Outflows			
Placements in investments		(5,000,000)	(10,300,725)
Purchases of Property and Equipment		(31,499)	(166,290)
Total Cash Outflows		(5,031,499)	(10,467,015)
Net Cash provided by/(used in) Investing Activities		12,720,660	(6,621,445)
Net Increase/ (Decrease) in Cash and Cash Equivalents		15,016,798	(24,800,565)
Cash and Cash Equivalents, January 1	4	6,305,023	31,105,588
Cash and cash Equivalents, December 31	4	21,321,821	6,305,023

The Notes on pages 10 to 31 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, 2018

	Note	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
RECEIPTS					
Donation		29,000,000	34,331,276	37,638,460	(3,307,184)
Interest Income		1,500,000	1,500,000	1,030,560	469,440
Other Income		0	104,172	104,172	0
		30,500,000	35,935,448	38,773,192	(2,837,744)
PAYMENTS					
Personnel Services		21,643,272	15,089,629	14,341,283	748,346
Maintenance and Operating Expenses		28,582,975	23,858,028	21,513,868	2,344,160
Financial Expense		0	5,000	2,080	2,920
		50,226,247	38,952,657	35,857,231	3,095,426
NET RECEIPTS/PAYMENTS	23	(19,726,247)	(3,017,209)	2,915,961	(5,933,170)

The Notes on pages 10 to 31 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. GENERAL INFORMATION

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 registered office of the Foundation is located in 26th floor LANDBANK Plaza, M.H. Del Pilar cor Dr. J. Quintos Sts., Malate, Manila.

The financial statements of LANDBANK Countryside Development Foundation, Inc. (LCDFI) were authorized for issue by the Board of Trustees on March 1, 2019 and were signed on March 1, 2019 by the LCDFI Chairman of the Board of Trustees, Executive Director and Corporate Treasurer as shown in the Statement of Management Responsibility for Financial Statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) prescribed by the Commission on Audit under COA Resolution No. 2014-003 dated January 24, 2014.

The accounting policies have been consistently applied throughout the year presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Peso (P) which is also the country's functional currency.

Amounts are rounded off to the nearest peso, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements are prepared on an accrual basis in accordance with the PPSAS.

3.2 Financial Instruments

a. Financial Assets

Initial recognition and measurement

Financial assets within the scope of PPSAS 29- Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficits, held-to-maturity investments and receivables. The entity determines the classification of its financial assets at initial recognition.

LCDFI's financial assets include: cash and cash equivalents, quoted and unquoted financial instruments.

Subsequent measurement

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the LCDFI has the positive intention and ability to hold it to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Derecognition

The LCDFI derecognizes a financial asset or where applicable, a part of financial asset of LCDFI of similar assets when:

1. The contractual rights to the cash flows from the financial asset expired or waived; and
2. The LCDFI has transferred its contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in PPSAS 29- Financial Instruments: Recognition and Measurement; and either the entity has:
 - transferred substantially all the risks and rewards of ownership of financial asset; or

- neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but transferred the control of the asset

Impairment of financial assets

The LCDFI assesses at each reporting date whether there is objective evidence that a financial asset or a 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 has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty.
2. Default or delinquency in interest or principal payments
3. The probability that debtors will enter bankruptcy or other financial reorganization
4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

For financial assets carried at amortized cost, the LCDFI first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the LCDFI determines that no objective evidence of impairment exists for an 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 assessed the impairment for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of 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 estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the LCDFI. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

b. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle a net basis or to realize the assets and settle the liabilities simultaneously.

c. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3 Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprises cash in bank and cash on hand.

3.4 Inventories

Inventory is measured at cost upon initial recognition.

Inventories are recognized as an expense when consumed in the ordinary course of operations.

3.5 Property, Plant and Equipment

a. Recognition

An item is recognized as property, plant and equipment (PPE) if it meets the characteristics and recognition criteria as PPE.

The characteristics of PPE are as follows:

- i. Tangible items;
- ii. Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. Are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost of fair value of the item can be measured reliably; and
- iii. the cost is at least P15,000.00

b. Measurement at recognition

An item recognized as property, plant and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

- i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- ii. Expenditures that is directly attributable to the acquisition of the items; and
- iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for a purposes other than to produce inventories during that period.

c. Subsequent Measurement

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the LCDFI recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense.

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

The straight line method of depreciation is adopted.

The LCDFI uses the life span of PPE prescribed by COA in determining the specific estimated useful life (EUL) for each asset based on its experience, details below:

Classification	EUL
1. Office Equipment	
* IT- Equipment, Furniture and Fixtures	5
* Furniture and Fixtures	10
2. Leasehold Improvements	
* Land	10
* Building	
- Wood	10
- Mixed	20
- Concrete	30
3. Transportation Equipment	
* Motor Vehicles	7

The LCDFI uses a residual value equivalent to at least ten per cent (10%) of the cost of the PPE.

e. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

f. Derecognition

The LCDFI derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget.

3.7 Related Parties

The LCDFI regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LCDFI, or vice versa.

3.8 Employee Benefits

The employees of LCDFI are members of the Social Security System (SSS), which provides life and retirement insurance coverage.

The LCDFI recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense capitalized, and as a liability after deducting the amount paid.

3.9 Measurement Uncertainty

The preparation of financial statements in conformity with PPSAS requires management to make estimates and assumptions that affect the reporting amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, and rates of amortization.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

3.10 Revenue from Non-exchange Transactions

a. Recognition and measurement of assets from non-exchange transactions

An inflow of resources from non-exchange transaction, other than services in-kind that meets the definition of an asset are recognized as asset if the following criteria are met:

- i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as the date of acquisition.

b. Recognition of revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As LCDFI satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

c. Measurement of revenue from non-exchange transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

d. Measurement of liabilities on initial recognition from non-exchange transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

e. Gifts and donations

The LCDFI recognizes the assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized assets when the goods received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

f. Transfers

The LCDFI recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

g. Services in-kind

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

h. Transfers from other government entities

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is

probable that the economic benefits or service potential related to the asset will flow to the LCDFI and can be measured reliably.

3.11 Revenue from Exchange Transactions

Revenue is measured at the fair value of the consideration received or receivable.

The LCDFI recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

4. CASH AND CASH EQUIVALENTS

This comprises the following:

	2018	2017
Petty Cash Fund	10,000	10,000
Cash in bank- Local Currency	21,311,821	6,295,023
	21,321,821	6,305,023

5. RECEIVABLES

This comprises the following:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts Receivables	20,000	0	20,000	0	0	0
Inter-Agency Receivables	13,412,312	0	13,412,312	21,698,495	0	21,698,495
Other Receivables	419,078	511,202	930,280	73,198	511,202	584,400
Total	13,851,390	511,202	14,362,592	21,771,693	511,202	22,282,895

Inter-Agency Receivables

	2018	2017
Current		
Due from Parent Corporation	13,370,712	21,061,615
Due from Subsidiaries/Joint Ventures/ Associates/Affiliates	0	636,880
Due from Government Corporation	41,600	0
Total	13,412,312	21,698,495

Other Receivables

	2018			2017		
	Current	Non- Current	Total	Current	Non- Current	Total
Receivables- Disallowances/Charges	0	457,250	457,250	0	457,250	457,250
Due from Officers and Employees	64,314	48,145	112,459	0	48,145	48,145
Other Receivables	354,764	5,807	360,571	73,198	5,807	79,005
Total	419,078	511,202	930,280	73,198	511,202	584,400

Aging/Analysis of Receivables

As at December 31, 2018

Accounts	Total	Not Past Due	Past Due		
			<30 days	30-60 days	>60 days
Due from Parent Corporation	13,370,712	13,370,712			
Receivables- Disallowances/Charges	457,250	0			457,250
Due from Officers and Employees	112,459	64,314			48,145
Other Receivables	360,571	354,764			5,807
Due from Government Corporation	41,600	41,600			
Account Receivables	20,000	20,000			
Total	14,362,592	13,851,390			511,202

6. INVENTORIES

This consists of accountable forms.

7. OTHER CURRENT ASSETS

This comprises the following:

	2018	2017
Advances to Officers and Employees	79,200	38,000
Deposit to Suppliers	3,170	0
	82,370	38,000

8. FINANCIAL ASSETS- HELD TO MATURITY (FA- HTM)

This comprises the following:

	2018	2017
HTM	64,920,453	75,538,887
Interest Receivable	130,506	123,875
	65,050,959	75,662,762

Breakdown of the HTM:

	2018	2017
HTM- Investment in Trust	39,749,390	38,819,369
HTM- Investment in Treasury Bills-Local	20,070,203	29,091,269
HTM- Investment in Bonds- Local	5,231,366	7,752,124
	65,050,959	75,662,762

Reconciliation of carrying amounts of FA-HTM

Particulars	Amount
Beginning Balance as at January 1, 2018	75,538,887
Additional investment	5,000,000
Collection of matured investment	(16,719,099)
Amortization of discount on the acquisition of investment	1,100,665
Interest Receivable	130,506
Balance as at December 31, 2018	65,050,959

Particulars	Amount
Beginning Balance as at January 1, 2017	67,549,073
Additional investment	10,300,725
Collection of matured investment	(3,147,396)
Amortization of discount on the acquisition of investment	836,485
Interest Receivable	123,875
Balance as at December 31, 2017	75,662,762

9. PROPERTY AND EQUIPMENT

Reconciliation of carrying amounts:

As at December 31, 2018

Particulars	Office Equipment	Vehicle	Info & Communication Technology	Total
Carrying Amount, January 1, 2018	168,971	88,220	431,179	688,370
Additions/Acquisitions	0	0	31,498	31,498
Total	168,971	88,220	462,677	719,868
Depreciation (Note 20)	(39,552)	0	(106,440)	(145,992)
Carrying Amount, December 31, 2018	129,419	88,220	356,237	573,876
Gross Cost	317,795	882,200	916,750	2,116,745
Accumulated Depreciation	(188,376)	(793,980)	(560,512)	(1,542,869)
Carrying Amount, December 31, 2018	129,419	88,220	356,237	573,876

As at December 31, 2017

Particulars	Office Equipment	Vehicle	Info& Communication Technology	Total
Carrying Amount, January 1, 2017	168,628	88,220	396,009	652,857
Additions/Acquisitions	35,000	0	131,290	166,290
December 31, 2017	203,628	88,220	527,299	819,147
Depreciation (Note 20)	(34,657)	0	(96,120)	(130,777)
Carrying Amount, December 31, 2017	168,971	88,220	431,179	688,370
Gross Cost	317,795	882,200	885,250	2,085,245
Accumulated Depreciation	(148,824)	(793,980)	(454,071)	(1,396,875)
Carrying Amount, December 31, 2017	168,971	88,220	431,179	688,370

10. OTHER ASSETS

This represents unserviceable assets as follows:

	2018	2017
Info & Communication Technology Equipment	0	38,933
Semi Expendable- Furniture, Fixtures and Books	0	15,252
	0	54,185

11. PAYABLES

This comprises the following accounts:

	2018			2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts Payable	1,935,939	430,500	2,366,440	1,238,234	430,500	1,668,734
Tax Refund Payable	36,742		36,742			
Due to Officers and Employees	15,858		15,858	176,698		176,698
Total	1,988,539	430,500	2,419,039	1,414,932	430,500	1,845,432

12. INTER AGENCY PAYABLES

This comprises the following accounts:

	2018	2017
Due to BIR	152,255	71,762
Due to SSS	39,811	36,667
Due to PhilHealth	15,636	7,825
Due to Pag-IBIG	12,327	12,944
	220,029	129,198

13. OTHER PAYABLES

This represents advances from customers.

14. ACCUMULATED SURPLUS

This account is the cumulative results of normal and continuous operations of LCDFI including prior period adjustments, effect of changes in accounting policy and other capital adjustments.

15. RETAINED EARNINGS

	2018	2017
Reserve Fund (Note 22)	24,666,881	24,453,096
Restricted Fund (Note 22)	15,000,000	15,000,000
	39,666,881	39,453,096

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

b. Restricted fund – This represents the seed fund donated by the LANDBANK of the Philippines in the amount of Five Million pesos (P5,000,000.00) which 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. The Bangko Sentral ng Pilipinas also donated Ten Million pesos (P10,000,000.00) as seed fund.

16. GRANTS AND DONATIONS

This account represents donations in cash from the following donors:

	2018	2017
Land Bank of the Philippines (LBP)	29,275,841	21,061,615
LBP Leasing and Finance Corporation	0	2,000,000
LBP Insurance Brokerage, Inc. (LIBI)	34,936	636,880
LBP Resources and Development Corporation	0	68,170
LBP Runners Club	0	62,700
Sara James Trading	20,000	0
	29,330,777	23,829,365

The recognition of donation income was in accordance with the provisions of PPSAS 23. In CY 2018, donations from LBP, LIBI and Sara James Trading were recognized as donation income because there were no conditions attached on the Deed of Donation and Acceptance signed by the donor and the donee and the amount still collectible is lodged under inter-agency receivable account.

17. BUSINESS INCOME

This account comprises Interest Income and collection of fees for customized trainings conducted.

	2018	2017
Interest income	2,137,294	1,572,016
Miscellaneous Income	104,172	139,375
	2,241,466	1,711,391

The Interest Income pertains to earnings in the following financial assets:

	2018	2017
Trust Account	930,021	398,352
Treasury Investments	584,871	489,788
AR Bonds	510,257	646,518
Current Account	112,145	37,358
	2,137,294	1,572,016

18. MAINTENANCE AND OTHER OPERATING EXPENSES

This comprises of the following expenses:

	2018	2017
Training and Scholarship Expenses	14,353,425	11,695,783
Professional Services	1,707,631	29,067
Labor and Wages	1,462,150	657,600
Travelling Expenses	1,336,157	12,496
Confidential, Intelligence and Extraordinary Expenses	486,050	350,600
Communication Expenses	261,836	252,275
Repairs and Maintenance	110,148	51,112
Supplies and Materials Expense	97,731	24,852
Taxes, Insurance Premiums and Other Fees	45,132	45,564
Utility Expenses	0	26,598
Survey Expenses	0	400,000
Other Maintenance and Operating Expenses	1,653,608	4,644,803
	21,513,868	18,190,750

Professional Services

	2018	2017
Legal Services	8,560	8,650
Auditing Services	867,482	18,000
Consultancy Service	71,429	0
Other Professional Services	760,160	2,417
	1,707,631	29,067

Communication Expenses

	2018	2017
Postage and Courier Services	10,280	8,685
Telephone Expenses	144,036	136,070
Internet Subscription Expenses	107,520	107,520
	261,836	252,275

Repairs and Maintenance

	2018	2017
Repairs and Maintenance-Machinery and Equipment	29,250	3,150
Repairs and Maintenance-Transportation Equipment	80,898	47,962
	110,148	51,112

Supplies and Materials Expense

	2018	2017
Office Supplies Expense	31,373	22,222
Accountable Forms Expenses	4,350	1,750
Semi-Expendable Machinery and Equipment	61,878	480
Semi-Expendable Furnitures, Fixtures and Books	130	400
	97,731	24,852

Taxes, Insurance Premiums and Other Fees

	2018	2017
Taxes, Duties and Licenses	16,723	15,743
Fidelity Bond Premium	23,437	20,625
Insurance Expenses	4,972	9,196
	45,132	45,564

Utility Expenses

	2018	2017
Water Expenses	0	7,091
Electricity Expenses	0	19,507
	0	26,598

Other Maintenance and Operating Expenses

	2018	2017
Representation Expenses	341,965	241,264
Rent/Lease Expenses	173,408	87,520
Major Events and Conference	128,245	0
Membership Dues and Contributions to Organizations	96,667	76,667
Transportation and Delivery Expense	1,449	315,000
Advertising, Promotional and Marketing Expenses	0	53,400
Donations	0	50,000
Other Maintenance and Operating Expenses	911,874	3,820,952
	1,653,608	4,644,803

19. PERSONNEL SERVICES

This comprises the following:

	2018	2017
Salaries and Wages	10,209,477	4,133,112
Other Compensation	3,300,477	3,053,437
Personnel Benefit Contributions	378,794	292,690
Other Personnel Benefits	452,535	211,825
	14,341,283	7,691,064

Salaries and Wages

	2018	2017
Salaries and Wages- Regular	8,696,508	3,327,989
Salaries and Wages- Casual/Contractual	1,512,969	805,123
	10,209,477	4,133,112

Other Compensation

	2018	2017
Year End Bonus	931,753	335,540
Personnel Economic Relief Allowance	267,000	0
Clothing/Uniform Allowance	155,000	0
Representation Allowance	142,000	207,488
Transportation Allowance	142,000	207,488
Cash Gift	107,000	79,500
Productivity Incentive Allowance	92,500	82,500
Overtime and Night Pay	59,465	32,868
Longevity Pay	0	32,500
Other Bonuses and Allowances	1,403,759	2,075,553
	3,300,477	3,053,437

Personnel Benefit Contributions

	2018	2017
Retirement and Life Premiums	267,527	222,515
Pag-IBIG Contributions	23,100	19,400
PhilHealth Contributions	81,537	45,475
Employees Compensation Insurance Premiums	6,630	5,300
	378,794	292,690

Other Personnel Benefits

This pertains to Retirement Gratuity.

Employee Future 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 5 percent of the total basic salary of LCDFI employees was taken up as Other payables to LCDFI employees from July 2010 to June 2016 prior to the opening of an Employee Retirement Plan with Land Bank of the Philippines-Trust Banking Group (LBP-TBG).

Starting July 2016, pursuant to Board Resolution No. 16-021, the regular monthly accrual equivalent to 5 percent of the total basic salary was increased to 6.3 percent.

The Fund is being administered by the LBP-TBG who is responsible for the investment strategy of the Plan. As of December 31, 2018, the amount of funds deposited/invested in LBP-TBG amounted to P1,680,310.38.

20. NON-CASH EXPENSES

	2018	2017
Depreciation Expense	145,992	130,777
Loss on Asset Disposal	51,685	0
	197,677	130,777

21. FINANCIAL EXPENSES

	2018	2017
Bank Charges	2,080	3,300
Other Financial Charges	0	0
	2,080	3,300

22. FUND BALANCES

	Accumulated Surplus/ (Deficit)				Retained Earnings			
	Program Dev't. Fund	Gen & Admin Fund	Program Fund	Total Acc. Surplus/ (Deficit)	Reserve Fund	Restricted fund	Total RE	Total
Revenues								
Donation	50,000	0	29,280,777	29,330,777	0	0	0	29,330,777
Interest Income	1,424,863	712,431	0	2,137,294	0	0	0	2,137,294
Other Income	104,172	0	0	104,172	0	0	0	104,172
TOTAL	1,579,035	712,431	29,280,777	31,572,243	0	0	0	31,572,243
Expenses								
PS	264,464	2,180,100	11,896,719	14,341,283	0	0	0	14,341,283
MOOE	1,172,085	2,959,389	17,382,394	21,513,868	0	0	0	21,513,868
Financial expense	0	416	1,664	2,080	0	0	0	2,080
Non-cash Expense	0	197,677	0	197,677	0	0	0	197,677
TOTAL	1,436,549	5,337,582	29,280,777	36,054,908	0	0	0	36,054,908
Net Surplus/ (Deficit)	142,486	(4,625,151)	0	(4,482,665)	0	0	0	(4,482,665)
RE-App. Fund Balance, 12/31/2017	(142,486)	(71,243)	0	(213,729)	213,729	0	213,729	0
Prior Period Adjustments	44,497,234	15,828,178	3,284,902	63,610,314	24,453,096	15,000,000	39,453,096	103,063,410
	339	176,865	0	177,204	56	0	56	177,260
Fund Balance, End 12/31/2018	44,497,573	11,308,649	3,284,902	59,091,124	24,666,881	15,000,000	39,666,881	98,758,005

The prior period adjustments were related to the understatements in Due to Officers and Employees and Interest Income for CY 2017 amounting to P176,697 and P563, respectively.

23. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

The significant difference between the Budget and Actual Amounts of Donation represents the receivables based on the Deed of Donation and Acceptance signed by the donor LBP and accepted by the donee LCDFI.

On the Payments side, the 2018 Personnel Services Budget was allocated for the 23 approved plantilla positions, but only 18 plantilla were filled as of December 31, 2018, and the difference between the Budget and Actual Amounts in the Maintenance and Operating Expenses amounting to P2,344,160 represents the deferred activities in LCDFI various programs.

24. SUPPLEMENTARY INFORMATION ON REVENUE REGULATION

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

	2018	2017
Mayor's permit	11,204	12,814
Barangay clearance	500	500
	11,704	13,314

B. National

	2018	2017
BIR registration	0	500
Registration of Vehicle	3,069	2,929
	3,069	3,429

C. Withholding taxes paid/accrued for the year:

	2018	2017
Taxes on compensation and benefits	1,417,072	673,295
Creditable withholding and Final Taxes	763,143	907,468
	2,180,215	1,580,763

25. RELATED PARTY DISCLOSURES

The LCDFI is a corporate foundation whose parent bank is the LBP. The following table provides the total amount of transactions which have been entered into with related parties for CY 2018:

Related Party	Transactions	Amount
LBP-Treasury Operations Dept.	Investments in government securities	20,006,454
LBP-Trust Banking Group	Investments in government securities	39,749,390
LBP- Landowners Assistance Policy Department	Investment in 10-year Agrarian Reform bonds	5,164,609
Masaganang Sakahan, Inc.	Supplier of rice for employees	279,650

Allowances and other benefits of Key Management Personnel

	2018	2017
Board of Trustees		
Extraordinary and Miscellaneous (Reimbursable Expenses)	258,050	242,600
Corporate Officers		
Representation and Transportation Allowance	184,000	176,000
Extraordinary and Miscellaneous (Reimbursable Expenses)	168,000	108,000
Other Benefit and Bonuses	514,283	208,125
	1,124,333	734,725

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

COMPLIANCE AUDIT

Gender and Development (GAD)

1. The GAD Plan and Budget for CY 2018 of LCDFI was not submitted to the Philippine Commission for Women (PCW), contrary to PCW-NEDA-DBM Joint Circular No. 2012-01.

1.1. PCW-NEDA-DBM Joint Circular No. 2012-01 prescribes the guidelines and procedures for the formulation, development, submission, implementation, monitoring and evaluation including accounting of results of agency annual GAD Plan and Budget (GPB) and GAD accomplishment reports (AR).

1.2. The general guidelines of the same Joint Circular provides that GAD planning and budgeting shall be conducted annually as part of all programming and budgeting exercises of agencies. The programs, activities and projects in the GPB shall be included in the agency budget proposal and they shall be reflected in the Annual Work and Financial Plan of concerned offices or units within the agency or department. Further, the GAD budget, which is the cost of implementing the GAD plan, shall form part, and is not in addition to the agencies' approved budget.

1.3. Also, there are schedules to be observed in GAD planning and budgeting, one of which is the submission of reviewed GPBs and ARs to PCW in January, one year before budget year.

1.4. The LCDFI prepared its GPB for CY 2018, however, it was prepared behind the schedule, which is one year before the budget year. As a result, the prepared GPB was not submitted to PCW. According to Management, there were no activities, programs and projects attributed to GAD during the year.

1.5. The GPB for 2018 was due for submission to PCW in January 2017. Since there were no GAD activities and programs during the year, the agency had no interventions in addressing possible gender issues.

1.6. In 2017, the same observation was included in the Annual Audit Report.

1.7. **We recommended that Management:**

a) Conduct GAD planning and budgeting annually in accordance with the guidelines; and

b) Prepare GPB yearly and observe the schedule of submission to PCW required under PCW-NEDA-DBM Joint Circular No. 2012-01.

1.8. Management agreed to comply with the recommendation.

Compliance with Tax Laws

2. The taxes withheld in CY 2018 from the compensation and benefits of LCDFI personnel and from suppliers amounting to P1,417,072 and P763,143, respectively, as disclosed in Note 24 to the Financial Statements, were remitted to the Bureau of Internal Revenue within the reglementary period.

SSS Contributions and Remittances

3. In CY 2018, LCDFI complied with Republic Act (RA) 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

4. In CY 2018, LCDFI complied with Title III, Rule III, Section 18 of the Implementing Rules and Regulations of RA No. 7875, as amended, in the payment of national health insurance premium contributions to the Philhealth.

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

Accomplishments vs. Targets

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

5.1. In CY 2018, LCDFI accomplished most of its targets. The significant accomplishments under the programs and project key result areas, which were validated by the audit team, are as follows:

Key Result Areas	Activities	Targets	Actual Accomplishments	Percentage of Accomplishment
Capacity Building Unit	Training Implementation	105	119	113%
	Module Development and Updating	1	1	100%
	Monitoring and Evaluation of Training Programs	12	12	100%
	Pool of Resource Speakers	30	36	120%
Project Likas Saka	Farmer Clusters Organized/Established	10	10	100%

Key Result Areas	Activities	Targets	Actual Accomplishments	Percentage of Accomplishment
Project Likas Saka	Number of ARB/Small Farmer Member Assisted (thru trainings)	544	629	116%
	Cluster Monitoring and Visits Conducted	110	68	62%
	Training Seminars Conducted	10	9	90%
	New Local Farm Technicians Engaged	30	24	80%
Project CoCo BiNHi	Coco BiNHi Training	25	19	76%
	Coco BiNHi Trainees	541	456	84%
	Training and Immersion on Coconut Technology (TICT)	10	10	100%

STATUS OF DISALLOWANCES, SUSPENSIONS AND CHARGES

6. 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.

6.1. 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.

6.2. Subsequently, the Legal Services Group, LBP, filed a Petition for Certiorari to the Supreme Court on August 4, 2014 on the aforementioned COA Resolution. As at December 31, 2018, the Management has not received any decision on the Petition filed with the Supreme Court.

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