



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

March 15, 2023

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, 2022 and 2021.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the LDCFI for the years ended December 31, 2022 and 2021.

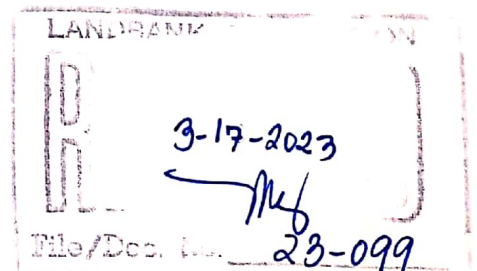
We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT



ADELA L. DONDONILLA
Director *V*
Cluster Director



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
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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, 2022 and 2021

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, 2022 is composed of the Chairman and seven trustees as members.

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

As at December 31, 2022, one of the seven members of the Board of Trustees and two of the three corporate officers are officers of LBP.

The Foundation has 20 regular employees and 1 contractual employee as at December 31, 2022.

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, 2022 in accordance with the International Standards of Supreme Audit Institutions, to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2022 and 2021. 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	2022	2021 (As restated)	Increase/ (Decrease)
Assets	74,800,425	86,240,577	(11,440,152)
Liabilities	7,741,923	2,826,784	4,915,139
Net Assets/ Equity	67,058,502	83,413,793	(16,355,291)

2. Comparative Results of Operations

Particulars	2022	2021 (As restated)	Increase/ (Decrease)
Revenues	29,120,250	22,211,070	6,909,180
Expenses	34,798,311	24,076,641	10,721,670
Net Deficit	(5,678,061)	(1,865,571)	(3,812,490)

3. Comparison of Budget and Actual Expenditures

	Approved Budget	Actual Expenditures	Difference
A. LCDFI Personnel Services	23,062,202	18,904,618	4,157,584
B. LCDFI Maintenance and Other Operating Expenses	23,510,914	17,088,619	6,422,295
C. Financial Expense	2,750	2,750	0

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, 2022 and 2021.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2022, LCDFI had an outstanding audit disallowance of P561,000.

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

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

The six audit recommendations in the prior year's Annual Audit Report were fully implemented.

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PART I
AUDITED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

LANDBANK Countryside Development Foundation, Inc.
14th 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 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, 2022 and 2021, and the statements of financial performance, statements of changes in net assets/equity, statements of cash flows for the years then ended, and statement of comparison of budget and actual amount for the year ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LCDFI as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended, and comparison of budget and actual amount for the year ended December 31, 2022 in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 IPSASs, 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 LCDFI 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 ISSAIs 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 ISSAIs, 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.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LCDFI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
-

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the LCDFI to cease to continue as a going concern.

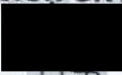
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 required under the Revenue Regulations 15-2010 in Note 25 and Revised Securities Regulation Code Rule 68 in Note 28 to the 2022 financial statements is presented for purposes of filing with the Bureau of Internal Revenue and the Securities and Exchange Commission, respectively, and is not a required part of the basic financial statements. Such supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


MARIE FRANCÈS HAZEL S. ACEBEDO
OIC, Supervising Auditor

March 2, 2023



LANDBANK Countryside Development Foundation, Inc.

26th Floor, LANDBANK Plaza, Land Bank of the Philippines, 1509 M.H. Del Pilar cor. Dr. J. Quintos Sts., Malate, Manila 1004
☎ (632) 85543360 * 89567488 * Telefax (632) 8925286, Website www.landbankfoundation.com Email info@landbankfoundation.com

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, 2022 and 2021, 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.


CONSUELO N. PADILLA
Chairperson of the Board


ROY C. OSCILLADA
Executive Director


ANNALENE M. BAUTISTA
Corporate Treasurer

Signed this 2nd day of March 2023.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
As at DECEMBER 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	9,481,948	6,476,855
Receivables	5	16,321,956	31,071,274
Inventories	6	13,560	23,100
Other Current Assets	7	59,575	61,685
Total Current Assets		25,877,039	37,632,914
Non-Current Assets			
Financial Assets - Held-to-maturity	8	48,132,317	47,559,479
Receivables	5	541,335	534,161
Intangible Assets	9	66,667	0
Property and Equipment, net	10	183,067	514,023
Total Non-Current Assets		48,923,386	48,607,663
Total Assets		74,800,425	86,240,577
LIABILITIES			
Current Liabilities			
Payables	11	3,282,252	1,598,240
Inter-Agency Payables	12	242,303	164,308
Provisions	13	4,205,407	1,059,695
Other Payables	14	11,961	4,541
Total Current Liabilities		7,741,923	2,826,784
Total Liabilities		7,741,923	2,826,784
Net Assets		67,058,502	83,413,793
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)	15, 23	26,684,845	43,209,620
Retained Earnings	16, 23	40,373,657	40,204,173
Total Net Assets/ Equity	23	67,058,502	83,413,793

The Notes on pages 10 to 34 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL PERFORMANCE
For the years ended DECEMBER 31, 2022 AND 2021
(In Philippine Peso)

	Note	2022	2021 (as restated)
REVENUE			
Grants and Donations	17	27,333,102	20,565,453
Business Income	18	1,787,148	1,645,617
Total Revenue		29,120,250	22,211,070
EXPENSES			
Personnel Services	19	20,189,388	15,391,725
Maintenance and Other Operating Expenses	20	14,570,719	8,549,343
Non-Cash Expenses	21	34,474	134,923
Financial Expenses	22	3,730	650
Total Expenses		34,798,311	24,076,641
Net Deficit for the Period		(5,678,061)	(1,865,571)

The Notes on pages 10 to 34 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the years ended DECEMBER 31, 2022 AND 2021
(In Philippine Peso)

	Accumulated Surplus/ (Deficit)	Retained Earnings	Total
	(Notes 15 & 23)	(Notes 16 & 23)	
BALANCE AT JANUARY 1, 2021	44,840,224	40,043,308	84,883,532
Add/(Deduct):			
Net Deficit for the Year, as restated	(1,865,571)	0	(1,865,571)
Appropriation of Retained Earnings	(160,865)	160,865	0
Other Adjustments	395,832	0	395,832
BALANCE AT DECEMBER 31, 2021, as restated	43,209,620	40,204,173	83,413,793
Add/(Deduct):			
Net Deficit for the Year	(5,678,061)	0	(5,678,061)
Appropriation of Retained Earnings	(169,329)	169,329	0
Other Adjustments	(10,677,385)	155	(10,677,230)
BALANCE AT DECEMBER 31, 2022	26,684,845	40,373,657	67,058,502

The Notes on pages 10 to 34 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended DECEMBER 31, 2022 AND 2021
(In Philippine Peso)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Cash receipts from donors		41,373,355	25,342,361
Cash receipts from advances of employees		632,425	1,693,649
Cash Receipts from Employees		20,778	19,492
Income from trainings		285,285	36,969
Total Cash Inflows		42,311,843	27,092,471
Cash Outflows			
Cash payment to Government, suppliers and employees		(40,242,098)	(31,433,805)
Total Cash Outflows		(40,242,098)	(31,433,805)
Net Cash provided by/(used) in Operating Activities		2,069,745	(4,341,334)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from matured investments	8	10,438,559	10,556,964
Interest Received		496,789	843,959
Total Cash Inflows		10,935,348	11,400,923
Cash Outflows			
Placements in investments	8	(10,000,000)	(8,000,000)
Total Cash Outflows		(10,000,000)	(8,000,000)
Net Cash provided by Investing Activities		935,348	3,400,923
Net Increase/(Decrease) in Cash and Cash Equivalents		3,005,093	(940,411)
Cash and Cash Equivalents, January 1	4	6,476,855	7,417,266
Cash and cash Equivalents, December 31	4	9,481,948	6,476,855

The Notes on pages 10 to 34 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, 2022

	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual (Note 24)
	Original	Final		
RECEIPTS				
Donation	36,000,000	29,000,000	20,835,180	8,164,820
Interest Income	1,000,000	1,000,000	496,789	503,211
Other Income	0	93,856	93,856	0
	37,000,000	30,093,856	21,425,825	8,668,031
PAYMENTS				
Personnel Services	20,526,826	23,062,202	18,904,618	4,157,584
Maintenance and Operating Expense:	27,229,524	23,510,914	17,088,619	6,422,295
Financial Expense	1,000	2,750	2,750	0
	47,757,350	46,575,866	35,995,987	10,579,879
NET RECEIPTS/(PAYMENTS)	(10,757,350)	(16,482,010)	(14,570,162)	(1,911,848)

The Notes on pages 10 to 34 form part of these financial statements.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021
(Amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

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 registered office of the Foundation is located in 14th floor LANDBANK Plaza, M.H. Del Pilar cor Dr. J. Quintos Sts., Malate, Manila.

The financial statements of LCDFI were authorized for issue by the Board of Trustees January 27, 2023 and were signed on January 27, 2023 by the LCDFI Chairperson of the Board of Trustees, President and Chief Executive Officer and Corporate Treasurer as shown in the Statement of Management Responsibility for Financial Statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF FINANCIAL STATEMENTS PREPARATION

2.1. Statement of Compliance

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

2.2. Basis of Financial Statements Preparation

The financial statements have been prepared based on historical cost, unless stated otherwise. The Statements of Cash Flows are prepared using the direct method. The financial statements are prepared on an accrual basis in accordance with the IPSASs.

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

The accounting policies adopted in the presentation of the Financial Statements are set out below. These policies have been consistently applied throughout the year presented.

3.1. Financial Instruments

a. Initial Recognition

The LCDFI recognizes a financial asset or a financial liability in its statements of financial position when, and only when, the LCDFI becomes a party to the contractual provisions of the instrument.

b. Initial measurement

The financial asset or financial liability is recognized initially at its fair value. The initial measurement of the financial asset or financial liability, except for those not at fair value through surplus or deficit, includes transaction cost that are directly attributable to the acquisition or issue of the financial asset and financial liability.

c. Financial Assets

i. Classification of financial assets

Financial assets within the scope of IPSAS 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.

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

ii. 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 considering 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.

iii. 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 expire or are waived; and

2. The LCDFI has transferred its contractual rights to receive the cash flows of the financial assets; or retained the 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 IPSAS 29-Financial Instruments: Recognition and Measurement; and either the LCDFI has:

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

iv. 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.

d. Financial Liabilities

i. Classification of financial liabilities

Financial Liabilities within the scope of IPSAS 29- Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through surplus or deficit, or financial liabilities at amortized cost, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

The LCDFI's financial liabilities include the accounts payable, inter-agency payable and other payables.

ii. Subsequent measurement

After initial recognition, the LCDFI measures its financial liabilities at amortized cost using the effective interest method, except for:

1. Financial liabilities at fair value through surplus or deficit;
2. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
3. Financial guarantee contracts; and
4. Commitments to provide a loan at a below-market interest rate.

iii. Derecognition

A financial liability is derecognized when, and only when, the obligation specified in the contract is discharged, waived, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

e. Offsetting a financial asset and financial liability

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.

The conditions set out are generally not satisfied and offsetting is usually inappropriate when several different financial instruments are used to emulate the features of a single financial instrument, financial assets and financial liabilities arise from financial instruments having the same primary risk exposure but involve different counterparties, financial or other assets are pledged as collateral for non-recourse financial liabilities, financial assets are set aside in trust by a debtor for the purpose of discharging an obligation without those assets having been accepted by the creditor in settlement of the obligation or obligations incurred as a result of events giving rise to losses are expected to be recovered from a third party by virtue of a claim made under an insurance contract.

f. 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.

3.2. Cash and Cash Equivalents

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

3.3. Inventories

Inventory is measured at cost upon initial recognition.

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

3.4. 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 P50,000.00

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

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 purpose 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 10 per cent 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.

3.5. Budget Information

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

In preparing the Statement of Comparison of Budget and Actual Amounts (SCBAA) the following were observed:

- a. In cases where there is no estimated revenue reflected on the approved budget, the actual collections shall be considered as the estimated revenue (Final).
- b. Only those collections pertaining to current year's revenue/income shall be considered.
- c. Only disbursements pertaining to current year's utilizations shall be considered.

3.6. 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.

3.7. 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 and as a liability after deducting the amount paid.

3.8. Measurement Uncertainty

The preparation of financial statements in conformity with IPSAS 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.

3.9. Changes in Accounting Policies and Estimates

The LCDFI recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LCDFI recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The LCDFI corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or

- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

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 as assets when the goods are 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 at 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:

	2022	2021
Cash in bank- Local Currency	9,461,948	6,456,855
Petty cash fund	20,000	20,000
	9,481,948	6,476,855

5. RECEIVABLES

This comprises the following:

	2022			2021 (As restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
Account Receivables	0	0	0	171,214	0	171,214
Inter-Agency Receivables	12,135,009	0	12,135,009	28,774,033	0	28,774,033
Other Receivables	4,186,947	541,335	4,728,282	2,126,027	534,161	2,660,188
Total	16,321,956	541,335	16,863,291	31,071,274	534,161	31,605,435

Inter-Agency Receivables

	2022	2021 (As restated)
Current		
Due from Parent Corporation	6,469,503	20,537,451
Due from NGAs	5,595,506	8,236,582
Due from Government Corporation	70,000	0
Total	12,135,009	28,774,033

Other Receivables

	2022			2021		
	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	21,047	48,145	69,192	45	48,145	48,190
Other Receivables	4,165,900	35,940	4,201,840	2,125,982	28,766	2,154,748
Total	4,186,947	541,335	4,728,282	2,126,027	534,161	2,660,188

Aging/Analysis of Receivables

As at December 31, 2022

Accounts	Total	Not Past Due	Past Due		
			<30 days	30-60 days	>60 days
Due from Parent Corporation	6,469,503	2,594,356	3,875,147	0	0
Due from NGA	5,595,506	409,281	0	0	5,186,225
Due from Government Corporation	70,000	0	0	0	70,000
Receivables-Disallowances/Charges	457,250	0	0	0	457,250
Account Receivables	0	0	0	0	0
Due from Officers and Employees	69,192	0	0	0	69,192
Other Receivables	4,201,840	1,592,100	0	0	2,609,740
Total	16,863,291	4,595,737	3,875,147	0	8,392,407

6. INVENTORIES

This comprises the following:

	2022	2021
Semi- Expendables	0	15,000
Office Supplies	0	2,000
Accountable Forms	13,560	6,100
	13,560	23,100

7. OTHER CURRENT ASSETS

This pertains to the deposit to DBM-PS amounting to P59,575 and P61,685 in CY 2022 and CY 2021, respectively.

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

This comprises the following:

	2022	2021
HTM	48,096,195	47,086,916
Interest Receivable	36,122	472,563
	48,132,317	47,559,479

Breakdown of the HTM, including interest receivable

	2022	2021
HTM- Investment in Trust	34,502,200	28,534,242
HTM- Investment in Bonds- Local	13,630,117	19,025,237
	48,132,317	47,559,479

Reconciliation of carrying amounts of FA-HTM:

Particulars	Amount
Beginning Balance as at January 1, 2022	47,559,479
Additional investment	10,000,000
Collection of matured investment	(10,438,559)
Amortization of discount /(premium) on the acquisition of investment	975,275
Interest Receivable	36,122
Balance as at December 31, 2022	48,132,317

Particulars	Amount
Beginning Balance as at January 1, 2021	49,449,961
Additional investment	8,000,000
Collection of matured investment	(10,556,964)
Amortization of discount on the acquisition of investment	193,919
Interest Receivable	472,563
Balance as at December 31, 2021	47,559,479

9. INTANGIBLE ASSETS

In February 28, 2022, the LCDFI's website in the amount of P80,000.00 was purchased and became operational. The amortization expense for CY 2022 is P13,333.

10. PROPERTY AND EQUIPMENT

Reconciliation of carrying amounts:

As at December 31, 2022

Particulars	Office Equipment	Vehicle	Info & Communication Technology	Total
Carrying Amount, January 1, 2022	57,121	88,220	368,682	514,023
Additions/Acquisitions	0	0	335,920	335,920
Reclassifications	(57,121)	0	(588,614)	(645,735)
Total	0	88,220	115,988	204,208

Particulars	Office Equipment	Vehicle	Info & Communication Technology	Total
Depreciation	0	0	(21,141)	(21,141)
Carrying Amount, December 31, 2022	0	88,220	94,847	183,067
Gross Cost	0	882,200	472,260	1,354,460
Accumulated Depreciation	0	(793,980)	(377,413)	(1,171,393)
Carrying Amount, December 31, 2022	0	88,220	94,847	183,067

As at December 31, 2021

Particulars	Office Equipment	Vehicle	Info & Communication Technology	Total
Carrying Amount, January 1, 2021	79,443	88,220	481,283	648,946
Additions/Acquisitions	0	0	0	0
Total	79,443	88,220	481,283	648,946
Depreciation	(22,322)	0	(112,601)	(134,923)
Carrying Amount, December 31, 2021	57,121	88,220	368,682	514,023
Gross Cost	349,285	882,200	1,269,777	2,501,262
Accumulated Depreciation	(292,164)	(793,980)	(901,095)	(1,987,239)
Carrying Amount, December 31, 2021	57,121	88,220	368,682	514,023

11. PAYABLES

This comprises the following accounts:

	2022	2021
Accounts Payable	3,224,911	1,473,793
Due to Officers and Employees	57,341	26,631
Tax Refund Payable	0	97,816
	3,282,252	1,598,240

12. INTER AGENCY PAYABLES

This comprises the following accounts:

	2022	2021
Due to BIR	93,464	28,412
Due to SSS	78,959	87,701
Due to PhilHealth	52,416	25,386
Due to Pag-IBIG	17,464	22,809
	242,303	164,308

13. PROVISIONS

	2022	2021
Leave Benefits Payable	3,458,660	0
Retirement Gratuity Payable	746,747	1,059,695
	4,205,407	1,059,695

The balance of the Retirement Gratuity Payable amounting to P746,747 was based on the actuarial report considering the data on employee salaries after the implementation of the Compensation and Position Classification System and after additional contributions to the fund during CY 2022.

14. OTHER PAYABLES

This represents due to Landbanker's Multi-Purpose Cooperative representing loan of employees.

15. 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.

16. RETAINED EARNINGS

	2022	2021
Reserve Fund	25,373,657	25,204,173
Restricted Fund	15,000,000	15,000,000
	40,373,657	40,204,173

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.

17. GRANTS AND DONATIONS

This account represents donations from the following donors:

	2022	2021 (As restated)
Land Bank of the Philippines (LBP)	27,305,406	20,565,453
Masaganang Sakahan Inc.	27,696	0
	27,333,102	20,565,453

The recognition of donation income was in accordance with the provisions of IPSAS 23.

18. BUSINESS INCOME

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

	2022	2021
Interest income	1,693,292	1,608,648
Miscellaneous Income	0	36,969
Seminar/Training Fees	93,856	0
	1,787,148	1,645,617

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

	2022	2021
Treasury Investments	485,082	841,367
Trust Account	1,192,642	725,441
AR Bonds	12,230	36,148
Current Account	3,338	5,692
	1,693,292	1,608,648

19. PERSONNEL SERVICES

This comprises the following:

	2022	2021
Salaries and Wages	12,235,862	11,082,175
Other Compensation	4,493,369	3,466,297
Personnel Benefit Contributions	786,151	766,374
Other Personnel Benefits	2,674,006	76,879
	20,189,388	15,391,725

Salaries and Wages

	2022	2021
Salaries and Wages- Regular	11,966,359	11,032,471
Salaries and Wages- Casual/Contractual	269,503	49,704
	12,235,862	11,082,175

Other Compensation

	2022	2021
Year End Bonus	1,191,494	896,795
Personnel Economic Relief Allowance	521,818	574,909
Clothing/Uniform Allowance	175,279	141,618
Representation Allowance	429,000	204,000
Transportation Allowance	429,000	204,000
Cash Gift	112,500	115,000
Productivity Incentive Allowance	101,000	115,000
Overtime and Night Pay	40,478	0
Longevity Pay	0	15,000
Hazard Pay	0	65,000
Mid Year Bonus	1,090,800	894,975
Other Bonuses and Allowances	402,000	240,000
	4,493,369	3,466,297

Personnel Benefit Contributions

	2022	2021
Retirement and Life Premiums	540,642	574,770
PhilHealth Contributions	210,729	155,724
Pag-IBIG Contributions	27,000	27,600
Employees Compensation Insurance Premiums	7,780	8,280
	786,151	766,374

Other Personnel Benefits

	2022	2021
Retirement Gratuity	904,072	0
Terminal Leave Benefits	1,769,934	76,879
	2,674,006	76,879

Employee Future Benefits

In compliance with the provisions of the Retirement Law [Republic Act (R.A.) No. 7641] which requires corporation to provide retirement benefits for their employees, and the National Internal Revenue Code (R.A. No. 8424) which allows tax deductibility of employer's contributions for the retirement benefits of its employees, the LCDFI has established a retirement fund pursuant to Board Resolution No. 10-011 dated July 09, 2010.

In July 2010 to June 2016 prior to the opening of an Employee Retirement Plan with LANDBANK-Trust Banking Group (TBG), the LCDFI accrued on a monthly basis 5 per cent of the basic salary of employees and this was taken up as Other Payables. In July 2016 the monthly accrual was increased to 6.3 per cent pursuant to Board Resolution No. 16-021 and 2016 Actuarial Valuation Report.

The LCDFI's retirement plan is a funded non-contributory defined benefit plan with a single lump sum payment covering retirement and ancillary benefits. The normal retirement benefit is a percentage of final monthly salary per year of service equal to one-half month basic salary, 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 LCDFI's Retirement Fund is being administered by the LANDBANK TBG who is responsible for the investment strategy of the Plan. The Statement of Financial Position as at December 31, 2022 prepared by LBP-TBG showed that the Net Assets balance of the Retirement Fund amounted to P2,595,333. The Net Assets balance is composed of Principal P2,274,120 and Accumulated Income P321,213 with Net Unrealized Gain amounting to P56,339 as at December 31, 2022.

In March 2022, the LCDFI commissioned the services of an independent appraiser to perform an actuarial valuation on the retirement plan of LCDFI.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation are as of March 31, 2022. The employee data used in the March 31, 2022 valuation is composed of 23 employees with an average age of 39.4 years, average past service of 7.6 years and average expected future service of 13.5 years. The actuarial valuation report was performed with the objective to recommend a contribution amount for the year following the March 31, 2022 valuation date.

The retirement plan is 45 per cent funded with a deficit of P3.8 million. The figures were obtained by comparing the Accrued Liability and Plan Assets illustrated in the table below.

Valuation Date	March 31, 2022
Accrued Liability	6.9 million
(Plan Asset)	(3.1 million)
Funding Deficit (Surplus)	3.8 million
Funding Ratio	45 per cent

The Accrued Liability of the Projected Unit Credit method is the part of the actuarial present value of benefits allocated to all periods prior to the valuation date.

For the year following the valuation date, the recommended contribution amounts to P1.4 million or 10.5 per cent of payroll. This recommended contribution for the current year is composed of the following:

- a) Normal Cost, amounting to 7.8 per cent of payroll, represents the actuarial present value of benefits allocated to the valuation year.
- b) Amortization cost, amounting to 2.7 per cent of payroll, represents the amount intended to amortize the funding deficit over 14 years – the average expected future service years of the employees.

The table summarizes the composition of the recommended contribution.

	Amount (P)	% Payroll (12 mos.)
Normal Cost	1.0 million	7.8
Amortization Cost	0.4 million	2.7
Recommended Contribution	1.4 million	10.5

Actuarial cost method and assumptions

A. Details

- | | |
|-----------------------------------|--|
| 1. Valuation Date | March 31, 2022 |
| 2. Actuarial Cost Method | Projected Unit Credit Method |
| 3. Retirement Date | Age 60 with at least five years of service |
| 4. Expected Return Rate on Assets | 4.00 per cent compounded annually |
| 5. Salary Increase Rate | 4.00 per cent compounded annually |
| 6. Currency | Peso (P), unless otherwise specified |
| 7. Mortality Table | 2017 Philippine Intercompany Mortality Table – Age Last Birthday Basis, published by the Actuarial Society of the Philippines |
| 8. Disability Table | 2013 SS Total Disability Rates (Baseline Scenario), published in the 2015 Actuarial Valuation of the Social Security System of the Philippines |

9. Turnover Table

Representative rates:

Service Years	Annual Rate
0	10.0%
1	9.5%
2	9.0%
3	8.6%
4	8.2%
5	7.7%
10	4.6%
15	2.0%
20+	1.0%

The turnover rate is set to one per cent for ages 50 and above

The Projected Unit Credit method or Accrued Benefit Allocation method was used and it complies with the Actuarial Society of the Philippines Guidance Note GN 2016-01. The Accrued Liability or Present Value of Defined Benefit Obligation is the part of the Actuarial Present Value of Benefits allocated to all periods prior to the valuation date. The Normal Cost or Current Service Cost is the part of the Actuarial Present Value of Benefits allocated to the valuation year.

Allocation of Plan Assets

Cash and Cash Equivalents	25.6%
Government Securities	74.6%
Trust Fee Payables	(0.1%)
Other Payables	(0.1%)

20. MAINTENANCE AND OTHER OPERATING EXPENSES

This comprises of the following expenses:

	2022	2021
Training and Scholarship Expenses	11,183,485	5,858,120
Confidential, Intelligence and Extraordinary Expenses	708,000	714,000
Communication Expenses	389,668	531,544
Supplies and Materials Expense	772,646	367,305
Labor and Wages	0	345,670
Travelling Expenses	440,001	324,902
Survey Expense	287,085	0
Professional Services	83,415	133,639
Repairs and Maintenance	56,990	54,764

	2022	2021
Taxes, Insurance Premiums and Other Fees	48,384	35,022
Other Maintenance and Operating Expenses	601,045	184,377
	14,570,719	8,549,343

Communication Expenses

	2022	2021
Telephone Expenses	254,847	373,640
Internet Subscription Expenses	117,808	107,520
Postage and Courier Services	17,013	50,384
	389,668	531,544

Supplies and Materials Expense

	2022	2021
Office Supplies Expense	224,669	196,065
Semi-Expendable Machinery and Equipment	522,490	165,740
Fuel, Oil and Lubricants Expense	12,195	0
Accountable Forms Expenses	9,940	5,500
Other Supplies and Materials	3,352	0
	772,646	367,305

Professional Services

	2022	2021
Auditing Services	0	73,920
Consultancy Services	9,520	0
Legal Services	10,075	14,537
Other Professional Services	63,820	45,182
	83,415	133,639

Repairs and Maintenance

	2022	2021
Repairs and Maintenance-Transportation Equipment	14,700	54,064
Repairs and Maintenance-Machinery and Equipment	42,290	700
	56,990	54,764

Taxes, Insurance Premiums and Other Fees

	2022	2021
Taxes, Duties and Licenses	27,913	17,631
Fidelity Bond Premium	10,469	11,911
Insurance Expenses	10,002	5,480
	48,384	35,022

Other Maintenance and Operating Expenses

	2022	2021
Membership Dues and Contributions to Organizations	25,000	25,000
Representation Expenses	406,885	11,086
Major Events and Conference	100,584	0
Subscription Expense	9,474	0
Transportation and Delivery	180	0
Other Maintenance and Operating Expenses	58,922	148,291
	601,045	184,377

21. NON-CASH EXPENSES

	2022	2021
Depreciation Expense	21,141	134,923
Amortization- Intangible Assets	13,333	0
	34,474	134,923

22. FINANCIAL EXPENSES

This represents the bank charges amounting to P3,730 and P650 in CY 2022 and 2021, respectively.

23. FUND BALANCES

	Accumulated Surplus/ (Deficit)				Retained Earnings			Total
	Program Dev't. Fund	Gen & Admin Fund	Program Fund	Total Acc. Surplus/ (Deficit)	Reserve Fund	Restricted fund	Total RE	
Revenues								
Donation	0	27,696	27,305,406	27,333,102	0	0	0	27,333,102
Interest Income	1,015,975	507,988	0	1,523,963	169,329	0	169,329	1,693,292
Seminar/ Training Fees	93,856	0	0	93,856	0	0	0	93,856
TOTAL	1,109,831	535,684	27,305,406	28,950,921	169,329	0	169,329	29,120,250

	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
Expenses								
PS	7,029,413	3,012,606	10,147,369	20,189,388	0	0	0	20,189,388
MOOE	10,259,670	2,564,918	1,746,131	14,570,719	0	0	0	14,570,719
Financial expense	0	3,730	0	3,730	0	0	0	3,730
Non-cash Expense	0	34,474	0	34,474	0	0	0	34,474
TOTAL	17,289,083	5,615,728	11,893,500	34,798,311	0	0	0	34,798,311
Excess of revenue over expenses								
RE-App.	0	0	0	0	0	0	0	0
Fund Balance, 12/31/2021	24,044,222	6,166,290	12,999,108	43,209,620	25,204,173	15,000,000	40,204,173	83,413,793
Prior Period Adjustment	112,038	(3,072,662)	(7,716,761)	(10,677,385)	155	0	155	(10,677,230)
Fund Balance, End 12/31/2022	7,977,008	(1,986,416)	20,694,253	26,684,845	25,373,657	15,000,000	40,373,657	67,058,502

24. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

The difference between the final budget and actual amounts are presented as follows:

a. Donation

Since LCDFI is still in the post pandemic stage which follows health restrictions, most of the trainings for LBP Borrowing Cooperatives and face to face trainings were limited and were conducted via on-line training. The LCDFI budgeted the P29,000,000 based mostly on face to face trainings.

b. Interest Income

Interest to be earned from financial assets held to maturity for the year was over projected amounting to P503,211

c. Personnel Services

For the first half of the year, 23 out of 25 approved plantilla positions were filled and by July 2022, only 20 positions remain active due to the retirement of two LCDFI Employees from Capacity Building Unit and the resignation of LCDFI President.

d. Maintenance and Other Operating Expenses (MOOE)

In CY 2022, LCDFI Programs and Operations are continuously affected by the implementation of social distancing measures and the varying quarantine protocols among LGUs due to the COVID-19 pandemic, hence there is an unutilized budget of P6,422,295 on MOOE.

25. 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

	2022	2021
Mayor's permit	19,944	10,959
Barangay clearance	500	500
	20,444	11,459

B. National

	2022	2021
BIR registration	500	500
Registration of Vehicle	6,829	2,179
	7,329	2,679

C. Withholding taxes paid/accrued for the year:

	2022	2021
Taxes on compensation and benefits	1,620,300	1,198,959
Creditable withholding Tax	164,450	121,356
Final VAT and Percentage Tax	84,326	37,504
	1,869,076	1,357,819

26. RISK DISCLOSURE

The LCDFI management maintains the same investment policy.

a. Credit risk

LCDFI's credit risk exposures emanated from its placements. With investments limited to fixed income securities and other financial instruments issued by the Government and its instrumentalities, the risk of non-collection is very remote.

b. Liquidity Risk

Liquidity risk is likewise insignificant as investments can easily be liquidated when the need arises to meet maturing or current obligations.

27. 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 2022:

Related Party	Transactions	Amount
Land Bank of the Philippines	Donations	27,305,406
LBP-Trust Banking Group	Investments in government securities	34,502,200
LBP-Treasury Operations Dept.	Investments in government securities	13,000,841
LBP- Landowners Assistance Policy Department	Investment in 10-year Agrarian Reform bonds	593,154

Allowances and other benefits of Key Management Personnel

	2022	2021
Board of Trustees (BOTs)		
Extraordinary and Miscellaneous (Reimbursable Expenses)	209,435	186,000
Corporate Officers		
Representation and Transportation Allowance	624,000	408,000
Extraordinary and Miscellaneous (Reimbursable Expenses)	199,040	250,868
Other Benefit and Bonuses	917,304	537,969
	1,949,779	1,382,837

28. SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

RATIO	FORMULA	2022	2021
Current ratio	Current assets / Current Liabilities	3.34	13.31
Acid Test ratio	(Cash + Short Term Investments + A/R)/ Current Liabilities	3	13.28
Solvency Ratios	(Net Income + Non-Cash Expense)/Total Liabilities	(0.73)	(0.61)
Debt-to-equity ratio	Total Liabilities/Total Equity	0.12	0.03
Asset-to-equity ratio	Total Assets/Total Equity	1.12	1.03
Return on equity	Net Income/Total Equity	(8%)	(2.24%)
Return on Assets	Net Income/ Total Assets	(8%)	(2.16%)
Net profit margin	Net Income / Revenue	(19%)	(8.4%)

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

NON-FINANCIAL ISSUES

Compliance with Tax Laws

1. The taxes withheld in CY 2022 from the compensation and benefits of LCDFI personnel and from suppliers amounting to P1,620,300 and P248,776, respectively, as disclosed in Note 25 to the CY 2022 Financial Statements, were remitted to the Bureau of Internal Revenue within the reglementary period.

SSS Contributions and Remittances

2. In CY 2022, 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

3. In CY 2022, 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.

3.1. 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.

Status of disallowances, suspensions and charges

4. The balance of disallowance as at December 31, 2021 pertains to the Notice of Disallowance No. LBP-Subs. 2008-015 (2002-2003) dated August 11, 2008 amounting to P5,133,830.02, in which P561,000 pertains to LCDFI Officers/Board of Directors, issued for the payment of additional allowances and benefits to LBP Officials acting as Officers/Board of Directors of MSI. The disallowance was affirmed under COA Decision No. 2012-018 dated February 16, 2012.

4.1. A Motion for Reconsideration filed by LBP with COA on March 19, 2012 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 subject COA Resolution.

4.2. On October 5, 2021, LBP received the Supreme Court Notice of Judgment with the Decision where the Petition for Certiorari filed by LBP and LIBI, LBRDC, LLFC, MSI and LCDFI (collectively referred to as the "Subsidiaries") was DISMISSED. Further,

Supreme Court En Banc Resolution dated April 5, 2022 denied with finality Petitioners' Motion for Reconsideration of the SC Decision dated October 5, 2021 for Petitioners' failure to raise any substantial argument in support thereof. The said Decision affirmed with modification COA Decision No. 2012-018 dated February 16, 2012, thereby holding the members of the LBP Subsidiaries' Board of Directors (BODs) solidarily liable for the return of the disallowed amount under ND No. LBP-Subs. 2008-015 (2002-2003) dated August 11, 2008, relative to the payment of additional allowances and benefits to LBP (the Parent Company) officials acting as officers/members of the BODs of LBP Subsidiaries, amounting to P5,133,830.02, while the payees are individually liable to return of the disallowed amounts they respectively received.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

**STATUS OF IMPLEMENTATION OF PRIOR YEAR'S
AUDIT RECOMMENDATIONS**

The six audit recommendations in the prior year's Annual Audit Report were fully implemented.