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, 2017 and 2016, 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, 2017 and 2016, 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 supplemental information in Note 24 to the 2017 financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the 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

ROCHIE J. FELICES
Supervising Auditor

March 15, 2018

LANDBANK Countryside Development Foundation, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of LANDBANK Countryside Development Foundation, Inc. is responsible for the preparation of the financial statements as at December 31, 2017 and 2016, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Trustees reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

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

V.G. Bulatao

VICTOR GERARDO J. BULATAO
Chairman of the Board

March 12, 2018
Date Signed

G. CARLOS A. GARCIA VI
Executive Director

March 12, 2018
Date Signed

ANNALENE M. BAUTISTA
Corporate Treasurer

March 12, 2018
Date Signed

26th Floor, LANDBANK Plaza
Land Bank of the Philippines
1598 M.H. Del Pilar cor. Dr. J. Quintos Sts.

LANDBANK COUNTRYSIDE DEVELOPMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 and 2016
(In Philippine Peso)

	Note	2017	2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	6,305,023	31,105,588
Receivables	5	21,895,568	7,401,013
Inventories	6	8,750	0
Other Current Assets	7	38,000	18,724
Total Current Assets		28,247,341	38,525,325
Non-Current Assets			
Financial Assets - Held-to-maturity	8	75,538,887	67,549,073
Property and Equipment,net	9	688,370	652,857
Receivables	5	511,202	463,057
Other Assets	10	54,185	54,185
Total Non-Current Assets		76,792,644	68,719,172
Total Assets		**105,039,985**	**107,244,497**
LIABILITIES			
Current Liabilities			
Financial Liabilities	11	1,414,932	950,629
Inter-Agency Payables	12	129,198	2,176,070
Provisions		0	20,000
Other Payables	13	1,945	1,945
Total Current Liabilities		1,546,075	3,148,644
Non-Current Liabilities			
Financial Liabilities	11	430,500	430,500
Total Liabilities		**1,976,575**	**3,579,144**
Net Assets		**103,063,410**	**103,665,353**
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)	14	63,610,314	64,369,423
Retained Earnings	15	39,453,096	39,295,930
Total Net Assets/ Equity		**103,063,410**	**103,665,353**

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, 2017 AND 2016
(In Philippine Peso)

	Note	2017	2016
REVENUE			
Grants and Donations	16	23,829,365	17,223,678
Business Income	17	1,711,391	2,257,044
Total Revenue		25,540,756	19,480,722
EXPENSES			
Maintenance and Other Operating Expenses	18	18,190,750	10,512,862
Personnel Services	19	7,691,064	6,716,773
Non-Cash Expenses	20	130,777	158,296
Financial Expenses	21	3,300	3,150
Total Expenses		26,015,891	17,391,081
Net Surplus/ (Deficit) for the Period		**(475,135)**	**2,089,641**

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, 2017 AND 2016
(In Philippine Peso)

	Accumulated Surplus/ (Deficit) (Note 14)	Retained Earnings (Note 15)	Total
BALANCE AT JANUARY 1, 2016	63,878,886	39,077,957	102,956,843
Changes in Equity for CY 2016			
Add/(Deduct):			
Net Surplus/ (Deficit) for the Year	2,089,641		2,089,641
Appropriation of Retained Earnings	(220,054)	220,054	
Other Adjustments	(1,379,050)	(2,081)	(1,381,131)
BALANCE AT DECEMBER 31, 2016	64,369,423	39,295,930	103,665,353
Changes in Equity for CY 2017			
Add/(Deduct):			
Net Surplus/ (Deficit) for the Year	(475,135)		(475,135)
Appropriation of Retained Earnings	(157,201)	157,201	
Other Adjustments	(126,773)	(35)	(126,808)
BALANCE AT DECEMBER 31, 2017	63,610,314	39,453,096	103,063,410

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, 2017 AND 2016
(In Philippine Peso)

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Cash receipts from donors		7,102,817	20,600,256
Cash receipts from advances of employees		1,525,573	1,168,555
Cash receipts from employees		35,591	0
Cash Receipts from Suppliers		14,051	0
Income from trainings		139,375	56,500
Total Cash Inflows		**8,817,407**	**21,825,311**
Cash Outflows			
Cash payment to Government, suppliers and employees		(26,996,527)	(20,736,474)
Total Cash Outflows		**(26,996,527)**	**(20,736,474)**
Net Cash provided by/(used in) Operating Activities		**(18,179,120)**	**1,088,837**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from matured investments		3,147,396	44,168,839
Interest Received		698,174	808,626
Total Cash Inflows		**3,845,570.00**	**44,977,465.00**
Cash Outflows			
Placements in investments		(10,300,725)	(42,294,987)
Purchases of Property and Equipment		(166,290)	(242,177)
Total Cash Outflows		**(10,467,015)**	**(42,537,164)**
Net Cash provided by/(used in) Investing Activities		**(6,621,445)**	**2,440,301**
Net Increase/ (Decrease) in Cash and Cash Equivalents		**(24,800,565)**	**3,529,138**
Cash and Cash Equivalents, January 1	4	**31,105,588**	**27,576,450**
Cash and cash Equivalents, December 31	4	**6,305,023**	**31,105,588**

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, 2017

	Note	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
RECEIPTS					
Donation		31,000,000	29,000,000	7,102,817	21,897,183
Interest Income		1,600,000	1,600,000	698,174	901,826
Other Income		-	-	139,375	(139,375)
		32,600,000	**30,600,000**	**7,940,366**	**22,659,634**
PAYMENTS					
Personnel Services		11,427,567	10,037,105	7,691,064	2,346,041
Maintenance and Operating Expenses		24,772,897	23,599,295	18,190,750	5,408,545
Financial Expense		-	-	3,300	(3,300)
		36,200,464	**33,636,400**	**25,885,114**	**7,751,286**
NET RECEIPTS/PAYMENTS		**(3,600,464)**	**(3,036,400)**	**(17,944,748)**	**14,908,348**

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, 2017

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

The 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 8, 2018 and were signed on March 12, 2018 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 through 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.

The preparation of financial statements in compliance with the adopted PPSAS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies.

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, trade receivables 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. Financial Liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value.

The LCDFI's financial liabilities include the trade and other payables.

Derecognition

A Financial liability is derecognized when the obligation under the liability expires or discharged or cancelled.

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.

c. 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.

d. 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 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:

	2017	2016
Cash in bank- Local Currency	6,295,023	31,085,588
Petty cash fund	10,000	20,000
	6,305,023	**31,105,588**

5. RECEIVABLES

Loans and Receivables

	2017			2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Interest Receivables	123,875	0	123,875	79,005	0	79,005
Total	**123,875**	**0**	**123,875**	**79,005**	**0**	**79,005**

Inter-Agency Receivables

	2017	2016
Current		
Due from Parent Corporation	21,061,615	6,929,803
Due from Subsidiaries/Joint Ventures/ Associates/Affiliates	636,880	255,481
Total	**21,698,495**	**7,185,284**

Other Receivables

	2017			2016		
	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	0	48,145	48,145	57,258	0	57,258
Other Receivables	73,198	5,807	79,005	79,466	5,807	85,273
Total	**73,198**	**511,202**	**584,400**	**136,724**	**463,057**	**599,781**

Aging/Analysis of Receivables

As at December 31, 2017

Accounts	Total	Not Past Due	Past Due <30 days	Past Due 30-60 days	Past Due >60 days
Due from Parent Corporation	21,061,615	21,061,615			
Due from Subsidiaries/Joint Ventures/ Associates/Affiliates	636,880	636,880			
Receivables-Disallowances/Charges	457,250				457,250
Due from Officers and Employees	48,145				48,145
Other Receivables	79,005	79,005			
Interest Receivables	123,875	123,875			
Total	**22,406,770**	**21,901,375**			**505,395**

6. INVENTORIES

This consists of accountable forms.

7. OTHER CURRENT ASSETS

This comprises the following:

	2017	2016
Deposit to Suppliers	0	18,724
Advances to Officers and Employees	38,000	0
	38,000	**18,724**

8. FINANCIAL ASSETS- HELD TO MATURITY

This comprises the following:

	2017	2016
HTM- Investment in Trust	38,819,369	38,421,016
HTM- Investment in Treasury Bills-Local	29,008,918	19,013,593
HTM- Investment in Bonds- Local	7,710,600	10,114,464
	75,538,887	**67,549,073**

Reconciliation of carrying amounts:

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
Balance as at December 31, 2017	**75,538,887**

Particulars	Amount
Beginning Balance as at January 1, 2016	69,214,248
Additional investment	42,294,987
Collection of matured investment	(44,168,839)
Amortization of discount on the acquisition of investment	208,677,
Balance as at December 31, 2016	**67,549,073**

9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts:

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	-	131,290	166,290
December 31, 2017	**203,628**	**88,220**	**527,299**	**819,147**
Depreciation	(34,657)	-	(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**

As at December 31, 2016

Particulars	Furniture and Fixtures	Office Equipment	Vehicle	Info& Communication Technology	Total
Carrying Amount, January 1, 2016	**84,021**	**256,341**	**88,220**	**908,703**	**1,337,285**
Additions/Acquisitions		81,395		129,500	210,895
Adjustments	(840,295)	(838,823)		(284,243)	(1,963,361)
December 31, 2016	**(756,274)**	**(501,087)**	**88,220**	**753,960**	**(415,181)**
Depreciation	0	(15,621)	-	(61,469)	(77,090)
Adjustments	756,274	685,336	-	(296,482)	1,145,128
Carrying Amount, December 31, 2016	**0**	**168,628**	**88,220**	**396,009**	**652,857**
Gross Cost	**0**	**282,795**	**882,200**	**753,960**	**1,918,955**
Accumulated Depreciation	0	(114,167)	(793,980)	(357,951)	(1,266,098)
Carrying Amount, December 31, 2016	**0**	**168,628**	**88,220**	**396,009**	**652,857**

10. OTHER ASSETS

This represents unserviceable assets as follows:

	2017	2016
Info & Communication Technology Equipment	38,933	38,933
Semi Expendable- Furniture, Fixtures and Books	15,252	15,252
	54,185	**54,185**

11. FINANCIAL LIABILITIES

This comprises the following accounts:

	2017			2016		
	Current	**Non-Current**	**Total**	**Current**	**Non-Current**	**Total**
Accounts Payable	1,238,234	430,500	1,668,734	688,129	430,500	1,118,629
Due to Officers and Employees	176,698		176,698	262,500		262,500
Total	**1,414,932**	**430,500**	**1,845,432**	**950,629**	**430,500**	**1,381,129**

12. INTER AGENCY PAYABLES

This comprises the following accounts:

	2017	2016
Due to Subsidiaries/Affiliates	0	2,068,169
Due to BIR	71,762	57,723
Due to SSS	36,667	29,198
Due to Pag-IBIG	12,944	14,280
Due to PhilHealth	7,825	6,700
	129,198	**2,176,070**

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

	2017	2016
Reserve Fund	24,453,096	24,295,930
Restricted Fund	15,000,000	15,000,000
	39,453,096	**39,295,930**

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 from the following donors:

	2017	2016
Land Bank of the Philippines (LBP)	21,061,615	15,228,727
LBP Leasing and Finance Corporation (LLFC)	2,000,000	0
LBP Insurance Brokerage, Inc. (LIBI)	636,880	1,763,121
LBP Resources and Development Corporation (LBRDC)	68,170	231,830
LBP Runners Club	62,700	0
	23,829,365	**17,223,678**

The recognition of donation income was in accordance with the provisions of PPSAS 23. In CY 2017, donations from LBP and LIBI 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. The amount received from LLFC and LBRDC are donations with conditions in CY 2016 and satisfied in CY 2017.

17. BUSINESS INCOME

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

	2017	2016
Interest income	1,572,016	2,200,544
Miscellaneous Income	139,375	56,500
	1,711,391	**2,257,044**

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

	2017	2016
AR Bonds	646,518	642,352
Trust Account	398,352	1,117,183
Treasury Investments	489,788	394,211
Current Account	37,358	46,798
	1,572,016	**2,200,544**

18. MAINTENANCE AND OTHER OPERATING EXPENSES

This comprises of the following expenses:

	2017	2016
Training and Scholarship Expenses	11,695,783	7,934,536
Labor and Wages	657,600	0
Survey Expenses	400,000	0
Confidential, Intelligence and Extraordinary Expenses	350,600	323,912
Communication Expenses	252,275	231,084
Repairs and Maintenance	51,112	46,684
Taxes, Insurance Premiums and Other Fees	45,564	75,899
Professional Services	29,067	281,365
Utility Expenses	26,598	0
Supplies and Materials Expense	24,852	98,507
Travelling Expenses	12,496	12,257
Other Maintenance and Operating Expenses	4,644,803	1,508,618
	18,190,750	**10,512,862**

Communication Expenses

	2017	2016
Postage and Courier Services	8,685	490
Telephone Expenses	136,070	119,606
Internet Subscription Expenses	107,520	110,988
	252,275	**231,084**

Repairs and Maintenance

	2017	2016
Repairs and Maintenance-Machinery and Equipment	3,150	850
Repairs and Maintenance-Transportation Equipment	47,962	45,834
	51,112	**46,684**

Taxes, Insurance Premiums and Other Fees

	2017	2016
Taxes, Duties and Licenses	15,743	50,663
Fidelity Bond Premium	20,625	18,375
Insurance Expenses	9,196	6,861
	45,564	**75,899**

Professional Services

	2017	2016
Legal Services	8,650	7,300
Auditing Services	18,000	220,000
Other Professional Services	2,417	54,065
	29,067	**281,365**

Utility Expenses

	2017	2016
Water Expenses	7,091	0
Electricity Expenses	19,507	0
	26,598	**0**

Supplies and Materials Expense

	2017	2016
Office Supplies Expense	22,222	84,224
Accountable Forms Expenses	1,750	0
Semi-Expendable Machinery and Equipment	480	6,223
Semi-Expendable Furnitures, Fixtures and Books	400	8,060
	24,852	**98,507**

Other Maintenance and Operating Expenses

	2017	2016
Transportation and Delivery Expense	315,000	0
Representation Expenses	241,264	190,643
Rent/Lease Expenses	87,520	74,880
Membership Dues and Contributions to Organizations	76,667	76,667
Advertising, Promotional and Marketing Expenses	53,400	0
Donations	50,000	0
Other Maintenance and Operating Expenses	3,820,952	1,166,428
	4,644,803	**1,508,618**

19. PERSONNEL SERVICES

This comprises the following:

	2017	2016
Salaries and Wages	4,133,112	3,422,209
Other Compensation	3,053,437	2,806,960
Personnel Benefit Contributions	292,690	249,094
Other Personnel Benefits	211,825	238,510
	7,691,064	**6,716,773**

Salaries and Wages

	2017	2016
Salaries and Wages- Regular	3,327,989	3,228,630
Salaries and Wages- Casual/Contractual	805,123	193,579
	4,133,112	**3,422,209**

Other Compensation

	2017	2016
Representation Allowance	207,488	183,750
Transportation Allowance	207,488	183,750
Clothing/Uniform Allowance	0	70,000
Productivity Incentive Allowance	82,500	73,000
Longevity Pay	32,500	77,000
Overtime and Night Pay	32,868	5,067
Year End Bonus	335,540	331,500
Cash Gift	79,500	70,000
Other Bonuses and Allowances	2,075,553	1,812,893
	3,053,437	**2,806,960**

Personnel Benefit Contributions

	2017	2016
Retirement and Life Premiums	222,515	189,769
Pag-IBIG Contributions	19,400	16,600
PhilHealth Contributions	45,475	38,425
Employees Compensation Insurance Premiums	5,300	4,300
	292,690	**249,094**

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 LANDBANK Trust Banking Group.

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 LANDBANK Trust Banking Group (TBG) who is responsible for the investment strategy of the Plan. As of December 31, 2017, the amount of funds deposited/invested in LANDBANK-TBG amounted to PhP1,494,380.48.

20. NON-CASH EXPENSES

	2017	2016
Depreciation Expense	130,777	77,090
Loss on Asset Disposal	0	81,206
	130,777	**158,296**

21. FINANCIAL EXPENSES

	2017	2016
Management Supervision/Trusteeship Fees	0	300
Bank Charges	3,300	2,850
Other Financial Charges	0	0
	3,300	**3,150**

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	130,870	0	23,698,495	23,829,365	0	0	0	23,829,365
Interest Income	1,048,011	524,005	0	1,572,016	0	0	0	1,572,016
Other Income	0	139,375	0	139,375	0	0	0	139,375
TOTAL	1,074,080	610,980	23,698,495	25,383,555	157,201		157,201	25,540,756
Expenses								
PS	0	942,751	6,748,313	7,691,064	0	0	0	7,691,064
MOOE	525,000	1,367,043	16,298,707	18,190,750	0	0	0	18,190,750
Financial expense	0	660	2,640	3,300	0	0	0	3,300
Non-cash Expense	0	130,777	0	130,777	0	0	0	130,777
TOTAL	525,000	2,441,231	23,049,660	26,015,891	0	0	0	26,015,891
Net Surplus/ (Deficit)	653,881	(1,777,851)	648,835	(475,135)	0	0	0	(475,135)
RE-App.	(104,801)	(52,400)	0	(157,201)	157,201	0	0	157,201
Fund Balance, 12/31/2016	43,948,364	17,657,734	2,763,325	64,369,423	24,295,930	15,000,000	39,295,930	103,665,353
Other Adjustment	(210)	695	(127,258)	(126,773)	(35)	0	(35)	(126,808)
Fund Balance, 12/31/2017	**44,497,234**	**15,828,178**	**3,284,902**	**63,610,314**	**24,453,096**	**15,000,000**	**39,453,096**	**103,063,410**

Adjustments were made on the overstatements in Donation and Interest Income for CY 2016 amounting to P126,458 and P350 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 Payment side, 2017 Personnel Services Budget was allocated for the Twenty Three (23) approved plantilla positions, but only Seventeen (17) plantilla were filled as of December 31, 2017. The Five Million difference between the Budget and Actual Amounts in the Maintenance and Operating Expenses 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

	2017	2016
Mayor's permit	12,814	12,800
Barangay clearance	500	2,500
	13,314	**15,300**

B. National

	2017	2016
BIR registration	500	500
Registration of Vehicle	2,929	7,103
	3,429	**7,603**

C. Withholding taxes paid/accrued for the year:

	2017	2016
Taxes on compensation and benefits	673,295	611,982
Creditable withholding and Final Taxes	907,468	650,471
	1,580,763	**1,262,453**

25. RELATED PARTY DISCLOSURES

The LCDFI is a corporate foundation whose parent bank is the LANDBANK. The following table provides the total amount of transactions which have been entered into with related parties for CY 2017:

Related Party	Transactions	Amount
LBP-Treasury Operations Dept.	Investments in government securities	29,008,918
LBP-Trust Banking Group	Investments in government securities	38,819,369
LBP- Landowners Assistance Policy Department	Investment in 10-year Agrarian Reform bonds	7,710,600
Masaganang Sakahan, Inc.	Supplier of rice for employees	377,625

Allowances and other benefits of Key Management Personnel

	2017	2016
Board of Trustees (BOTs)		
Extraordinary and Miscellaneous (Reimbursable Expenses)	242,600	215,969
Corporate Officers		
Representation and Transportation Allowance	176,000	247,500
Extraordinary and Miscellaneous (Reimbursable Expenses)	108,000	107,942
Other Benefit and Bonuses	208,125	708,423
	734,725	**1,279,834**