



Community and Family Services International
(A Nonstock, Nonprofit Organization)

Financial Statements
December 31, 2012 and 2011

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV&Co
 **ERNST & YOUNG**

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Community and Family Services International

Report on the Financial Statements

We have audited the accompanying financial statements of Community and Family Services International (a nonstock, nonprofit organization), which comprise the statements of assets, liabilities and fund balances as at December 31, 2012 and 2011, and the statements of revenues and expenses, statements of changes in fund balances and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and fund balances of Community and Family Services International as at December 31, 2012 and 2011, and its revenues and expenses and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

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 Revenue Regulations 19-2011 and 15-2010 in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Community and Family Services International. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

SEC Accreditation No. 0923-AR-1 (Group A),

March 25, 2013, valid until March 24, 2016

Tax Identification No. 153-978-243

BIR Accreditation No. 08-001998-78-2012,

June 19, 2012, valid until June 18, 2015

PTR No. 3669663, January 2, 2013, Makati City

April 25, 2013



COMMUNITY AND FAMILY SERVICES INTERNATIONAL
(A Nonstock, Nonprofit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash (Note 4)		
Restricted	₱44,364,761	₱22,008,523
Unrestricted	549,182	178,936
Other current assets (Note 5)	3,387,898	15,059,653
Total Current Assets	48,301,841	37,247,112
Noncurrent Assets		
Property and equipment (Notes 6 and 10)	11,740,695	11,539,704
Refundable deposits (Note 7)	873,122	749,122
Computer software (Note 8)	263,524	427,753
Total Noncurrent Assets	12,877,341	12,716,579
	₱61,179,182	₱49,963,691
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued expenses (Note 9)	₱7,897,512	₱8,509,654
Current portion of bank loans (Note 10)	29,900	163,633
Total Current Liabilities	7,927,412	8,673,287
Noncurrent Liabilities		
Bank loans - net of current portion (Note 10)	-	29,900
Retirement liability (Note 16)	2,752,020	1,725,221
Total Noncurrent Liabilities	2,752,020	1,755,121
Fund Balances (Notes 1 and 12)	50,499,750	39,535,283
	₱61,179,182	₱49,963,691

See accompanying Notes to Financial Statements.



COMMUNITY AND FAMILY SERVICES INTERNATIONAL
(A Nonstock, Nonprofit Organization)

STATEMENTS OF REVENUES AND EXPENSES

	Years Ended December 31	
	2012	2011
REVENUES		
Grants, donations, support and contributions (Note 1)	₱199,597,390	₱169,871,742
Mission-related social enterprise activities	3,046,421	1,993,325
Interest income	220,274	102,967
	202,864,085	171,968,034
PROJECT EXPENSES (Note 13)		
Direct:		
Community service and capacity building expenses	61,366,107	72,904,372
Salaries, employees' welfare and benefits (Note 11)	41,541,471	29,710,317
Trainings and workshops for crisis-affected populations	14,852,481	10,865,366
Field transportation and travel	12,904,961	11,151,309
Professional, technical and other consultancy fees	8,646,433	8,220,548
Emergency response vehicle rental	6,759,616	4,514,355
Field allowances for community volunteers	5,490,293	4,344,871
Rent and utilities	3,467,522	2,720,783
Materials and office supplies	2,100,092	1,519,729
Operations and maintenance of Center for Excellence in Humanitarian Service	1,971,761	1,044,574
Communication	1,947,648	1,239,725
Provision for retirement	1,079,271	971,988
Repairs and maintenance	570,031	205,498
Insurance premiums	73,854	67,124
Management, supervision and support expenses	7,155,447	6,524,694
Development expenses	4,505,141	4,239,247
Counterpart expenses	5,411,567	2,926,728
	179,843,696	163,171,228
COUNTRY PROGRAMME SUPPORT EXPENSES (Note 14)	2,937,474	2,243,336
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11, 15 and 16)	4,763,371	3,723,546
OTHER EXPENSES		
Bank charges	112,874	180,129
Interest expense (Note 10)	47,039	65,646
	159,913	245,775
	187,704,454	169,383,885
EXCESS OF REVENUES OVER EXPENSES BEFORE NON-CASH EXPENSES	15,159,631	2,584,149
OTHER NONCASH EXPENSES		
Depreciation and amortization (Notes 6 and 8)	2,708,257	2,289,941
Foreign exchange loss - net	1,486,907	642,495
	4,195,164	2,932,436
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES (Note 1)	₱10,964,467	(₱348,287)

See accompanying Notes to Financial Statements.



COMMUNITY AND FAMILY SERVICES INTERNATIONAL
(A Nonstock, Nonprofit Organization)

STATEMENTS OF CHANGES IN FUND BALANCES

	Years Ended December 31	
	2012	2011
Balance at beginning of year	₱39,535,283	₱39,883,570
Excess (deficiency) of revenues over expenses	10,964,467	(348,287)
Balance at end of year (Note 12)	₱50,499,750	₱39,535,283

See accompanying Notes to Financial Statements.



COMMUNITY AND FAMILY SERVICES INTERNATIONAL
(A Nonstock, Nonprofit Organization)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	₱10,964,467	(₱348,287)
Adjustments for:		
Depreciation and amortization (Notes 6 and 8)	2,708,257	2,289,941
Retirement expense (Note 16)	1,026,799	640,286
Interest income	(220,274)	(102,967)
Interest expense (Note 10)	47,039	65,646
Operating income before working capital changes	14,526,288	2,544,619
Decrease (increase) in other current assets	11,671,755	(11,869,892)
Increase (decrease) in accounts payable and accrued expenses	(612,142)	1,523,378
Net cash generated (used in) from operations	25,585,901	(7,801,895)
Interest received	220,274	102,967
Interest paid	(47,039)	(65,646)
Net cash provided by (used in) operating activities	25,759,136	(7,764,574)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 6)	(2,768,432)	(1,301,180)
Computer software (Note 8)	(79,100)	(306,492)
Proceeds from disposal of property and equipment (Note 6)	102,513	-
Increase in refundable deposits	(124,000)	(15,000)
Net cash used in investing activities	(2,869,019)	(1,622,672)
CASH FLOWS FROM A FINANCING ACTIVITY		
Payments of bank loan (Note 10)	(163,633)	(215,550)
NET INCREASE (DECREASE) IN CASH	22,726,484	(9,602,796)
CASH AT BEGINNING OF YEAR	22,187,459	31,790,255
CASH AT END OF YEAR (Note 4)	₱44,913,943	₱22,187,459

See accompanying Notes to Financial Statements.



COMMUNITY AND FAMILY SERVICES INTERNATIONAL
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NOTES TO FINANCIAL STATEMENTS

1. Organization Information

Community and Family Services International (CFSI or the Organization) is a nonstock, nonprofit, humanitarian organization, committed to peace and social development, with a particular interest in the psychosocial dimension. The Organization was established in the Philippines in 1981 and was incorporated in 1982.

The registered office address of CFSI is Torres Building, 2442 Park Avenue, Pasay City.

The mission of CFSI is to vigorously protect and promote human security - specifically, the lives, well-being, and dignity of people uprooted by persecution, armed conflict, disasters, and other exceptionally difficult circumstances. These include refugees, internally displaced persons (IDPs), disaster survivors, and others who are vulnerable, exploited or abused.

CFSI carries out its mission through direct services, capacity building, research, and advocacy. Most of these activities are carried out in the Asia and Pacific Region, particularly those countries that comprise the Association of South East Asian Nations (ASEAN).

CFSI has “Special Consultative Status” with the United Nations Economic and Social Council (ECOSOC). This status was first achieved in 2004.

On February 5, 2008, CFSI was certified at the highest level, for the second time, by the Philippine Council for NGO Certification (PCNC), leading to accreditation as a “Donee Institution” by the Philippine Government’s Bureau of Internal Revenue (BIR) through September 9, 2013, in accordance with the provisions of Revenue Regulations No. 13-98, dated January 1, 1999 and Executive Order No. 720, dated April 11, 2008. In January 2013, CFSI submitted to PCNC the requirements for recertification, ideally leading to accreditation for another five years by the BIR as a “Donee Institution” well before September 9, 2013.

CFSI, as a not-for-profit organization operating exclusively for charitable purposes and the promotion of social welfare, falls under Section 30 (e) and (g) of the National Internal Revenue Code, as amended by Republic Act (RA) No. 8424, where income from activities in pursuit of the purpose for which CFSI was organized, is exempt from income tax. However, any income on its properties, real or personal, or from any activity conducted for profit is subject to income tax.

CFSI is governed by a Board of Trustees (BOT). Its operations are funded primarily by the United Nations High Commissioner for Refugees (UNHCR) and the World Bank. Other major fund sources include other United Nations (UN) agencies and various governments, usually through their development agencies.

The private sector in the Philippines, as well as abroad, also contributes significant resources to CFSI, in cash and/or in kind. These donors include a variety of private foundations, corporations, groups, and individuals. Academic institutions in various parts of the world provide CFSI with in-kind support, mainly human resources and technical assistance.

The different funds of CFSI are organized under four major groupings: Philippine Programme, Myanmar Programme, Viet Nam Programme, and Headquarters Programme.



Philippine Programme

The Philippine Programme includes funds for humanitarian and development activities carried out in the Philippines, usually in the social welfare, education, and health arenas, often with a focus on local capacity building. The primary sources of these funds are United Nations agencies; multilateral development banks such as the World Bank; Governments, usually through their development agencies; and the private sector.

A. Funds from United Nations Agencies for Projects with Nationwide Coverage

In 1981, the Philippines ratified the 1951 Convention Relating to the Status of Refugees - the first country in Asia to do so and, for many years, the only one. In 2011, the Philippines also ratified the 1954 Convention Relating to the Status of Stateless Persons. The United Nations High Commissioner for Refugees (UNHCR) has the global mandate to protect and assist refugees and stateless persons. CFSI has been a partner of UNHCR in the Philippines every year since 1982.

1. Philippines UNHCR Fund - URP - represents funds received from the UNHCR to implement the Urban Refugee Project (URP) for urban refugees and stateless persons from more than 16 countries and territories who are granted asylum in the Philippines. CFSI is responsible for helping these refugees and stateless persons achieve durable solutions, as well as providing them with legal assistance, social services, psychosocial support, , and access to health services, including where necessary, tertiary care. For many of the refugees, the most likely durable solution is local integration in the Philippines, ideally leading to naturalization. CFSI has entered into annual project agreements with UNHCR for this purpose since 1997 and is expected to continue to do so through at least December 2014. Under the terms of these agreements, funds that are not used within the project period, as well as specific assets provided for in the agreements, are returned to UNHCR.
2. Philippines UNHCR Fund - ETM - represents funds received from the UNHCR to protect and assist refugees in transit, under special circumstances, to other countries, usually within six months via the Emergency Transit Mechanism (ETM). CFSI is responsible for providing the refugees with safe accommodation, basic services, legal assistance, social services, psychosocial support, and access to health services, including tertiary care. The overall aim of this project is to facilitate the effective and timely resettlement of the refugees. This project, contracted annually, began in 2009 and is expanding. At present, it is expected to continue through at least December 2014.

From January 2013, the URP and the ETM will be presented as one project, thereby reflecting greater operational efficiencies.

For 2011, the UNHCR-approved combined budget for URP and ETM was ₱11,838,013, with the last installment of ₱2,367,277 received on January 9, 2012. Of this amount, ₱81,701 was returned to UNHCR in April 2012.

In 2012, the combined budget for URP and ETM amounted to ₱6,865,698. However, fewer than anticipated refugees and stateless persons arrived in the Philippines in 2012. As such, 338,475 will be returned in April, 2013, after UNHCR verifies the final financial report for 2012 submitted by CFSI and the UNHCR's auditing processes are completed.



B. Funds from United Nations Agencies for Projects in Mindanao

Recurrent armed conflict displaced more than 930,000 persons in Mindanao in 2000, 440,000 persons in 2003, and 745,000 in 2008. CFSI began its response to this complex humanitarian emergency in mid-2000 and has committed to remain engaged in Mindanao through at least 2019. Generally, the situation has improved as a result of the peace talks between the government and armed non-state actors. While large scale displacements have not happened in the last four years, sporadic and short-term displacement continue as a result of clan feuding and/or large-scale natural disasters in many of the areas of operation of CFSI-Central, Northern and Eastern Mindanao. The primary fund sources are international organizations—specifically United Nations agencies and multi-lateral development banks like the World Bank; development agencies, specifically governments; and the private sector.

1. Mindanao UNHCR Fund - MPP- represents funds received from UNHCR, to carry out the Mindanao Protection Project (MPP), which aimed to address the immediate protection needs of people affected by armed conflict and to facilitate the rapid integration and rehabilitation of internally displaced persons (IDPs) and returnees in Central and Northern Mindanao through the implementation of Quick Impact Projects (QIPs). Most of the QIPs are small scale and include livelihood-related initiatives that provide small injections of material, financial and technical assistance. The community-led QIPs and the development of people's organizations (POs) also allow for the inclusion of IDPs with special needs. The project started in July 2010 and continued through December 2012.

In response to the tropical storm Washi (known locally as Sendong) disaster in Northern Mindanao in late December 2011, CFSI and UNHCR agreed to expand the MPP to include the disaster-affected areas of Northern Mindanao. The tropical storm affected 1,100,000 persons in the urban centers of Cagayan de Oro City and Iligan City as well as the provinces of Lanao del Sur, Misamis Oriental and Bukidnon. In this context, CFSI distributed non-food items to IDPs such as tents, tarps, kitchen utensils and Family Support Kits (FSKs) that contained essential hygiene items. CFSI also distributed wheelchairs, walking canes, eyeglasses and medicines to persons with special needs. This project also included provision for QIPs to be carried out by CFSI and its local NGO partners in 2012. This disaster response project continued through December 2012.

2. Mindanao United Nations World Food Programme (WFP) Fund - FAP-Maguindanao and FAP-Lanao - represents funds received from the WFP, a specialized agency of the United Nations, to provide food assistance to specific populations totaling roughly 535,000 persons in the conflict-affected areas of Mindanao, specifically the provinces of Maguindanao and the two Lanao provinces, Lanao del Norte and Lanao del Sur. The project has two objectives: (1) support the on-going peace process; and (2) address the immediate food security needs of the conflict-affected population. Parties to the project agreement include the WFP, CFSI, the Philippine Government's Department of Social Welfare and Development (DSWD) - which serves as the national Executing Agency - and the Bangsamoro Development Agency (BDA) - the development arm of the Moro Islamic Liberation Front (MILF). As Cooperating Partner, CFSI is responsible for the receipt, storage and handling of food commodities at mutually agreed upon delivery points, as well as the distribution of these commodities to the intended beneficiaries. The Emergency Operations (EMOP) started in June 2006 and ended in June 2010. It was followed in July 2010 by the Protracted Relief and Recovery Operation (PRRO), which will continue through at least April 2014.



In addition, in late December 2011, CFSI and WFP agreed to expand their cooperation in the Lanao provinces to include areas in Northern Mindanao affected by the flood disaster associated with Tropical Storm Washi (Sendong). These were two cities – Iligan and Cagayan de Oro – and the provinces of Bukidnon and Misamis Oriental. CFSI provided food assistance to affected persons through Food-for-Work, Emergency School Feeding and Supplemental Feeding benefitting roughly 400,000 persons. The CFSI-WFP response to this disaster lasted through June 2012.

3. Mindanao United Nations World Food Programme (WFP) Fund - FAP-EM - In December 2012, in response to the world's most devastating typhoon for the year, CFSI and WFP agreed to expand their cooperation to include, for the first time, Eastern Mindanao (EM), specifically the areas affected by Typhoon Bopha (Pablo). The typhoon affected 6,200,000 persons in the provinces of Compostela Valley, Davao Oriental, Agusan del Sur, and Surigao del Sur, as well as Lanao del Sur. CFSI is supporting the efforts of the DSWD and local government units in carrying out Food-for-Work, Emergency School Feeding and Supplemental Feeding. This is presently contracted until 11 June 2013, with a commitment from both parties to extend the cooperation through at least September 2013.
4. Mindanao United Nations Children's Fund (UNICEF) - CRP1 - represents funds received from UNICEF for the implementation of the "Building a Safe and Secure Environment and Providing Access to Basic Education for Children Displaced by Armed Conflict in Mindanao," known at CFSI as the "Child Rights Project" (CRP 1). The project started in September 2009 in evacuation centers in eleven municipalities of Maguindanao province and one municipality in North Cotabato province. It included the construction of 55 Child Friendly Spaces (CFS) and 45 Transitional Learning Spaces (TLS); the repair of 21 previously constructed CFS and 14 TLS; and the development and implementation of culturally inclusive activities that focused on the psychosocial well-being of children and youth, and build emotional intelligence among children experiencing profound stress. It also included enhancing family and community capacities to protect child rights and to maintain temporary facilities that address psychosocial needs and promote recovery. The project was completed in February 2011.
5. Mindanao United Nations Children's Fund (UNICEF) - CPWG - Recognizing the need to provide a protective environment for children, specifically those affected by the floods in Cotabato City from June to July 2011, UNICEF supported the project "Ensuring Child Protection in the Flooding Emergency in Cotabato City and Maguindanao" from July to September 2011. CFSI, as the implementing partner, worked closely with other members of the Child Protection Working Group (CPWG). The CPWG, composed of various local NGOs based in Central Mindanao, with DSWD as the lead, and UNICEF as co-lead, was established to address responses to emergencies. Through activities conducted in evacuation centers, approximately 5,000 children were reached directly and indirectly.
6. Mindanao United Nations Children's Fund (UNICEF) - CRP2 - The second phase of the Child Rights Project, entitled, "Ensuring Sustainability of Child Protection Interventions in the Early Recovery of Children Affected by Armed Conflict in Central Mindanao," also known as CRP2, was started in July 2011. CRP2 was undertaken primarily to facilitate the establishment of the Barangay Council for the Protection of Children (BCPC) in 46 barangays (villages) covered by the previous project. CRP2 also contributed to the implementation of the early recovery plans of the local government units of Maguindanao, Lanao del Norte and Lanao del Sur. Also, the structures constructed under the original CRP were turned over to government line agencies such as the Department of Welfare and



Social Development (DSWD), Department of Education (DepEd), and/or the barangay local government unit. The project was completed in December 2011.

7. Mindanao United Nations Children's Fund (UNICEF) - CPEP - In response to the Washi (Sendong) flood disaster in Northern Mindanao in December 2011, CFSI entered into a cooperation agreement with UNICEF for the "Child Protection in Emergencies Project" or CPEP which aimed to establish child-friendly spaces and provide psychosocial interventions to children in evacuation centers and/or places of return and resettlement. The project was carried out in Iligan City and Cagayan de Oro through August 2012.
8. Mindanao United Nations Children's Fund (UNICEF) - CRP3 - Another Child Rights Project (CRP3) was formulated and negotiated in October 2011, but not signed into an agreement with UNICEF until early January 2012. This component was known as the "Development of a School-based Disaster Risk Reduction, Preparedness and Education in Emergencies System". The project aimed to increase the resiliency of the educational system and ensure children have continuous access to basic education, especially in times of emergencies, through the provision of a package of services that included: (a) capacity enhancement on disaster risk reduction management (DRRM) and education in emergencies (EiE); (b) setting up transitional learning spaces (TLS); (c) construction of water and sanitation hygiene (WASH) facilities; (d) repair of damaged school classrooms; and, (e) prepositioning and distribution of learning supplies and materials for schools, teachers, and pupils. Carried out in Maguindanao, North Cotabato, Lanao del Norte, and Lanao del Sur, this project started in January 2012 and was completed in November 2012.
9. Mindanao United Nations Children's Fund (UNICEF) - CRP4 - Building on previous work, a fourth Child Rights Project, "Child Protection Systems for Children Affected by Armed Conflict" or CRP4 was launched in September 2012. The project aimed to enhance the institutional capacities of the Bangsamoro Development Agency (BDA) on child protection and system-building approaches to child protection in the conflicted-affected areas. This component was implemented in 13 provinces across the conflict-affected areas of Mindanao, including Western Mindanao, and completed in January 2013.
10. Mindanao United Nations Children's Fund (UNICEF) - CRP-EM - In December 2012, in response to the typhoon Bopha (Pablo) disaster in Eastern Mindanao, CFSI and UNICEF entered into a partnership to carry out a similar "Child Rights Project" in Eastern Mindanao, specifically in the province of Davao Oriental. This new project (CRP-EM) aims to establish child friendly spaces, temporary classrooms and community-based child protection systems in the typhoon affected communities in specific municipalities in Davao Oriental. The project envisaged to last through the end of March 2013, but will likely be continued through at least May 2013.
11. Mindanao United Nations Population Fund (UNFPA) - SVP - represents funds received from UNFPA. The Stop Violence Project (SVP) was carried out to build the capacity of returned/relocated internally displaced women, youth and men to address sexual and gender-based violence (SGBV) in at least 20 conflict-affected communities in Maguindanao, Lanao del Sur, North Cotabato and Sultan Kudarat. The project aimed to: (a) increase the knowledge and awareness of women, men and youth about SGBV, services available and referral pathways; (b) form community-based support groups of women, men and youth; (c) establish and/or enhance community-based SGBV monitoring/ surveillance systems by organizing and training community-based SGBV



monitors; (d) develop and operationalize the SGBV referral pathway, and strengthen collaboration with experienced SGBV services providers; and (e) respond to SGBV cases through immediate psychosocial support and facilitation of medical, legal and security support services through SGBV service providers in the area, including community-support groups. The project started in June 2012 and was completed in January 2013.

C. Funds from Multilateral Development Banks for Projects in Mindanao

Mindanao World Bank - MTF-RDP - represents funds received from the International Bank for Reconstruction and Development (i.e., the World Bank) for the implementation of the Mindanao Trust Fund - Reconstruction and Development Programme (MTF-RDP). CFSI was selected in late 2005 to serve as Trust Fund Recipient (TFR) of this multi-donor funded initiative. The objectives of the grants to the fund are: (1) strengthen the capacity of communities and local partners, particularly the Bangsamoro Development Agency (BDA), to enable them to promote inclusive and effective governance processes in the economic and social recovery in the conflict-affected areas of Mindanao; and (2) undertake sub-project activities in priority barangays and municipalities as part of capacity building through “learning by doing.” CFSI’s responsibilities as Trust Fund Recipient include financial management, supporting programme management, providing capacity building services as well as operational support, and generally facilitating the implementation of approved sub-projects.

Several grant agreements have been signed between CFSI and the World Bank for the MTF-RDP. The details of those presently active follow:

Grant	US\$ Amount	Equivalent In Philippine Peso	Dates
Fourth Grant Agreement	2,380,000	97,699,000	March 17, 2009- December 31, 2015
Fifth Grant Agreement	1,229,226	50,459,727	November 18, 2009- June 30, 2013
Total	US\$3,609,226	₱148,158,727	

The Fourth Grant Agreement was increased from \$1,400,000 to \$2,380,000 and the implementation period extended from September 2012 through December 2015, after consultations between the World Bank, CFSI, and other key stakeholders. The grant increased from \$1,400,000 to \$2,380,000. The Fifth Grant Agreement was also increased from \$1,095,988 to \$1,229,226, with the terminal date extended from September 2012 through June 2013. The increases and extensions were in line with the Fourth Program Partnership Agreement (PPA4) between CFSI and BDA and expanded the project coverage to include new barangays and municipalities. PPA4 commenced on April 26, 2012 and is expected to run through at least April 25, 2015.

D. Funds from Governments for Projects in Mindanao

1. Mindanao Australian Agency for International Development (AusAID) Fund - (PCP1) - represents funds received from AusAID, to respond to the disaster in Northern Mindanao caused by Tropical Storm Washi (Sendong) through the implementation of the Psychosocial Care Project (PCP1). The activities of this project include: (a) the provision of psychosocial support to survivors and training for local caregivers; (b) ensuring the active participation of survivors and extremely vulnerable groups in planning and carrying out recovery, return, relocation and resettlement activities; and (c) enhancing disaster



mitigation and risk reduction capacities in at-risk communities. The project reached at least 10,000 affected persons in thirteen evacuation centers and/or sites of return/relocation in Cagayan de Oro, Iligan City and other affected communities in Northern Mindanao. The project started in late December 2011 and was completed in January 2013. The funds for this project, totaling P11, 032,500 were received by CFSI on January 2, 2012.

2. Mindanao Australian Agency for International Development (AusAID) Fund - (PCP2) - In December 2012, CFSI and AusAID also agreed, in principle, to cooperate in the response to Typhoon Bopha (Pablo) that devastated Eastern Mindanao. In March 2013, CFSI and AusAID signed an agreement for a second phase of the Psychosocial Care Project – PCP2 – focused on the disaster-affected communities in the provinces of Compostela Valley and Davao Oriental. The total value of this grant, received in full in early April 2013, is P10,745,000.

E. Funds from Governments for Projects in Metro Manila

Metro Manila Australian Agency for International Development (AusAID) Fund (PAI) - represents funds received from AusAID for one project under the Park Avenue Initiative (PAI). The PAI was established by CFSI in 2005 after baseline research in 2004 confirmed that many children and youth were migrants, poor, out of school, and at high risk for exploitation, prostitution, trafficking, substance abuse, and violence. The aim of the Pro-Child Governance Project, which started in April 2009 and was funded by AusAID was to: (a) increase the capacity of eight Barangay Councils to protect children; (b) mobilize the residents of these communities to play a more active role in child protection; and (c) prevent at-risk children and youth from being exploited, prostituted, and trafficked. This element of the PAI was completed in July 2011.

Private Sector Funds

Private Sector Funds - represents funds received from the private sector in the Philippines as well as other countries, including foundations, corporations, academic institutions, religious institutions, community groups, and individuals, for CFSI projects and activities in the Philippines. Most of these funds are restricted, and can only be used for specific projects or activities. Those who provided major grants are described below, while others are simply listed.

F. Funds from the Private Sector for Projects in Mindanao

1. Mindanao Stichting BRAC International (BEP) - Stichting BRAC International and CFSI began in April 2012 the “Basic Education Project” (BEP) of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) Program in selected municipalities and provinces of ARMM. The project is supported with funds from AusAID to BRAC. The project is designed to enable communities without access to education to establish preschools and elementary schools utilizing BRAC’s model of Alternative Delivery Mechanism. CFSI is responsible for operations in the provinces of Maguindanao and Lanao del Sur. The first phase of this project covers the period from April 2012 through June 2015 with total approved budget of ₱19,852,745 for Maguindanao operations and ₱50,900,558 for Lanao del Sur operations.



2. Mindanao Consuelo Foundation (HSP1) – The Consuelo Foundation has funded several CFSI projects in Mindanao since 2002, much of these in the context of three-year development projects contracted on an annual basis, and focused on the needs of children, and women. The “Healthy Start Project” (HSP) was focused on pregnant women and infants in Pagalungan, Maguindanao. The original Healthy Start Project began in June 2005 and was completed in December 2011, after extensive planning for a related follow up initiative.
3. Mindanao Consuelo Foundation (HSP2) – The follow up of the Healthy Start Project is entitled, “Healthy Start Project 2: Read, Write and Eat Right with the Preschool Child” (HSP2). This project aims to follow through the support to 0 to 3 year-old children, who are now in their preschool age, by creating a caring and nurturing environment in the Harmony Play Centers (HPCs) which also serves as the early childhood care and development (ECCD) center. The HPCs also function as the learning venue of parents where trainings on different topics such as child care and parenting, family and community disaster preparedness, functional literacy, and livelihood will be conducted. This project started in January 2012 and is being implemented through at least May 2013 in Pagalungan, Maguindanao.
4. Mindanao Others Disaster Response - Other partners who contributed more broadly to CFSI’s disaster response efforts, specifically the production and the distribution of Family Support Kits (FSKs) for survivors of the flooding in Cotabato City in June 2011, of Tropical Storm Sendong (International name: Washi) in December 2011, and of Typhoon Pablo (International name: Bopha) in December 2012, include the following:

Donors in the Philippines	Donors Outside the Philippines
Foundations in the Philippines, specifically: Ayala Foundation, Megaworld Foundation, Consuelo Foundation, Xavier Science Foundation, and Philippine-Thai Cultural Organization	Merlin The Playa Foundation
Corporations in the Philippines, specifically: PhilSaga Mining Corporation, Arlinor Corporation, YZL Plastic T-shirt Printing, Philippine Coastal Storage and Pipeline Corporation, PATTS College of Aeronautics, and Central Azucarera Don Pedro, Inc.	Various individuals in the United States, Australia, Canada, Switzerland, and the United Arab Emirates Friends of CFSI at the Catholic University of America in Washington DC, USA
Various individuals in the Philippines CFSI Board Members (based in the Philippines)	CFSI Board Members (based outside the Philippines)



G. Funds from the Private Sector for Projects in Luzon

Three tropical storms caused widespread devastation in Luzon between late September and early October 2009, directly affecting 9,400,000 persons and forcibly displacing more than 700,000 persons. CFSI quickly launched a disaster response operation followed by early recovery efforts extending through January 2011.

1. Luzon Mercy Malaysia - (CBDRRM) - Mercy Malaysia, a nongovernmental organization, provided CFSI with funding for the “Community-Based Disaster Risk Reduction and Management (CBDRRM) Project”, which built on CFSI’s response to the aforementioned disaster in Luzon. The CBDRRM Project aimed to: (1) increase the knowledge of CFSI staff on disaster risk reduction (DRR) concepts and enhance staff competencies in implementing DRR projects; and (2) sensitize local government and community residents on DRR concepts and increase their knowledge and skills on preparing and utilizing localized hazard maps. Carried out in the more vulnerable communities in the province of Benguet in Northern Luzon, the desired outcome was improved community disaster preparedness and early warning systems. The project was started in October 2011 and completed in May 2012. In April 2013, Mercy Malaysia committed funds for the second phase of the project to start in May 2013 and be completed in December 2013.
2. Luzon Others Disaster Response - Other partners who contributed more broadly to CFSI’s disaster response efforts in Luzon, specifically the production and distribution of Family Support Kits (FSKs) for survivors of the flooding in August 2012 caused by monsoon rains enhanced by Tropical Storm Haikui, are listed in the table below.

Donors in the Philippines	Donors Outside the Philippines
Corporations in the Philippines, specifically: G2K Corporation, Audio-Visual Solutions Corporation, IAJ Wellness Corporation, and Real Sound Corporation	Friends of CFSI at Catholic University of America in Washington DC, USA
Various individuals in the Philippines	Various individuals in the United States, Australia, Korea, and United Kingdom
CFSI Board Members	CFSI Board Members (based outside the Philippines)

H. Funds from the Private Sector for Projects in Metro Manila

Since 2001, CFSI has been actively promoting efforts to protect and assist vulnerable children and youth in exceptionally difficult circumstances in the Park Avenue area of highly urbanized Pasay City, Metro Manila—where CFSI Headquarters is located. The children and youth are vulnerable to exploitation, prostitution, trafficking, and the drug trade. In response, CFSI launched the Park Avenue Initiative (PAI) to mobilize the community and other stakeholders for child protection, youth development, and opportunity creation. Over the



years, PAI has established several projects with a variety of partners, the most recent of which are described below.

1. Metro Manila PCPD - PAI (RH1) - Philippine Center for Population and Development (PCPD) provided funds for a research project on “Reproductive Health (RH) Research amongst the Youth” in four barangays (wards) in Pasay City, as part of the Park Avenue Initiative (PAI). The research aimed to determine the level of RH knowledge, attitude and practices of respondents, to identify the RH services in the selected barangays and to determine the effectiveness of the existing RH interventions. The research project started in September 2011 and was completed in April 2012.

CFSI presented the research findings and recommendations to the community, partners, and other stakeholders. It was clear that much more needed to be done to protect children and youth with respect to RH, particularly in the context of high-risk behaviors and the sex trade. Various strategies and options for intervention were discussed. Consultations resulted in two of CFSI’s partners agreeing to fund RH services for youth in eight barangays in the Park Avenue area.

2. Metro Manila Consuelo Foundation - PAI (RH2a) - Consuelo Foundation agreed to fund RH intervention in four barangays in Pasay City. The project was started in November 2012 and is expected to be completed in November 2013. Built on the findings of the research conducted by CFSI with funding support from PCPD, the project aims to provide support in RH intervention activities, specifically supporting the involvement of families on adolescent reproductive health.
3. Metro Manila PCPD - PAI (RH2b) - PCPD also agreed to support provision of RH services in an additional four barangays in Pasay City. Known in CFSI as “Reproductive Health Services for the Youth”, the project aims to decrease the number of youth engaging in risky sexual behavior and increase their health-seeking behavior by improving access to RH information and services. The project employs a variety of strategies including family-centered counseling and reflection sessions, training of local peer counselors, linking to local service providers and providing support to alternative learning and tutorials. The project started in January 2013 and is expected to be completed in January 2014.
4. Metro Manila Others - PAI - Funds received for the Park Avenue Initiative were almost entirely earmarked for specific purposes, such as livelihood training. Donors during 2012 and/or 2011 are reflected in the following table:

Donors in the Philippines	Donors Outside the Philippines
International Bazaar Foundation	Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ)
	Child At Venture
	Friends of CFSI in Germany

In support of field operations, CFSI provides partners with mission-related services at its various offices, including in Metro Manila. Services may include a range of administrative, programme, research, and advocacy efforts.



Metro Manila BRAC Support Services - CFSI was contracted by its partner, Stichting BRAC International, to provide administrative, procurement, and logistical support services in Metro Manila for its operations in the Philippines. In addition, CFSI provides office space for BRAC at CFSI Headquarters. The engagement started in July 2012 and is expected to run through at least June 2013.

Myanmar Programme

The Myanmar Programme includes funds from, as well as through, the United Nations High Commissioner for Refugees (UNHCR) for CFSI activities in the Republic of the Union of Myanmar (formerly known as Burma). These funds are intended for the benefit of crisis-affected populations in Rakhine State, including but not limited to, internally displaced populations and those persons denied citizenship and therefore, de facto, stateless.

Myanmar UNHCR CSSEP - For 2012, CFSI planned to carry out the Community Social Services and Education Project (CSSEP), building on the gains of previous years. The CSSEP 2012 included the following: (1) Myanmar language literacy classes conducted on three levels for 2,000 individuals—the vast majority stateless and at least 70% female; (2) provide early childhood development services for pre-school children and their mothers; (3) prepare school-age children to mainstream into the state primary school system, and promote and support primary level graduates to continue and complete post-primary education; (4) provide access to post-primary education, particularly for Muslim girls and those from minorities, to include hostel arrangements where needed; (5) conduct vocational skills development training that promote self-awareness raising, skills development and livelihood opportunities; (6) conduct community level multi-ethnic peace education and peace building activities focused on the youth sector; (7) provide leadership skills development training to promote the participation of women in decision-making; (8) manage twenty-four Community Services and Development Centers (CSDCs) - including one Community Services and Youth Development Centers (CSYDC) constructed in 2011; and (9) renovation of eight existing CSDCs.

In June 2012, communal violence erupted in Rakhine State, resulting in the displacement of more than 100,000 people, many of whom are beneficiaries of the CSSEP. Emergency rule was imposed, and severe restrictions placed on the movement of certain segments of the community. As a result of these developments, CFSI operations in Rakhine State were temporarily suspended. Operations were resumed at a much lower level in September.

CFSI has entered into annual project agreements with UNHCR in Myanmar since 1998 and is expected to continue to do so through at least 2014. Under the terms of these agreements, funds that are not used within the project period, as well as specific assets provided for in the agreements, are returned to UNHCR.

Viet Nam Programme

The Viet Nam Programme includes funds for social development activities carried out in Viet Nam, specifically activities designed to strengthen the capacity of service providers to protect and assist disadvantaged and vulnerable populations. These efforts build on social work training and related services carried out by CFSI in Viet Nam from 1992 until 2005, as well as the Social Work Education Project carried out in Mindanao (SWEP-Mindanao) from 2007 through 2012.



Viet Nam Atlantic SWEP-VN – represents funds from The Atlantic Philanthropies for the Social Work Education Project: Promoting Societal Health and Social Development in Viet Nam (SWEP-Viet Nam). The project aims to better protect and assist disadvantaged and vulnerable populations in Viet Nam by strengthening and further developing human resources in social work. It includes three major components:

(1) executive education in social work administration for 500 managers of social protection centers; (2) training of 550 social workers and related professionals who provide social services at the community level; and (3) advanced education in social work for social work educators/practitioners. The project started in October 2010 and was envisaged to be completed by the end of September 2014, but is now likely to be extended by a year.

In the context of SWEP-Viet Nam, CFSI signed, in 2011, separate agreements with the following partners: Ministry of Labour, Invalids, and Social Affairs (MOLISA), University of Labour and Social Affairs (ULSA), Center for Social Work and Community Development and Consultancy (SDRC), and Women Central Training School (WCTS)—all in Viet Nam; and in the Philippines, the Asian Social Institute (ASI). Funds from the project go to each partner for specific services, as specified in separate agreements.

Headquarters Programme

The Headquarters Programme includes funds for the overall management of CFSI, special initiatives, immediate responses to humanitarian emergencies, staff retirement benefits, and the sustainability of CFSI. The sources of these funds are support from partner organizations, grants, donations, and fund-raising initiatives undertaken by CFSI.

A. *Headquarters Fund* - represents operational support from contracts entered into by CFSI and contributions from the private sector, both in the Philippines and abroad. The latter includes both restricted and unrestricted grants from supporting organizations; contributions from community groups; donations from concerned individuals, Board Members, and Staff, as well as gifts from those who wish to remain anonymous. These contributions are intended to finance counterpart costs, development costs, the costs of the general and administrative services of CFSI Headquarters, special initiatives, and other needs. Those who provided major grants are as follows:

1. Partridge Foundation (USA) - has committed to provide US\$960,000 between 2007 and 2013 for general support for CFSI Headquarters, in the form of annual installments of US\$160,000, for the purpose of enhancing the Organization's capacity to: (1) generate resources towards long-term sustainability; (2) manage the rapidly expanding Philippine Programme; and (3) properly manage, as well as publicly account for, funds given to CFSI. In June 2012, CFSI received the last installment for the six year grant period, which ends on 30 June 2013.

In October 2011, the Partridge Foundation approved a second grant amounting to US\$1,000,000. This grant has the same purpose, terms and conditions as the first and covers the period July 2013 through 2019. It gives CFSI a significant and strategic advantage vis-à-vis achieving long-term organizational sustainability.



2. Other donors who provided support for CFSI Headquarters in 2012 and 2011 are listed in the table below:

Donors in the Philippines	Donors Outside the Philippines
Various individuals	Brownington Foundation (USA)
CFSI Board Members	Bulls Head Foundation (USA)
CFSI Staff Members	The Atlantic Philanthropies Directors/Employees Designated Gift Fund (USA/Viet Nam)
	Leesburg Community Baptist Church (USA)
	Various individuals based in the USA and Australia
	CFSI Board Members (based outside the Philippines)
	CFSI Staff Members (based outside the Philippines)

- B. *Social Work Education Project (SWEP) Fund* - represents funds provided by Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ), previously known as Deutscher Entwicklungsdienst (DED), or German Development Service, the Nef Foundation, and the Consuelo Foundation to cover the operational expenses of the SWEP. Other donors to the SWEP included the Women’s Commission for Refugee Women and Children, the Brownington Foundation, the Bulls Head Foundation, the Johnson Foundation, and various individuals. The SWEP is a special six-year initiative, with implementation beginning in 2006, between CFSI, the Catholic University of America (CUA), the BDA, Cotabato City State Polytechnic College (CCSPC), Mindanao State University (MSU) at Marawi City, and Western Mindanao State University (WMSU) at Zamboanga City. CUA kindly agreed to waive tuition charges for SWEP students, representing an in-kind contribution valued at more than US\$1,760,000.

The aim of the SWEP is to strengthen social work education and build leadership capacity for reconstruction and development in the conflict-affected areas of Mindanao. The project involves providing social work education within a six-year period at the graduate degree level in Cotabato City, Mindanao for professional social workers from the conflict-affected areas in Mindanao. Up to 100 social workers were expected to earn a Master of Teaching in Social Work (MTSW) degree from CUA through the SWEP. In 2009, 32 social workers successfully completed and graduated from the MTSW program, while the second cohort of 32 graduated in 2010. The third and last cohort, composed of 36 social workers, graduated in 2012, leading to a total of 100 social workers with MTSW degrees from CUA.

- C. *Center for Excellence in Humanitarian Service (CEHS) Fund* – consisted mainly of funds received from the Embassy of Japan (EOJ) through the Japan-Bangsamoro Initiative for Reconstruction and Development (J-BIRD) for the construction of the CEHS. The Center, constructed in coordination with the BDA, includes facilities for training, meetings and research in humanitarian assistance; accommodations for training participants; and an office in support of CFSI operations in the conflict-affected areas of Mindanao. These human resource development initiatives aim to achieve greater participation at the community level and,



therefore, more effective programmes and services to the direct benefit of people affected by armed conflict and disaster in Mindanao and other parts of Asia. The Center was completed in February 2009 and serves as the home for the Social Work Education Project (SWEP) as well as other training programmes carried out by CFSI. It is located on the CFSI property in Rosary Heights IV, Cotabato City and is fully operational.

Other partners who contributed to the cost of constructing and equipping the Center include the Bahay ni Angelo King Foundation, Gregorio Araneta Social Development Foundation, A.Y. Foundation, W. S. Family Foundation, The Atlantic Philanthropies Director/Employees Designated Gift Fund, various individuals in the Philippines, United States and Hong Kong, CFSI Board Members and CFSI Staff Members. In 2012, additional funds were donated in honor of the late Maria Mabilangan Haley.

- D. Civil Society Development Project (CSDP)* - represents funds received by CFSI from the private sector to enhance the service capacities of civil society organizations (CSOs) with missions similar to those of CFSI that are based in Asia, primarily the countries that comprise the Association of South East Asian Nations (ASEAN). Services provided by CFSI through this project include (1) fund management; (2) technical assistance in the areas of organizational development, human resources development, networking, and the promotion of sustainability; and (3) CSO advocacy. Four organizations—three in the Philippines and one in Viet Nam—benefitted from these services in 2011 and/or 2012. Fees for services provided through this project contribute towards the long-term sustainability of CFSI.
- E. Emergency Response Fund* - represents funds for rapid responses to major humanitarian emergencies in any of the ten countries that presently comprise the Association of South East Asian Nations (ASEAN) Region, plus Timor-Leste. It aims to address immediate humanitarian needs and, simultaneously, position CFSI for resources for longer term responses, if and as warranted. Disbursements from the Emergency Response Fund are approved by the Board of Trustees.
- F. Retirement Fund* - represents funds intended for the establishment of the CFSI Retirement Benefit Plan. The Retirement Fund will be governed and administered by a Board of Trustees under approved policies and procedures.
- G. Sustainability Fund* - represents funds for the long-term financial sustainability of CFSI. The Fund includes cash, property, and other assets, all of which are invested or programmed in such manner as to enable CFSI to continue to pursue its mission well into the future. Disbursements from the Sustainability Fund are subject to approval by the Board of Trustees.

The accompanying financial statements of CFSI were approved and authorized for issuance in accordance with a resolution by the BOT on April 25, 2013.



Summary of Project Funding Grants/Commitments

The table below summarizes the funds for humanitarian and development activities of CFSI that are covered with project agreements.

	Paragraph Reference in Note 1	Term of Grants/ Commitments	Amount of Grants/ Commitments	Total Funds Received as at December 31, 2011	Total Funds Received in 2012	Total Funds Received as at December 31, 2012	Balance of Grants/ Commitments	Balance of Grants/ Commitments not Expected to be Received	Balance of Grants/ Commitments Expected to be Received Subsequent to December 31, 2012	Balance of Grants/ Commitments to be Returned to Donors Subsequent to December 31, 2012
PHILIPPINE PROGRAMME:										
UN High Commissioner for Refugees (UNHCR):										
Nationwide - Urban Refugee Project	A.1	January 2011 – December 2011	₱2,453,200	₱2,453,200	₱–	₱2,453,200*	₱–	₱–	₱–	₱–
Nationwide - Emergency Transit Mechanism	A.2	January 2011 – December 2011	₱9,384,813	₱9,384,813	₱–	₱9,384,813	₱–	₱–	₱–	₱–
Nationwide - Urban Refugee Project	A.1	January 2012 – December 2012	₱3,772,254	₱–	₱3,772,254	₱3,772,254	₱–	₱–	₱–	₱179,916
Nationwide - Emergency Transit Mechanism	A.2	January 2012 – December 2012	₱3,093,444	₱–	₱3,093,444	₱3,093,444	₱–	₱–	₱–	₱158,559
Mindanao Protection Project	B.1	January 2012 – December 2012	₱10,749,690	₱–	₱10,749,411	₱10,749,411	₱279	₱279	₱–	₱–
World Food Programme (WFP):										
Mindanao – Maguindanao	B.2.1	July 2010 – April 2012	₱28,434,451	₱13,938,688	₱7,136,114	₱21,074,802	₱7,359,649	₱7,359,649	₱–	₱–
	B.2.1	May 2012 – April 2014	₱24,320,873	₱–	₱6,175,127	₱6,175,127	₱18,145,746	₱–	₱18,145,746	₱–
Mindanao - Lanao del Norte, Lanao del Sur, Iligan City, Cagayan de Oro City, Bukidnon, Misamis Oriental	B.2.1	July 2010 – April 2012	₱26,852,144	₱11,952,263	₱9,061,166	₱21,013,429	₱5,838,715	₱5,838,715	₱–	₱–
	B.2.1	May 2012 – April 2014	₱28,905,654	₱–	₱8,156,152	₱8,156,152	₱20,749,502	₱–	₱20,749,502	₱–
Mindanao - Davao Oriental, Compostela Valley, Agusan del Sur, Surigao del Sur, Lanao del Sur	B.3	December 2012 – June 2013	₱7,274,306	₱–	₱–	₱–	₱7,274,306	₱–	₱7,274,306	₱–
Luzon (Cash-for-Work) - Metro Manila, Rizal, Laguna, Mt. Province, Benguet		November 2010 – January 2011	₱2,115,946	₱2,115,946	₱–	₱2,115,946	₱–	₱–	₱–	₱–

*This includes the last installment of ₱2,367,277 received on January 9, 2012. Of this amount, ₱81,701 was returned in April 2012.



	Paragraph Reference in Note 1	Term of Grants/ Commitments	Amount of Grants/ Commitments	Total Funds Received as at December 31, 2011	Total Funds Received in 2012	Total Funds Received as at December 31, 2012	Balance of Grants/ Commitments	Balance of Grants/ Commitments not Expected to be Received	Balance of Grants/ Commitments Expected to be Received Subsequent to December 31, 2012	Balance of Grants/ Commitments to be Returned to Donors Subsequent to December 31, 2012
UN Children's Fund (UNICEF):										
Mindanao - Child Rights Project (CRP1) - Maguindanao, North Cotabato	B.4	September 2009 – February 2011	₱39,764,333	₱16,363,621	₱-	₱16,363,621	₱-	₱-	₱-	₱-
Mindanao - Ensuring Child Protection in the Flooding Emergency in Cotabato City and Maguindanao (CPWG)	B.5	July 2011 – September 2011	₱1,030,410	₱1,030,410	₱-	₱1,030,410	₱-	₱-	₱-	₱-
Mindanao - Ensuring Sustainability of Child Protection Interventions in the Early Recovery of Children Affected by Armed Conflict in Central Mindanao (CRP2) - Maguindanao, Lanao del Norte, Lanao del Sur	B.6	July 2011 – December 2011	₱3,695,160	₱3,695,160	₱-	₱3,695,160	₱-	₱-	₱-	₱-
Mindanao - Child Protection in Emergencies Project (CPEP) - Cagayan de Oro City, Iligan City	B.7	December 2011 – Aug 2012	₱4,728,916	₱-	₱4,540,449	₱4,540,449	₱188,467	₱188,467	₱-	₱-
Mindanao - Development of a School-based Disaster Response, Preparedness and Recovery for Education in Emergencies System (CRP3)	B.8	January 2012 – Nov 2012	₱23,967,709	₱-	₱22,547,757	₱22,547,757	₱1,419,952	₱1,419,952	₱-	₱-
Mindanao - Child Protection Systems for Children Affected by Armed Conflict (CRP4) - 13 provinces in conflict-affected areas of Mindanao, including Western Mindanao	B.9	September 2012 – December 2012	₱7,194,339	₱-	₱2,030,197	₱2,030,197	₱5,164,142	₱-	₱5,164,142	₱-
Mindanao - Child Rights Project in Eastern Mindanao (CRP-EM) - Davao Oriental	B.10	December 2012 – March 2013	₱9,036,417	₱-	₱-	₱-	₱9,036,417	₱-	₱9,036,417	₱-
UN Development Programme (UNDP):										
Mindanao - Stop Violence Project (SVP) - Maguindanao, Lanao del Sur, North Cotabato, Sultan Kudarat	B.11	June 2012 – December 2012	₱3,244,674	₱-	₱3,244,674	₱3,244,674	₱-	₱-	₱-	₱51,869



	Paragraph Reference in Note 1	Term of Grants/ Commitments	Amount of Grants/ Commitments	Total Funds Received as at December 31, 2011	Total Funds Received in 2012	Total Funds Received as at December 31, 2012	Balance of Grants/ Commitments	Balance of Grants/ Commitments not Expected to be Received	Balance of Grants/ Commitments Expected Subsequent to December 31, 2012	Balance of Grants/ Commitments to be Returned to Donors Subsequent to December 31, 2012
World Bank - Mindanao Trust Fund for Reconstruction and Development Program:										
Fourth Grant Agreement	C.1	March 2009 – December 2015	\$2,380,000 (or ₱97,699,000)	\$1,014,750 (or ₱46,752,720)	\$221,464 (or ₱9,508,138)	\$1,236,214 (or ₱56,260,858)	\$1,143,786 (or ₱41,438,142)	\$-	\$1,143,786 (or ₱41,438,142)	\$-
Fifth Grant Agreement	C.1	November 2009 – June 2013	\$1,229,226 (or ₱50,459,727)	\$730,457 (or ₱31,845,786)	\$244,768 (or ₱10,200,070)	\$975,225 (or ₱42,045,856)	\$254,001 (or ₱8,413,871)	\$-	\$254,001 (or ₱8,413,871)	\$-
Australian Agency for International Development (AusAID):										
Mindanao Psychosocial Care Project	D.1	December 2011 – December 2012	₱11,032,500	₱-	₱11,032,500	₱11,032,500	₱-	₱-	₱-	₱-
Mindanao - Psychosocial Care Project 2	D.2	March 2013 - April 2014	₱10,745,000	₱-	₱-	₱-	₱10,745,000	₱-	₱10,745,000	₱-
Metro Manila - Park Avenue Initiative	E.1	April 2009 – July 2011	₱2,305,550	₱2,305,550	₱-	₱2,305,550	₱-	₱-	₱-	₱-
Private Sector Fund:										
Mindanao Basic Education Project	F.1	April 2012 – June 2015	₱70,753,303	₱-	₱21,925,172	₱21,925,172	₱48,828,131	₱-	₱48,828,131	₱-
Mindanao Healthy Start Project	F.2	January 2011 – December 2011	₱1,063,680	₱1,048,580	₱15,100	₱1,063,680	₱-	₱-	₱-	₱-
	F.3	January 2012 – May 2013	₱2,133,911	₱-	₱2,133,911	₱2,133,911	₱-	₱-	₱-	₱-
Luzon Community Based Disaster Risk Reduction and Management	G.1	October 2011 – May 2012	\$27,137 (or ₱1,158,224)	\$13,569 (or ₱581,682)	\$10,829 (or ₱459,640)	\$24,398 (or ₱1,041,322)	\$2,739 (or ₱116,902)	\$2,739 (or ₱116,902)	\$-	\$-
Metro Manila - Park Avenue Initiative - Reproductive Health (RH1)	H.1	September 2011 – April 2012	₱860,772	₱258,232	₱601,983	₱860,215	₱557	₱558	₱-	₱-
Metro Manila - Park Avenue Initiative - Reproductive Health (RH2a)	H.3	November 2012 – November 2013	₱1,000,000	₱-	₱208,850	₱208,850	₱791,150	₱-	₱791,150	₱-



	Paragraph Reference in Note 1	Term of Grants/ Commitments	Amount of Grants/ Commitments	Total Funds Received as at December 31, 2011	Total Funds Received in 2012	Total Funds Received as at December 31, 2012	Balance of Grants/ Commitments	Balance of Grants/ Commitments not Expected to be Received	Balance of Grants/ Commitments Expected to be Received Subsequent to December 31, 2012	Balance of Grants/ Commitments to be Returned to Donors Subsequent to December 31, 2012
Metro Manila - Park Avenue Initiative - Reproductive Health (RH2b)	H.3	January 2013 - January 2014	₱2,113,000	₱-	₱-	₱-	₱2,113,000	₱-	₱2,113,000	₱-
BRAC Support Services	H.5	July 2012 – June 2013	₱739,160	₱-	₱424,580	₱424,580	₱314,580	₱-	₱314,580	₱-
Subtotal of dollar grants			\$3,636,363	\$1,758,776	\$477,061	\$2,235,837	\$1,400,526	\$2,739	\$1,397,787	\$-
Subtotal of peso grants			₱342,765,608	₱64,546,463	₱116,848,841	₱181,395,303	₱137,969,593	₱14,807,619	₱123,161,974	₱390,344
MYANMAR PROGRAMME										
UN High Commissioner for Refugees - Community Social Services and Education Project		January 2012 – December 2012	\$376,975 (or ₱16,163,368)	\$-	\$376,975 (or ₱16,163,368)	\$376,975 (or ₱16,163,368)	\$-	\$-	\$-	\$-
VIET NAM PROGRAMME										
Atlantic Philanthropies - Social Work Education Project		October 2010 – September 2014	\$1,860,000 (or ₱81,840,000)	\$600,000 (or ₱26,109,000)	\$500,000 (or ₱21,442,000)	\$1,100,000 (or ₱47,551,000)	\$760,000 (or ₱34,289,000)	\$-	\$760,000 (or ₱34,289,000)	\$-
HEADQUARTERS PROGRAMME										
Headquarters Fund - Partridge Foundation	A.1	July 2007 – June 2013	\$1,960,000 (or ₱83,767,873)	\$800,000 (or ₱35,811,873)	\$160,000 (or ₱6,956,000)	\$960,000 (or ₱42,767,873)	\$-	\$-	\$-	\$-
Social Work Education Project – Mindanao	B		₱-	₱9,966,932	₱1,718,740	₱11,685,672	₱-	₱-	₱-	₱-
Total of dollar grants			\$7,833,338	\$3,158,776	\$1,514,036	\$4,672,812	\$2,160,526	\$2,739	\$2,157,787	\$-
Total of peso grants			₱342,765,608	₱74,513,395	₱118,362,877	₱181,395,303	₱137,969,593	₱14,807,619	₱123,161,974	₱390,344
Grand total of grants in peso			₱664,324,133	₱213,449,359	₱182,876,621	₱396,325,980 **	₱226,659,173	₱14,920,055	₱211,739,130	₱390,344
Average Peso/US Dollar exchange rate			₱41.05	₱43.98	₱42.61	₱46.00				

**The amount of ₱396,325,980 represents the total amount of funds received as at December 31, 2012, which includes grants committed before 2012.



2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso, the Organization's functional currency. All amounts are rounded to the nearest peso.

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Cash

Cash includes cash on hand and in banks.

Property and Equipment

Property and equipment, except for land, are carried at historical cost less accumulated depreciation and impairment losses, if any. Land is stated at cost less impairment in value, if any.

The initial cost of property and equipment consists of its purchase price and any directly attributable cost of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against income in the year such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives of the property and equipment:

<u>Asset Type</u>	<u>Number of Years</u>
Buildings and improvements	20
Transportation equipment	5
Furniture and fixtures	5
Communication equipment	5
Office and other equipment	5

The useful lives and depreciation method of the property and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Construction in progress is stated at cost less any recognized impairment loss. This includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operations.

When assets are sold or retired, the cost and the related accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is credited to or charged against the statement of revenues and expenses.



Computer Software

Computer software is carried at cost less accumulated amortization and any impairment in value. The computer software is amortized on a straight-line basis over its estimated useful life of three years.

Computer software is classified as an intangible asset if the software is not an integral part of the related hardware. If the specific software is an integral part of the related hardware, it is treated as property and equipment.

Asset Impairment

At each reporting date, property and equipment and computer software are reviewed to determine whether there is any indication that assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are obligations on the basis of normal credit terms and do not bear interest.

Bank loans

Bank loans are recognized initially at the transaction price that is the present value of cash payable to the bank including transaction costs, if any. These are subsequently stated at amortized cost. Interest expense is recognized on the basis of effective interest method and is included in other expenses on the statements of revenues and expenses.

Retirement Benefits

The Organization has an unfunded, noncontributory, defined benefit retirement plan covering all of its regular employees. The obligation and costs of retirement benefits are actuarially computed by a professionally qualified independent actuary using projected unit credit method. Actuarial gains and losses are charged or credited to profit or loss in the period in which they arise.

Fund Balances

The amount included in fund balances includes accumulated excess of revenues over expenses reduced by funds returned to funding agencies/partners and other adjustments. Funds to be returned to the funding agencies/partners are recognized as a liability and deducted from fund balances in accordance with specific provisions of the contract related to the funds. Fund balances may also include effect of changes in accounting policy as may be required by the transitional provisions of new accounting standards and interpretations.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Organization and the revenue can be measured reliably.



Grants, Donations, Support and Contributions. Grants, donations, support and contributions are recognized when the donor conditions are satisfied which generally coincide with the receipt of the grants, donations, support and contributions.

Mission-Related Social Enterprise Activities. Activities are recognized when revenues are received for services rendered through the social enterprise activities of CFSI, the first being the Center for Excellence in Humanitarian Service (CEHS) in Cotabato City, Mindanao, Philippines.

Interest Income. Interest income is recognized as the interest accrues.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in fund balance. Costs and expenses are recognized in the statement of revenues and expenses in the year these are incurred.

Operating Lease

Operating lease payments are recognized as expense in the statement of revenues and expenses on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions

Foreign currency-denominated transactions are recorded in Philippine Peso by applying to the foreign currency amount the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. Exchange differences arising on the settlement and restatement of monetary items at rates different from those at which they were initially recorded during the year are recognized in the statement of revenues and expenses in the year such difference arises.

Provisions

Provisions, if any, are recognized when the Organization has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefit is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Organization's assets and liabilities at reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.



3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS for SMEs requires the Organization to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

Judgments

In the process of applying the Organization's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the financial statements.

Determination of Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Organization, the functional currency of the Organization has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Organization operates. It is the currency that mainly influences the revenues and expenses.

Revenue. The Organization assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Organization has concluded that it is acting as principal in all of its revenue arrangements.

Operating Lease Commitment - Organization as Lessee. The Organization has entered into a lease agreement as a lessee (see Note 18). The Organization has determined that it does not retain all the significant risks and rewards of ownership of the property which are leased out in an operating lease agreement.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Organization based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Organization. Such changes are reflected in the assumptions when they occur.

Useful Lives of Property and Equipment and Computer Software. The Organization estimates the useful lives of property and equipment and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed at each financial year-end and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, the estimation of the useful lives of these assets are based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by the changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.



In 2011, the organization has changed the estimated useful life of the property and equipment which is discussed in Note 6. The carrying value of property and equipment amounted to ₱11,740,695 and ₱11,539,704 as at December 31, 2012 and 2011, respectively (see Note 6). The carrying value of computer software amounted to ₱263,524 and ₱427,753 as at December 31, 2012 and 2011, respectively (see Note 8).

Impairment of Property and Equipment and Computer Software. The Organization's management conducts an impairment review of its property and equipment and computer software when certain impairment indicators are present. This requires the Company's management to make estimates and assumptions of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets and the appropriate discount rate to determine the recoverable value of the assets. Future events could cause the Organization to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Organization's financial condition and results of operations.

Based on the assessment of the Organization, the property and equipment and computer software do not have any indication of impairment as at December 31, 2012 and 2011. The carrying values of property and equipment amounted ₱11,740,695 and ₱11,539,704 as at December 31, 2012 and 2011, respectively (see Note 6). The carrying value of computer software amounted to ₱263,524 and ₱427,753 as at December 31, 2012 and 2011, respectively (see Note 8).

Retirement Benefits. The determination of the liability and retirement cost is dependent on the selection of certain assumptions by management. Those assumptions used in the calculation of retirement cost are described in Note 16 to the financial statements. Retirement liability as at December 31, 2012 and 2011 amounted to ₱2,752,020 and ₱1,725,221, respectively (see Note 16).

4. Cash

Restricted cash includes funds the use of which is restricted to specific purposes bound by contracted agreements. Unrestricted cash includes funds that are not subject to restrictions imposed by the donor.

	2012	2011
Restricted		
<u>Philippine Programme</u>		
UNHCR - Mindanao Protection Project	₱1,442,714	₱144,358
UNHCR - Urban Refugee Project	292,156	79,831
UNHCR - Emergency Transit Mechanism	572,821	270,468
WFP - Food Assistance Project - Lanao Provinces	117,330	904,630
WFP - Food Assistance Project – Maguindanao	51,025	505,058
UNICEF - Child Rights Project/Child Protection Working Group	–	299,743
UNICEF - Development of School-based Disaster Response, Preparedness and Recovery for Education in Emergencies System in Central Mindanao	23,249	–
UNICEF - Child Protection in Emergencies Project	5,000	–
UNICEF - Child Protection Systems for Children Affected by Armed Conflict	2,094,980	–

(Forward)



	2012	2011
UN Development Programme - Stop Violence Project	₱1,135,860	₱-
World Bank - Mindanao Trust Fund	9,025,348	1,873,415
AusAID - Psychosocial Care Project	446,223	-
AusAID - Metro Manila	-	5,000
PIDS - Country Study on Out-of-School Youth	-	35,354
Private Sector Fund	6,769,988	1,384,440
 <u>Myanmar Programme</u>		
UNHCR – Community Social Services and Education Programme	24,820	28,468
 <u>Viet Nam Programme</u>		
Atlantic Philanthropies - Social Work Education Project	15,413,861	11,266,447
 <u>Headquarters Programme</u>		
Partridge Foundation - Headquarters Fund	3,608,263	2,777,310
Various Donors - Social Work Education Project	450,323	742,389
Retirement Fund (see Note 16)	2,129,222	1,429,213
Emergency Response Fund	113,744	60,460
Sustainability Fund	225,701	186,079
Center for Excellence in Humanitarian Service	422,133	15,860
	44,364,761	22,008,523
 Unrestricted		
Headquarters Programme	220,806	178,936
Philippine Programme - Private Sector Fund	328,376	-
	549,182	178,936
	₱44,913,943	₱22,187,459

5. Other Current Assets

	2012	2011
Project advances:		
Project operations	₱2,511,266	₱8,842,220
Bangsamoro Development Agency (BDA)	576,003	987,115
Other agencies	131,140	5,173,296
Employees	47,590	29,283
Prepaid Expenses	121,899	27,739
	₱3,387,898	₱15,059,653

Project advances for operations and activities represent amounts advanced for the field activities under the Food Assistance Projects in Mindanao, the construction and renovation of classrooms for various projects in Northern Mindanao, and the production and distribution of Family Support Kits for those affected by the flood disaster in Eastern Mindanao. These project advances were subsequently liquidated in March 2013.

Project advances to BDA include operational funds under the fourth project partnership between CFSI and BDA which started on April 26, 2012 and is expected to run until April 25, 2015.



Advances to employees are those used for the project operations and activities released in December 2012. These were liquidated in January 2013.

Prepaid expenses include registration fees for a regional social work conference under the Viet Nam programme.

6. Property and Equipment

2012							
	Land	Buildings and Improvements	Transportation Equipment	Furniture and Fixtures	Communication Equipment	Office and Other Equipment	Total
Cost							
Balances at beginning of year	₱1,664,091	₱5,010,701	₱1,686,745	₱1,842,050	₱83,752	₱9,430,793	₱19,718,132
Additions	–	820,934	–	121,612	–	1,825,886	2,768,432
Disposals	–	–	–	–	–	(142,318)	(142,318)
Balances at end of year	1,664,091	5,495,894	1,686,745	1,963,662	83,752	11,114,361	22,344,246
Accumulated Depreciation							
Balances at beginning of year	–	2,416,499	829,532	742,688	61,601	4,128,108	8,178,428
Depreciation	–	155,532	352,876	327,128	9,063	1,620,329	2,464,928
Disposals	–	–	–	–	–	(39,805)	(39,805)
Balances at end of year	–	2,572,031	1,182,408	1,069,816	70,664	5,708,632	10,603,551
Net Book Value	₱1,664,091	₱2,923,863	₱504,337	₱893,846	₱13,088	₱5,405,729	₱11,740,695
2011							
	Land	Buildings and Improvements	Transportation Equipment	Furniture and Fixtures	Communication Equipment	Office and Other Equipment	Total
Cost							
Balances at beginning of year	₱1,664,091	₱5,010,701	₱2,413,779	₱1,835,176	₱131,269	₱10,380,514	₱21,435,530
Additions	–	–	–	61,378	–	1,239,802	1,301,180
Disposals	–	–	(727,034)	(54,504)	(47,517)	(2,189,523)	(3,018,578)
Balances at end of year	1,664,091	5,010,701	1,686,745	1,842,050	83,752	9,430,793	19,718,132
Accumulated Depreciation							
Balances at beginning of year	–	2,264,387	1,200,302	490,316	99,989	5,036,941	9,091,935
Depreciation	–	152,112	356,264	306,876	9,129	1,280,690	2,105,071
Disposals	–	–	(727,034)	(54,504)	(47,517)	(2,189,523)	(3,018,578)
Balances at end of year	–	2,416,499	829,532	742,688	61,601	4,128,108	8,178,428
Net Book Value	₱1,664,091	₱2,594,202	₱857,213	₱1,099,362	₱22,151	₱5,302,685	₱11,539,704

Land includes: (a) a 1,000 square meter lot in Cotabato City, Mindanao, Philippines purchased in 2006 from funds raised by CFSI and; (b) two lots totaling 529 square meters in Rizal, Luzon, Philippines donated by a Board of Trustees' member in 2008.

Additions to buildings are the new facilities at the CFSI Sub-Office in Iligan City (SOI) in Mindanao. Two pre-fabricated structures were donated by Ricardo and Amelita Guevara, in honor of their 50th wedding anniversary. CFSI complemented this wonderful donation by constructing two toilets and the walkways around the two buildings. One of the pre-fab buildings is used for work with marginalized children directly affected by the Sendong disaster in 2011. The other serves as an inter-agency meeting room and venue for training carried out for/by CFSI.

There were also substantial additions in 2012 of computers, printers and other office equipment purchased through various project funds.

Starting 2011, the estimated useful life of Buildings and Improvements was adjusted from five (5) years to twenty (20) years, and those of Furniture and Fixtures, Communication Equipment, and Office and Other Equipment from three (3) to five (5) years. The adjustments were made to better reflect the actual physical use and normal deterioration of the assets.



7. Refundable Deposits

As required in lease agreements, CFSI makes deposits and advance rentals for the use of the office premises in its Headquarters in Metro Manila, the Sub-Offices in Iligan City and in Davao City, and the Field Offices in Cagayan de Oro, in Nabunturan, Compostela Valley and in Trento, Agusan del Sur. CFSI was also required to post a deposit for the installation and use of an electric transformer and meter for the Center for Excellence in Humanitarian Service. These deposits will be returned to CFSI after the completion of the leases, and/or return of the transformer.

8. Computer Software

Computer software was purchased in 2012 and 2011, which includes desktop applications (word processing, spreadsheets, browsing, etc.), and advanced version of the accounting software was purchased in 2011, including additional user licenses and remote data storage and backup.

	2012	2011
Cost:		
Balance at beginning of year	₱789,157	₱482,665
Additions	79,100	306,492
Balance at end of year	868,257	789,157
Accumulated amortization:		
Balance at beginning of year	361,404	176,534
Amortization	243,329	184,870
Balance at end of year	604,733	361,404
Net book value	₱263,524	₱427,753

Monthly subscription fees for users of remote services of the accounting software are recorded as subscription fees.

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were recorded in 2012 for transactions with various suppliers and contractors of several projects. In 2012, these included suppliers of construction materials for the Quick Impact Projects under the Mindanao Protection Project, and for the establishment of preschools and elementary schools under the Basic Education Project. Payments to these suppliers and contractors were made in January 2013.

10. Bank Loans

The bank loan amounting to ₱571,083 was used for the acquisition of transportation equipment. This was availed on September 2008, payable in 48 equal monthly installments of ₱17,631 with annual interest of 8.96% starting September 30, 2008 until August 31, 2012.

Another bank loan was used for the acquisition of another transportation equipment amounting to ₱179,400 on June 23, 2010. It is payable in 36 equal monthly installments of ₱5,802 with an annual interest rate of 10.78% starting July 27, 2010 until June 27, 2013. The purchase price of the vehicle is ₱606,598 of which ₱427,198 was paid in cash.



Carrying value of transportation vehicles is ₱303,301 and ₱777,214 as at December 31, 2012 and 2011, respectively. Interest expense recognized in the statements of revenues and expenses amounted to ₱47,039 and ₱65,646 in 2012 and 2011, respectively.

11. Related Party Transactions

Salaries and employee benefits of the members of the Senior Management Team based at the Headquarters of the Organization were ₱3,211,000 and ₱2,973,750 for the years ended December 31, 2012 and 2011.

Salaries and employee benefits of the other staff were ₱34,116,715 and ₱21,219,265 for the years ended December 31, 2012 and 2011 respectively.

12. Fund Balances

The fund balance is the accumulated difference of revenues and expenses as follows:

	2012	2011
Philippine Programme:		
Philippine UNHCR Fund:		
Urban Refugee Project	(₱83,142)	(₱1,441)
Emergency Transit Mechanism	523,672	616,743
Mindanao Protection Project	360,499	250,758
World Food Programme Fund:		
Mindanao - Maguindanao	(833,819)	(1,480,431)
Mindanao - Lanao Provinces	(590,244)	(1,169,901)
Mindanao - Eastern Mindanao Provinces	(633,591)	-
Luzon - Food for Work	-	53,975
UNICEF - Child Rights Project/Child Protection Working Group	-	(227,895)
UNICEF - Development of School-based Disaster Response, Preparedness and Recovery for Education in Emergencies System in Central Mindanao	692,361	-
UNICEF - Child Protection in Emergencies Project	206,458	-
UNICEF - Child Protection Systems for Children Affected by Armed Conflict	(1,663,409)	-
UNICEF - Child Rights Project in Eastern Mindanao	(49,106)	-
UN Development Programme - Stop Violence Project	157,225	-
World Bank - Mindanao Trust Fund	8,606,703	2,606,042
AusAID - Psychosocial Care Project	1,001,141	-
AusAID - Metro Manila	-	36,833
PIDS - Country Study on Out-of-School Youth	-	54,675
Private Sector Fund	1,687,193	(2,970,584)
Myanmar Programme - Myanmar UNHCR Fund	2,253,844	8,238,834

(Forward)



	2012	2011
Viet Name Programme -		
Atlantic Philanthropies - Social Work Education Project	₱15,972,165	₱11,491,118
Headquarters Programme:		
Headquarters Fund:		
Headquarters	12,439,582	12,045,203
Social Work Education Project	(333,650)	(70,645)
Civil Society Development Project	203,281	203,281
Retirement Fund	4,283,360	4,452,678
Emergency Response Fund	332,792	291,250
Sustainability Fund:		
Sustainability	1,062,114	740,515
Center for Excellence in Humanitarian Service	4,904,321	4,374,275
	₱50,499,750	₱39,535,283

The deficits in the fund balance for projects with WFP and UNICEF represent expenses at the end of 2012, with the reimbursements of ₱3,770,169 received by CFSI in the first quarter of 2013.

13. Project Expenses

Direct Project Expenses

Direct project expenses refer to the costs of projects carried out by CFSI in accordance with its mission: protecting and promoting the human security of uprooted people and the agreements between CFSI and the respective donor partners. The beneficiaries are populations and organizations served by CFSI. Expenses under this category which are usually restricted by the respective project agreements are directly correlated with the corresponding grants obtained by CFSI for its services and activities.

Community services benefited refugees in various parts of the Philippines; conflict-affected communities in Mindanao; disaster survivors in Luzon; out-of-school children and youth in Pasay City; returnees and local residents in Northern Rakhine State, Myanmar. In addition, community groups, organizations, and institutions benefit from capacity-building activities carried out by CFSI.

Community service and capacity building expenses amounted to ₱61,366,107 and ₱72,904,372 in 2012 and 2011, respectively.

Counterpart Expenses

Counterpart expenses refer to the complementary contributions from, or mobilized by CFSI for specific initiatives, often, but not always, as a condition for accessing funds from funding agencies/partners for broader effort.

Management, Supervision and Support Expenses

Management, supervision and support expenses represent costs related to the overall supervision, monitoring and evaluation of specific projects which are directly associated with the grants received during the period.



Development Expenses

Development expenses refer to costs associated with advancing the CFSI agenda and generating new service opportunities for CFSI including marketing, networking, assessment, planning, proposal preparation, negotiations, public information, and advocacy.

Some of these costs are expected to be recovered through management fees, reimbursements, and small grants.

14. Country Programme Support Expenses

Country Programme Support Expenses refer to subsidies provided by the Headquarters Fund to programmes in the countries in which CFSI operates, primarily but not exclusively the Philippines. Country programmes usually include a variety of projects and/or operations carried out over a long period of time for which additional support is required. The funds for these subsidies come from restricted grants secured by Headquarters in support of country programmes, operational support from contracts entered into by CFSI and unrestricted contributions to CFSI from the private sector.

Country programme support expenses for the years ended December 31, 2012 and 2011 amounted to ₱2,937,474 and ₱2,243,336, respectively.

15. General and Administrative Expenses

General and administrative expenses refer to costs incurred for the operations of CFSI Headquarters in Metro Manila, Philippines.

This account consists of:

	2012	2011
Salaries, employee welfare and benefits (see Note 11)	₱1,038,412	₱774,754
Retirement expense (see Note 16)	1,026,799	640,286
Auditors' fee	771,180	364,200
Rent and utilities (see Note 18)	462,056	483,089
Materials and office supplies	390,147	208,863
Transportation and travel	349,824	312,900
Communication	246,610	208,712
Trainings and workshops	212,431	423,642
Board and committee meetings	81,629	84,515
Professional, technical and other fees (Forward)	61,146	95,835
Taxes and licenses	₱39,579	₱27,269
Repairs and maintenance	36,485	52,475
Networking and advocacy	32,969	32,157
Insurance	14,104	14,849
	₱4,763,371	₱3,723,546

Auditors' fee in 2012 includes fees for the audit of 2012 and 2011. Auditors' fee in 2011 includes fees for the audit of 2010.



16. Retirement Benefits

The Organization has an unfunded, noncontributory, defined benefit retirement plan covering all qualified employees. The latest actuarial valuation was done as at December 31, 2012.

The following tables summarize the components of net retirement benefits expense recognized in the statements of revenues and expenses and retirement liability recognized in the statements of assets, liabilities and fund balances:

	2012	2011
Retirement expense:		
Current service cost	₱213,778	₱165,428
Interest cost on benefit obligation	115,590	101,984
Past service cost	34,615	-
Net actuarial loss recognized during the year	662,816	372,874
	₱1,026,799	₱640,286

Movements in the retirement liability are as follows:

	2012	2011
Balance at beginning of year	₱1,725,221	₱1,084,935
Retirement expense	1,026,799	640,286
Balance at end of year	₱2,752,020	₱1,725,221

The principal assumptions used in determining retirement liability are as follows:

	2012	2011
Discount rate	6.3%	6.7%
Salary increase rate	5.0%	5.0%

In preparation for the formal establishment of the Retirement Benefit Plan, the Organization has maintained a fund to cover its retirement liabilities in a restricted bank account and in short-term placements with balances of ₱2,129,222 and ₱1,429,213 as at December 31, 2012 and 2011, respectively (see Note 4).

17. Contributed Services

A variety of individuals, communities, organizations/corporations, networks, universities, and governments made significant contributions in-kind to support and complement the efforts of CFSI. These include services, facilities, equipment, materials and supplies. Management estimated the total value of these contributions, which were not reflected in the financial statements, to be approximately ₱9,294,149 and ₱17,274,454 in 2012 and 2011, respectively. Some of the major contributed services follow.

- a. CFSI Board and Staff - The Members of the Board of Trustees (BOT) and Staff, plus many Volunteers, made contributions of time, services, and personal resources far above and beyond reasonable expectations. The BOT paid directly the cost of certain activities and meetings as well as both the domestic and international airfare costs between their residences and CFSI field sites. Staff Members covered certain field-related expenses out of their own funds and contributed many hours of overtime without expectation of additional compensation.



Volunteers, including professionals from various parts of the world, provided their services at no cost, but great benefit to CFSI. For example, a long-time friend of CFSI, based in Vancouver, Canada, re-developed the CFSI website at no cost to the Organization.

- b. Communities – The organizing and mobilization efforts of CFSI resulted in voluntary contributions of services, facilities, and other valuable resources by communities affected by persecution, violence, armed conflict, disaster, and other exceptionally difficult circumstances. For example, in Mindanao, Philippines, the assistance provided by hundreds of Community Volunteers made it possible for CFSI to provide food and other relief goods, in a timely manner, to large numbers of people in need of protection and humanitarian assistance. Communities participating in various projects contributed manual labor for debris removal as well as agriculture, infrastructure, and shelter initiatives in the Cash for Work Project; the construction of “Child Friendly Spaces” and “Transitional Learning Structures” in the Child Rights Project; and health education in the Healthy Start Project. In support of the Park Avenue Initiative in Pasay City, youth volunteers helped carry out surveys, provided tutorial services, reached out to other youth through home visits, and helped organize, as well as run, sports fests. Parents, particularly mothers, also helped in organizing and carrying out project-related activities.

The production of CFSI Family Support Kits (FSKs) relied heavily on volunteers. In Davao City, university students and other volunteers helped in the packing of FSKs for the survivors of the Typhoon Bopha (Pablo) disaster that hit Eastern Mindanao in December 2012. Members of the Park Avenue community in Pasay City prepared FSKs for families affected by flooding in Luzon in August 2012. Still earlier, members of the Iligan City and Cagayan de Oro communities, including students and staff of academic institutions, helped prepare FSKs for the families affected by the disaster that hit Northern Mindanao in December 2011.

Community contributions were not limited to the Philippines. In Myanmar, local land owners made space available for structures that benefitted the entire community. Many Community Volunteers helped build these structures and/or provided other services at no cost to CFSI. For example, mothers voluntarily worked together to prepare food for children in the Early Childhood Development Programme.

- c. Organizations/Corporations - The Consuelo Foundation provided technical assistance to CFSI with the aims of strengthening CFSI’s prospects for long-term sustainability and/or more effectively/efficiently serving crisis-affected populations. For example, Sales Force provided software and web-based services for resource mobilization and donor nurturing efforts, whilst Google, Inc. hosts CFSI’s email and other web-based platforms on Google Apps for Business. The World Bank helped build CFSI’s technical capacities, as did UNHCR, UNICEF, WFP, OCHA, and several other organizations. The Rotary Club of Rizal West contributed office equipment to CFSI, and provided funds directly to communities for start-up livelihood assistance for two hundred families in Mindanao. Several corporate foundations provided disaster relief assistance in Mindanao, in collaboration with CFSI, including, but not limited to: Zuellig Foundation, Philippine Airlines Foundation, and the Coca Cola Foundation. In addition, Philippine Airlines waived or heavily discounted cargo expenses related to CFSI’s response to disasters in Mindanao. Partner organizations in Viet Nam provided facilities and services, as did UNHCR in Myanmar.
- d. Networks – CFSI participates in a variety of international, regional, national, and local networks with the aims of advancing the CFSI agenda, enhancing internal capacities, achieving greater impact, and generating new service opportunities. CFSI invests some of its own limited funds in these activities in accordance with its roles and responsibilities in the



humanitarian arena. In addition, significant in-kind support is provided by partners of CFSI, such as airfare and accommodation for participation in meetings and conferences in various parts of the world. This invaluable assistance enables CFSI to have a voice in many important gatherings, processes, and events. Primary network partners for 2012 and 2011 included:

- International Council of Voluntary Agencies (ICVA)
 - Humanitarian Accountability Partnership (HAP)
 - Asia Pacific Refugee Rights Network (APRRN)
 - Asian Disaster Reduction and Response Network (ADRRN)
 - Association of Foundations in the Philippines (AF)
- e. Academic Institutions - CFSI has entered into cooperation with various universities and colleges in the Philippines and abroad during the 31-year history of the Organization. The aims include helping CFSI remain a learning organization, creating opportunities for CFSI to contribute to the knowledge base, providing internships at CFSI, mobilizing additional resources, and generating new service opportunities. Some academic institutions play even larger roles. For example, faculty members of the Catholic University of American provided their training services for the Social Work Education Project (SWEP) over a six-year period ending in 2012, as well as other forms of support. In addition, CFSI benefited from the services of interns and volunteers from many of these academic institutions during 2012 and 2011 including, but not limited to, the following:

Philippines

- Pamantasan ng Lungsod ng Maynila
- Philippine Women's University
- Universidad de Manila
- University of the Philippines - Diliman
- Cotabato City State Polytechnic College
- Mindanao State University - Marawi City
- Mindanao State University - Maguindanao
- Mindanao State University - Iligan Institute of Technology
- Jamiatu Philippine al-Islamia - Marawi City
- Western Mindanao State University - Zamboanga City
- Southern Christian College - North Cotabato

Australia

- La Trobe University
- f. Governments - The Deutsche Gesellschaft Fur International Zusammenarbeit (GIZ) or the German Development Service deployed an Environmental Specialist to CFSI in support of the Mindanao Trust Fund - Reconstruction and Development Programme from February 2008 to May 2011, and a total of six volunteers, each serving with CFSI for one full year, in support of the Park Avenue Initiative (PAI), from August 2010 through July 2013. Several of these volunteers mobilized family and friends in Germany to support CFSI in general, and the PAI in particular.



18. Lease Commitment

The Organization has existing operating lease agreements for its office spaces. These leases are renewed on an annual basis. Rental expenses amounted to ₱2,739,034 and ₱2,128,845 in 2012 and 2011, respectively.

19. Supplementary Information Required under Revenue Regulations 19-2011 and 15-2010

RR 19-2011

On December 9, 2011, Revenue Regulation (RR) No. 19-2011 became effective where it prescribes the use of new income tax forms effective December 31, 2011. The Organization is now required to include as part of the notes to the financial statements the schedules and information on taxable income and deductions.

For the year ended December 31, 2012, the Organization does not have any taxable income and deductions with respect to the donations received and expenses incurred under the exemption provided by Section 30 (e) and (g) of the National Internal Revenue Code.

RR 15-2010

On December 28, 2010, RR No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS for SMEs.

The Organization reported and/or paid the following types of taxes in 2012:

(a) Value-added Tax (VAT)

The Organization is a non-VAT registered entity not engaged in the sale of goods or services. All of its revenues are coming from grants, donations, support and contributions which were not charged with output VAT. The input tax incurred in all of its costs and expenses were charged to profit or loss.

(b) Other Taxes and Licenses

All other taxes, local and national, including real estate taxes, license and permit fees lodged under the "Taxes and licenses" account under the "General and administrative expenses" account in the statement of revenues and expenses includes the following for the year ended December 31, 2012:

Local:	
Mayor's permit	₱8,855
Real estate taxes	1,732
Community tax certificate	1,860
National:	
Land Transportation Office registration	26,632
BIR annual registration	500
	<hr/>
	₱39,579
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(c) The amount of withholding taxes paid for the year ended December 31, 2012 amounted to:

Tax on compensation and benefits	₱2,435,164
Creditable withholding taxes	415,332
Final withholding tax	55,068

(d) The Organization has no final tax assessments and cases pending before the BIR as at December 31, 2012. Likewise, the Organization has no other pending tax cases outside the administration of the BIR as at December 31, 2012.

