

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

Financial Statements
December 31, 2010 and 2009

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

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 non stock, nonprofit organization), which comprise the statements of assets, liabilities and fund balances as at December 31, 2010 and 2009, and the statements of revenue 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 Standards 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, 2010 and 2009, and its revenue and expenses and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulations 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 on taxes, duties and license fees in Note 17 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.

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SEC Accreditation No. 0943-A
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September 30, 2009, Valid until September 29, 2012
PTR No. 2641505, January 3, 2011, Makati City

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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

	December 31	
	2010	2009 (As restated – see Note 2)
ASSETS		
Current Assets		
Cash (Note 4)		
Restricted	₱30,906,653	₱33,264,488
Unrestricted	883,602	566,805
Other current assets (Note 5)	3,189,761	2,864,464
Total Current Assets	34,980,016	36,695,757
Noncurrent Assets		
Property and equipment - net (Notes 6 and 9)	12,343,595	11,232,396
Refundable deposits	734,122	690,622
Computer software - net (Note 7)	306,131	212,180
Total Noncurrent Assets	13,383,848	12,135,198
	₱48,363,864	₱48,830,955
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable (Note 8)	₱4,212,623	5,589,288
Accrued expenses (Note 8)	2,773,653	2,094,713
Current portion of bank loans (Note 9)	215,550	155,750
Total Current Liabilities	7,201,826	7,839,751
Noncurrent Liabilities		
Bank loans - net of current portion (Note 9)	193,533	259,583
Retirement liability (Note 15)	1,084,935	882,970
Total Noncurrent Liabilities	1,278,468	1,142,553
Fund Balances (Notes 1 and 11)	39,883,570	39,848,651
	₱48,363,864	₱48,830,955

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended December 31	
	2010	2009 (As restated – see Note 2)
REVENUE		
Grants, donations, support and contributions (Note 1)	₱219,021,714	₱ 132,817,026
Mission-related social enterprise activities	1,703,035	933,269
Interest income	83,767	56,612
	220,808,516	133,806,907
PROJECT EXPENSES (Note 12)		
Direct:		
Community service and capacity building expenses	110,024,428	41,110,207
Salaries, employees' welfare and benefits (Note 10)	32,146,182	17,344,096
Trainings and workshops	15,062,990	9,298,204
Transportation and travel	13,213,600	6,020,267
Professional, technical and other fees	8,786,563	8,784,124
Emergency response vehicle rental	4,801,135	813,730
Field allowances for community volunteers	4,501,924	1,947,904
Rent and utilities	2,802,568	1,730,336
Materials and office supplies	2,444,896	2,248,312
Communication	1,562,136	1,099,836
Operations and maintenance of CEHS (Note 2)	1,442,109	985,835
Networking and advocacy	852,831	419,374
Repairs and maintenance	517,419	334,701
Provision for retirement	506,981	384,438
Insurance premiums	134,006	161,321
Counterpart costs	3,332,198	3,079,343
Management, supervision and support expenses	5,920,677	2,738,260
Development costs	3,264,910	2,323,560
	211,317,553	100,823,848
COUNTRY PROGRAMME SUPPORT EXPENSES		
(Note 13)	2,361,982	2,982,645
GENERAL AND ADMINISTRATIVE EXPENSES		
(Notes 10, 14 and 15)	3,029,401	3,431,395
OTHER CHARGES (INCOME)		
Depreciation and amortization (Notes 6 and 7)	2,669,993	1,476,759
Foreign exchange loss (gain) – net	1,124,289	(136,300)
Bank charges	209,645	150,538
Interest expense (Note 9)	60,734	55,822
	4,064,661	1,546,819
	220,773,597	108,784,707
EXCESS OF REVENUES OVER EXPENSES (Note 1)	₱34,919	₱25,022,200

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	
	2010	2009 (As restated – see Note 2)
Balance at beginning of year, as previously reported	₱38,885,967	₱14,321,295
Restatement of retirement liability in accordance with PFRS for SMEs (Note 2)	962,684	572,992
Balance at beginning of year, as restated	39,848,651	14,894,287
Excess of revenues over expenses	34,919	25,022,200
Funds returned to funding agencies/partners	–	(7,836)
Other adjustments (Note 11)	–	(60,000)
Balance at end of year (Note 11)	₱39,883,570	₱39,848,651

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	₱ 34,919	₱25,022,200
Adjustments for:		
Depreciation and amortization (Notes 6 and 7)	2,669,993	1,476,759
Expensed building cost during the year (Note 6)	2,371,911	–
Retirement expense (Note 15)	201,965	(169,737)
Interest expense	60,734	55,822
Interest income	(83,767)	(56,612)
Operating income before working capital changes	5,255,755	26,328,432
Increase in other current assets	(325,297)	(1,529,402)
Increase (decrease) in:		
Accounts payable and accrued expenses	(697,725)	5,168,330
Net cash generated from operations	4,232,733	29,967,360
Interest received	83,767	56,612
Interest paid	(60,734)	(55,822)
Net cash provided by operating activities	4,255,766	29,968,150
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Notes 6 and 9)	(6,059,961)	(6,554,718)
Acquisitions of computer software (Note 7)	(187,093)	(187,572)
Increase in refundable deposits	(43,500)	(361,570)
Net cash used in investing activities	(6,290,554)	(7,103,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of bank loan (Note 9)	179,400	–
Payments of bank loan (Note 9)	(185,650)	(155,750)
Funds returned to funding agencies/partners	–	(7,836)
Net cash used in financing activities	(6,250)	(163,586)
NET INCREASE (DECREASE) IN CASH	(2,041,038)	22,700,704
CASH AT BEGINNING OF YEAR	33,831,293	11,130,589
CASH AT END OF YEAR	₱31,790,255	₱33,831,293

See accompanying Notes to Financial Statements.

COMMUNITY AND FAMILY SERVICES INTERNATIONAL

(A Nonstock, Nonprofit Organization)

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.

CFSI is accredited by the Philippine Council for NGO Certification (PCNC) through February 4, 2013 and has “Donee Institution” status with the Philippine Government’s Bureau of Internal Revenue through September 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.

CFSI, as a not-for-profit organization operating exclusively for the promotion of social welfare, falls under Section 30 (e) 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 assistance agencies.

The private sector in the Philippines, as well as abroad, also contributes significant resources to CFSI, in cash and/or in kind. This includes 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 international organizations, development assistance agencies, and the private sector.

For the year-ended December 31, 2010, CFSI received ₱153,264,955 for the Philippine Programme, broken down as follows:

Nationwide Operations	₱13,226,534
Mindanao Operations	61,567,838
Luzon Operations	71,084,441
Private Sector Funds – All Operations	7,386,142
<u>Total</u>	<u>₱153,264,955</u>

Funds 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. The United Nations High Commissioner for Refugees (UNHCR) has the global mandate to protect and assist refugees. CFSI has been a partner of UNHCR in the Philippines every year since 1982.

- a. Philippines United Nations High Commissioner for Refugees (UNHCR) Fund – Urban Refugee Project (URP) - represents funds received from the UNHCR for urban refugees from more than 16 countries who are granted asylum in the Philippines. CFSI is responsible for helping these refugees achieve durable solutions, as well as providing them with legal assistance, social services, psychosocial services, 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 2012.
- b. Philippines United Nations High Commissioner for Refugees (UNHCR) Fund – Emergency Transit Mechanism (ETM) Project - represents funds received from the UNHCR to protect and assist refugees in transit, under special circumstances, to other countries, usually within six months. CFSI is responsible for providing the refugees with safe accommodation, basic services, legal assistance, social services, psychosocial services, 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 rapidly expanding. It is presently expected to continue through at least 2012.

In January 2011, the Urban Refugee Project and the Emergency Transit Mechanism were combined to form just one project, thereby promoting greater operational efficiencies.

Funds 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. The primary fund sources are international organizations, development assistance agencies, and the private sector.

- a. Mindanao Trust Fund - represents funds received from the International Bank for Reconstruction and Development (i.e., the World Bank) for 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 pilot 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, providing 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 which are as follows:

Grant	US\$ Amount	Equivalent In Philippine Peso	Dates
First Grant Agreement	US\$1,405,000	₱71,660,000	December 15, 2005– December 31, 2010
Second Grant Agreement	600,000	29,400,000	August 14, 2006– February 28, 2010
Third Grant Agreement	1,000,000	41,760,000	June 27, 2007– October 18, 2007
Fourth Grant Agreement	1,400,000	64,680,000	March 17, 2009– June 30, 2010
Fifth Grant Agreement	1,095,988	50,634,645	November 18, 2009– September 30, 2012
Total	US\$5,500,988	₱258,134,645	

- b. Mindanao World Food Programme (WFP) Fund - 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 provinces of Maguindanao, Lanao del Norte and Lanao del Sur in the conflict-affected areas of Mindanao. 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 started in June 2006 and will continue with the Protracted Relief and Recovery Operation (PRRO) through at least December 2011, and probably longer.
- c. Mindanao Japan International Cooperation Agency (JICA) Fund - represents funds received from JICA for the community education project entitled “Promoting Community Capacity to Care for Conflict-Affected Children in Central Mindanao.” Phase One of the project was launched by CFSI in November 2004 and ended in March 2006. Phase Two began in December 2006 and was completed in March 2009. The project involved helping the residents of 150 conflict-affected sitios (villages) construct 150 Harmony Play Centers (HPCs) as venues for day care services and psychosocial care for more than 5,000 three to five year old children. The youth of these villages painted murals on each HPC and the adults trained

by CFSI as volunteer caregivers were organized as an association to help promote the sustainability of this initiative.

- d. Mindanao Australian Agency for International Development (AusAID) Fund - represents funds received from AusAID through its Philippines–Australia Community Assistance Program (PACAP) for the implementation of the “Education and Leadership for Indigenous Peoples in Conflict-Affected Areas in Mindanao” (ELIP) project in select municipalities of the provinces of Maguindanao and North Cotabato. The project started in January 2008 and was completed in June 2009.

The experience with ELIP showed the value of learning and livelihood objectives in improving the lives of indigenous peoples in Maguindanao and North Cotabato. Thus, AusAID through PACAP again provided funds for these communities in November 2009 for the “Life Skills for Indigenous Peoples in Conflict-Affected Areas in Mindanao” (LSIP) project. The objectives of the project were: (1) provide educational and learning opportunities to at least 50 Aromanon-Manobo and 100 Teduray children and youth; (2) provide livelihood skills training and, when applicable, start-up assistance; (3) improve household food security/sufficiency; (4) promote the cultural heritage, identity and self-esteem; and (5) organize and/or strengthen community-based educational advocacy groups. The project was completed in August 2010.

- e. Mindanao United Nations Children’s Fund (UNICEF) - represents funds received from UNICEF for the implementation of the “Second Round of the Days of Peace Campaign in Mindanao” project in the provinces of Maguindanao and Shariff Kabunsuan (now Maguindanao). The project started in November 2008 and was completed in February 2009. The objectives of the project were to: (1) provide emergency psychosocial support for at least 5,000 displaced children by establishing 20 child-friendly spaces and 20 temporary classrooms or alternative learning spaces in evacuation centers; (2) actively engage the youth amongst the displaced in psychosocial activities; and (3) provide support to caregivers through trainings and group sessions.

A second project, known at CFSI as the “Child Rights Project” was started in September 2009 in evacuation centers in eleven municipalities of Maguindanao province and one municipality in North Cotabato province. It includes the development and implementation of culturally inclusive activities that focus on the psychosocial well-being of children and youth, and build emotional intelligence among children experiencing profound stress. It also includes enhancing family and community capacities to protect child rights and to maintain temporary facilities that address psychosocial needs and promote recovery. Funds received in 2009 include those intended for activities to be implemented during the first quarter of 2010 and is expected to be completed by the end of February 2011.

- f. Mindanao Canada Fund for Local Initiatives Fund - represents funds provided by the Canada Fund for Local Initiatives for the “Increasing Youth Participation in Local Governance in a Conflict–Affected Area through Information Technology” project. The objective of the project was to organize and train a group of youth who will work closely with the Sangguniang Kabataan, Municipal Planning and Development Office (MPDO), and barangay councils to create an electronic database of development planning indicators and data such as population, demographics, education, health, etc. This data will be used to advocate for greater local government allocations for, and investments in, youth-related programming. The direct beneficiaries of this project were at least 100 youth from 20 barangays of Datu Odin Sinsuat, Maguindanao. The project started in December 2008 and was completed in December 2009.

- g. Mindanao United Nations Population Fund (UNFPA) - represents funds for the project “Psychosocial Counseling Sessions for Mindanao.” The project period of 45 days started in January 2009 and ended in February 2009, the general objective of which was to assess the need for psychosocial counseling among pregnant women in trauma, female victims of trafficking due to the loss of livelihood, and women who have suffered gender-based and sexual violence as a result of the on-going armed conflict in Mindanao.
- h. Mindanao United Nations High Commissioner for Refugees (UNHCR) Fund - Mindanao Protection Project (MPP) - represents funds received from UNCHR, to address immediate needs and/or facilitate the rapid integration and rehabilitation of internally displaced persons (IDPs) and returnees in Central 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 the people’s organization (PO) also allow for the inclusion of IDPs with special needs. The project started in July 2010 and is expected to continue through at least December 2011.

Funds 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. The primary fund sources were international organizations, development assistance agencies, and the private sector.

- a. Luzon World Food Programme (WFP) Fund - Food Assistance Project - represents funds received from WFP, a specialized agency of the United Nations that were utilized to conduct a rapid needs assessment and help provide food assistance through general food distribution (GFD) and food-for-work (FFW) to roughly 480,000 families affected by disaster in at least seven provinces, namely: Aurora, Bulacan, Nueva Ecija, Bataan, Pampanga, Tarlac and Zambales. The project started in October 2009 and ended in December 2010.

Another project, the Cash-for-Work (CFW) Pilot Project, was started in August 2010 to support early recovery through the implementation of short-term community rehabilitation projects related to four categories: environment and agriculture, infrastructure, shelter and training. Cash incentives were given to the 50,000 households who participated in the community projects. The CFW Project was implemented in 42 municipalities in Region IV-A, National Capital Region and Cordillera Administrative Region. The project ended in late January 2011.

- b. Luzon United Nations High Commissioner for Refugees (UNHCR) Fund - Luzon Protection Project (LPP) - represents funds that helped protect and assist those affected by disaster in Luzon. These included IDPs and in particular, especially vulnerable individuals (EVIs), in Regions I, II, III, IV-A, and the Cordillera Administrative Region. Specific provinces included: Benguet, Pangasinan, Zambales, Tarlac, and Rizal. Services funded under this project included, but were not limited to: needs assessment, life-saving activities, community organizing, special assistance to 300 EVIs, and 31 QIPs ideally leading to the resumption of livelihoods. Funds were received in late December 2009 with the vast majority programmed for expenditure during the first quarter of 2010. The project started in November 2009 and ended in December 2010.

Funds for Projects in Metro Manila. Since 2001, CFSI has been actively involved in efforts to protect and assist vulnerable children and youth in exceptionally difficult circumstances in highly urbanized Pasay City, Metro Manila -where CFSI Headquarters is located.

- a. Metro Manila Australian Agency for International Development (AusAID) Fund - 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 is funded by AusAID is 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 will be carried out through July 2011.

Private Sector Funds

- a. 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 they can only be used for specific projects or activities. Those who provided major grants are described below, while others are simply listed.
 - i. Mindanao - 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, youth, and women. The “Mindanao Youth and Leadership Project,” and the extension of “Life Skills for Young Potential Parents” (LSYPP) which started in 2004 and completed in December 2010, was focused on indigenous people, particularly youth, in Datu Odin Sinsuat, Maguindao. The “Healthy Start Project,” on the other hand, was focused on pregnant women and infants in Pagalungan, Maguindanao. This project is expected to be completed by the end of 2011, with similar or new initiatives expected to be supported by the Consuelo Foundation in the ensuing years.
 - ii. Mindanao - Other partners have supported CFSI initiatives in Mindanao, including special projects such as the “Arms are for Hugging” initiative in Barangay Inug-ug, Pagalungan, Maguindanao and/or for special needs at CFSI (e.g. a vehicle for field operations). Some of these partners are based in the Philippines, while others are situated in other parts of the world.

Donors in the Philippines	Donors Outside the Philippines
Rotary Club of Pasig	Izumi Supporting Community (Japan)
Various individuals in the Philippines	Ito Supporting Community (Japan)
CFSI Board Members	Leesburg Community Baptist Church (USA)
CFSI Staff Members	Various individuals in the United States
	Friends of CFSI at the Catholic University of America in Washington DC, USA

Donors in the Philippines	Donors Outside the Philippines
	Friends of CFSI at La Trobe University in Melbourne, Australia
	CFSI Board Members (based outside the Philippines)
iii. Luzon - The Consuelo Foundation, Atlantic Philanthropies Foundation, Deutscher Entwicklungsdienst (DED) or German Development Service, and various individuals in the Philippines, as well as abroad, provided funds for Family Support Kits distributed by CFSI to almost 3,000 families (15,000 persons) affected by disaster in Luzon in late 2009.	
iv. Luzon - Other partners who contributed more broadly to CFSI's disaster response efforts are listed in the table below. Like Mindanao, most of these contributions were project-specific or otherwise earmarked.	

Donors in the Philippines	Donors Outside the Philippines
Megastar Productions	Various individuals in the United States and Australia
Various individuals in the Philippines	Friends of CFSI at Catholic University of America in Washington DC, USA
CFSI Board Members	CFSI Board Members (based outside the Philippines)
v. Metro Manila - Funds received for the Park Avenue Initiative were almost entirely earmarked for specific purposes, such as livelihood training. Donors during 2009 and/or 2010 are reflected in the following table:	

Donors in the Philippines	Donors Outside the Philippines
International Bazaar Foundation	Woolrich Community Church (USA)
Various corporations in the Philippines	Friends of CFSI at La Trobe University in Melbourne, Australia
Various individuals in the Philippines	Friends of CFSI in Germany

Myanmar Programme

The Myanmar Programme includes funds from the international community for CFSI activities in Union of Myanmar (formerly known as Burma).

- a. Myanmar UNHCR Fund - represents funds received from the UNHCR primarily for the benefit of Myanmar Muslims who voluntarily repatriated and returned from refugee camps in Bangladesh to their communities of origin, as well as the general stateless population in the townships of Maungdaw, Buthidaung, and Rathedaung in the Northern area of Rakhine State (referred to as NRS), Union of Myanmar. CFSI is carrying out the "Community Social Services and Education Programme" which includes (1) Myanmar language literacy for over 2,000 people from general stateless population each year, 70% of whom are female; (2) managing 24 community services centers, including one Inter-

Ethnic Youth Centre (IEYC), that promote self-awareness raising, skills development and livelihood opportunities; (3) conducting inter-ethnic programme activities targeted at the youth sector; (4) mainstreaming school-age children into the state school system, including post-primary education and hostel arrangements for Muslim girls, and (5) providing early childhood development services for pre-school children and their mothers. CFSI has entered into annual project agreements with UNHCR in Myanmar since 1998 and is expected to continue to do so through at least 2012. 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.

- b. Myanmar CARE Fund – represents funds received from CARE Myanmar for the project entitled “Promoting Psychosocial Recovery through Enhanced Programming.” This project was formulated in response to the loss of life and devastation caused by cyclone Nargis in 2008. It involved cooperation between CFSI and CARE Myanmar in the divisions of Ayerwady and Yangon on psychosocial services for the survivors of the disaster. Begun in October 2008, the project was completed in January 2009.

Viet Nam Programme

The Viet Nam Programme includes funds from the Atlantic Philanthropies for the Social Work Education Project: Promoting Societal Health and Social Development in 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. This includes training of professional social workers and paraprofessionals who provide services at the community level; managers of social protection centers; and social work educators. The project started in October 2010 and is expected to be completed by the end of 2014. It builds on work carried out by CFSI in Viet Nam from 1992 until 2005.

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 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, and special needs. Those who provided major grants are as follows:
 - i. 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, 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. The four installments received by CFSI since July 2007 amounted to US\$640,000, covering the period July 1, 2007 through June 30, 2011. The next installment is scheduled for release in June 2011.
 - ii. Other donors who provided support for CFSI Headquarters in 2010 and 2009 are listed in the table below:

Donors in the Philippines	Donors Outside the Philippines
Various individuals	Nef Foundation (USA)
CFSI Board Members	Brownington Foundation (USA)
CFSI Staff Members	Bulls Head Foundation (USA)
	Various individuals based in the USA
	Friends of CFSI at La Trobe University (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 the Deutscher Entwicklungsdienst (DED) or German Development Service, the Nef Foundation, and 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 Johnson Foundation, and various individuals. The SWEP is a special six-year initiative, beginning in August 2007, 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 USD\$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 the 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 are expected to earn a Master of Teaching in Social Work (MTSW) degree from CUA through the SWEP. 32 students successfully completed the MTSW program in 2009 and another 32 in 2010. In March 2011, 36 new students were enrolled for the third cohort of the program which is expected to be completed by the end of 2012.

- c. Mindanao Embassy of Japan in the Republic of the Philippines (EOJ) Fund – consisted of funds received from EOJ through the Japan-Bangsamoro Initiative for Reconstruction and Development (J-BIRD) for the construction of the CFSI Center for Excellence in Humanitarian Service. The Center, constructed in coordination with the Bangsamoro Development Agency (BDA), includes facilities for training, meetings and research in humanitarian assistance; accommodations for training participants; and an office for 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 for Excellence in Humanitarian Service are listed in the table below:

Donors in the Philippines	Donors Outside the Philippines
Bahay ni Angelo King Foundation	The Atlantic Philanthropies Director/Employees Designated Gift Fund
Gregorio Araneta Social Development Foundation	Various individuals in the United States and Hongkong
A.Y. Foundation	CFSI Board Members (based outside the Philippines)
W.S. Family Foundation	
Various individuals in the Philippines	
CFSI Board Members	
CFSI Staff Members	

- d. Networking and Advocacy Project - represents funds for activities that advance the CFSI advocacy agenda and broaden the reach of CFSI at the national, regional, and international levels. Activities include: the dissemination of public advocacy materials; participation in conferences, workshops, and events that are focused on issues related to the mission and commitments of CFSI; participation in networks of organizations with shared visions and goals, leading to greater impact; and participation in exposure visits contributory to capacity enhancement at CFSI. These activities help ensure: CFSI visibility is heightened; the “voice” of CFSI is heard in the broader humanitarian and development communities, ideally at the policy level; existing linkages are strengthened and new linkages established; and the knowledge, as well as skills, of the CFSI staff members are enhanced.

Expenses include: annual membership fees paid by CFSI to specific networks; the cost of participation in general assemblies, conferences, workshops, events, and exposure visits, including transportation, accommodation, daily subsistence allowances, etc.; and the production of public advocacy materials.

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 support is provided by partners of CFSI. Primary partners for 2010 and 2009 included:

- International Council of Voluntary Agencies
- United Nations Development Programme
- United Nations High Commissioner for Refugees
- Humanitarian Accountability Partnership
- Japan International Cooperation Agency
- Japan Foundation

- 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. The Emergency Response Fund is accessed only upon the approval of the Board of Trustees (BOT).
- f. Retirement Fund - represents funds intended for the future 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 its work well into the future. Disbursements of cash from the Sustainability Fund are subject to approval by the BOT.

The accompanying financial statements of CFSI were approved and authorized for issuance in accordance with a resolution by the BOT on 10 June 2011

Summary of Project Funding Grants/Commitments

	Term of Grants/Commitments	Amount of Grants/Commitment	Total Funds Received as of December 31, 2010	Balance of Grants/Commitments not expected to be received	Balance of Grants/Commitments expected to be received subsequent to December 31, 2010	Balance of Grant/Commitments to be returned to Donors subsequent to December 31, 2010
PHILIPPINE PROGRAMME:						
World Bank - Mindanao Trust Fund:						
First Grant Agreement	Dec 2005 - Dec 2010	\$1,405,000	\$1,405,000	\$-	\$-	\$-
Second Grant Agreement	Aug 2006 - Feb 2010	\$600,000	\$560,656	\$39,344	\$-	\$-
Fourth Grant Agreement	Mar 2009 - Jun 2011	\$1,400,000	\$708,756	\$-	\$691,244	\$-
Fifth Grant Agreement	Nov 2009 - Sept 2012	\$1,095,988	\$250,184	\$-	\$845,804	\$-
UN High Commissioner for Refugees:						
Nationwide – Urban Refugee Project and Emergency Transit Mechanism	Jan-Dec 2010	₱13,321,540	₱13,321,540	₱-	₱-	₱95,007
Luzon Protection Project	Jan-Aug 2010	₱13,473,921	₱13,071,852	₱402,069	₱-	₱80,567
Mindanao Protection Project	July-Dec 2010	₱3,224,753	₱3,217,995	₱6,758	₱-	₱337,122
World Food Programme:						
Mindanao - Maguindanao	Jan-Dec 2009 (balance)	₱1,841,696	₱1,841,696	₱-	₱-	₱-
	Jan-Jun 2010	₱4,355,572	₱4,355,572	₱-	₱-	₱-
	July 2010-Dec 2011	₱15,141,854	₱2,979,607	₱-	₱12,162,247	₱-
Mindanao – Lanao del Norte, Lanao del Sur	Apr-Dec 2009 (balance)	₱959,552	₱959,552	₱-	₱-	₱-
	Jan-Jun 2010	₱2,382,320	₱2,382,320	₱-	₱-	₱-
	July 2010-Dec 2011	₱15,124,690	₱1,867,744	₱-	₱13,256,946	₱-
Luzon (Food-for-Work) – Aurora, Bulacan, Nueva Ecija, Bataan, Pampanga, Tarlac, Zambales	Oct-Dec 2009 (balance)	₱776,504	₱776,504	₱-	₱-	₱-
	Jan-Jun 2010	₱4,578,025	₱4,578,025	₱-	₱-	₱-
	Jul-Sep 2010	₱2,781,453	₱2,781,453	₱-	₱-	₱-
	Oct-Dec 2010	₱1,727,224	₱1,351,687	₱-	₱375,537	₱-
Luzon (Cash-for-Work) – Metro Manila, Rizal, Laguna, Mt. Province, Benguet	Jul-Oct 2010	₱49,609,783	₱48,065,486	₱1,544,297	₱-	₱-
	Nov-Dec 2010	₱1,903,200	₱-	₱-	₱1,903,200	₱-
UN Children's Fund:						
Mindanao	Sept 2009-Jul 2010 (balance)	₱10,782,792	₱10,782,792	₱-	₱-	₱-
	Aug 2010-Feb 2011	₱23,177,038	₱14,238,504	₱-	₱8,938,534	₱-

	Term of Grants/Commitments	Amount of Grants/Commitment	Total Funds Received as of December 31, 2010	Balance of Grants/Commitments not expected to be received	Balance of Grants/Commitments expected to be received subsequent to December 31, 2010	Balance of Grant/Commitments to be returned to Donors subsequent to December 31, 2010
Australian Agency for International Development:						
Mindanao	Oct 2009-Aug 2010 (balance)	P483,488	P483,488	P-	P-	P-
	Enhancement Program	P380,000	P380,000	P-	P-	P-
Canada Fund for Local Initiatives:						
Mindanao	Feb 2009 - Mar 2010 (balance)	P99,784	P99,784	P-	P-	P-
Private Sector Fund:						
Mindanao Healthy Start Project	Jan-Dec 2009 (balance)	P18,250	P18,250	P-	P-	P-
	Jan-Dec 2010	P1,074,180	P1,057,230	P16,950	P-	P-
Mindanao Youth and Leadership Project	Nov 2008 - Dec 2010	P2,749,335	P2,561,683	P187,652	P-	P-
Subtotal of dollar grants		\$4,500,988	\$2,924,596	\$39,334	\$1,537,048	\$-
Subtotal of peso grants		P169,966,954	P131,172,764	P2,157,726	P36,636,464	P512,696
MYANMAR PROGRAMME						
UN High Commissioner for Refugees	Jan-Dec 2010	\$847,636	\$847,636	\$-	\$-	\$-
VIET NAM PROGRAMME						
Social Work Education Project - Atlantic Philanthropies	Oct 2010 - Sept 2014	\$1,860,000	\$200,000	\$-	\$1,660,000	\$-
HEADQUARTERS PROGRAMME						
Headquarters Fund	July 2007 - June 2013	\$960,000	\$640,000	\$-	\$320,000	\$-
Total of dollar grants		\$8,168,624	\$4,612,232	\$39,334	\$3,397,048	\$-
Total of peso grants		P169,966,954	P131,172,764	P2,157,726	P36,636,464	P512,696

World Bank - Mindanao Trust Fund (MTF)

The Second Grant Agreement under the MTF closed in February 2010 with utilization of funds of \$560,656 of the total grant of \$600,000. The World Bank formally cancelled the grant agreement on July 16, 2010, and the \$39,344 will no longer be released.

UN High Commissioner for Refugees (UNHCR)

Of the P13,321,540 received for the Urban Refugee Project and Emergency Transit Mechanism, the amount of P95,006 was unutilized and returned to UNHCR on April 15, 2011, after the verification of the financial report submitted to UNHCR, and the results of the UNHCR audit.

Of the P13,473,921 received for the Luzon Protection Project, the amount of P80,567 was unutilized and returned to UNHCR on April 15, 2011, after the verification of the financial report submitted to UNHCR, and the results of the UNHCR audit. Of the total budget, P402,069 was allocated by UNHCR to anticipate differences in foreign exchange. This amount was not released by UNHCR to CFSI.

Of the P3,224,753 received for the Mindanao Protection Project, the amount of P337,121 was unutilized and returned to UNHCR on April 15, 2011, after the verification of the financial report submitted to UNHCR, and the results of the UNHCR audit. The returned amount was part of the funds released by UNHCR on December 14, 2010. P6,758 was also allocated by UNHCR to anticipate differences in foreign exchange. This amount was not released by UNHCR to CFSI.

World Food Programme (WFP)

For the project in Luzon (Food-for-Work), the balance was received by CFSI on February 04, 2011.

For the project in Luzon (Cash-for-Work), the unused budget during the period of July to October 2010 of ₱1,544,297 was carried over and included in the budget for the extension period of November to December 2010. The expenses for the extension period were reimbursed by WFP to CFSI in January 11 and 28, 2011.

Private Sector Fund

The unused balances in the budget for the Mindanao Healthy Start Project of ₱16,950, and the budget for the Mindanao Youth and Leadership Project of ₱187,652 were no longer released by Consuelo Foundation to CFSI.

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 Standard for Small and Medium-sized Entities (PFRS for SMEs).

Transition to PFRS for SMEs

The financial statements for the year ended December 31, 2010 are the Organization's first financial statements prepared in accordance with PFRS for SMEs. The Organization's transition date to PFRS for SME is January 1, 2009. For all periods up to and including December 31, 2008, the Organization prepared its financial statements in accordance with generally accepted accounting principles applicable to non-publicly accountable entities (previous GAAP).

Reconciliations

The following reconciliations show the effect of the transition on the Organization's fund balances from the previous GAAP to the PFRS for SMEs at December 31, 2009 and January 1, 2009 and on the Organization's excess of revenues over expenses for the year ended December 31, 2009.

Reconciliation of Fund Balances

	December 31, 2009 (End of last period presented under previous GAAP)	January 1, 2009 (Date of transition)
Total fund balance under previous GAAP	₱38,885,967	₱14,321,295
Actuarial gains on retirement liability recognized immediately (a)	962,684	572,992
Total fund balance under PFRS for SMEs	₱39,848,651	₱14,894,287

Reconciliation of Excess of Revenues Over Expenses

	2009
Excess of revenues over expenses for the year under previous GAAP	₱24,632,508
Actuarial gains on retirement liability recognized	389,692

immediately (a)	
Excess of revenues over expenses for the year under PFRS for SMEs	₱25,022,200

Note to reconciliations from previous GAAP to PFRS for SMEs

(a) Retirement Benefits – Actuarial Gains

Under previous GAAP, the Organization recognized actuarial gains and losses when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and fair value of plan assets at that date. Under the PFRS for SMEs, the Organization has elected to recognize all actuarial gains and losses in full in profit or loss.

Effect on the Statements of Cash Flows for 2009

There are no material differences in the statements of cash flows prepared under the PFRS for SMEs from that prepared under the previous GAAP.

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	5
Transportation equipment	3 to 7
Furniture and fixtures	3
Communication equipment	3
Office and other equipment	3

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 revenue 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 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.

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 revenue over expenses reduced by funds returned to funding agencies/partners and other adjustments. Funds returned to 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 when it is probable that the economic benefits associated with the transaction will flow to the Organization and the amount of the revenue can be measured reliably.

Grants, Donations, Support and Contributions. Grants, donations, support and contributions are recognized when received.

Mission-Related Social Enterprise Activities. Activities are recognized when revenues are received for services rendered through the social enterprise activity, 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 revenue and expenses in the year these are incurred.

Operating Lease

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

Foreign Currency Transactions

Foreign currency 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 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 revenue 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 Reporting Period

Any event after reporting period that provides additional information about the Organization's assets and liabilities at reporting period (adjusting events) are reflected in the financial statements. Events after reporting period that are not adjusting events are disclosed in the notes to 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 render of services and the costs of providing services.

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.

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. The Organization estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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 the property and equipment. In addition, the estimation of the useful lives of property and equipment is 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.

The carrying value of property and equipment amounted to ₱12,343,595 and ₱11,232,396 as at December 31, 2010 and 2009, respectively (see Note 6).

Impairment of Property and Equipment. The Organization's management conducts an impairment review of its property and equipment 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 the property and equipment is 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 Company, the property and equipment does not have any indication of impairment as at December 31, 2010 and 2009. Carrying values of property and equipment amounted ₱12,343,595 and ₱11,232,396 as at December 31, 2010 and 2009, respectively (see Note 6).

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 15 to the financial statements. Retirement liability in the statements of financial position as at December 31, 2010 and 2009 amounted to ₱1,084,935 and ₱882,970, as restated, respectively (see Note 5).

4. Cash

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

	2010	2009
Restricted		
World Bank - Mindanao Trust Fund	₱11,261,371	₱3,769,596
UNHCR - Luzon Protection Project	900,079	4,048,484
UNHCR - Mindanao Protection Project	676,165	–
UNHCR - Urban Refugee Project	165,177	546,511
UNHCR - Emergency Transit Mechanism	107,739	115,749
WFP - Food Assistance Project - Lanao Provinces	736,546	187,438
WFP - Food Assistance Project - Luzon (Food-for-Work)	635,581	50,000
WFP - Food Assistance Project - Luzon (Cash-for-Work)	371,472	–
WFP - Food Assistance Project - Maguindanao	9,761	32,272
UNICEF - Child Rights Project	3,290,218	16,493,834
AusAID - Metro Manila	767,413	1,399,515
AusAID - Mindanao	49,904	622,926
Canada Fund for Local Initiatives - Mindanao	10,172	22,549
Philippine Programme - Private Sector Fund	844,323	844,738
Myanmar Programme - UNHCR	28,860	28,907
Myanmar Programme - CARE	–	739,139
Viet Nam Programme – Social Work Education Project/Atlantic Philanthropies	7,615,486	–
Headquarters	2,441,821	2,195,302
Social Work Education Project	761	1,467,549
Embassy of Japan Fund	–	50,136
Retirement Fund	808,384	629,892
Emergency Response Fund	10,260	10,250
Sustainability Fund	175,160	7,017
Center for Excellence in Humanitarian Service	–	2,684
	30,906,653	33,264,488
Unrestricted		
Headquarters	686,038	486,805
Philippine Programme - Private Sector Fund	197,564	80,000
	883,602	566,805
	₱31,790,255	₱33,831,293

5. Other Current Assets

	2010	2009
Project advances:		
Office expenses	₱2,020,952	₱600,071
Bangsamoro Development Agency (BDA)	405,579	2,027,677
Other agencies	132,982	3,647
Employees	36,421	42,114
Others	-	190,955
Prepaid Expenses	593,827	-
	₱ 3,189,761	₱2,864,464

Project advances for office expenses includes funds for the purchase of items for livelihood-related initiatives of the Mindanao Protection Project, allowances for trainers/teachers of the Child Rights Project, and cash incentives for participant households of the Cash-for-Work (CFW) pilot. Liquidations were completed in February 2011.

Project advances to BDA include operational funds and training funds. The third project partnership between CFSI and BDA began on September 1, 2010 and ends on August 30, 2011. Liquidations totaling ₱405,579 were made in January and February 2011.

Prepaid expenses are Family Support Kits prepared and packaged by CFSI, with funds provided by various donors and partners. These are pre-positioned for distribution for future emergencies.

6. Property and Equipment

	2010							Total
	Land	Buildings and Improvements	Transportation Equipment	Furniture and Fixtures	Communication Equipment	Office and Other Equipment	Construction in Progress	
Cost								
Balance at beginning of year	₱1,664,091	₱6,553,544	₱1,707,181	₱681,709	₱131,269	₱6,782,259	₱2,371,911	₱19,891,964
Additions	-	-	706,598	1,153,467	-	4,199,896	-	6,059,961
Disposal	-	(1,542,843)	-	-	-	(601,641)	(2,371,911)	(4,516,395)
Balance at end of year	1,664,091	5,010,701	2,413,779	1,835,176	131,269	10,380,514	-	21,435,530
Accumulated Depreciation								
Balance at beginning of year	-	2,813,470	1,014,277	214,355	70,247	4,547,219	-	8,659,568
Depreciation	-	993,760	186,025	275,961	29,742	1,091,363	-	2,576,851
Disposal	-	(1,542,843)	-	-	-	(601,641)	-	(2,144,484)
Balance at end of year	-	2,264,387	1,200,302	490,316	99,989	5,036,941	-	9,091,935
Net Book Value	₱1,664,091	₱ 2,746,314	₱1,213,477	₱1,344,860	₱31,280	₱5,343,573	₱-	₱ 12,343,595

	2009							Total
	Land	Buildings and Improvements	Transportation Equipment	Furniture and Fixtures	Communication Equipment	Office and Other Equipment	Construction in Progress	
Cost								
Balance at beginning of year	₱1,664,091	₱2,385,924	₱2,085,181	₱94,336	₱89,269	₱4,426,690	₱2,969,755	₱13,715,246
Additions	-	1,197,865	-	587,373	42,000	2,355,569	2,371,911	6,554,718
Reclassification	-	2,969,755	-	-	-	-	(2,969,755)	-
Disposal	-	-	(378,000)	-	-	-	-	(378,000)
Balance at end of year	1,664,091	6,553,544	1,707,181	681,709	131,269	6,782,259	2,371,911	19,891,964
Accumulated Depreciation								
Balance at beginning of year	-	1,958,645	1,203,381	93,473	54,474	4,289,228	-	7,599,201
Depreciation	-	854,825	188,896	120,882	15,773	257,991	-	1,438,367
Disposal	-	-	(378,000)	-	-	-	-	(378,000)
Balance at end of year	-	2,813,470	1,014,277	214,355	70,247	4,547,219	-	8,659,568

Net Book Value	P1,664,091	P3,740,074	P692,904	P467,354	P61,022	P2,235,040	P2,371,911	P11,232,396
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In 2006, CFSI raised funds to purchase a 1,000 square meter lot in Cotabato City, Mindanao, Philippines. In 2008, a member of the Board of Trustees donated two lots totaling 529 square meters in Rizal, Luzon, Philippines.

The construction of the CEHS in Cotabato City was completed in February 2009. Furniture and equipments were also purchased in 2009.

In December 2010, the DED donated a vehicle with a net book value of P100,000 for use by the Philippine Programme in Metro Manila.

After their completion in 2010, the cost of construction of community service centers in Maungdaw, Myanmar in the amount of P5,185,229 was recorded as community service and capacity building expense. This included the beginning balance of construction in progress amounting to P2,371,911.

7. Computer Software

Computer software were purchased in 2010, which includes desktop applications (word processing, spreadsheets, browsing, etc.).

	2010	2009
Cost:		
Balance at beginning of year	P295,572	P108,000
Additions	187,093	187,572
Balance at end of year	482,665	295,572
Accumulated amortization:		
Balance at beginning of year	83,392	45,000
Amortization	93,142	38,392
Balance at end of year	176,534	83,392
Net book value	P306,131	P212,180

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were recorded in 2010 for transactions with various suppliers and contractors of several projects. In 2010, these include suppliers of construction materials for the child friendly spaces under the Child Protection Project, and suppliers of items of livelihood-related initiatives of the Mindanao Protection Project. Payments to these suppliers and contractors were made in January and February 2011.

In 2009, these include suppliers of items for CFSI's disaster response efforts and the housing needs of refugees assisted under the Emergency Transit Mechanism Project. Payments to these suppliers and contractors were made in January 2010.

9. Bank Loans

The bank loan amounting to P571,083 was used for the acquisition of transportation equipment. It is payable in 48 equal monthly installments of P17,631 with annual interest of 8.96% starting from

September 30, 2008 until August 31, 2012. Another bank loan was used for the acquisition of another transportation vehicle amounting to ₱179,400. It is payable in 36 equal monthly installments of ₱5,802 with an annual interest rate of 10.78% starting from July 27, 2010 until June 27, 2013.

10. Related Party Transactions

Salaries and employee benefits of the members of the Senior Management Team at the headquarters of the Organization were ₱2,827,500 and ₱2,708,332 for the years ended December 31, 2010 and 2009.

Salaries and employee benefits of the other staff were ₱24,982,428 and ₱12,024,282 for the years ended December 31, 2010 and 2009. There was a significant increase in the account balances due to the employment of additional staff for various projects in 2010, which included the response to the disaster that hit Luzon in late 2009, the expansion of efforts in the conflict-affected areas of Mindanao, and preliminary operations in Viet Nam.

11. Fund Balances

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

	2010	2009 (As restated – See Note 2)
Philippine Programme:		
World Bank - Mindanao Trust Fund	₱13,015,858	₱5,144,342
Philippine UNHCR Fund:		
Urban Refugee Project and Emergency Transit Mechanism	160,368	74,279
Luzon Protection Project	322,274	479,219
Mindanao Protection Project	77,593	–
World Food Programme Fund:		
Mindanao - Maguindanao	(173,255)	(1,192,244)
Mindanao - Lanao Provinces	(857,518)	(622,071)
Luzon - Food for Work	487,229	(288,135)
Luzon - Cash for Work	(45,448)	–
UNICEF	4,474,492	16,302,819
AusAID - Mindanao:		
ELIP	–	(6,652)
LSIP	162,140	597,915
AusAID-Metro Manila	753,105	1,335,632
Canada Fund for Local Initiatives - Mindanao	18,545	9,053
Private Sector Fund	(6,895,270)	(1,122,908)
Myanmar Programme:		
Myanmar UNHCR Fund	6,554,246	2,740,589
Myanmar CARE Fund	–	(22,730)
Viet Nam Programme: Social Work Education Project/Atlantic Philanthropies	7,903,613	–
Headquarters Programme: Headquarters Fund:		

	2010	2009 (As restated – See Note 2)
Headquarters	8,928,469	7,978,956
Networking and Advocacy	(453,202)	(167,673)
Social Work Education Project	(419,935)	980,750
Embassy of Japan	2,053,068	2,825,442
Retirement Fund	₱2,757,779	₱2,696,183
Emergency Response Fund	241,250	241,250
Sustainability Fund:		
Sustainability	1,010,535	641,184
Center for Excellence in Humanitarian Service	(192,366)	1,223,451
	₱39,883,570	₱39,848,651

The deficit in the fund balance for projects with WFP represents expenses at the end of 2010 that were reimbursed to CFSI in the first quarter of 2011. The deficit for Networking and Advocacy includes cost of participation in conferences in late 2010, that were reimbursed by various partners in 2011. The deficit for Private Sector Fund represents country programme support, management fees and other income which were deducted from the Excess of Revenue over Expenses.

Other adjustments in the Statements of Changes in Fund Balances refer to adjustment for prior year expense for the share in auditor's fees of the Urban Refugee Project.

12. 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; and youth plus displaced persons in Timor-Leste. In addition, community groups, organizations, and institutions benefit from capacity-building activities carried out by CFSI.

Community service and capacity building expenses amounted to ₱110,024,428 and ₱41,110,207 in 2010 and 2009, respectively.

Counterpart Costs

Counterpart costs 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 Costs

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

Some of these project development costs are expected to be recovered through management fees upon project approval.

13. 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 operational support from contracts entered into by CFSI and unrestricted contributions to CFSI from the private sector.

Country Programme Support Expenses for the year ended December 31, 2010 and 2009 amounted to ₱2,361,982 and ₱2,982,645, respectively.

14. 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:

	2010	2009 (As restated – See Note 2)
Salaries, employee welfare and benefits (see Note 10)	₱620,547	₱1,371,547
Rent and utilities	442,421	432,697
Transportation and travel	341,202	536,226
Auditors' fee	328,300	275,600
Communication	240,932	193,922
Trainings and workshops	232,633	189,262
Retirement expense (benefit) (see Note 15)	201,965	(169,737)
Materials and office supplies	198,258	168,421
Professional, technical and other fees	162,705	83,419
Board and committee meetings	82,642	78,551
Networking and advocacy	66,495	162,437
Repairs and maintenance	45,982	57,656
Taxes and licenses (see Note 17)	28,448	19,986
Others	26,800	16,451
Insurance	10,071	14,957

	2010	2009 (As restated – See Note 2)
	₱3,029,401	₱3,431,395

15. Retirement Benefits

The Organization has an unfunded, noncontributory, defined benefit retirement plan covering substantially all qualified employees. The latest actuarial valuation was done as at December 31, 2010.

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

	2010	2009 (As restated – See Note 2)
Retirement expense (benefit):		
Current service cost	₱141,486	₱158,620
Interest cost on benefit obligation	93,595	94,744
Net actuarial gain recognized during the year	(33,116)	(423,101)
	₱201,965	(₱169,737)

Movements in the present value of retirement obligation are as follows:

	2010	2009 (As restated – See Note 2)
Balance at beginning of period	₱882,970	₱1,052,707
Current service cost	141,486	158,620
Interest cost on benefit obligation	93,595	94,744
Actuarial gain on obligation	(33,116)	(423,101)
Balance at end of the period	₱1,084,935	₱882,970

Movements in the retirement liability are as follows:

	2010	2009 (As restated – See Note 2)
Balance at beginning of year	₱882,970	₱1,052,707
Retirement expense (benefit)	201,965	(169,737)
Balance at end of year	₱1,084,935	₱882,970

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

	2010	2009
Discount rate	9.4%	10.6%
Salary rate	5%	5%

16. Contributed Services

A variety of individuals, communities, organizations and universities 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 ₱21,945,269 million and ₱11,630,000 million in 2010 and 2009, respectively. Some of the major contributed services are as follows.

- a. Board and Staff - The Members of the BOT and Staff Members, including hundreds of Community 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 distinguished professionals and Community Volunteers, provided their services at no cost, but great benefit to CFSI.
- b. Communities - CFSI organizing and mobilization efforts in Mindanao and Luzon led to voluntary contributions of services, facilities, and other valuable resources by communities affected by armed conflict and disaster. For example, communities participating in various projects contributed manual labor: in the “Cash for Work Pilot Project” funded by WFP in the implementation of agriculture, infrastructure and shelter projects, and in the “Child Rights Project” funded by UNICEF in the construction of play centers for three to five years old children. Volunteered services occurred in the communities involved in the Park Avenue Initiative in Pasay City. Youth from the communities provided general assistance to the project staff in activities, such as tutorial classes, home visits and surveys, sports fests, and informal community meetings. Some mothers of the youth and children participants also helped in organizing activities during children’s month.

Members of the community in Pasay City assisted in the packaging of the CFSI Family Hygiene Kits for the victims of the typhoons which hit Luzon in late 2009. Staff of Tahanang Walang Hagdanan, as well as staff and student volunteers from Deutscher Entwicklungsdienst (DED) or German Development Service, also shared their time and energy in preparing the kits.

- c. Some of the teachers at the Inug-ug Elementary School served without benefit of salary, while residents of this conflict-affected community voluntarily helped construct and maintain school facilities.
- d. Organizations - The Consuelo Foundation provided technical assistance to CFSI with the aim of strengthening the Organization’s capacity to develop and implement resource development strategies for long-term sustainability. The World Bank helped build CFSI’s technical capacities, as did UNHCR, UNICEF, ICVA, several other organizations and the Asian Development Bank (ADB). The ADB donated twenty-five laptops and six printers to help CFSI respond more effectively to humanitarian emergencies caused by armed conflict and natural disasters.
- e. Governments - The Deutscher Entwicklungsdienst (DED) or 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 two volunteers in support of the Park Avenue Initiative from August 2010 to July 2011.

- f. Academic Institutions - CFSI has entered into cooperation with various universities and colleges in the Philippines and abroad during the 29-year history of the Organization. CFSI benefited from the services of interns and volunteers from many of these academic institutions during 2010 and 2009 including, but not limited to, the following:

Philippines

- Pamantasan ng Lungsod ng Maynila
- Philippine Women's University
- Universidad ng Maynila
- Cotabato City State Polytechnic College
- Mindanao State University - Maguindanao
- Western Mindanao State University – Zamboanga
- Southern Christian College – North Cotabato

Australia

- La Trobe University
- Monash University
- Charles Darwin University

United States of America

- Catholic University of America
- San Francisco State University
- Indiana University – Purdue University Indianapolis

Ireland

- National University of Ireland

17. Supplementary Information Required under Revenue Regulation 15-2010

The Organization is a non-Value Added Tax (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.

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 includes the following for the year-ended December 31, 2010:

Local:	
Mayor's Permit	₱15,248
Real Estate Taxes	1,524
Community Tax Certificate	700
National:	
Land Transportation Office Registration	8,200
Department of Social Welfare and Development Licensing fee	1,000
Securities and Exchange Commission Fees	701
Bureau of Internal Revenue (BIR) Certification and documentary stamp tax	575
BIR Annual Registration	500
	<hr/>
	₱28,448

The amount of withholding taxes paid for the year amounted to:

Tax on compensation and benefits	₱2,099,248
Creditable withholding taxes	549,999
Final withholding tax	20,873
	<hr/>
	₱2,670,120

The Organization has no final tax assessments and cases pending before the BIR as at December 31, 2010. Likewise, the Organization has no other pending tax cases outside the administration of the BIR as at December 31, 2010.