

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

**Financial Statements
December 31, 2011 and 2010**

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.



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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Community and Family Services International
Torres Building
2442 Park Avenue, Pasay City

We have audited the financial statements of Community and Family Services International (a nonstock, nonprofit corporation) for the year ended December 31, 2010 on which we have rendered the attached report dated April 19, 2012.

Community and Family Services International being a nonstock, nonprofit organization does not have any shareholders. Its activities are being managed by the Board of Trustees.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0943-A
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2009,
September 30, 2009, Valid until September 29, 2012
PTR No. 2641505, January 3, 2011, Makati City

April 19, 2012

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, 2011 and 2010, 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 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, 2011 and 2010, and its revenues 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 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
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0943-A (Group A),
March 18, 2010, valid until March 17, 2013
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2009,
September 30, 2009, valid until September 29, 2012
PTR No. 3174580, January 2, 2012, Makati City

April 19, 2012

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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash (Note 4)		
Restricted	P22,008,523	P30,906,653
Unrestricted	178,936	883,602
Other current assets (Note 5)	15,059,653	3,189,761
Total Current Assets	37,247,112	34,980,016
Noncurrent Assets		
Property and equipment (Notes 6 and 10)	11,539,704	12,343,595
Refundable deposits (Note 7)	749,122	734,122
Computer software (Note 8)	427,753	306,131
Total Noncurrent Assets	12,716,579	13,383,848
	P49,963,691	P48,363,864
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued expenses (Note 9)	P8,509,654	P6,986,276
Current portion of bank loans (Note 10)	163,633	215,550
Total Current Liabilities	8,673,287	7,201,826
Noncurrent Liabilities		
Bank loans - net of current portion (Note 10)	29,900	193,533
Retirement liability (Note 16)	1,725,221	1,084,935
Total Noncurrent Liabilities	1,755,121	1,278,468
Fund Balances (Notes 1 and 12)	39,535,283	39,883,570
	P49,963,691	P48,363,864

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUES AND EXPENSES

	Years Ended December 31	
	2011	2010
REVENUES		
Grants, donations, support and contributions (Note 1)	₱169,871,742	₱219,021,714
Mission-related social enterprise activities	1,993,325	1,703,035
Interest income	102,967	83,767
	171,968,034	220,808,516
PROJECT EXPENSES (Note 13)		
Direct:		
Community service and capacity building expenses	72,503,234	110,024,428
Salaries, employees' welfare and benefits (Note 11)	29,710,317	32,146,182
Transportation and travel	11,431,239	13,213,600
Trainings and workshops	10,865,366	15,062,990
Professional, technical and other fees	8,220,548	8,786,563
Emergency response vehicle rental	4,514,355	4,801,135
Field allowances for community volunteers	4,344,871	4,501,924
Rent and utilities	2,740,626	2,802,568
Materials and office supplies	1,587,744	2,444,896
Communication	1,273,075	1,562,136
Operations and maintenance of CEHS	1,044,574	1,442,109
Provision for retirement	971,988	506,981
Repairs and maintenance	205,498	517,419
Insurance premiums	67,124	134,006
Management, supervision and support expenses	6,524,694	5,920,677
Counterpart expenses	2,926,728	3,332,198
Development expenses	4,239,247	4,117,741
	163,171,228	211,317,553
COUNTRY PROGRAMME SUPPORT EXPENSES		
(Note 14)	2,243,336	2,361,982
GENERAL AND ADMINISTRATIVE EXPENSES		
(Notes 11, 15 and 16)	3,723,546	3,029,401
OTHER EXPENSES		
Bank charges	180,129	209,645
Interest expense (Note 10)	65,646	60,734
	245,775	270,379
	169,383,885	216,979,315
EXCESS OF REVENUES OVER EXPENSES BEFORE NON-CASH EXPENSES		
	2,584,149	3,829,201
OTHER NONCASH EXPENSES		
Depreciation and amortization (Notes 6 and 8)	2,289,941	2,669,993
Foreign exchange loss - net	642,495	1,124,289
	2,932,436	3,794,282
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES (Note 1)		
	(₱348,287)	₱34,919

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	
	2011	2010
Balance at beginning of year	₱39,883,570	₱39,848,651
Excess (deficiency) of revenues over expenses	(348,287)	34,919
Balance at end of year (Note 12)	₱39,535,283	₱39,883,570

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	(P348,287)	P34,919
Adjustments for:		
Depreciation and amortization (Notes 6 and 8)	2,289,941	2,669,993
Retirement expense (Note 16)	640,286	201,965
Interest income	(102,967)	(83,767)
Interest expense (Note 10)	65,646	60,734
Expensed building cost during the year	–	2,371,911
Donated vehicle (Note 6)	–	(100,000)
Operating income before working capital changes	2,544,619	5,155,755
Increase in other current assets	(11,869,892)	(325,297)
Increase (decrease) in accounts payable and accrued expenses	1,523,378	(697,725)
Net cash generated (used in) from operations	(7,801,895)	4,132,733
Interest received	102,967	83,767
Interest paid	(65,646)	(60,734)
Net cash provided by (used in) operating activities	(7,764,574)	4,155,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 6)	(1,301,180)	(5,959,961)
Acquisitions of computer software (Note 8)	(306,492)	(187,093)
Increase in refundable deposits	(15,000)	(43,500)
Cash used in investing activities	(1,622,672)	(6,190,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bank loan (Note 10)	(215,550)	(185,650)
Proceeds from availment of bank loan (Note 10)	–	179,400
Funds returned to funding agencies/partners	–	–
Net cash used in financing activities	(215,550)	(6,250)
NET (DECREASE) IN CASH	(9,602,796)	(2,041,038)
CASH AT BEGINNING OF YEAR	31,790,255	33,831,293
CASH AT END OF YEAR (Note 4)	P22,187,459	P31,790,255

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. 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 international organizations, development assistance agencies, and the private sector.

For the year-ended December 31, 2011, CFSI received ₱100,537,476 for the Philippine Programme, broken down as follows:

Nationwide Operations	₱11,838,013
Mindanao Operations	75,847,744
Luzon Operations	2,573,917
Private Sector Funds – All Operations	10,277,802
<u>Total</u>	<u>₱100,537,476</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 2013.
- 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 expanding. It is presently expected to continue through at least December 2013.

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

The UNHCR-approved combined budget of the Urban Refugee Project and the Emergency Transit Mechanism for 2011 was ₱11,838,013, to be released to CFSI in four installments. However, the last installment of ₱2,367,277 was not received by CFSI until January 9, 2012. Of this amount, ₱81,701 could not be disbursed by CFSI within the allowed timeframe. This amount will be returned to UNHCR in April 2012, after UNHCR verifies the final financial report for 2011 submitted by CFSI and the UNHCR's auditing processes are completed.

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 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– September 30, 2012
Fifth Grant Agreement	1,095,988	50,634,645	November 18, 2009– September 30, 2012
Total	US\$5,500,988	₱258,134,645	

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—in consultation with CFSI and in accordance with standard practice—and the \$39,344 will no longer be released.

Discussions between CFSI and the World Bank are ongoing for an extension of the Fourth and Fifth Grant Agreement through at least December 2012. The extension is in line with the current negotiations with the BDA for a Fourth Program Partnership Agreement that will expand the project coverage to new barangays as well as municipalities and is presently expected to run from May 2012 through April 2014.

- 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 continues with the Protracted Relief and Recovery Operation (PRRO) through at least April 2012. CFSI and WFP are currently negotiating a new Agreement that will extend the implementation of a new PRRO through at least April 2014.

In addition, in late December 2011, CFSI and WFP agreed to expand its cooperation to include areas in Northern Mindanao affected by the flood disaster associated with Tropical Storm Sendong (International name: Washi). 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. CFSI provides food assistance to affected persons through Food-for-Work, Emergency School Feeding and Supplemental Feeding. The response to this disaster is expected to last through at least April 2012, with ongoing discussions to extend it through June 2012.

- c. 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—which set the stage for many to follow—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 (CFS) and 20 temporary classrooms (TLS) or alternative learning spaces (ALS) 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, entitled, "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) 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. The project was completed in February 2011.

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.

A continuation of 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 reactivation or establishment of the Barangay Council for the Protection of Children (BCPC) in 46 barangays 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 constructed CFSs and TLSs 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.

Another Child Rights Project component was formulated and negotiated in October 2011, but not signed into an agreement with UNICEF until early January 2012. This component is known as the “Development of a School-based Disaster Risk Reduction, Preparedness and Education in Emergencies System” or DRAPEES. The project aims to increase resiliency of the educational system and ensure children will have continuous access to basic education especially in times of emergencies through the provision of a package of services that include (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) repositioning and distribution of learning supplies and materials for schools, teachers, and pupils. This project component started in January 2012 and is expected to be completed by July 2012.

In response to the flood disaster in Northern Mindanao in late 2011, CFSI entered into a cooperation agreement with UNICEF for the “Child Protection in Emergencies Project” or CPEP which aims to establish child-friendly spaces and provide psychosocial interventions to children in evacuation centers and/or places of return and resettlement. The project is expected to run through at least May 2012.

- g. Mindanao United Nations High Commissioner for Refugees (UNHCR) Fund - Mindanao Protection Project (MPP) - represents funds received from UNHCR, to address immediate protection needs and/or 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 is expected to continue through at least December 2012.

In response to the flood disaster in late December 2011, CFSI and UNHCR agreed to expand their cooperation to include the disaster-affected areas of Northern Mindanao. In this context, CFSI distributed non-food items to IDPs such as tents, tarps, kitchen utensils and Family Support Kits (FSKs) that contain essential hygiene items. CFSI also distributed wheelchairs, walking canes, eyeglasses and medicines to persons with special needs. This project also includes provision for Quick Impact Projects (QIPs) to be carried out by CFSI and its local NGO partners in 2012. This disaster response project is currently expected to continue through at least July 2012.

The UNHCR-approved budget for the Mindanao Protection Project for 2011, including the response to the late December 2011 flood disaster in Northern Mindanao, was ₱15,001,340, to be released to CFSI in four installments. However, the last installment of ₱2,805,850 was not received by CFSI until 05 January 2012. Regrettably, CFSI could not disburse ₱634,887 of the amount for 2011 within the allowed timeframe, meaning this amount will also be returned by CFSI to UNHCR in April 2012.

- h. Mindanao Philippine Institute for Development Studies (PIDS) Fund – represents funds from the Philippine Institute for Philippine Studies for the Country Study on Out-of-School Children (OOSC) in the Autonomous Region in Muslim Mindanao (ARMM) conducted from June through August 2011. The study: (1) provided a profile of OOSCs, described reasons why children do not participate in school, and explained why some children who are currently in school eventually drop out; (2) identified risks that children face in completing their schooling; and (3) traced and explained the determinants of gender disparities in primary and secondary education in the Philippines.
- i. Mindanao Australian Aid (AusAID) Fund – Psychosocial Care Project (PCP) – represents funds received from AusAID, to respond to the disaster in Northern Mindanao caused by Tropical Storm Sendong (International name: Washi) through (a) the provision of psychosocial support to survivors and train 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 is envisaged to reach at least 10,000 affected persons in twelve evacuation centers and/or sites of return/relocation in Cagayan de Oro, Iligan City and other affected environs in Northern Mindanao. The project started in late December 2011 and is expected to continue through at least June 2012. However, the funds for this project—totaling ₱11,032,500—were subsequently received by CFSI on January 2, 2012.
- j. In late 2011, CFSI and Stichting Brac International began discussing the possibility of partnership for the implementation of the “Alternative Delivery Model (ADM) Project” of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) Program in selected municipalities and provinces of Autonomous Region in Muslim Mindanao (ARMM). This project is supported with funds by the Australian Agency for International Development (AusAID). 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 will be responsible for operations in the provinces of Maguindanao and Lanao del Sur. The first phase of this partnership is expected to cover April 2012 through June 2015, and is valued at roughly ₱70,753,304.

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 (Rizal and Laguna), National Capital Region, and Cordillera Administrative Region (Benguet and Mountain Province). The project ended in late January 2011.

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 the 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 was completed in July 2011.
- b. Metro Manila Philippine Center for Population and Development (PCPD) Fund – represents funds received from PCPD for a research project on reproductive health (RH) under the Park Avenue Initiative (PAI), entitled, “A Study on the Effectiveness of Existing Reproductive Health Interventions in Changing the Level of RH Knowledge and Practices of the Youth in Four Poor Barangays in Pasay City.” The research aims 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 results will be used to develop appropriate interventions for the youth. The research project started in September 2011 and will continue through April 2012.

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 meaning 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, Maguindanao. The “Healthy Start Project,” on the other hand, 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.

- ii. The follow up of the Healthy Start Project is entitled, “Healthy Start Project 2: Read, Write and Eat Right with the Preschool Child,” also known in CFSI as “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 December 2012.
- iii. Mindanao - 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 and of Typhoon Sendong (International name: Washi) in December 2011, include the following:

Donors in the Philippines	Donors Outside the Philippines
Foundations in the Philippines, specifically: Ayala Foundation, Megaworld Foundation, Consuelo Foundation, and Xavier Science Foundation	Merlin Various individuals in the United States, Australia and Canada
Corporations in the Philippines, specifically: PhilSaga Mining Corporation, Arlinor Corporation, and YZL Plastic T-shirt Printing	Friends of CFSI at the Catholic University of America in Washington DC, USA
Various individuals in the Philippines	CFSI Board Members (based outside the Philippines)
CFSI Board Members (based in the Philippines)	

- iv. 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 (based in the Philippines)	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 Friends of CFSI at La Trobe University in Melbourne, Australia CFSI Board Members (based outside the Philippines)

- v. Luzon - Mercy Malaysia, a nongovernmental organization providing medical relief, sustainable health-related development and risk reduction activities for vulnerable communities in both crisis and non-crisis situations, for the implementation of the project in Northern Luzon, entitled, “Community-based Disaster Risk Reduction and Management (CBDRRM) Project.” The CBDRRM Project aims 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 the barangay and municipal local government units on DRR concepts and increase their knowledge and skills on preparation and utilization of localized hazard maps. At the community-level, the aim of the project is to: (1) increase the knowledge and skills of community members on preparation and utilization of community-based risk and resources perception maps through community-based social mapping methodologies; and (2) improve community disaster preparedness and early warning systems. The project started in October 2011 and will continue through May 2012, with ongoing discussions for expansion to another project site through at least January 2013.
- vi. Luzon - Other partners who contributed more broadly to CFSI’s disaster response efforts are listed in the table below. Most of these contributions were project-specific or otherwise earmarked.

Donors in the Philippines	Donors Outside the Philippines
Various individuals in the Philippines	Various individuals in the United States and Australia
CFSI Board Members	Friends of CFSI at Catholic University of America in Washington DC, USA CFSI Board Members (based outside the Philippines)

- vii. Metro Manila - Funds received for the Park Avenue Initiative were almost entirely earmarked for specific purposes, such as livelihood training. Donors during 2010 and/or 2011 are reflected in the following table:

Donors in the Philippines	Donors Outside the Philippines
International Bazaar Foundation	Child At Venture
SpiceWorx Consulting	Woolrich Community Church (USA)
Various individuals in the Philippines	Friends of CFSI at La Trobe University in Melbourne, Australia Friends of CFSI in Germany and Ireland

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 Union of Myanmar (formerly known as Burma).

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), the Republic of the Union of Myanmar.

CFSI is carrying out the “Community Social Services and Education Programme” which includes: (1) Myanmar language literacy classes conducted on three levels for a year for over 2,000 people from general stateless population, 70% of whom are female; (2) providing early childhood development services for pre-school children and their mothers; (3) preparing school-age children to mainstream into the state primary school system, and promoting and supporting primary level graduates to continue and complete post-primary education; (4) providing access to post-primary education particularly for Muslim girls and those from minorities to include hostel arrangements where needed; (5) conducting vocational skills development training that promote self-awareness raising, skills development and livelihood opportunities; (6) conducting community level inter-ethnic peace education and peace building programme activities particularly targeted at the youth sector; (7) providing leadership skills development training that will promote the participation of women in decision-making; (8) managing 24 Community Services and Development Centers (CSDCs) - including one completed Inter-Ethnic Youth Centre (IEYC), with another two still awaiting government permission to continue construction; and (9) renovation of eight existing CSDCs. Owing to fund receipt delays, some of the renovation work could not be undertaken until early 2012.

CFSI has entered into annual project agreements with UNHCR in Myanmar since 1998 and is expected to continue to do so through at least 2013. 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 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 three major components: (1) training of social workers and related professionals who provide services at the community level; (2) executive education in social work administration for managers of social protection centers; and (3) advanced education in social work for social work educators. The project started in October 2010 and is expected to be completed by the end of September 2014. It builds on work carried out by CFSI in Viet Nam from 1992 until 2005.

In 2011, CFSI signed separate agreements with the following partners in Viet Nam: 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) and in the Philippines, with the Asian Social Institute (ASI). Funds from the project go to each partner for specific services.

In the Executive Education component, curriculum and training materials were developed for seven (7) social work courses. Twenty-six (26) social work educators completed a training of trainers, and seventy (70) managers completed a Certificate in Social Work Administration. In the Community-based Social Workers Training component, a mapping activity of social work services and agencies in Ho Chi Minh City was conducted towards the end of 2011, with training to start in 2012. In the Advanced Social Work Education component, various possibilities and opportunities are being explored with the aim of enrolling students by 2012. This includes the possibility of continuing the Executive Education for government managers towards a master's degree.

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:

- 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 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. The five installments received by CFSI since July 2007 amounted to US\$800,000, covering the period July 1, 2007 through June 30, 2012. The next installment is expected in June 2012.

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 highly significant and strategic advantage vis-à-vis achieving long-term organizational sustainability.

- ii. Other donors who provided support for CFSI Headquarters in 2011 and 2010 are listed in the table below:

Donors in the Philippines	Donors Outside the Philippines
Various individuals	Nef Foundation (USA)
CFSI Board Members (based in the Philippines)	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 Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ), previously known as 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, with implementation beginning in 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 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 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. Center for Excellence in Humanitarian Service 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 CFSI Center for Excellence in Humanitarian Service (CEHS). 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 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.

- d. Civil Society Development Project (CSDP) represents funds received by CFSI to enhance the service capacities of civil society organizations (CSOs) with missions similar to those of CFSI that are based in 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. Recipients of such services in 2010 and/or 2011 included the Center for Social Initiatives Promotion (CSIP) in Viet Nam and two child welfare-oriented CSOs based in the Philippines, specifically, Thread of Hope for Economic Advancement (THEA) and Project Matthew. 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. The Emergency Response Fund is accessed only upon the approval of the Board of Trustees.
- 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 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 19, 2012.

Summary of Project Funding Grants/Commitments

	Term of Grants/ Commitments	Amount of Grants/ Commitments	Total Funds Received as at December 31, 2011	Balance of Grants/ Commitments	Balance of Grants/ Commitments not Expected to be Received	Balance of Grants/ Commitments Expected Subsequent to December 31, 2011	Balance of Grants/ Commitments to be Returned to Donors Subsequent to December 31, 2011
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	\$39,344	\$–	\$–
Fourth Grant Agreement	Mar 2009–Sept 2012	\$1,400,000	\$1,014,730	\$385,270	\$–	\$385,270	\$–
Fifth Grant Agreement	Nov 2009–Sept 2012	\$1,095,988	\$730,447	\$365,541		\$365,541	\$–
UN High Commissioner for Refugees:							
Nationwide - Urban Refugee Project and Emergency Transit Mechanism	Jan 2011–Dec 2011	₱11,838,013	₱9,470,736	₱2,367,277	₱–	₱2,367,277	₱81,701
Mindanao Protection Project	Jan 2011–Dec 2011	₱15,001,340	₱12,195,490	₱2,805,850	₱–	₱2,805,850	₱634,887
World Food Programme:							
Mindanao - Maguindanao	July 2010–April 2012	₱28,434,451	₱13,938,688	₱14,495,763	₱–	₱14,495,763	₱–
Mindanao - Lanao del Norte, Lanao del Sur	July 2010–April 2012	₱26,852,144	₱11,952,263	₱14,899,881	₱–	₱14,899,881	₱–
Luzon (Food-for-Work) - Aurora, Bulacan, Nueva Ecija, Bataan, Pampanga, Tarlac, Zambales	Oct 2009–Dec 2010	₱1,809,658	₱1,809,658	₱–	₱–	₱–	₱–
Luzon (Cash-for-Work) - Metro Manila, Rizal, Laguna, Mt. Province, Benguet	Nov 2010–Jan 2011	₱2,115,946	₱2,115,946	₱–	₱–	₱–	₱–
UN Children's Fund:							
Mindanao	Aug 2010–Feb 2011	₱16,804,365	₱16,363,621	₱440,744	₱440,744	₱–	₱–
	July–Aug 2011	₱1,030,410	₱1,030,410	₱–	₱–	₱–	₱–
	July 2010–Dec 2011	₱3,695,160	₱3,646,460	₱48,700	₱–	₱48,700	₱–
Philippine Institute of Development Studies:							
Country Study on Out of School Youth	Jun–Aug 2011	₱315,895	₱315,895	₱–	₱–	₱–	₱–

(Forward)

	Term of Grants/ Commitments	Amount of Grants/ Commitments	Total Funds Received as at December 31, 2011	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, 2011	Balance of Grants/ Commitments to be Returned to Donors Subsequent to December 31, 2011
Private Sector Fund:							
Mindanao Healthy Start Project	Jan–Dec 2011	₱1,063,680	₱1,048,580	₱15,100	₱–	₱15,100	₱–
PAI-Reproductive Health Knowledge and Practices amongst the Youth	Sept 2011–Feb 2012	₱860,772	₱258,232	₱602,540	₱–	₱602,540	₱–
Community Based Disaster Risk Reduction and Management	Oct 2011–May 2012	\$27,137	\$13,569	\$13,568	₱–	\$13,568	\$–
Response to Northern Mindanao Emergency	Dec 2011–Jan 2012	\$30,000	\$30,000	\$–	\$–	\$–	\$–
Subtotal of dollar grants		\$4,558,125	\$3,754,402	\$803,723	\$39,344	\$764,379	\$–
Subtotal of peso grants		₱109,821,834	₱74,145,979	₱35,675,855	₱440,744	₱35,235,111	₱716,588
MYANMAR PROGRAMME							
UN High Commissioner for Refugees	Jan–Dec 2011	\$792,260	\$792,260	\$–	\$–	\$–	\$–
VIET NAM PROGRAMME							
Atlantic Philanthropies	Jan 2010–Sept 2014	\$1,860,000	\$600,000	\$1,260,000	\$–	\$1,260,000	\$–
HEADQUARTERS PROGRAMME							
Headquarters Fund – Partridge Foundation	July 2007–June 2019	\$1,960,000	\$800,000	\$1,160,000	\$–	\$1,160,000	\$–
Total of dollar grants		\$9,170,385	\$5,946,662	\$3,223,723	\$39,344	\$3,184,379	\$–
Total of peso grants		₱109,821,834	₱74,145,979	₱35,675,855	₱440,744	₱35,235,111	₱716,588
Grand total of grants in peso			₱329,376,712				

*The amount of ₱329,376,712 represents the total amount of funds received as at December 31, 2011, which includes grants committed before 2011. The foreign exchange rate used for dollar grants is P42.92.

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 charges 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 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 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 received.

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.

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 ₱11,539,704 and ₱12,343,595 as at December 31, 2011 and 2010, respectively (see Note 6). The carrying value of computer software amounted to ₱427,753 and ₱306,131 as at December 31, 2011 and 2010, 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, 2011 and 2010. The carrying values of property and equipment amounted ₱11,539,704 and ₱12,343,595 as at December 31, 2011 and 2010, respectively (see Note 6). The carrying value of computer software amounted to ₱427,753 and ₱306,131 as at December 31, 2011 and 2010, 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 in the statements of financial position as at December 31, 2011 and 2010 amounted to ₱1,725,221 and ₱1,084,935, 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.

	2011	2010
Restricted		
<u>Philippine Programme</u>		
World Bank - Mindanao Trust Fund	₱1,873,415	₱11,261,371
UNHCR - Luzon Protection Project	-	900,079
UNHCR - Mindanao Protection Project	144,358	676,165
UNHCR - Urban Refugee Project	79,831	165,177
UNHCR - Emergency Transit Mechanism	270,468	107,739
WFP - Food Assistance Project - Lanao Provinces	904,630	736,546
WFP - Food Assistance Project - Luzon (Food-for-Work)	-	635,581
WFP - Food Assistance Project - Luzon (Cash-for-Work)	-	371,472
WFP - Food Assistance Project – Maguindanao	505,058	9,761
UNICEF - Child Rights Project/Child Protection Working Group	299,743	3,290,218

(Forward)

	2011	2010
PIDS - Country Study on Out-of-School Youth	P35,354	P-
AusAID - Metro Manila	5,000	767,413
AusAID – Mindanao	–	49,904
Canada Fund for Local Initiatives – Mindanao	–	10,172
Private Sector Fund	1,384,440	844,323
 <u>Myanmar Programme</u>		
UNHCR – Community Social Services and Education Programme	28,468	28,860
 <u>Viet Nam Programme</u>		
Atlantic Philanthropies - Social Work Education Project	11,266,447	7,615,486
 <u>Headquarters Programme</u>		
Partridge Foundation - Headquarters Fund	2,777,310	2,441,821
Various Donors - Social Work Education Project	742,389	761
Retirement Fund (see Note 16)	1,429,213	808,384
Emergency Response Fund	60,460	10,260
Sustainability Fund	186,079	175,160
Center for Excellence in Humanitarian Service	15,860	–
	22,008,523	30,906,653
 Unrestricted		
Headquarters Programme	178,936	686,038
Philippine Programme - Private Sector Fund	–	197,564
	178,936	883,602
	P22,187,459	P31,790,255

5. Other Current Assets

	2011	2010
Project advances:		
Project operations	P8,842,220	P2,020,952
Other agencies	5,173,296	132,982
Bangsamoro Development Agency (BDA)	987,115	405,579
Employees	29,283	36,421
Prepaid Expenses	27,739	593,827
	P15,059,653	P3,189,761

Project advances for operations and activities represent amounts advanced under the Myanmar Programme for the construction of new Community Services and renovation of existing Centers. This represents also Family Support Kits for those affected by the flood disaster in Northern Mindanao. These project advances were subsequently liquidated in March 2012.

Included as receivable from other agencies are the balances of grants from projects with UNHCR Philippines, including the Urban Refugee Project and the Mindanao Protection Project. The receivable funds were committed in 2011, and received by CFSI in January 2012.

Project advances to BDA include operational funds and training funds. The third project partnership between CFSI and BDA began on September 1, 2010 and ended on March 31, 2012. Liquidations totaling ₱645,188 were made in January and February 2012. The unused funds of ₱341,927 will be returned to CFSI in April 2012.

Advances to employees are those used for the project operations and activities released in December 2011. These were liquidated in January 2012.

Prepaid expenses are the ninety-eight (98) Family Support Kits pre-positioned for future emergencies in Luzon, and are stored in Headquarters.

6. Property and Equipment

2011								
	Land	Buildings and Improvements	Transportation Equipment	Furniture and Fixtures	Communication Equipment	Office and Other Equipment	Construction in Progress	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

2010								
	Land	Buildings and Improvements	Transportation Equipment	Furniture and Fixtures	Communication Equipment	Office and Other Equipment	Construction in Progress	Total
Cost								
Balances 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)
Balances 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								
Balances 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)
Balances 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

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.

In December 2010, the Deutscher Entwicklungsdienst (DED) or German Development Service donated a vehicle amounting ₱100,000 for use by the Philippine Programme in Metro Manila.

The additions in 2011 substantially represent additional computers, photocopier 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, and the Sub-Office in Iligan City. 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 2010, which includes desktop applications (word processing, spreadsheets, browsing, etc.). An advanced version of the accounting software was purchased in 2011, including additional user licenses and remote data storage and backup.

	2011	2010
Cost:		
Balance at beginning of year	₱482,665	₱295,572
Additions	306,492	187,093
Balance at end of year	789,157	482,665
Accumulated amortization:		
Balance at beginning of year	176,534	83,392
Amortization	184,870	93,142
Balance at end of year	361,404	176,534
Net book value	₱427,753	₱306,131

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 2011 for transactions with various suppliers and contractors of several projects. In 2011, these include suppliers of non-food items for those affected by the Tropical Storm Sendong under the Mindanao Protection Project. This includes tents, tarps, kitchen utensils, medical supplies, and Family Support Kits.

In 2010, these includes 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.

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 from September 30, 2008 until August 31, 2012.

Another bank loan was used for the acquisition of another transportation vehicle 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 from 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 ₱777,214 and ₱1,047,404 as at December 31, 2011 and 2010, respectively. Interest expense recognized in the statements of revenues and expenses amounted to ₱65,646 and ₱60,734 in 2011 and 2010, 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 ₱2,973,750 and ₱2,827,500 for the years ended December 31, 2011 and 2010.

Salaries and employee benefits of the other staff were ₱21,219,265 and ₱25,367,877 for the years ended December 31, 2011 and 2010 respectively. Additional staff that were employed in 2010, in response to the disaster that hit Luzon in late 2009, completed their engagements in CFSI, resulting to lower costs in 2011.

12. Fund Balances

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

	2011	2010
Philippine Programme:		
World Bank - Mindanao Trust Fund	₱2,606,042	₱11,393,858
Philippine UNHCR Fund:		
Urban Refugee Project and Emergency Transit Mechanism	615,302	68,301
Luzon Protection Project	-	322,274
Mindanao Protection Project	250,758	77,593
World Food Programme Fund:		
Mindanao - Maguindanao	(1,480,431)	(1,278,551)
Mindanao - Lanao Provinces	(1,169,901)	(1,241,371)
Luzon - Food for Work	53,975	(26,789)
Luzon - Cash for Work	-	(220,316)
UNICEF - Child Rights Project/Child Protection Working Group	(227,895)	3,573,057
PIDS - Country Study on Out-of-School Youth	54,675	-
AusAID - Mindanao - LSIP	-	162,140

(Forward)

	2011	2010
AusAID - Metro Manila	₱36,833	₱753,105
Canada Fund for Local Initiatives - Mindanao	-	(4,908)
Private Sector Fund	(2,970,584)	(2,990,525)
Myanmar Programme -		
Myanmar UNHCR Fund	8,238,834	4,067,904
Viet Name Programme -		
Atlantic Philanthropies - Social Work Education Project	11,491,118	7,652,510
Headquarters Programme:		
Headquarters Fund:		
Headquarters	12,045,203	10,751,648
Networking and advocacy	-	-
Social Work Education Project	(70,645)	(1,335,385)
Embassy of Japan	-	-
Civil Society Development Project	203,281	277,734
Retirement Fund	4,452,678	3,264,760
Emergency Response Fund	291,250	241,250
Sustainability Fund:		
Sustainability	740,515	674,251
Center for Excellence in Humanitarian Service	4,374,275	3,701,040
	₱39,535,283	₱39,883,570

The deficits in the fund balance for projects with WFP and UNICEF represents expenses at the end of 2011, with the reimbursements of ₱3,763,764 received by CFSI in the first quarter of 2012. The deficit for Private Sector Fund includes accumulated depreciation of property and equipment, and deficit of revenues over expenses.

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 ₱72,503,234 and ₱110,024,428 in 2011 and 2010, 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, 2011 and 2010 amounted to ₱2,243,336 and ₱2,361,982, 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:

	2011	2010
Salaries, employee welfare and benefits (see Note 11)	₱774,754	₱620,547
Retirement expense (see Note 16)	640,286	201,965
Rent and utilities	483,089	442,421
Trainings and workshops	423,642	232,633
Auditors' fee	364,200	328,300
Transportation and travel	312,900	341,202
Materials and office supplies	208,863	198,258
Communication	208,712	240,932
Professional, technical and other fees	95,835	162,705

(Forward)

	2011	2010
Board and committee meetings	₱84,515	₱82,642
Networking and advocacy	32,157	66,495
Repairs and maintenance	52,475	45,982
Insurance	14,849	10,071
Taxes and licenses	27,269	28,448
Others	-	26,800
	₱3,723,546	₱3,029,401

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, 2011.

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:

	2011	2010
Retirement expense:		
Current service cost	₱165,428	₱141,486
Interest cost on benefit obligation	101,984	93,595
Net actuarial loss (gain) recognized during the year	372,874	(33,116)
	₱640,286	₱201,965

Movements in the retirement liability are as follows:

	2011	2010
Balance at beginning of year	₱1,084,935	₱882,970
Retirement expense	640,286	201,965
Balance at end of year	₱1,725,221	₱1,084,935

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

	2011	2010
Discount rate	6.7%	9.4%
Salary increase rate	5.0%	5.0%

In preparation for the formal establishment of the Retirement Benefit Plan, the Organization has maintained a Retirement Fund in a restricted bank account and in short-term placements with balances of ₱1,429,213 and ₱808,384 as at December 31, 2011 and 2010, respectively (see Note 4).

17. 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 ₱17,274,454 and ₱21,945,269 in 2011 and 2010, 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. Organizations - The Consuelo Foundation provided technical assistance to CFSI with the aim of strengthening CFSI’s capacity to develop and implement resource development strategies for long-term sustainability. Sales Force provided software and web-based services for resource mobilization and donor nurturing efforts. The World Bank helped build CFSI’s technical capacities, as did UNHCR, UNICEF, and several other organizations. The Asian Development Bank (ADB) donated twenty-five laptops and six printers to help CFSI respond more effectively to humanitarian emergencies caused by armed conflict and natural disasters. 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: 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 disaster in Mindanao.

- 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 support is provided by partners of CFSI. Primary partners for 2011 and 2010 included:

- International Council of Voluntary Agencies
 - Humanitarian Accountability Partnership
 - Asia Pacific Refugee Rights Network
 - Asian Disaster Risk Reduction Network
 - Association of Foundations
- e. 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 four volunteers in support of the Park Avenue Initiative from August 2010 until July 2012.
- f. Academic Institutions - CFSI has entered into cooperation with various universities and colleges in the Philippines and abroad during the 30-year history of the Organization. CFSI benefited from the services of interns and volunteers from many of these academic institutions during 2011 and 2010 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

United States of America

- Catholic University of America

Ireland

- National University of Ireland

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 ₱2,128,845 and ₱1,923,931 in 2011 and 2010, 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, 2011, 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) 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.

The Organization reported and/or paid the following types of taxes in 2011:

(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, 2011:

Local:	
Mayor's permit	₱16,127
Real estate taxes	2,429
Community tax certificate	1,750
National:	
Land Transportation Office registration	4,718
Bureau of Internal Revenue (BIR) certification and documentary stamp tax	1,245
BIR annual registration	1,000
	<hr/>
	₱27,269
	<hr/> <hr/>

(c) The amount of withholding taxes paid for the year ended December 31, 2011 amounted to:

Tax on compensation and benefits	₱2,038,733
Creditable withholding taxes	525,339
Final withholding tax	25,721

(d) The Organization has no final tax assessments and cases pending before the BIR as at December 31, 2011. Likewise, the Organization has no other pending tax cases outside the administration of the BIR as at December 31, 2011.