

**Community and Family Services
International, Inc.**

Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Community and Family Services International, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community and Family Services International, Inc. (the Organization) [a nonstock, nonprofit organization], which comprise the statements of assets, liabilities and fund balances as at December 31, 2020 and 2019, and the statements of revenues and expenses, statements of changes in fund balances and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and fund balances of the Organization as at December 31, 2020 and 2019 and its revenues and expenses and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

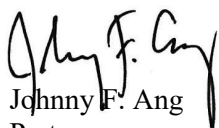
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on the Supplementary Information Required Under Revenue Regulations 34-2020 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 34-2020 and 15-2010 in Notes 18 and 19 to the financial statements, respectively, 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, Inc. 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 statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Johnny F. Ang

Partner

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May 16, 2019, valid until May 15, 2022

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BIR Accreditation No. 08-001998-101-2018,

November 6, 2018, valid until November 5, 2021

PTR No. 8534213, January 4, 2021, Makati City

April 7, 2021



COMMUNITY AND FAMILY SERVICES INTERNATIONAL, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash (Note 4):		
Restricted (Note 15)	₱190,460,938	₱115,158,446
Unrestricted	8,229,206	3,322,727
Total Cash	198,690,144	118,481,173
Other current assets (Note 5)	18,562,259	6,530,286
Total Current Assets	217,252,403	125,011,459
Noncurrent Assets		
Property and equipment (Note 6)	23,398,869	25,965,990
Deposits (Note 7)	1,009,454	1,027,454
Computer software (Note 8)	4,054	4,047
Total Noncurrent Assets	24,412,377	26,997,491
TOTAL ASSETS	₱241,664,780	₱152,008,950
LIABILITIES AND FUND BALANCES		
Current Liability		
Accounts payable and accrued expenses (Note 9)	₱15,782,313	₱19,952,574
Noncurrent Liability		
Retirement liability (Note 15)	16,788,768	13,131,650
Total Liabilities	32,571,081	33,084,224
Fund Balances (Notes 1 and 11)	209,093,699	118,924,726
TOTAL LIABILITIES AND FUND BALANCES	₱241,664,780	₱152,008,950

See accompanying Notes to Financial Statements.



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

STATEMENTS OF REVENUES AND EXPENSES

	Years Ended December 31	
	2020	2019
REVENUES		
Grants, donations, support and contributions (Note 1)	₱423,353,344	₱291,153,672
Mission-related social enterprise activities	1,073,690	1,275,973
Interest income (Note 4)	717,985	711,425
	425,145,019	293,141,070
PROJECT EXPENSES (Note 12)		
Direct:		
Community service and capacity building expenses	143,410,324	182,912,992
Personnel costs	87,695,761	74,120,385
Trainings and workshops for crisis-affected populations	25,247,482	19,370,011
Field transportation and travel	9,023,098	14,036,400
Rent and utilities (Note 16)	4,822,344	3,766,931
Materials and office supplies	4,105,462	1,897,190
Communication	2,592,796	2,134,317
Professional, technical and other consultancy fees	1,516,205	1,554,002
Repairs and maintenance	1,176,900	914,915
Operations and maintenance of Center for Excellence in Humanitarian Service	1,083,918	1,185,689
Insurance premiums	79,629	82,337
Management, supervision and support expenses	28,790,111	23,868,074
Development expenses	5,732,747	5,796,534
Counterpart expenses	2,629,128	2,505,736
	317,905,905	334,145,513
COUNTRY PROGRAMME SUPPORT EXPENSES (Note 13)	921,314	883,397
GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	5,075,548	5,281,851
OTHER EXPENSES		
Bank charges	275,414	209,955
Other charges	16,676	4,270
	292,090	214,225
	324,194,857	340,524,986
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE NON-CASH EXPENSES	100,950,162	(47,383,916)
OTHER NON-CASH EXPENSES		
Foreign exchange loss - net	3,110,483	7,103,750
Depreciation and amortization:		
Property and equipment (Note 6)	2,740,566	3,506,559
Computer software (Note 8)	4,047	19,532
Retirement expense (Note 15)	4,926,093	5,041,411
	10,781,189	15,671,252
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	₱90,168,973	(₱63,055,168)

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CHANGES IN FUND BALANCES

	Years Ended December 31	
	2020	2019
Balance at beginning of year	₱118,924,726	₱181,979,894
Excess (deficiency) of revenues over expenses	90,168,973	(63,055,168)
Balance at end of year (Note 11)	₱209,093,699	₱118,924,726

See accompanying Notes to Financial Statements.



COMMUNITY AND FAMILY SERVICES INTERNATIONAL, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	₱90,168,973	(₱63,055,168)
Adjustments for:		
Depreciation and amortization:		
Property and equipment (Note 6)	2,740,566	3,506,559
Computer software (Note 8)	4,047	19,532
Retirement expense (Note 15)	4,926,093	5,041,411
Interest income (Note 4)	(717,985)	(711,425)
Operating income (loss) before working capital changes	97,121,694	(55,199,091)
Increase in other current assets (Note 5)	(12,031,973)	(84,065)
Decrease in accounts payable and accrued expenses (Note 9)	(4,170,261)	(17,641,343)
Cash generated from (used for) operations	80,919,460	(72,924,499)
Interest received	717,985	711,425
Retirement benefits paid (Note 15)	(1,268,975)	–
Net cash provided by (used in) operating activities	80,368,470	(72,213,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 6)	(173,445)	(1,200,458)
Computer software (Note 7)	(4,054)	–
Decrease in deposits	18,000	291,117
Net cash used in investing activities	(159,499)	(909,341)
NET INCREASE (DECREASE) IN CASH	80,208,971	(73,122,415)
CASH AT BEGINNING OF YEAR (Note 4)	118,481,173	191,603,558
CASH AT END OF YEAR (Note 4)	₱198,690,144	₱118,481,173

See accompanying Notes to Financial Statements.



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

NOTES TO FINANCIAL STATEMENTS

1. General Information

Organization Information

Community and Family Services International, Inc. (CFSI) is a nonstock, nonprofit, humanitarian organization, committed to peace and social development, with a particular interest in the psychosocial dimension. Established in the Philippines in 1981, CFSI was incorporated in 1982, with registration number 105084. On February 5, 2018, the SEC granted CFSI a new Certificate of Registration, number CN201800559. That provided, among others, (a) the same primary purpose and corporate name; (b) the use of two trade names—Community and Family Services International (CFSI) and CFSI; and (c) a new corporate life of fifty (50) years.

The registered office address of CFSI is at 8F Gam Parklane Building, 212 EDSA Extension, Brgy. 79, Pasay City.

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

In December 2018, CFSI was certified for the fourth consecutive time by the Philippine Council for NGO Certification (PCNC) for another five years, the maximum years of accreditation that PCNC provides. The PCNC certification is valid until December 12, 2023. PCNC endorsed CFSI to the Philippine Government's Bureau of Internal Revenue (BIR), recommending CFSI be granted "Donee Institution" status in accordance with the provisions of Revenue Regulations No. 13-98 and Executive Order No. 720. The BIR issued CFSI's Certificate of Registration as a "Donee Institution" on March 14, 2019.

The BIR issued CFSI's Certificate of Registration as a "Donee Institution" on March 14, 2019 and valid until November 27, 2020 unless sooner revoked by the BIR, or upon withdrawal of the PCNC certification.

The BIR subsequently issued a new Certificate of Registration as a "Donee Institution" on March 2, 2021 valid from December 23, 2020 until November 17, 2023 unless sooner revoked by the BIR, or upon withdrawal of the PCNC certification.

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). In 2020 and 2019, these included the Philippines, Myanmar and Viet Nam.

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



CFSI is governed by a Board of Trustees (BOT). Its operations are funded primarily by United Nations (UN) agencies, the World Bank, governments, and the private sector.

The accompanying financial statements of CFSI were approved and authorized for issuance by the Audit and Finance Committee (AFC) of CFSI on April 7, 2021 in accordance with the authority granted to the AFC by the BOT.

Programme Funds of CFSI

In order to effectively carry out CFSI's mission, CFSI established the following programme funds: (1) Philippine Programme, (2) Myanmar Programme, (3) Viet Nam Programme, and (4) Headquarters Programme.

The Philippine Programme includes funds for humanitarian and development activities carried out in the Philippines, usually in the areas of social welfare, education and health, with a focus on local capacity strengthening. Primary sources of these funds are UN agencies; multilateral financial institutions; governments, usually through their development agencies; and the private sector.

The Myanmar Programme includes funds for humanitarian and development activities carried out in the Republic of the Union of Myanmar in the areas of social welfare, education and health. Primary sources of these funds are UN agencies and the private sector.

The Viet Nam Programme includes funds for social development activities carried out in Viet Nam. These are designed to strengthen the capacity of service providers. Primary source of these funds is the private sector.

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

Impact of COVID-19 outbreak

Since January 2020 as the COVID-19 outbreak was starting in Asia, CFSI started monitoring and preparing for contingencies. This included increasing internal awareness of the disease, installation of disease prevention measures in all offices and cancelled international missions.

CFSI also worked with partners to rapidly obtain information from affected populations, while continuing to help save lives and prevent suffering that could increase the risk of loss of life or greater disability. CFSI also acted on the evolving quarantines and restrictions, including articulation of the interim organizational priorities, the move to skeletal crews and work-from-home arrangements, and establishing virtual meeting routines, among others.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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



Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year.

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 as expenses 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.

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 statement of revenues and expenses.

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 the statement of revenues and expenses.

Accounts Payable and Accrued Expenses

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

Retirement Benefits

CFSI 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 statement of revenues and expenses in the period in which they arise.

Fund Balances

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

Revenue

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

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

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

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield of the asset.

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 CFSI 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 CFSI'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, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS for SMEs requires CFSI 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 estimates and assumptions 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 CFSI'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 CFSI, the functional currency of CFSI has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which CFSI operates. It is the currency that mainly influences the revenues and expenses.

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



Operating Lease Commitment - Organization as Lessee. CFSI has entered into a lease agreement as a lessee (see Note 16). CFSI 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. CFSI 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 CFSI. Such changes are reflected in the assumptions when they occur.

Useful Lives of Property and Equipment and Computer Software. CFSI 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 carrying values of property and equipment amounted to ₱23,398,869 and ₱25,965,990 as at December 31, 2020 and 2019, respectively (see Note 6). The carrying value of computer software amounted to ₱4,054 and ₱4,047 as at December 31, 2020 and 2019, respectively (see Note 8).

Impairment of Property and Equipment and Computer Software. CFSI's management conducts an impairment review of its property and equipment and computer software when certain impairment indicators are present. This requires CFSI'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 CFSI to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on CFSI's financial condition and results of operations.

Based on the assessment of CFSI, the property and equipment and computer software do not have any indication of impairment as at December 31, 2020 and 2019.

Retirement Benefits. The determination of the liability and retirement cost is dependent on the selection of certain assumptions by management. Those assumptions used in the calculation of retirement cost are described in Note 15 to the financial statements.

Retirement liability amounted to ₱16,788,768 and ₱13,131,650 as at December 31, 2020 and 2019, respectively (see Note 15).



4. Cash

	2020	2019
Cash on hand:		
Restricted	₱626,950	₱426,351
Unrestricted	35,000	55,000
	661,950	481,351
Cash in banks:		
Restricted (Note 15)	189,833,988	114,732,095
Unrestricted	8,194,206	3,267,727
	198,028,194	117,999,822
	₱198,690,144	₱118,481,173

Restricted cash includes funds the use of which is restricted to specific purposes bound by contracted agreements. It also includes the fund maintained by CFSI to cover its retirement liability amounting to ₱14,704,785 and ₱12,964,842 as at December 31, 2020 and 2019, respectively (see Note 15).

Unrestricted cash includes funds that are not subject to restrictions imposed by the donor. Restricted cash on hand are maintained in the field offices in the Philippines and in Myanmar to ensure delivery of services, in case of possible emergencies.

Interest income earned from cash in banks amounted to ₱717,985 and ₱711,425 in 2020 and 2019, respectively.

5. Other Current Assets

	2020	2019
Project advances:		
Due from Bangsamoro Development Agency (BDA)	₱16,064,301	₱2,816,115
Operations	2,393,264	3,435,306
Other agencies	104,694	278,865
	₱18,562,259	₱6,530,286

Project advances to BDA include unliquidated operational funds under the Mindanao Trust Fund - Reconstruction and Development Project Phase II (MTF-RDP/2) and Phase III (MTF-RDP/3). These funds are covered under the respective Programme Partnership Agreements (PPAs) as at December 31, 2020. The PPAs are covered under the Grant Agreements with the World Bank. MTF-RDP/2 ended on December 31, 2020 and project advances to BDA were subsequently liquidated in January 2021. MTF-RDP/3 is targeted to complete on March 31, 2021.

Advances for operations represent amounts advanced for the field activities of various projects. These project advances were subsequently liquidated in the next financial year.

Advances to other agencies include a rental deposit for the warehouse in Cotabato City.



6. Property and Equipment

	2020						Total
	Land	Buildings and Improvements	Transportation Equipment	Furniture and Fixtures	Communication Equipment	Office and Other Equipment	
Cost							
Balances at January 1, 2020	₱1,664,091	₱26,470,607	₱3,000,770	₱4,335,343	₱83,752	₱17,471,043	₱53,025,606
Additions	—	—	—	14,138	—	159,307	173,445
Balances at December 31, 2020	1,664,091	26,470,607	3,000,770	4,349,481	83,752	17,630,350	53,199,051
Accumulated Depreciation							
Balances at January 1, 2020	—	5,510,258	2,303,097	2,785,652	83,752	16,376,857	27,059,616
Depreciation	—	1,318,446	238,449	599,547	—	584,124	2,740,566
Balances at December 31, 2020	—	6,828,704	2,541,546	3,385,199	83,752	16,960,981	29,800,182
Net Book Value as at December 31, 2020	₱1,664,091	₱19,641,903	₱459,224	₱964,282	₱—	₱669,369	₱23,398,869

	2019						Total
	Land	Buildings and Improvements	Transportation Equipment	Furniture and Fixtures	Communication Equipment	Office and Other Equipment	
Cost							
Balances at January 1, 2019	₱1,664,091	₱26,193,985	₱3,000,770	₱3,607,759	₱83,752	₱17,802,411	₱52,352,768
Additions	—	276,622	—	742,784	—	181,052	1,200,458
Disposals	—	—	—	(15,200)	—	(512,420)	(527,620)
Balances at December 31, 2019	1,664,091	26,470,607	3,000,770	4,335,343	83,752	17,471,043	53,025,606
Accumulated Depreciation							
Balances at January 1, 2019	—	4,210,361	2,064,647	2,246,498	83,752	15,475,419	24,080,677
Depreciation	—	1,299,897	238,450	554,354	—	1,413,858	3,506,559
Disposals	—	—	—	(15,200)	—	(512,420)	(527,620)
Balances at December 31, 2019	—	5,510,258	2,303,097	2,785,652	83,752	16,376,857	27,059,616
Net Book Value as at December 31, 2019	₱1,664,091	₱20,960,349	₱697,673	₱1,549,691	₱—	₱1,094,186	₱25,965,990

Land includes: (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 member of the BOT in 2008. The property in Cotabato City includes a previously existing building, which is currently used as the office of CFSI and the CEHS. The land in Cotabato City is intended for the long-term financial sustainability of CFSI and to enable CFSI to pursue its mission well into the future. Upon the recommendation and authorization of the donor, the BOT allowed management to sell the property in Rizal.

In 2020 and 2019, office and other equipment, which include computers, and furniture and fixtures were purchased through various project funds. Additions to building improvements were also made in 2019.

Fully depreciated communication equipment still in use amounted to ₱41,750 and ₱83,752 as at December 31, 2020 and 2019, respectively.

7. Deposits

As required in lease agreements, CFSI makes deposits and advance rentals for the use of the office premises in the Philippines (Metro Manila, Iligan City, Marawi City and Zamboanga City) and in Myanmar (Yangon and Maungdaw), and the warehouses in Cotabato City, Philippines and Maungdaw, Myanmar. CFSI was also required to post a deposit for the installation and use of an electric transformer and meter for the CEHS in Cotabato City.

Deposits as of December 31, 2020 and 2019 totaling to ₱1,009,454 and ₱1,027,454 respectively, will be returned to CFSI after the termination of the lease agreements.



8. Computer Software

Computer software includes desktop applications (i.e. word processing, spreadsheets, browsing, etc.), additional user licenses for the accounting software and remote data storage and backup.

	2020	2019
Cost:		
Balance at beginning of year	₱1,078,799	₱1,078,799
Additions	4,054	–
Balance at end of year	1,082,853	1,078,799
Accumulated amortization:		
Balance at beginning of year	1,074,752	1,055,220
Amortization	4,047	19,532
Balance at end of year	1,078,799	1,074,752
Net book value	₱4,054	₱4,047

9. Accounts Payable and Accrued Expenses

	2020	2019
Accounts payable	₱9,770,447	₱6,918,776
Accrued expenses:		
Payable to various suppliers	2,309,045	7,894,770
Professional, technical and other consultancy fees	2,194,509	2,080,120
Management fee	–	696,949
Others	291,868	1,676,657
Statutory payable	1,216,444	685,302
	₱15,782,313	₱19,952,574

Accounts payable and accrued expenses include liabilities to various vendors and contractors of several projects for expenses such as purchase of non-food items, various materials and supplies for the use of communities, vehicle rent, utilities and professional, technical and consultancy services. Accounts payable also include unused grants returned to donors in accordance with the applicable grant agreements amounting to ₱1,065,847 and ₱205,363 as of December 31, 2020 and 2019, respectively. Accounts payable and accrued expenses are expected to be settled within the next financial year.

Other accrued expenses and statutory payable are normally settled within the next financial year.

10. Related Party Transactions

Salaries and employee benefits of the members of the Senior Management Team were ₱7,433,719 and ₱7,130,003 for the years ended December 31, 2020 and 2019, respectively.



11. Fund Balances

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

	2020	2019
Philippine Programme	₱143,064,034	₱33,775,069
Headquarters Programme	45,432,246	53,779,915
Myanmar Programme	18,178,186	28,609,215
Viet Nam Programme	2,419,233	2,760,527
	₱209,093,699	₱181,924,726

12. Project Expenses

Direct Project Expenses

Direct project expenses refer to the costs of projects carried out by CFSI in accordance with the agreements between CFSI and the respective donor partners and with its mission of protecting and promoting the human security of uprooted people. 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, specifically in the Philippines, Myanmar and Viet Nam.

Community services benefited refugees in various parts of the Philippines, conflict-affected communities in Mindanao, disaster survivors in Mindanao, vulnerable children and youth in Pasay City, crisis-affected communities and vulnerable individuals in northern Rakhine State, Myanmar.

In addition, community groups, organizations, and institutions benefit from capacity-building activities carried out by CFSI, such as those participating in the Social Work Education Project (SWEP) Viet Nam.

Community service and capacity building expenses amounted to ₱143,410,324 and ₱182,912,992 in 2020 and 2019, respectively. Trainings and workshops for crisis-affected populations amounted to ₱25,247,482 and ₱19,370,011 in 2020 and 2019, respectively. The aggregate amount of these expenses that directly benefit the beneficiaries amounted to ₱168,657,806 and ₱202,283,004 in 2020 and 2019, respectively.

Provision for retirement refers to expenses charged to projects for the retirement benefits, in compliance with Philippine law, of project personnel. This provision from projects is deposited in each qualified staff member's account in the CFSI Retirement Fund. The funds are maintained in a restricted bank account dedicated to the Retirement Benefit Plan of CFSI (see Note 15).

Materials and supplies amounted to ₱4,105,462 and ₱1,897,190 in 2020 and 2019, respectively. These include computer software, including applications, tools and licenses purchased through annual renewable subscriptions.

Management, Supervision and Support Expenses

Management, supervision and support expenses amounting to ₱28,790,111 and ₱23,868,074 in 2020 and 2019, respectively, 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 amounting to ₱5,732,747 and ₱5,796,534 in 2020 and 2019, respectively, 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.

Counterpart Expenses

Counterpart expenses amounting to ₱2,629,128 and ₱2,505,736 in 2020 and 2019, respectively, refer to the complementary contributions from, or mobilized by CFSI for specific projects, often, but not always, as a condition for accessing funds from funding agencies/partners for broader effort.

13. Country Programme Support Expenses

Country programme support expenses refer to subsidies provided by the Headquarters Fund to programmes in the countries in which CFSI operates. 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 amounted to ₱921,314 and ₱883,397 in 2020 and 2019, respectively.

14. General and Administrative Expenses

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

	2020	2019
Personnel costs	₱1,371,436	₱1,180,528
Materials and office supplies	618,771	447,203
Rent and utilities (Note 16)	607,676	689,050
Auditor's fee	542,800	449,776
Trainings and workshop expenses	423,441	742,685
Communication expense	387,789	572,437
Taxes and licenses	362,474	336,539
Transportation and travel	343,731	453,991
Repairs and maintenance	139,904	128,021
Board and committee meetings	38,704	257,205
Insurance	15,064	24,416
Others	223,758	—
	₱5,075,548	₱5,281,851

Taxes and licenses include real property taxes for CFSI Headquarters that cover the years 2020 and 2019. Real property taxes paid in advance by the seller of the condominium units in the Gam Parklane Building were billed to CFSI in 2019.



15. Retirement Benefits

CFSI has an unfunded, noncontributory, defined benefit retirement plan covering all qualified employees.

The following tables summarize the components of net retirement benefits expense recognized in the statement of revenues and expenses and retirement liability recognized in the statement of assets, liabilities and fund balances, which were based on the latest actuarial valuation as at December 31, 2020 and 2019.

	2020	2019
Retirement expense:		
Net actuarial loss	₱2,603,330	₱3,230,723
Current service cost	1,639,917	1,195,830
Interest cost on benefit obligation	682,846	614,858
	₱4,926,093	₱5,041,411

Movements in the retirement liability in 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	₱13,131,650	₱8,090,239
Retirement expense	4,926,093	5,041,411
Benefits paid	(1,268,975)	—
Balance at end of year	₱16,788,768	₱13,131,650

In preparation for the formal establishment of the Retirement Benefit Plan, CFSI has maintained a fund to cover its retirement liability in a restricted high-yielding interest-earning bank account with balances of ₱14,704,785 and ₱12,964,842 as at December 31, 2020 and 2019, respectively (see Note 4).

The principal assumptions used in determining retirement liability as at December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	3.90%	5.20%
Salary increase rate	5.00%	5.00%

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2020 and 2019:

	2020	2019
Less than one year	₱89,634	₱104,288
More than one to five years	1,693,061	2,054,070
More than five to 10 years	8,725,448	8,872,127
More than 10 to 15 years	18,660,353	10,514,524
More than 15 to 20 years	21,808,582	26,488,905
More than 20 years	53,317,444	54,781,447

The weighted average duration of the retirement liability is 18.3 years and 18.1 years as at December 31, 2020 and 2019, respectively.



16. Lease Commitment

CFSI has existing operating lease agreements for its office spaces. These leases are renewed on an annual basis. Rental expenses, presented under “Rent and utilities” as part of Project expenses and “General and administrative expenses”, amounted to ₱3,592,618 and ₱2,444,598 in 2020 and 2019, respectively. This includes rent for its offices and warehouses in the Philippines and Myanmar.

17. Events after the Reporting Period

Impact of the re-implementation of enhanced community quarantine

In a move to contain the COVID-19 outbreak, on March 27, 2021, the National Capital Region and the provinces of Rizal, Bulacan, Cavite and Laguna, all in the island of Luzon, have been placed under another enhanced community quarantine from March 29, 2021 until April 4, 2021, and further extended until April 11, 2021.

The Organization considers the event surrounding the implementation of an enhanced community quarantine as a non-adjusting subsequent event, which do not impact its financial position and performance as of and for the year ended December 31, 2020. Further, Management and the BOT have assessed that CFSI operations might not be adversely affected. CFSI continues to deliver on a host of its commitments and to report in accordance with established agreements.

Impact of CREATE Act

On March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) No. 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic corporations. For domestic corporation with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the business entity’s office, plant and equipment are situated, during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effectively July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% for RCIT and 2% for MCIT) for financial reporting purposes.



CFSI, as a not-for-profit organization operating exclusively for charitable purposes and the promotion of social welfare, falls under Section 30 (e) and (g) of the National Internal Revenue Code, as amended by RA No. 8424, where income from activities in pursuit of the purpose for which CFSI was organized is exempt from income tax.

18. Supplementary Information Required under Revenue Regulations (RR) 34-2020

On December 18, 2020, the BIR issued RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR No. 34-2020 provides the list of taxpayers that are required to file and submit the Related Party Transactions (RPT) Form, together with the Annual Income Tax Return.

CFSI is not covered by the requirements and procedures for related party transactions provided under RR No. 34-2020 as it does not meet any criteria of taxpayers prescribed in Section 2 of RR No. 34-2020.

19. Supplementary Information Required under RR 15-2010

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

CFSI reported and/or paid the following types of taxes in 2020:

(a) Value-added Tax (VAT)

CFSI 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 expenses.

(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, 2020.

	Amount
Local:	
Mayor's permit	₱28,537

(Forward)



	Amount
Fire inspection fee	₱3,040
Community tax certificate	2,440
Real property tax	2,285
Barangay permit	130
National:	
Deficiency taxes	315,673
Land Transportation Office registration	9,869
BIR annual registration	500
	₱362,474

- (c) The amount of withholding taxes paid and accrued for the year ended December 31, 2020 amounted to:

Expanded withholding taxes	₱4,645,089
Withholding tax on compensation	3,204,881
Final withholding tax	179,496
	₱8,029,466

- (d) CFSI has no tax assessments and cases pending before the BIR as at December 31, 2020. Likewise, CFSI has no other pending tax cases outside the administration of the BIR as at December 31, 2020.

