

# UNITED TO END POVERTY



**ANNUAL REPORT 2018** 



### **VISION**

To lead the business sector's efforts to reduce poverty in the Philippines



### **MISSION**

PBSP is committed to poverty reduction by promoting business sector leadership in, and commitment to programs that lead to self-reliance

#### **About PBSP**

Philippine Business for Social Progress is the largest business-led NGO at the forefront of strategic corporate citizenship and business sector leadership, contributing to sustainable development and poverty reduction. Established in 1970, PBSP remains a consultant and partner of choice of companies and donors.

PBSP scales up impact by adopting the Collective Impact strategy to solve large, complex, systemic problems. PBSP organizes Platforms for Collective Engagements (PlaCEs) to ensure alignment and sustainability of initiatives by multiple stakeholders.

Responding to the changing landscape of CSR, PBSP's brand of corporate citizenship taps into the core business competencies of companies and promotes inclusive business as a strategy. PBSP also continues to strategically engage companies through social investment, responsible business practices, and philanthropy.

PBSP creates sustainable solutions to societal problems in its core program areas which are Health, Education, Environment, and Livelihood and Enterprise Development. It also provides off-the-shelf options for engagement of companies and their employees.

With a proven track record, PBSP provides endto-end services in development consulting which include project and grants management, events and backroom management.

www.pbsp.org.ph

### **About the Cover**

The circles in varying shades, sizes and hues, symbolize the collective initiatives of PBSP, its member-companies, partners and donors in improving the lives of the poor. All these are directed towards contributing to the achievement of the Philippines' target to meet the United Nations Sustainable Development Goals by 2030.

# Statement of **COMMITMENT**

We believe...

PRIVATE ENTERPRISE, by creatively and efficiently utilizing capital, land, and labor, generates employment opportunities, expands the economic capabilities of our society, and improves the quality of our national life.

-(2)

THE MOST VALUABLE

RESOURCE, in any country is the person. The higher purpose of private enterprise is to build social and economic conditions, which shall promote the development of the person and the well-being of the community.

3

THE GROWTH AND
VIGOROUS DEVELOPMENT,
of private enterprise must be
anchored on sound economic
and social conditions.

4

**PRIVATE ENTERPRISE** 

must discharge its social responsibility towards society in a way which befits its unique competence. It should involve itself more and more in social development for the total wellbeing of the nation.

**PRIVATE ENTERPRISE**, is

financially and technologically equipped to participate actively in social development. In terms of scientific technology and managerial competence, private enterprise can help provide the total approach for social development in our depressed communities.



PRIVATE ENTERPRISE,

together with other sectors of society, shares obligations and responsibilities, which it must discharge to the national community. The ultimate objective of the private enterprise is to help create and maintain in the Philippines a home worthy of the dignity of the person.

**THEREFORE**, To better fulfill its social responsibilities, private enterprise must earmark a portion of its income for social development.

We hereby declare our commitment to Philippine Business for Social Progress, which shall be private enterprise's social development arm dedicated to the empowerment of the poor and self-reliance of communities.

### PBSP MEMBER-COMPANIES

































































































































































































































MAGSAYSAY

































































MP Bantasan Construction and Allied Services



































































































































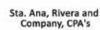
































































































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## Year at a

## **GLANCE**

Companies



Grants and financial advances **disbursed** (PhP millions)



advances **approved** (PhP millions)



Contributions from **PBSP** member- companies (PhP millions)



donor agencies and nonmember-companies (PhP millions)

> Development loans for MSMEs disbursed (Php millions)

New projects approved





### **APPROVED FINANCIAL ASSISTANCE**

(PhP millions)

### BY TYPE ASSISTANCE



### **BY FUND SOURCE**



Unrestricted

### **BY PROGRAM TYPE**

1.588.14 HEALTH







LIVELIHOOD & **ENTERPRISE DEVELOPMENT** 



76.28



DEVELOPMENT FINANCE

20.34 **ENVIRONMENT** 





3.07 INSTITUTIONAL SUPPORT

### Chairman's

### **MESSAGE**

hile poverty levels have gone down in recent years, there remains to be inequality with about 22 million Filipinos still needing to be lifted out of their situation.

In its 2018 Poverty Assessment Report titled "Making Growth Work for the Poor (The "Report"), the World Bank reported that the annual GDP growth averaged 5.4 percent for the years 2006 to 2015, a significant increase from the 4.1 percent growth realized in 1996 to 2005, and the 3.4 percent growth rate in 1986 to 1995.

Despite this good performance, the Report stated that poverty remains high, and the pace of poverty reduction has been slow, compared with other East Asian countries. According to the World Bank, the Philippine poverty rate as measured by the international poverty line (US\$1.90/day), declined by 0.9 percentage points per year

Vietnam.

between 2006 and 2015 compared to 2-2.5 points in China, Indonesia, and

This is why the business sector should not stop in carrying out its role as a catalyst in social development. The quality and scale of solutions is critical if we are to achieve the Sustainable Development Goals (SDGs) to end poverty by 2030.

There is no time to waste.

To hasten the pace of poverty reduction, we need to have greater engagement, especially in strategic initiatives, and to forge partnerships that will consolidate interventions for a larger, more sustainable impact on communities. This is something PBSP espouses.

Now on our 48th year as an organization, I believe it is an opportune time to reflect and define PBSP's value and relevance amidst changing times:

First, we affirm our goal to help reduce poverty. As the largest business sector-led NGO, we do this by bringing business and development together as a shared goal. We would not be PBSP if we do not define business sector participation as an integral part of our social work.

Second, we have always aligned our initiatives with local, national, and international development frameworks and plans to further strengthen our contribution as a sector. Ambisyon 2040 and the SDGs provide the anchor that support our direction.

Third, while we will still implement programs and projects, we shall strive to give more value through our evolving and expanding role as convenor and influencer. This fiscal year, we shall be going on a deep-dive in executing the Collective Impact Strategy. We will build on our extensive experience in implementing the Area Resource Management programs and scale it up by influencing stakeholders to invest in an area. This is by consolidating mutually reinforcing initiatives and working together towards a common agenda. This holistic and needs-based approach will be executed in active collaboration with our beneficiaries.

Fourth, we shall ensure that through our Platforms for Collective Engagements (PlaCEs), we allow opportunities to define value for business, not only in the social aspects but also in the business aspects as well. As CSR has evolved, we have seen a difference in how social development programs are being discussed in the Boardroom. We believe PBSP is in the optimum position to push the discussion of delivering social and business bottom lines side by side.

These poverty statistics tell us that a lot still needs to be done. I call on you to join us and work with us in achieving our goal. Let us continue to create life-changing impact on communities. Let us continue to be united to end poverty.

On behalf of the Board of Trustees

MANUEL V PANGILINAN

Chairman of the Board

### President's

### **MESSAGE**

inety pesos seem to be a simple amount for some of us. But for more than 15 million Filipinos who are extremely poor, 90 pesos is what they earn for a day.

Imagine the plight of the poor who could barely provide one meal a day for their families, parents who could not send their kids to school and find better jobs enough to properly support their kin, people who could not live in decent homes, and those who just bear the excruciating pain of their diseases because they simply could not afford to buy medicines.

We cannot have total growth if we continue to have this inequality, this widening gap between the rich and the poor. The collective work of PBSP and its fellow nongovernment entities in the Zero Extreme Poverty (ZEP) Philippines 2030 Coalition are trying to attain this. So far, it has helped bring 10,000 extremely poor families out of

poverty by 2030, ZEP engages private and public organizations in multi-sectoral collaborations that help families become selfsufficient. But there are millions more still wallowing in poverty. We cannot stop at 10,000. We cannot allow the rest to be left behind. We need to act now before it is too late. The solution is to create an inclusive economy and society that gives equal opportunities to the poor. We need to include them in nation building. To help end

poverty since it began in 2015. To

achieve its goal to reduce extreme

band together and co-create the future of the country. We need to be much more inclusive and sustainable in the way we work, in the way we do things, and in the way we provide help to marginalized communities.

PBSP responds to this call through partnership, collaboration and ownership. We consolidate multiple initiatives and scale it up with sustainable solutions to complex problems. To amplify our goal, we launched the #KasaliAko Campaign which is a movement to promote involvement and inclusion. It is a rallying call to engage everyone to be united to end poverty.

True to its meaning and purpose, the #KasaliAko Campaign involves our beneficiaries in our development interventions, be it in the areas of health, education, environment, and/or livelihood or in our various Platforms for Collective Engagements (PlaCEs). For development workers/practitioners, participating in this campaign means they are choosing to be actively involved in affecting change.

For us in PBSP, inclusion and involvement means much more than including someone to be part of a bigger cause. For our stakeholders, it makes being an instrument of transformative change. It means doing your duty as a citizen and human being to help your country and fellow Filipinos. For business, inclusion means making your business much more inclusive and responsive to the needs of the communities where you operate.

For the poor, inclusion means having access to quality and affordable healthcare. It means having the chance to achieve their dreams through quality education. It entails honing them to become environmental stewards and at the same time, as leaders of their communities. It means giving them opportunities for skills development and gainful income. Inclusion, for us, means enabling the poor to take part in building a better future for themselves and their families.

It is our hope that you will continue to join us in fulfilling this mission to uplift lives and build an inclusive Philippines. Let us be united to end poverty.

BR. ARMIN A. LUISTRO FSC

President

poverty, we

must all

## Regional Committee Heads' MESSAGES



s we celebrate PBSP's 48th Year, your Luzon Regional Committee would like to greet and thank you for your unwavering support.

Regional Center Luzon ended the Fiscal Year with almost 80 companies engaged in projects and in our fund-raising

campaigns pegged at PhP46 milllion. This year, we also have successfully staged the 1st Marikina Watershed Family Fun Run that saw 700 runners and at least 25 companies supporting our efforts to help rehabilitate the watershed. Our annual Ready for School was able to mobilize this year 1,326 employee volunteers that assisted 12 schools in Metro Manila, Ilocos Norte, and Tarlac.

We are also pleased to welcome our new members Megawide Construction Corporation, Republic Cement Services, Inc., and Telstra International (AUS) Limited ROHQ.

For FY 2018-2019, we continue to invite you to join us in our collective impact sites Ocampo, Camarines Sur and the Marikina Watershed. We will also continue to help you strengthen the corporate citizenship projects on health, education, environment and livelihood that you have entrusted with us.

This year, your Committee has also been actively discussing with the staff lessons on relevance and efficiency. We will draw competence from these lessons and resolutions as we get more of the business sector and even individuals engaged in the work we do.

As we move towards our 50th year, we commit yet again to exceed our performance as we all work together for better communities.

Allow me to say thank you again for the year that just passed.

JOSE ANTONIO T. BANSON Luzon Regional Executive

Committee Head



ast year, PBSP marked 30 years of uplifting lives in the Visayas through collective action and looked back at the impact made on the communities we helped through these three decades.

With our combined support, we help the national and local governments in their poverty reduction efforts in matters of health, education, environment, and livelihood. Our classrooms

educational assistance enable students to reach higher education and get employment. Our needs-based approach to livelihood improves the lives of farmers and fisher folk in Panay, Negros, Cebu, Bohol, Leyte, and Samar.

Allowed to sit at the helm of the Visayas Regional Board Committee for a number of years, I personally witnessed how PBSP molds stakeholders into a collective "meta-agent" that stimulates development. When we started our operations in the Visayas, the Cebu Hillylands, so vitally important to Metro Cebu, were on the brink of socio-economic and ecological collapse. By planting more than a million trees and pouring in livelihood support to our farmers, we now have a healthier watershed with sustainably managed programs. Thirty years of reforestation drives made tens of thousands of city residents aware of its importance through the volunteerism we enabled. Thirty years on, our efforts in the watershed continue to uplift lives through our holistic-approach programs.

I pray for your continued trust in our promise that every peso spent for the community has lasting and relevant impact. Our collective stance permitted us to provide large-scale relief, early recovery, and rehabilitation efforts during periods of disaster. Our professional and trustworthy systems qualify us to implement outside aid. We taught businesses to fulfill profit goals while helping the lives of the poor.

With 30 years of experience in the Visayas and as PBSP approaches its 50th anniversary, we can claim that our brand of social development is effective and sustainable. As we journey together on the challenge of transforming ourselves for the greater good, I have faith that you continue our partnership to make life better for Filipinos.

Truly yours,

JOSE ANTONIO Y. ABOITIZ Visayas Regional Executive

Committee Head

### **Executive Director's**

### REPORT

or PBSP, the definition of poverty is not confined to people living in the slums, being jobless, and not having the means to feed oneself. It is actually anything that hinders a person from aspiring or achieving his or her dream. Poverty reduction, therefore, is empowering people to aspire and dream for themselves and their families. It is having the ability to make those dreams and aspirations a reality, and having the capacity to sustain it.

Business has a role to play in the achievement of these dreams and aspirations. Hence, PBSP's mandate is to harness the business sector's strengths and resources to give people the capacity to dream as well as the opportunity to achieve and sustain those dreams. We recognize, however, that each company has different sets of mandates and goals. Therefore, it is the task of PBSP to ensure that these individual differences require different approaches in corporate engagement to optimize involvement. This enables us to customize participation by utilizing different strategies in addressing

different forms and areas of poverty.

The role of PBSP is to bridge

business and development by providing platforms for corporate engagement that enable companies to create new and/or scale up existing solutions that are sustainable, relevant, and responsive to needs and to participate collective engagement to promote complementation of initiatives. On ensuring sustainability, PRSP engages companies to come up with solutions that would; first, generate results even after the intervention; and second, engage other partners to ensure that

initiatives

he

will

sustained.

The previous fiscal year was a year of continuation of major initiatives, renewal and extension of grants, and most importantly, of revival and experimentation. We ended our two major tuberculosis control projects last fiscal year. However, we were able to receive a fresh new round of funds from The Global Fund to continue our work in supporting the Department of Health-National TB Control Program (DOH-NTP) to find, diagnose, and treat over one million missing people with TB. This shows PBSP's commitment to quality service delivery in project management and in the continuous pursuit of innovations to be more relevant and sustainable as an organization.

On collective action, PBSP continues to subscribe to collective impact as a strategy, recognizing that one player and one initiative cannot solve a complex problem like poverty. A holistic, multi-stakeholder approach is needed to ensure results are continuous and long-term. We also recognize that initiatives are resource-driven. To maximize each other's resources, we need to consolidate resources from mutually reinforcing activities to achieve more impact in the lives of those we want to serve.

On project and grant management, we continue to manage projects and improve our system to better serve our beneficiaries and meet expectations of our partners and clients.

In the next few pages, you will see more details about how we engage our partners through our Platforms for Collective Engagement (PlaCEs), the different grants that we manage and our program accomplishments for last fiscal year.

While trying times may continue, coping, surviving and even rising above this would be possible if we continue to be there for our fellow Filipinos in need. Armed with the passion, dedication and commitment of more than 270 members to fulfilling our mission, I am filled with hope and excitement for the things to come—for the big partnerships, strategic collaborations and bold interventions towards inclusive growth.

Let us continue to be united to end poverty.

REYNALDO ANTONIO D. LAGUDA

Reynaldo f. Laguda

Executive Director



### **OUR PROGRAMS**

Our flagship programs on Health, Education, Environment and Livelihood provide companies and partners a platform to take part in solving societal problems through sustainable solutions that improve the lives of our fellow Filipinos.

To scale up and ensure alignment of multiple initiatives, our Platforms for Collective Engagements (PlaCEs) enable companies, donor agencies, government institutions and community-based organizations to work on interventions that commit to a common agenda of providing long-term solutions. With its unique position, strong business sector link and more than four decades of solid project cycle management experience, PBSP serves as the secretariat for collective impact initiatives on a national scale.







Implementing the TB control projects continues in partnership with the Department of Health (DOH). The projects support the Philippine Strategic TB Elimination Plan, 2017-2022 of increase TB case detection rate by 95% and treatment success rate by 92% by 2022 through funding from the United States Agency for International Development and The Global Fund to Fight AIDS, Tuberculosis, and Malaria.

### **PROGRAM ACCOMPLISHMENTS**

6,949

DRTB cases
notified

5,763
RR-TB or MDR-TB

cases that began second-line treatment

inmates

TB cases referred by CBOs



# End TB in the PHILIPPINES

he National Tuberculosis Prevalence Survey revealed in 2017 that the Philippines still remains a high TB burden country with a significant number of missing TB cases estimated at around 263,214.

PBSP, as an active partner, advocate, and implementer of the TB Control program, takes this very seriously since this can negatively impact the well-being and economic development of many Filipino families.

With this, PBSP along with other TB Control partners and stakeholders gear towards adopting the global strategy to find the missing TB cases and to halt its transmission in the interest of public health.

Aligned with the global strategy and the Philippine Strategic TB Elimination Plan, Phase 1 (PhilSTEP 1), PBSP manages the implementation of key interventions such as the deployment of TB diagnostic mobile vans, the conduct of mass screenings among highly vulnerable population,

and the operationalization of Artificial Intelligence during the screening of patients.

The TB diagnostic mobile vans include readily available equipment and supplies such as digital X-ray for screening presumptive TB patients. The mobile van is also equipped with AI technology to hasten the process of Chest X-ray result reading which reduces the turnaround time for identifying patients who require referral for sputum examination.

Through the TB Care and Prevention (TBCP) component of the Advancing Client-centered Care and Expanding Sustainable Services for TB (ACCESS TB) Project, mass screenings are being conducted in the three priority regions with high TB cases. These regions include NCR, Region 3, and Region 4A. With the conduct of the mass screenings among highly vulnerable population, this initiative addresses the issue of accessibility by utilizing the completely equipped TB diagnostic mobile vans and readily facilitate the referral of patients for

confirmatory diagnosis to nearby GeneXpert sites and enrollment to TB treatment facilities.

As an additional support to the referral mechanism and sample specimen delivery, PBSP initiated the deployment of the Specimen Transport Riders Strategy or STRiders – motorcycle riding staff trained in proper sputum specimen handling that are assigned in particular sites to deliver the specimen from the facilities to partner laboratories. This strategy aids in the transport of specimens that is more cost-efficient and fast compared to the usual courier services

PBSP and the DOH acknowledge the great contribution of the private sector in this fight against TB thus a mandatory TB notification system has been developed and is being used to allow private practitioners to report their cases. This initiative aims to address the health systems and surveillance gaps and at the same time improve the linkages with private practitioners, hospitals, laboratories, and other NGO services.





The Safe Motherhood caravan—dubbed as Babae: Malusog. Ligtas. Handa. aims to educate women of reproductive age on MNCHN services such as pre & post-natal consultations, facility-based delivery/SBA, exclusive breastfeeding, child health, family planning and saving for health. This program aims to contribute in reducing the maternal mortality ratio to less than 90 per 100,000 live births (PDP2017-2022, from baseline of 114/100,000 in 2015).

### **PROGRAM ACCOMPLISHMENTS**

9,506

of the targeted 10,000 (95%) WRA provided information on MNCHN services: Luzon, 2220 (23%); Visayas, 2439 (26%); Mindanao, 4847 (51%)



of the 9,506 mothers provided information on MNCHN, availed of reproductive health services which is 12% higher than the 20% target



**THE SAFE MOTHERHOOD CARAVAN** educates women of reproductive age and mothers on life-saving Maternal, Neonatal and Child Health and Nutrition (MNCHN).

## Babae: MALUSOG. LIGTAS. HANDA.

BSP is continuously working with the private sector in the conduct of the Safe Motherhood Caravan dubbed, "Babae: Malusog. Ligtas. Handa" across the country. The Safe Motherhood Caravans are consistently being carried out to reach out to more women of reproductive age (WRA) and help contribute to the improvement of the country's status for Maternal, Neonatal and Child Health and Nutrition (MNCHN).

During the Caravans, WRAs are educated and made aware of the services available to them in order to improve their health-seeking behavior and increase actual utilization of the services related to MNCHN.

With the growing and expanding partnership with Intellicare, Mercury Drug Foundation, Lima Organization of Pollution Control Officers, Republic Cement, and SM Investments Corporation this fiscal year, PBSP was able to reach 9,506 WRAs who were provided training and information on safe motherhood and was able to influence 3,020 WRAs who actually utilized the available reproductive health services.

MODERN FAMILY Planning methods (top) are taught to mothers to empower women to decide on the best method that would suit their needs.









PBSP Supplemental Feeding Program—dubbed as "NutriSapat, Batang Angat" — caters to Filipino children who are below the ideal weight for their ages. These identified undernourished children will be registered to be part of the group who will be given supplementary dietary support for 120 days (or four months).

Aside from the provision of dietary supplement for the children, households within the target communities will be educated on how to observe proper nutrition for their families, simple and mindful ways to promote healthy eating habits among their children, and how to sustain their own source of nutritious food through FAITH (Food Always In the Home) gardening – a specific type of backyard gardening.

### **PROGRAM ACCOMPLISHMENTS**

380

children under-5 provided with supplemental feeding



households in the Visayas region implementing FAITH gardening

406 individuals educated in basic nutrition



**MOTHERS SHOW** off their newly harvested vegetables that they planted themselves in their own backyard gardens to help sustain the healthy meals given to their children. This component of the supplemental feeding project is called FAITH gardening, a mechanism that empowers mothers to ensure that there is "food always in the home."

## NutriSapat, Batang Angat

hilippine Business for Social Progress (PBSP) takes active participation in the implementation of activities under The Philippine Plan of Action for Nutrition (PPAN) 2017-2022 to contribute to the fight against malnutrition among children, through its supplemental feeding program dubbed as "NutriSapat. Batang Angat." This is anchored in the 2030 Sustainable Development Goals for promoting Maternal, Infant and Young Child Nutrition. PhilPAN consists of programs that are nutrition-specific, nutrition-sensitive and enabling support programs.

PBSP is implementing this initiative as part of its flagship program to contribute to the reduction of stunted and wasted children under five years of age, from the baseline of 33.4% and 7.1%, respectively to 21.4% and less than 5% in 2022.

Aside from the supplemental feeding, another major component of this program is the backyard gardening which is a complementary intervention at home. Communities especially the parents of the undernourished children will be provided the necessary training and materials to install and maintain their own source of fruits and vegetables within their location.

The main objective of the program is to contribute to the reduction of stunting and wasting among children under five years of age in the Philippines while the specific objectives include:

- Improve the nutritional status of children under five years of age.
- Capacitate families to observe and promote healthy eating habits among their children.

 Promote food security in communities through capacitating the parents to install and manage their own vegetable garden.

In its first year of implementation, PBSP successfully secured a partnership agreement with the Department of Agriculture (DA) to combine efforts and help resolve malnutrition in the country. Through DA's "Gulayan sa Bakuran" program, target communities will be trained by experts in the field on how to build and manage their own source of nutritious food.

Also, included in DA's commitment is the provision of resources such as seeds, garden soil, compost and initial garden tool as a start-up package or preliminary gardening production support for all identified beneficiaries.





The main programs for FY 2017-2018 are:

1. BAYANIHANG PAMPAARALAN (BP)

Focused on capability building of public schools as well as influencing systems change to contribute to the attainment of desired education outcomes and impact. This program shall enable HS graduates to be ready for work or entrepreneurship, fit for jobs or ready for college.

### **EDUCATIONAL ASSISTANCE/SCHOLARSHIPS**

This is a fund and referral campaign to send disadvantaged children. The program shall be an avenue for collective private sector involvement to provide aid assistance for the education of identified beneficiaries.

#### **CLASSROOM CONSTRUCTION**

This is the construction of disaster-resilient, PWD-inclusive gender-sensitive classrooms that contributed to closing the classroom gap brought by increasing student population, additional requirements of SHS and damage from natural and man-made

### **PROGRAM ACCOMPLISHMENTS**



public senior high schools assisted in implementing the K-12

from improved senior high school services

students provided educational assistance/scholarship

Schools Divisions assisted/ schools Divisions assisted, enabled to support public schools SHS implementation

employee-volunteers 1,095 participated in Brigada Eskwela, Ready for School and other activities.

134 classrooms constructed



**THE PUPILS** of Calay IP School in Sarangani and their donors gather together during the turnover of a two-classroom school building from International Container Terminal Services, Inc.

# Moving Students from LEARNING TO EARNING

n today's economy, all young people have to navigate a complex landscape to make their way through education and training and into work. Along the way, they meet many factors that contribute to either good or poor outcomes. In the world of work, what they know is not enough, they also need to demonstrate what they can do with what they know.

The Philippine education system is trying its best to prepare the youth to be future-ready. But the enormity and complexity of the challenges facing the workforce of tomorrow call for deeper public and private sector collaboration.

PBSP established the Bayanihang Pampaaralan Initiative as a platform to generate private sector constituency that supports education reforms. After initially focusing its efforts and significantly helping the Department of Education (DepEd) close the classroom gap in 2011, it turned its attention to supporting Senior High Schools (SHS) produce graduates primed to join the workforce. As its collective agenda, Bayanihang Pampaaralan provided

corporate executives an opportunity to participate in the discourse of the issues and needs to effectively implement senior high school and to co-create solutions and opportunities for meaningful engagement.

academe-industry conferences held in Manila, Cebu City, and Cagayan de Oro City, emerging region-specific challenges and opportunities to enhance Senior High School implementation and the facilitation of the students' transition to the workforce were discussed. These reinforced the sense of responsibility among the different stakeholders. Armed with a better appreciation of the issues, there came about a strong desire and greater understanding of the strategies and approaches that will respond to the schools' and students' needs. Going beyond the traditional corporate philanthropy, solutions that created value for both the industry and the academe were explored.

Recognizing that the success of the SHS particularly the Technical-Vocational Education and Training (TVET) program is hinged on the graduates' successful entry into

working life, it was crucial to align education and training to economic policies and labor market demands in order to enhance employability and productivity of the new entrants to the workforce. A job market study was conducted which provided information surrounding demand by matching the industries' desired skills with the skills supplied through the SHS Program, and the appetite of the business sector in accepting SHS graduates to fill up job openings. Career orientations were also conducted to help students and their parents, who still influence the career choices of their children, to appreciate the importance of choosing a career that is aligned not only to their interests and aptitudes but also to the available curricular exits. Transition to employment was greatly improved as demonstrated during the job fairs that were conducted in Cebu and Cagayan de Oro. In Cebu, out of the 1,911 graduates who were interviewed, 1,516 were qualified, 209 of whom were hired on the spot. In Cagayan de Oro, out of the 50 graduates, 21 were hired on the spot and a few others were requested to undergo interviews and recruitment examinations after the iob fair.





The Philippines is rich in all natural resources such as forest cover and biodiversity, minerals, marine resources, fresh water resources, and agricultural cover for food production. But years of pollution, abuse, mismanagement, and increasing demand left these resources in devastation.

Every citizen is affected, but it is the poor who are more adversely impacted by deforestation, overfishing, climate change, and environmental problems.

Taking into account the effects of climate change, the Environment Program of PBSP focuses on contributing to increase the resiliency of natural resources and enhance the ability of communities to adapt to climate change effects, while exploring opportunities and innovations for mitigation initiatives.

Through the restoration and protection of watersheds and coastal resources, paired with built capacity to sustain and manage, communities gain strengthened resilience from landslides, flashfloods, and storm surges. Likewise, healthy forest and marine ecology yield sustainable clean drinking water, food and, income.



## PROGRAM ACCOMPLISHMENTS



1,136

Families provided access to safe drinking water (Luzon – 450, Visayas – 410, Mindanao – 276)



17

Schools provided with potable water system (Luzon 4, Visayas 5, Mindanao 8)

Reforested at least



179

hectares of watersheds (Luzon 142, Visayas & Mindanao 37)



**BENEFICIARIES** of a potable water system enjoy the benefits of clean and safe drinking water in their community in Tarlac.



# Collective Impact: WATER ALLIANCE

n the brink of water insecurity, wherein Philippines is anticipated to have severe water shortage in major river basins by 2025, 16 million Filipinos still suffer from lack of access to safe drinking water while fresh water resource continues to decline due to climate change, pollution, and greater demand. This situation seriously impacts on people's health, children's education and safety, and homemaker's time which could have been invested for care for the household or additional livelihood activities.

With confidence in the strength of its membership, PBSP launched the Water Alliance in August 2015, initiated as a partnership of businesses led by their CEOs with strong commitment to create solutions to water problems in the Philippines. Since its launch, the Water Alliance has grown and captivated other sectors to pitch in to solve water security challenges, thus the evolution of the Water Alliance into a multi-sectoral consortium that include private sector and business networks, academe and research institutions, and social development organizations.

The Water Alliance continues to fulfill its commitment to convene the different sectors to spread the awareness on water security challenges, and to identify and implement companywide and collective measures that each institution and individual can do to help address the problem. An action agenda was crafted to complement the government's development plans and efforts. Through the leadership of Mr. Francis Giles Puno, Water Alliance Chairman and First Philippine Holdings President and CEO, the alliance aims to accomplish the following five-year targets (2016-2021):

- 1. Provide safe drinking water to 190 waterless communities;
- Encourage 140 companies to adopt measures to lower water footprint and treat wastewater;
- 3. Participate in policy development

- and advocacy, specifically support the creation of a single regulatory body with agenda on water security; and
- Develop area-based solutions through research and assessment.

Through social investments and core business approaches, the Alliance accomplished the following as of 2018:

- Provided 39 communities including schools with potable water systems worth PhP81,000,000 through funding support from the members.
- Campaigned for the advocacy of water footprint management and reduction, and conducted two water demand management training participated by 21 companies and academic institutions. The participants are on their way to crafting their organization's water footprint reduction program.
- Contributed in the discussions and consultations for the ongoing Philippine Water Supply and Sanitation Master Plan.
- Prepared a compendium of existing research and studies by Ateneo De Manila University, De La Salle University, and University of the Philippines Diliman in the communities of Pandi in Bulacan, Mulanay in Quezon, and San Isidro in Leyte to improve their water access.

- Developed a database of waterrelated studies and regional development plans. This compilation serves as a storage of knowledge which can aid the Water Alliance and other users in crafting solutions.
- 153 hectares of forest and mangrove covers were rehabilitated in Upper Marikina Watershed, Buhisan Watershed, and mangrove areas in San Remigio, Cebu.
- Held last September 13, 2018, the Water Forum is an annual activity that serves as a platform to educate, present solutions, and rally the various stakeholders. This forum was co-organized with the Department of Science and Technology (DOST) and Department of Environment and Natural Resources (DENR), and was attended by more than 200 individuals from the private sector, academe, government, and NGOs.

The challenges on water security may be overwhelming but with all stakeholders onboard and contributing their efforts, we can and will overcome the problem.

**TECHNOLOGY PITCH** presenters, selected by the DOST-Philippine Council for Industry, Energy, and Emerging Technology Research and Development (DOST-PCIEERD) for their innovations that address water issues, pose after presentations during the Solb: Forum on Sustainable Solutions.







**OVER 700** athletes, enthusiasts, and families joined the Marikina Watershed Family Fun Run last year organized by PBSP, in partnership with the City Government of Marikina.

# Planting the future MARIKINA WATERSHED

he Marikina Watershed covers 26,125.64 hectares and spans Antipolo City and the municipalities of Baras, Rodriguez, San Mateo, and Tanay, all in the province of Rizal. Based on research, 35 percent of the watershed area should be rehabilitated to improve its biodiversity and increase its water-holding capacity, which will help prevent flooding.

In 2010, PBSP together with various stakeholders supported the Marikina Watershed Initiative Program (MWIP). The MWIP was launched as a response of the private sector to the deluge caused by Typhoon Ondoy in September 2009. Nine years after, Metro Manila and nearby municipalities continue to face the challenges of flooding and other climate-related vulnerabilities. Thus, it is necessary and vital to continue working for the improvement of the Marikina Watershed.

To date, PBSP's reforestation efforts have covered 304 hectares of the Montalban-Wawa and Boso-Boso Subwatersheds with the support of at least 25 companies. PBSP continuously works with seven farmer organizations - Tulungan sa Kabuhayan ng Calawis (TSKC), Nagkakaisahang Samahang Magsasaka sa Brgy. Calawis (NASAMASABACA), Ayaas Kay-Rufa Farmers Association (AKFA), Inigan Upland Farmers Association (IUFA), Kolo-Ka-Koloy, Apia United Farmers Association, Inc. and Malayang Samahan ng mga Magsasaka sa Calawis - to maintain the reforested

Various interventions on health, education, and livelihood are also implemented to complement the reforestation activities. These include the provision of potable water systems, supplementary feeding for schoolchildren, repair of classrooms,

donation of reading nooks and school desks, and distribution of farm equipment and supplies. The farmer groups are also assisted through workshops on organizational development and financial literacy, and learning sessions on new technologies in farming.

In 2018, PBSP strengthened its awareness-raising for the Marikina Watershed by organizing its first Family Fun Run. Around 700 runners joined the activity to support PBSP's collective work for the benefit of the Marikina Watershed.

PBSP hopes to engage more companies and maximize corporate citizenship as we increase access to systemic solutions to rehabilitate the Marikina Watershed in 2019 and beyond.



# Sustaining the BUHISAN WATERSHED

ebu is a bustling metropolis which contributes more than a fourth of the Philippines' economy with its export processing zones, ICT centers, tourist spots and other foreign and local investments. But this mini-archipelago of the Visayas is perhaps even more blessed to have surrounding rich coastlines and watersheds, allowing it to be more self-sufficient than its neighbors.

One of its ecological treasures is the Buhisan Watershed and Forest Reserve located within the 28,300-hectare Central Cebu Protected Landscape (CCPL). While it is the smallest of the five protected areas within CCPL covering only 631 hectares, the Buhisan Watershed performs an important function for Metro Cebu's socio-economic stability.

It supplies water to the 106-year-old Buhisan Dam, the first water system that was built in Cebu to provide clean water for the people and effectively eradicate the spread of cholera, a water-borne disease that became the primary cause of death during the early 1900s. It is the only surface water source in Cebu operated by the Metropolitan Cebu Water District.

With more than 100 species of plants thriving in the watershed's hills and woodlands, the watershed is also a natural sanctuary for various species of butterflies, making it a favored spot for conservation and a viable site for sustainable eco-tourism projects.

However, this watershed is continuously haunted by threats of water shortage for the past 25 years. Denudation drained its aquifers since it could no longer hold water to sustain the city's growing demand. A study revealed that by 2030, Metro Cebu will eventually run out of water if efforts are not carried out immediately. Poverty remains high in its four barangays, namely: Buhisan, Pamutan, Sapangdaku, and Toong.

If these current statistics continue to dwindle, Cebu might face a future even bleaker than what it is prepared for.

It was in 1989 when the Cebu City government called for the direct involvement of the business sector on the rehabilitation of the CCPL. Years later, PBSP started with its annual reforestation caravan as the business sector's response to environmental protection. In 2008, the Save the Buhisan Watershed Project was launched to help sustain the water supply for Metro Cebu, improve the lives of poor households through alternative and eco-friendly livelihood opportunities, and transform the watershed into a sustainably managed eco-tourism destination. Through the project, PBSP created strong links among stakeholders for the provision of livelihood options and enterprises, capacity building of communitybased organizations, governance, and environmental rehabilitation.

Through the project, PBSP and its stakeholders have planted over 200,000 trees within 600 hectares with 80% survival rate. The project engages four upland people's organizations in raising endemic and native seedlings which have provided additional income. Communities are further involved in the maintenance of the reforestation sites. Close to a thousand employee-volunteers participated in tree-planting caravans, making the project a sustainable demonstration of the private sector's consciousness to engage in business responsibly.

Now, the project has become a driving force for local barangays to take serious measures towards including environment protection in their policies as well as for companies to become more conscious about the environmental impacts of their business operations as a nudge towards sustainability.





**EMPLOYEE-VOLUNTEERS** (top) take an active role in the Save the Buhisan Watershed Project to help sustain the water supply for Metro Cebu and provide livelihood to communities. Above, the 106-year-old Buhisan Dam is the first water system that was built in Cebu to provide clean water for the people.



# Relief Missions and REHABILITATION

ne of the main thrusts of PBSP for DRMM is relief assistance through the provision of humanitarian aid to help save lives, alleviate suffering, and maintain human dignity to those individuals and communities affected by disasters, whether natural or manmade

#### **ALBAY, BICOL**

Mt. Mayon started its volcanic activities in January 2018 and many of the families were evacuated from the 6- to 7-kilometer permanent danger zone, extending up to 9 kilometers. Several families were displaced and remained in the evacuation shelters until Mav of the same year. The long period of displacement of the families meant that they were unable to return to normalcy right away as their livelihoods were affected. In response and after decampment, PBSP provided relief assistance through the provision of 280 sets of Sphere Family Food Packs containing 10kgs of rice, 3 cans of sardines, ½kgs of monggo beans, ½kgs of dried fish, 1-pint cooking oil, 1kg of sugar, 1/4kgs of iodized salt, 1 bar of soap, and 1 non-food item. In addition. 70 sets of teacher's kits for PBSP-adopted schools were provided to serve as startup kits for the school opening. Furthermore, 2 farmer's organizations were provided with farming tools for livelihood assistance. Telstra Philippines and Realpage, Inc. supported this recovery assistance, and the relief mission was conducted on June 2018.

#### **JOLO, SULU**

A massive fire incident that occurred in Jolo, Sulu on July 25, 2018 which affected three barangays prompted PBSP to conduct a donation drive called "United for Jolo". This campaign raised PhP 100,000.00 from the Roman Catholic Diocese of Cubao. The funds were subsequently turned over to Notre Dame College of Jolo to provide recovery assistance to the survivors of the fire incident.

#### **CAGAYAN PROVINCE**

Another major disaster was when Typhoon Ompong made landfall last September and heavily affected Northern Luzon including Cagayan Province. The International Rescue Committee (IRC), an international NGO and a partner of PBSP in implementing initiatives for disaster response since 2014, contributed funding support for Shelter Kits and cash assistance to help repair damaged homes and augment needed resources of 779 families in 34 barangays from Baggao City and Municipality of Rizal in Cagayan Province. The Shelter Kit contains 10 pcs of plywood, 10 pcs corrugated GI sheets, 2 pcs plain GI sheets, 3kg umbrella nails and 4.5kgs various nail sizes. Likewise, through the support of PBSP member companies, Sphere Family Food Packs were also distributed as additional relief support to 286 families from 4 barangays in Baggao City.

### MARAWI RELIEF AND REHABILITATION CAMPAIGN

During and after the Marawi PBSP provided Siege, various relief interventions to the affected communities with a total of eight missions, to date. Through the support of 96 corporate and 112 individual donors. PBSP was able to raise more than PhP 33,000,000 cash and inkind donations that benefitted more than 55,395 displaced individuals (or 11,079 families) from Marawi City and Saguiaran Municipality in Lanao del Sur, Balo-i and Pantar Municipalities in Lanao del Norte, and Iligan City.

One of the major highlights of PBSP's recovery initiative is the launching of the Marawi storybooks series under the "iRead4Peace" campaign in partnership with Bookmark, Inc. These are four children's storybooks that highlight the culture, identity, values, and resilience of the Maranao people based on actual experiences of survivors of the Marawi conflict. Renowned authors translated these real-life accounts into stories – written in English and Maranao – while

SOS MARAWI CAMPAIGN

36.5M

CASH & IN-KIND DONATIONS RAISED (As of October 2018)

55,395

INDIVIDUALS FROM 11,079 FAMILIES REACHED (HOME-BASED & EVACUATION CENTER-BASED IDPS)

112
INDIVIDUAL DONORS

96
CORPORATE DONORS

professional illustrators gave form, color, and texture to these stories. PBSP aims to provide all children in Marawi with a storybook to help them heal the wounds of war and adjust to their new lives. The Marawi Storybook Series will also be used by DepEd-Marawi for peace education and trauma healing.

As part of expressing PBSPs sincere appreciation to all its donors and partners that have contributed and have continuously provided support to the Marawi relief and rehabilitation efforts, a thanksgiving event called "Kanduri-Kapanalamat" conducted last November 12, 2018. During this event, PBSP reported on the "State of Donations" and officials of the Lanao del Sur Provincial Government and DepEd-Marawi shared their experiences on how the partnership made a difference in the lives of Maranaos who needed help in dealing with the crisis.

The road to recovery and rehabilitation of Marawi will be arduous and long, but PBSP will continue to journey on with our Maranao sisters and brothers.





Focus is on promoting inclusive business by supporting agro-enterprise value chain development and improving access to jobs through skills upgrading and employment facilitation. The program also seeks to expand economic opportunities through engagement of the private sector and partner organizations.

### Main programs for FY2017-2018 are: AGRIBUSINESS & MSME DEVELOPMENT

 The program is for identified collective impact sites with the participation of the whole community including women. Develops high value crops and priority commodities that provide better income to families as well as link communities to value chain of companies for a more sustainable livelihood.

### 2. WORKFORCE DEVELOPMENT

Gainful employment is seen as another means to improve income in poor families. Target beneficiaries are provided with market-driven skills training that would match them for employment.

### **PROGRAM ACCOMPLISHMENTS**



families provided with livelihood



Individuals matched for employment



MONIES LOANED



2,359

MSMEs benefitting from NON-credit services



MSMEs benefitting from credit services

### **Inclusive Business**

## **GAINING TRACTION**

lhe Livelihood and Enterprise Development program of PBSP promotes inclusive business as an approach to address poverty. Started in 2012, PBSP aimed at encouraging its member companies and the wider business community to integrate low-income communities/farmers into their value chains as suppliers, employees, and business partners.

### PROMOTING INCLUSIVE GROWTH IN THE BANGSAMORO

Inclusive Business (IB) has been truly effective in uplifting the lives of poor Filipinos. People of the Autonomous Region in Muslim Mindanao (ARMM) can attest to this success that was documented through the implementation of the **Brokering** Business Investments in the Bangsamoro to Achieve Inclusive Development and Growth (BRIDGe) Project. BRIDGe, a project implemented by PBSP in partnership with Hineleban Foundation, Inc. and Regional Board of Investments ARMM (RBOI-ARMM), developed the Business Sustainability Framework in the Bangsamoro (see Figure 1) that serves as a guide for future investors on how to do business in the region and an Investor's Guide called CLICK, a toolkit for investors interested in the Bangsamoro.

Several agricultural companies in ARMM have adopted the IB model and improved their business operations in support of inclusivity. These companies, which include Matling Corporation, Lamsan Corporation, MKAVI II, Agumil, and Al Sahar, to name a few, put community engagement at the

core of their business operations. Local residents, men and women, are employed and receive competitive benefits. They are also provided sustainable income through a cooperative. Their children are given scholarship and assured of jobs after their graduation. Community efforts are also considered with their involvement in community-based initiatives. These company practices and business models are complied in a resource book, entitled, Engaging with Bangsamoro Communities: The Key to Sustainable Business in Muslim Mindanao. For the expansion of these models and in line with the growing interest of companies to adopt inclusive business, PBSP launched the Inclusive Business Capacity Building Fund during the Inclusive Business Leaders Conference last November. It is a grant fund facility that will support the provision of capacity-building interventions and technical assistance to farmers, fishermen, community producers, and other productive marginalized groups for them to engage in IB projects of companies.

Figure 1 **BUSINESS SUSTAINABILITY FRAMEWORK** IN THE BANGSAMORO (BSFB)





communities investment plans



organizations/ communities trained on enterprise development and resource management



- Amai Manabilang, Lanao del Sur
- Maluso, Basilan Talayan, Maguindanao
  - Bualan sa Fukol roducers Cooperative
- Magungaya Lanting Producers Cooperative
- Tamar-Maradei
- Makauyag Producers Cooperative Barangay Punud in
- Amai Manabilang Maluso, Basilan
- Matling Industrial and Commercial Corporation
- Lamsan Incorporated
- Mount Kalatungan
- Agri-Ventures, Incorporated (MKAV II) Agumil Philippines, Incorporated
- Al Sahar Agri-Ventures Incorporated (ASAVI)

### **Inclusive Business**

### **GAINING TRACTION**

### SUPPORTING SUSTAINABLE LIVELIHOOD IN FARMING COMMUNITIES

PBSP is the key partner of Grow Asia in the Philippines to manage the Secretariat and implement the inclusive business projects of the Philippines Partnership for Sustainable Agriculture (PPSA).

PROGRAM ACCOMPLISHMENTS

VALUE CHAIN PROJECTS

MORE THAN

70

ORGANIZATIONS

7,536

FARMERS REACHED

PPSA is a multistakeholder and inclusive partnership platform that aims to engage smallholder farmers and bring together different sectors

and market players to co-develop, facilitate, and scale action-focused initiatives to address key issues in agriculture towards socio-economic growth and competitive advantage.

PPSA works as an in-country coordinating body that provides on-the-ground support to Working Groups in areas of performance measurement, resource mobilization, research and technical assistance, convening and facilitation, knowledge management as well as communications. To date, it has established five commodity Working Groups on Coconut, Coffee, Corn, Fisheries, and Vegetables that are developing ways to transform their sectors through the implementation of inclusive value chain projects.

- Coconut Working Group, led by Unilever Philippines, is focusing on coconut sugar for export;
- Coffee Working Group, led by Nestlé Philippines, is focusing on the implementation of the Philippine Coffee Industry Roadmap 2017–2022;
  - Corn Working Group, led by Pioneer DuPont, is addressing issues such as access to farm credit, production technologies, modern post-harvest facilities

- and processing plants, and high transportation costs;
- Vegetable Working Group, led by East West Seed, is working on increasing the per capita consumption of vegetables through information and education campaigns, and developing efficient distribution channels;
- Fisheries Working Group is exploring aquaculture projects with smallholder through outgrower arrangements, and organizing the value chain to include aggregators, processors, and exporters.

Cross-cutting thematic Working Groups on agricultural financing, and the Learning Alliance comprising of academic institutions and think tanks to promote market driven and actionoriented agriculture development research are also in place.

On its 2nd year as the PPSA Secretariat, PBSP has brought together over 70 organizations that were able to develop and implement seven inclusive commodity value chains, that reached over 7,500 smallholder farmers in the country.

#### CASE

Nestlé Philippines and GIZ are launching Project Coffee+ over 2018-2020 to increase the yield of coffee farmers to one metric ton per hectare, thereby increasing incomes and improving the economic viability of their farming systems. The initial focus is on training farmers in Bukidnon and Sultan Kudarat in agronomic practices such as grafting, pruning, rejuvenation, and organic and inorganic fertilization, as well as entrepreneurial skills. Project Coffee+ builds on Project Coffee which was started in 2013 as a pilot project that benefited 150 farmers in Tagbina, Surigao del Sur.

### CASE 2

Biotech Farms, Inc. is leading the implementation of the Farmers Development Program that aims to reach 10,000 smallholder farmers by 2020 and increase farmers' yield to at least 4.8 metric tons per hectare.



**COFFEE** is part of the five priority commodities of the Philippines Partnership for Sustainable Agriculture (PPSA) which aims to engage smallholder farmers and bring together different sectors and market players to co-develop initiatives on agriculture.



**ON ITS** second year as the PPSA Secretariat, PBSP has brought together over 70 organizations and reached 7,500 smallholder farmers in the country.

Inclusive growth occurs in a society where every segment is allowed to participate in and contribute equally to the growth process, regardless of circumstances. This means that for inclusive growth to happen, both men and women should have equal access to economic opportunities.

However, in some areas in the Philippines, especially in the regions badly hit by disasters, women are not provided with the same access to economic opportunities as men. These communities, mostly fishing communities, are reported to overly depend on a single source of livelihood and thus, are more vulnerable when disasters strike.

### Key strategic focus for the year ahead:



### FOCUS 1:

Efficient implementation of commodity value chain projects and scaling up of successful projects, in alignment with national and government priorities



### FOCUS 2:

Creation and management of partnership to engage more companies and stakeholders to be more inclusive



### **FOCUS 3:**

Regularization of the Secretariat's operations and systems, including addressing strategic targets and thematic areas of cooperation between Working Groups



# LIVELIHOOD

#### **PROJECT AWESOME**

Accelerating Women Empowerment through Scaling-Up of Micro-enterprises is one of PBSP's major efforts in restoring and building better livelihoods in disaster affected communities. In collaboration with Lutheran World Relief (LWR), Project AWESOME is implemented in Northern Cebu, specifically in the municipalities of Bantayan, Santa Fe, Madridejos, and Daanbantayan, where the intervention is focused on the women in the fishing communities. These women, having the responsibility for domestic care, are limited to engage in paid work and other entrepreneurial activities.

### PROGRAM ACCOMPLISHMENTS

2,185

The number of people directly involved in activities and/or who directly benefit from project activities)



INDIRECT BENEFICIARIES
(The number of people who can receive a secondary benefit as a result of the project, but who do not participate directly):

Looking at the opportunities in the areas, Bantayan Island is rich with resources such as pristine beaches that attract increasing number of tourist arrivals daily. The hotel accommodations, tourist attractions, and enterprises already operating in the areas also present a bounty of opportunities for job generation for women. However, various challenges need to be addressed to increase the capacity of the women on economic resilience.

The project was able to directly benefit 2,185 women through the conduct of various interventions such as: skills and enterprise development training on the Tourism Value Chain, business and organizational strengthening, facilitation of access to market, finance and other business development services through public-private partnership, capacity building on Disaster Risk Reduction and Management, and trainings on the use technology and communications to improve productivity and income of women-owned enterprises in accessing and disseminating market information, and other financial services.

AWESOME sees greater opportunities for women to influence the tourism development in Northern Cebu by giving them equal representation and participation in trainings, employment and enterprise development, agenda setting, policy formulation, planning and budgeting, and decision-making.



# LIVELIHOOD

PBSP MEMBERS CONTRIBUTING TO SKILLS DEVELOPMENT AND EMPLOYMENT

**PROGRAM ACCOMPLISHMENTS** 

311 FAMILIES PROVIDED WITH LIVELIHOOD



\*Fiscal Year 17 - 18

### Accenture's Skills to Succeed continues to train the youth

The Near Hire Training has been implemented since the year 2015. The project is intended for unemployed individuals who are of employable age and belong to economically disadvantaged families living in the Greater Manila Area and in Laoag, Ilocos Norte. Beneficiaries, who have finished at least two years of college would go through the 15-day voice training and pass the employment assessment of Accenture. To date, a total of 805 trainees completed the training and about 484 have been employed.

Mano Amiga aims to scale up the impact of the Bistro Café training and livelihood program to direct beneficiaries consisting of women residing in urban slums in Taguig and Parañaque City. The selected women underwent training on Mastery of Culinary Techniques, and Entrepreneurship. To date, 91 women completed the training while 52 women are now employed or have been able put up a small business.

Kapwa Greens is an enterprise that created Tsaa Laya as a premium tea brand that pioneers the development of local herbs, fruits, and spices of Philippine islands into modern tea ingredients. Teas are source of livelihood for mothers and women who are relocated from Manila to the countryside due to typhoons or city planning. To date, 131 beneficiaries participated in different activities implemented in this project. 75 out of 131 are now employed or into small businesses.

L'Oreal Philippines' Beauty for a Better Life Project has trained 108 individuals from Marikina City on hairdressing. Fifty of them are now employed in salons and/or doing hairdressing home services.

**Dow Chemical** supported the provision of Welding Equipment and Skills Training for two master welders from Las Piñas who are now employed.

### **Leonio Riverside Livelihood Intervention Project**

Leonio Land Holdings, Inc., started the project with PBSP to undertake in-depth community organizing and strengthening of existing livelihood program for the residents of Purok 3-Riverside of Barangay Hacienda Dolores. It involved 45 households engaged in the project activities that included provision of financing to support their livelihood, training on integrated farming, basket weaving, and dressmaking.



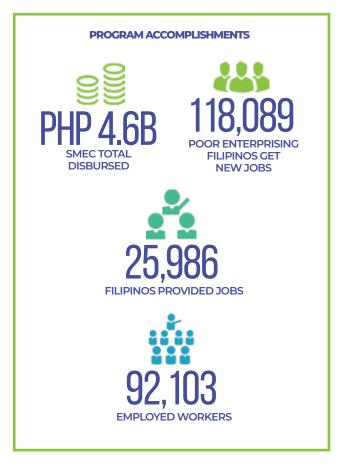


### L'OREAL FOUNDATION'S (above) Beauty for a Better Life trains individuals on hairdressing to enable them to start their own businesses and improve their lives.

MARLENE NARES of Porac, Pampanga is among the stay-at-home mothers who learned the art of weaving through the livelihood project of Leonio Land Holdings, Inc.

# Small and Medium ENTERPRISE CREDIT

Credit must be affordable, timely and innovative to be truly empowering.

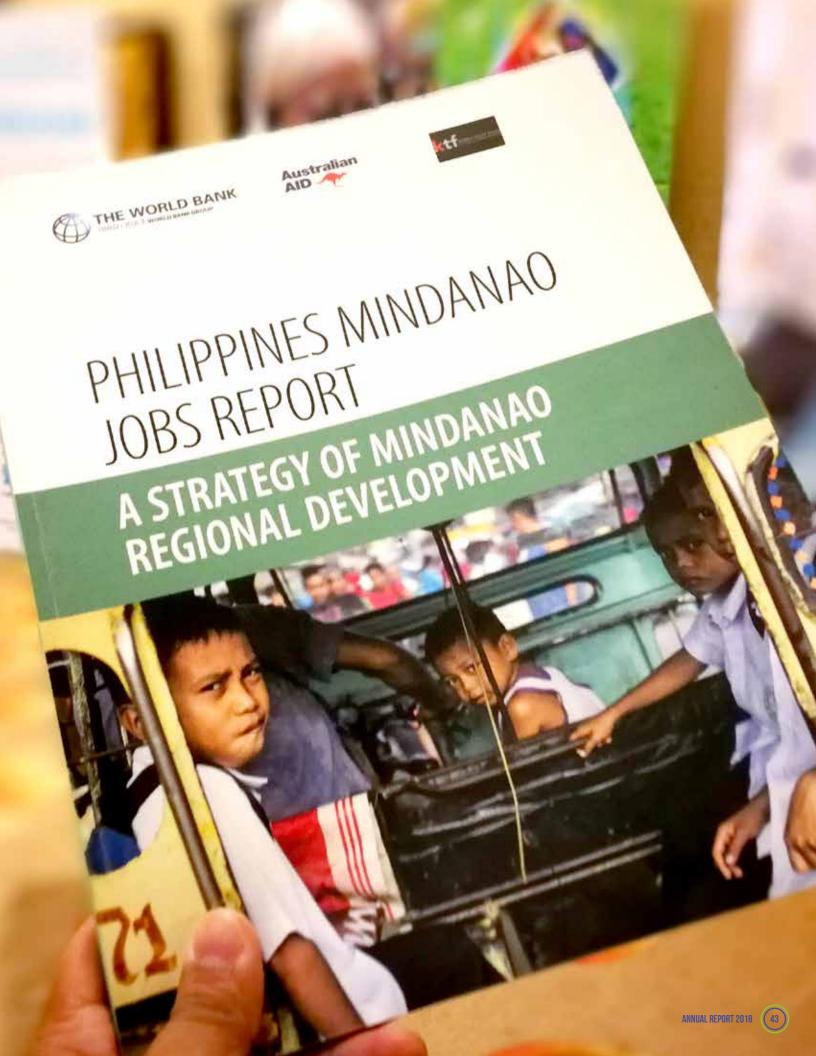


The **Small and Medium Enterprise Credit (SMEC) Program**, is PBSP Development Finance's flagship wholesale lending program that aims to assist accredited rural and thrift banks and microfinance institutions increase their loan portfolios to Micro, Small and Medium Enterprises (MSMEs).

With its objective of enhancing institutional capacity of accredited intermediary financial and microfinance institutions through wholesale credit financing and business support services and increasing MSMEs' access to financial and business development services, the Program disbursed a total of PhP192M in loans, which benefitted 2,359 MSMEs in the countryside for this fiscal year.

Rural and cooperative banks in the SMEC roster of conduits availed 47% of the total SMEC Funds, thrifts banks took in 33% and microfinance NGOs at 20%. SMEC's small contribution in the provision of credit in the countryside generated some 2,333 jobs, mostly in the agriculture and trading industries.







(On the basis of restricted funds received)



Since 2010, the Global Fund has continued to be the biggest donor for projects on tuberculosis control.

For 2018 to 2020, PBSP is implementing the Advancing Client-centered Care and Expanding Sustainable Services for TB (ACCESS TB) Project which complements and augments the programs and activities of the National TB Control Program (NTP) of the Department of Health.

ACCESS TB aims to contribute to the goal of the NTP to reduce mortality by 50 percent, incidence rate by 24 percent and achieve zero TB-affected families facing catastrophic costs all by 2022.













Multisectoral The **Innovations** and Control Partnerships to Achieve Tuberculosis (IMPACT) Project (2012-2017) of the United States Agency for International Development (USAID) engaged both public and private sectors at the national level and in project sites to detect and successfully treat TB cases. The Project provided technical assistance to the National TB Control Program and worked directly with project sites with the greatest burden of TB diseases and lowest performance in both case detection and cure rates. Considered priority areas by the Department of Health, these sites consisted of 43 high TB prevalence and low-performing provinces and cities throughout the country, including those in the Autonomous Region in Muslim Mindanao (ARMM).





OXFAM has several projects with PBSP focusing on reproductive health, septage management and on empowering women and girls.

Improving the Availability of Reproductive Health Services in the ARMM (ARCHES) project aims to improve the availability of and access to basic Sexual and Reproductive Health (SRH) services for the underserved women and young people in five provinces of ARMM. It is being implemented with Philippine Legislators' Committee on Population and Development Foundation (PLCPD), in close coordination with local NGOs.

For the development of the Municipal Septage Management Services Year 3, the project objectives are to manage the Septage Management Revolving Fund (SMRF) for lending to municipalities; increase capacity



of local government units in setting up their septage management programs; and capture learnings on providing loans to pilot LGUs.

Under the Creating Spaces to Take Action Against Women and Girls, the project seeks to contribute to efforts in reducing violence against women and girls (VAWG) and in reducing the prevalence of child early and forced marriage (CEFM) in the six municipalities in Maguindanao and Lanao del Sur.







The Foundation chapters in Atlanta, USA and the Philippines focus on interventions that address water security and facilities to improve the quality of education in the country.

Coca-Cola projects of Atlanta include the provision of potable water systems in 51 Little Red Schoolhouses nationwide and the capacity building of Parent-Teacher Associations for maintenance and sustainability. Another project is the provision of technical assistance to Cagayan De Oro City Water District on non-revenue water reduction, strategy and implementation.

For the Philippine chapter, initiatives include the repair of a



three-storey, three-classroom schoolbuilding of the Coca-Cola Little Red School House in Tuka Elementary School. The Coca-Cola Senior High School (SHS) Program, meanwhile, aims to assist the Department of Education in providing access to quality basic education by supporting the implementation of the SHS Program in public senior high schools in Parañague, San Fernando. Antipolo. Meycauayan, Iloilo and municipality of Murcia. The project aims to increase student and teacher access to appropriate inputs to learning with the view of improving learning as measured by academic performance.

Telstra Foundation has made a huge investment in PBSP's Education program as a member of the Bayanihang Pampaaralan (BP) Consortium. BP focuses on strengthening the implementation of Senior High School (SHS) to support the Department of Education's (DepEd) K to 12 program.







In partnership with PBSP, the foundation has engaged in various education projects nationwide. Among these are the three-year intervention at the Pasay North High School Main which included provision of grant for the National Certification (NC) and Training Methodology (TM) training and exams of the SHS students and teachers; SHS Incubation through the renovation of the school library, provision of a Xepto Digital Classroom and Audio-Visual Room; support to the remedial lessons for slow learners and the setting up of Interest Clubs that harnessed the academic and extracurricular skills of students with their employee-volunteers as mentors

Employee-volunteers of the foundation also supported Brigada Eskwela school clean-up activities in schools in Luzon and in Cebu. In Barrio Luz Elementary School, the foundation also supported the supplemental feeding project through the renovation of the school's feeding center.

Other projects include English proficiency sessions and a summer camp to hone the extra-curricular skills of students of Maligaya High School, SHS Industry Linkages, job readiness trainings for Grade 12 students, renovation of library and provision of reference materials at Rivera Village Elementary School, installation of a Department of Science and Technology Starbooks Kiosks or digital science library in four public schools in Manila and provision of relief goods and teachers' kits to survivors of the Mayon Volcano eruption in Albay in partnership with Real Page.







With a goal to help people build selfsufficiency and create new communityowned approaches to problem-solving, the Lutheran World Relief supports PBSP's Accelerating Women Empowerment through Scaling-up Opportunities for Micro-Enterprises (AWESOME). Project Awesome assists unemployed and self-employed women in Northern Cebu by providing entrepreneurial and employment opportunities along the tourism value chain and other industry sectors in Cebu.

In support to PBSP's Education Program, Petron's Tulong Aral High School Scholarship Program Year 10 provides educational assistance to students until senior high school to ensure completion of education through the following components: (a) educational assistance; (b) family involvement and (c) employee volunteering. The project also includes capacity-building for teachers.

The Tulong Aral High School Scholarship Program Year 11 continues Petron's educational assistance to improve the chances of the scholars to complete their education. Aside from the educational assistance

given, the project also provides the scholars with Life Skills Training, aptly entitled as "Best U Can Be", with the aim of equipping them with the necessary communication and leadership skills that will remain useful even after they graduate.











SMART Communications' School in a Bag project aims to improve the academic performance of students in 10 public schools located in the off grid areas and 10 public elementary schools in urban areas by providing access to educational resources such as the digital school package, School in a Bag (SIAB) and techno cart (TC) packages.

Siam Cement Group's Sharing the Dream High School Scholarship Program provides assistance to marginalized yet deserving youth while at the same time increasing community involvement among the students and their parents. For schoolyear 2018-2019, 80 students were assisted in five partner-schools in Calumpit, Bulacan and Eighty from four schools in Sto. Tomas, Batangas, while another eighty shall be selected from five schools in Taguig City.







Fluor Daniel's various projects with with Care) and Ready for School. PBSP support the education and Fluor Daniel and PBSP also have environment programs. Some a Fund Facility, which is regularly of Fluor Daniel's projects with replenished with funds that PBSP are Support to the Marikina can support Fluor's activities Watershed Project, Trees Project, aligned to its four key giving Engineering Week, Sapangdaku ES Bridge to School Project, Trollley Backpack & Supplies Assistance, Fluor Employees Giving (Handled

priorities: education, environment, community development, and social services.









### aboitiz

The Aboitiz Foundation is one of PBSP's biggest supporters when it comes to environment projects. Aboitiz Foundation's AEV-2017 Adopt a Watershed Project: Upper Marikina River Basin Protected Landscape contributes to environmental sustainability and reversal of loss of environmental resources in the Upper Marikina River Basin Protected Landscape or Marikina Watershed in Metro Manila. It also targets to increase income of at least 300 households by engaging in reforestation and sustainable upland farming and various livelihood activities.





The Standard Chartered Bank's Alay sa Kinabukasan: Kalusugan para Estudyante at Guro project aims to provide a holistic approach to general wellbeing, particularly on eye health and care, financial wellness and HIV/AIDS awareness through conduct of medical missions, financial literacy and HIV-AIDS awareness sessions. For Year 1 of the project, the target beneficiaries were 3,000 public school students and teachers of Pateros. For Year 2, the target beneficiaries were 4,000 public school students and teachers in Caloocan City.

The SCB Livelihood and Education for Agri-Agra Development project aims to improve access to basic quality education for Senior



High School of Catbalogan City Agro-Industrial School by providing capacity building activities and school educational materials, and provide immersion and livelihood assistance to Antonio G. Tuason National High School.

The Improvements of SCB-donated classroom building in Tindog Elementary School project funded the improvement of classrooms and fixtures to help in providing conducive learning environment to the pupils of Tindog Elementary School.

One of PBSP's biggest donors when it comes to health projects, Intellicare's Safe Motherhood Caravan for Communities aims to contribute to the reduction of maternal mortality in the country. Through the conduct of caravan in various communities across the country, the project educates women of reproductive age on life-saving maternal and child health services such as pre- and postnatal consultations, facilitybased delivery, exclusive breastfeeding, responsible parenthood, and saving for health. The caravans also facilitate the access of women to quality health care services to help them be prepared before, during, and after pregnancy.

Intellicare also supports PBSP's Marikina Watershed Project which contributes in the rehabilitation initiative of the Marikina Watershed through reforesting 2 hectares and enhancement of a 3-hectare agroforestry site, particularly planting of fruit-bearing trees. The project shall also provide additional income to farmer beneficiaries in the future.















One of the biggest supporters of PBSP's flagship programs in education and environment, Accenture has various projects all over the country. Some of the most notable projects of Accenture in partnership with PBSP is the Skills to Succeed Academy, a free online learning program which offers courses on soft skills and confidence building to help young

Filipinos gain the skills needed to get a job. It offers a total of 36 interactive modules that will help Senior High School students, especially those who will choose to work after graduation, prepare for job interviews. Through the project, students can gain the necessary job readiness skills that will give them a better chance of getting employed. Accenture is also part of the Support to

the Marikina Watershed project which aims to contribute to the rehabilitation initiative in the Marikina Watershed by planting of fruit-bearing trees, thereby providing additional income to farmer beneficiaries in the future



San Miguel Corporation supports PBSP's Environment Program through the Potable Water System Project. San Miguel Corporation allocated funding to provide three communities in Sto. Tomas, Batangas, Leyte, and Dinagat Island access to safe drinking water. The project not only provided the communities with climate resilient potable water systems with appropriate treatment facility ensuring sustained quality water, it also helped form community water associations with increased capacity to operate and maintain a potable water supply services.



The International Rescue Committee's Marawi Response Assistance project complements augments and the current efforts of PBSP, government, the other humanitarian organizations and CSOs through the provision of non-food items to 1,407 families.









The United Way Worldwide/Wells Fargo Supplementary Feeding Project has adopted a total of 500 students in five elementary schools – Calawis Elementary School in Antipolo City, Sto. Niño Elementary School and Nangka Elementary School in Marikina City, Eusebio Santos Elementary School in Taguig City, and Bayanan Main Elementary School in Muntinlupa City. Aside from the daily feeding in the schools, the project will also be providing inputs to start home gardening and improve existing school gardens.





Grow Asia Partnership Limited supports the livelihood program of PBSP through the Philippines Partnership for Sustainable Agriculture (PPSA). The PPSA is an in-country partnership platform which helps co-design, co-implement, and co-fund value chain initiatives that benefit smallholder farmers. It also engages the Philippine government to ensure leadership and strong alignment with the national agenda.



360.

The Clean and Renewable Energy Material Development Project managed by PBSP intends to develop and provide the appropriate supplemental learning materials that can be used by the elementary, junior high schools and senior high schools nationwide. It intends to provide additional knowledge which will enrich their learning and competencies. First Philippine Holdings and Energy Development Corporation, through COMS360, support the implementation of the K to 12 program to help improve the quality of basic education in the Philippines.

# Treasurer's REPORT

n behalf of the Board of Trustees, I am pleased to present your Foundation's financial results for the fiscal year ended September 30, 2018 and its financial position as of September 30, 2018.

This was a crucial financial year for us as we confront the realities of a tightening funding market and the pressures arising from our current cost structure even as we review the effectiveness of our operating model in light of the changing landscape.

I am glad to report that despite a lower support and income, challenges in recovering our costs on projects, and a volatile investment market, management has been able to subdue growth in costs keeping our operating results at positive levels.

Total support and income declined by P646M at P2.184 billion in 2018 from P2.829 billion in 2017 largely from lower donor grants and contributions. Total contributions from our member companies remained flat at 1% growth as we ended the year with 279 member companies. We

have noted a significant cutback in unrestricted member giving by 22% while restricted member giving grew by 16% year on year.

Grants and other contributions from international donors declined by 23% coming from lower scheduled disbursements for the new grant for Global Fund for Advancing Client-centered Care and Expanding Sustainable Services for TB Control (ACCESS TB) for 2018 and the culmination of the 5-year Innovations and Multi-Partnerships sectoral to Achieve Control of TB (IMPACT) Project funded by the United States Agency for International Development (USAID)

2018.

Investment income grew by 3% year on year at P20.34 million from P19.78 million coming from foreign exchange gains from a weaker peso amidst a more volatile equities market and resurgent interest rate regime in the fixed income market towards the latter half of the fiscal year.

To manage the flat growth in our member contributions and the lower level of donor funding year on year, management pursued various cost containment measures while gradually bringing personnel compensation in line within market rates. Hence, combined general operating expenses and project development and monitoring costs grew only by 4% in 2018.

We ended the year with a lower net excess of support and income over expense by 35% at P12.82 million from P19.836 million in 2017 (which included a significant non-recurring income from the sale of a property).

Our balance sheet remains strong with total assets of P1,360.72 million including P475.48 million in investment assets that will be harnessed prudently to generate better returns in support of operations for the coming year.

Looking ahead to 2019, we are taking more defined steps towards better member engagement, attracting new funding and improving our cost recoveries, generating new sources of income and enhanced returns on our investment assets.

Management shall continue to efficiently and effectively deliver the programs and services that make your Foundation distinct and relevant in this space. We are now poised to hurdle the challenges of transitioning into a leaner and stronger organization and we look to you our members for inspiration and support as we go through this process.

On behalf of the Board of Trustees and the management of PBSP, my sincerest gratitude to all our members, donors, partners and beneficiaries for your continued trust and confidence in PBSP.

PEDRO O. ROXAS

Treasurer

# Audit Committee REPORT

### The Board of Trustees Philippine Business for Social Progress

The Audit Committee, in fulfilling its oversight responsibilities in the review of financial information, the system of internal controls, risk management processes, and in recommending the appointment of the external auditor, confirms that:

All members of the committee are independent and non-executive directors.

We have reviewed and discussed the audited financial statements of Philippine Business for Social Progress (PBSP) as of and for the year ended September 30, 2018 with PBSP's Management, which has the primary responsibility for the financial statements, and with Punongbayan & Araullo (P&A), PBSP's independent auditor, who is responsible for expressing an opinion on the conformity of PBSP's audited financial statements with Philippine Financial Reporting Standards.

We have discussed with P&A matters required by the audit committee charter.

We have discussed with PBSP's Internal Auditor and P&A, and we have approved, the overall scope and plans for their respective audits.

We met with PBSP's Internal Auditor and P&A, to discuss the results of their examinations, their evaluations of PBSP's internal controls and the overall quality of PBSP's financial reporting.

Based on the reviews and discussions referred to above, in reliance on PBSP's management and P&A and subject to the limitations of our role, we recommended to the Board of Trustees and the Board has approved, the inclusion of PBSP's audited financial statements as of and for the year ended September 30, 2018 in PBSP's Annual Report to its member companies.

We recommend the reappointment of P&A as PBSP's independent auditor.

On behalf of the audit committee:

MANOLITO T. TAYAG

Chairman



# FINANCIAL STATEMENTS

# REPORT OF INDEPENDENT AUDITORS



The Board of Trustees
Philippine Business for Social Progress, Inc.
(A Non-stock, Non-profit Corporation)
PSDC Building, Magallanes cor. Real Streets
Intramuros, Manila

#### **Punongbayan and Araullo**

20th Floor, Tower 11 The Enterprise Center 6766 Ayala Avenue 1200 Makati City Philippines

T +63 2 988 2288 F +63 2 886 5506 grantthornton.com.ph

### **Report on the Audit of the Financial Statements**

### Opinion

We have audited the financial statements of Philippine Business for Social Progress, Inc. (the Foundation), which comprise the statements of financial position as at September 30, 2018 and 2017, and the statements of profit the or loss, statements of comprehensive income, statements of changes in fund balance 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 financial position of the Foundation as at September 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation 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 audits 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, 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 PSA 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 PSA, 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Foundation 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 Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended September 30, 2018 required by the Bureau of Internal Revenue under Revenue Regulation No. 15-2010 as disclosed in Note 24 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO** 

By: Mailene Sigue-E

Partner

CPA Reg. No. 0090230 TIN 120-319-128 PTR No. 6616003, January 3, 2018, Makati City SEC Group A Accreditation

Partner - No. 0396-AR-3 (until Oct. 1, 2021) Firm - No. 0002-FR-5 (until Mar. 26, 2021) BIR AN 08-002511-20-2018 (until Jan. 25, 2021)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

November 22, 2018

# STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017 | Amounts in Philippine Pesos

	Notes	2018	2017
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	7	P 672,598,458	P 690,140,135
Available-for-sale financial assets -	8	284,866,809	146,470,345
Receivables - net	9	48,071,416	79,822,768
Other current assets	12	138,248,245	73,403,721
Total Current Assets		1,143,784,928	989,836,969
NON-CURRENT ASSETS			
Available-for-sale financial assets:	8	190,612,967	393,073,246
Property and equipment - net	10	14,278,083	16,669,122
Investment properties	11	8,812,658	8,812,658
Other non-current assets	12	3,241,143	2,410,645
Total Non-current Assets		216,944,851	420,965,671
TOTAL ASSETS		P 1,360,729,779	P 1,410,802,640
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	13	P 94,556,861	P 113,861,280
Income tax payable		2,183,970	5,762,641
Total Current Liabilities		96,740,831	119,623,921
NON-CURRENT LIABILITIES			
Post-employment defined benefit obligation	18	6,958,625	20,621,247
Deferred support	14	793,548,569	803,822,882
Total Non-current Liabilities		800,507,194	824,444,129
Total Liabilities		897,248,025	944,068,050
FUND BALANCE	15	463,481,754	466,734,590
TOTAL LIABILITIES AND FUND BALANCE		P 1,360,729,779	P 1,410,802,640

# STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 | Amounts in Philippine Pesos

			2018					
	Notes	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	
SUPPORT AND INCOME Support								
Members' donations		P 27,931,616	P 63,595,184	P 91,526,800	P 35,734,506	P 54,701,221	P 90,435,727	
Grants and other contributions	3	81,244,610	1,980,727,912	2,061,972,522	66,945,130	2,624,504,638	2,691,449,768	
Investment income - net	16	20,343,768	-	20,343,768	19,779,923	-	19,779,923	
Income from small enterprise								
facility trust fund	9, 21	2,625,000	-	2,625,000	2,968,750	-	2,968,750	
Other income	7, 11,16	6,722,604		6,722,604	24,815,813		24,815,813	
		138,867,598	2,044,323,096	2,183,190,694	150,244,122	2,679,205,859	2,829,449,981	
EXPENDITURES								
Grants expenses	17	3,065,750	2,044,323,096	2,047,388,846	7,191,738	2,679,205,859	2,686,397,597	
General operating expenses	17	77,256,431	-	77,256,431	69,591,971	-	69,591,971	
Project development and monitoring expenses	17	35,692,384	-	35,692,384	38,876,792	-	38,876,792	
Depreciation and amortization	10	3,214,268	-	3,214,268	2,285,516	-	2,285,516	
Small enterprise facility trust fund expenses	9	2,219,962	-	2,219,962	2,529,152	-	2,529,152	
Other expenses	17	1,440,184		1,440,184	1,431,218		1,431,218	
		122,888,979	2,044,323,096	2,167,212,075	121,906,387	2,679,205,859	2,801,112,246	
EXCESS OF SUPPORT AND INCOME OVER EXPENDITURES BEFORE TAX		15,978,619	-	15,978,619	28,337,735	-	28,337,735	
TAX EXPENSE	20	3,149,532		3,149,532	8,501,063		8,501,063	
NET EXCESS OF SUPPORT AND INCOME OVER EXPENDITURES		P 12,829,087	<u>P - </u>	P 12,829,087	P 19,836,672	<u>P - </u>	P 19,836,672	

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 | Amounts in Philippine Pesos

			2018				2017						
	Notes	U	nrestricted	Res	tricted		Total	Uı	nrestricted	Re	stricted		Total
NET EXCESS OF SUPPORT AND INCOME OVER EXPENDITURES		<u>P</u>	12,829,087	P		P	12,829,087	<u>P</u>	19,836,672	<u>P</u>	-	<u>P</u>	19,836,672
OTHER COMPREHENSIVE INCOME (LOSS) Items that will not be reclassified subsequently to profit or loss Remeasurement of defined benefit													
post-employment plan	18		14,871,994				14,871,994		2,360,209		-		2,360,209
Item that will be reclassified subsequently to profit or loss													
Fair valuation of available-for-sale financial assets Unrealized fair value gains (losses) - net Fair value gains on disposal of available-for-sale financial assets	8	(	28,337,256)		-	(	28,337,256)		5,043,487		-		5,043,487
reclassified to profit or loss		(	2,616,661) 30,953,917)		-	(	2,616,661) 30,953,917)	(	3,899,845) 1,143,642	_	-	(	3,899,845) 1,143,642
Total Other Comprehensive Income (Loss)		(	16,081,923)		-	(	16,081,923)		3,503,851		-		3,503,851
TOTAL COMPREHENSIVE INCOME (LOSS)		( <u>P</u>	P 3,252,836)	<u>P</u>		( <u>P</u>	P 3,252,836)	<u>P</u>	23,340,523	<u>P</u>		<u>P</u>	23,340,523

# STATEMENTS OF CHANGES IN FUND BALANCE

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 | Amounts in Philippine Pesos

	Notes	Undesignated		designated Designated		Remeasurement of Defined Benefit Post-employment Plan		Revaluation Reserve on Available-for-sale Financial Assets		_	Total
Balance as of October 1, 2017		Р	28,173,571	Р	381,831,968	Р	7,425,983	Р	49,303,068	Р	466,734,590
Net excess of support and income over expenditures during the year			12,829,087		-		-		-		12,829,087
Other comprehensive income (loss)	8, 18		-		-		14,871,994	(	30,953,917)	(	16,081,923)
Balance as of September 30, 2018		<u>P</u>	41,002,658	<u>P</u>	381,831,968	<u>P</u>	22,297,977	<u>P</u>	18,349,151	<u>P</u>	463,481,754
Balance as of October 1, 2016 Net excess of support and income		Р	8,336,899	Р	381,831,968	Р	5,065,774	Р	48,159,426	Р	443,394,067
over expenditures during the year			19,836,672		-		-		-		19,836,672
Other comprehensive income	8, 18		-		-		2,360,209		1,143,642		3,503,851
Balance as of September 30, 2017		P	28,173,571	P	381,831,968	P	7,425,983	<u>P</u>	49,303,068	Р	466,734,590

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017 | Amounts in Philippine Pesos

	Notes		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess of support and income over expenditures before tax		Р	15,978,619	Р	P 28,337,735
Adjustments for:					, ,
Investment income	8, 16	(	20,343,768)	(	19,779,923)
Depreciation and amortization	10	`	3,214,268		2,285,516
Interest income	7, 11, 16	(	860,429)	(	225,804)
Impairment losses on receivables	9		381,418		530,300
Unrealized foreign currency exchange gains	16	(	354,847)	(	83,426)
Gain on sale of property and equipment	10, 16	(	232,661)		-
Gain on sale of investment property	11, 16			(	15,662,523)
Deficiency of support and income over expenditures					
before changes in operating assets and liabilities		(	2,217,400)	(	4,598,125)
Decrease in receivables			31,929,819		91,980,215
Decrease (increase) in other assets		(	66,640,584)		4,935,692
Decrease in accounts payable and accrued expenses		(	19,304,419)	(	78,648,097)
Increase (decrease) in post-employment benefit obligation			1,209,372	(	718,878)
Decrease in deferred support		(	10,274,313)	(	278,091,169)
Cash used in operations		ì	65,297,525)	(	265,140,362)
Income taxes paid		ì	5,762,641)	•	-
Interest received		(	300,544		130.913
interest received			300,344		130,913
Net Cash Used in Operating Activities		(	70,759,622)	(	265,009,449)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net proceeds from disposal of (net additional investments in)					
available-for-sale financial assets			40,112,016	(	11,343,626)
Investment income received			13,341,650		12,177,480
Acquisitions of property and equipment	10	(	823,235)	(	7,196,103)
Proceeds from sale of property and equipment	10		232,667		-
Proceeds from sale of investment property	11		-		15,911,609
Net Cash From Investing Activities			52,863,098		9,549,360
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents	;		354,847		83,426
NET DECREASE IN CASH AND CASH EQUIVALENTS		(	17,541,677)	(	255,376,663)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			690,140,135		945,516,798
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>P</u>	672,598,458	<u>P</u>	690,140,135

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017 | Amounts in Philippine Pesos

#### 1. CORPORATE INFORMATION

Philippine Business for Social Progress, Inc. (the Foundation), founded in 1970 by a group of businessmen from 50 Philippine corporations, provides a formal institutional medium for the corporate sector to initiate, assist, manage or finance programs and projects for the social and economic improvement, promotion and advancement of the quality of life of the Filipino poor. The Foundation's activities are funded diversely, but majority come from donations appropriated by member companies from their annual net income and from local and international donor institutions and corporate foundations.

The Foundation promotes the philosophy of efficiency, self-help and participation in its poverty reduction approaches. The Foundation is pro-active in the following areas: (a) basic education and the use of information technology in education, development and growth of micro, small and medium enterprises by making available credit and business support services, access to health and water in rural and urban centers to increase detection and cure rates of infectious diseases; (b) access to housing improvements and livelihood for urban poor communities; (c) development and dissemination of agriculture and aquaculture technologies to inject new skills and knowledge among farmers and fisher folks; and, (d) mobilizing relief goods for and rebuilding lives of disaster stricken communities.

In all these, the Foundation forges partnerships with the business sector, government, and civil society towards a common development vision.

The Foundation, as a non-stock, non-profit corporation, organized and operated exclusively for the promotion of social welfare, is exempt from income tax pursuant to Section 30(g), Exemption from Tax on Corporations, of the Tax Reform Act of 1997 [Republic Act (RA) No. 8424].

The registered office of the Foundation is located at the PSDC Building, Magallanes cor. Real Streets, Intramuros, Manila.

The financial statements of the Foundation as of and for the year ended September 30, 2018 (including the comparative financial statements as of and for the year ended September 30, 2017) were authorized for issue by the Foundation's Board of Trustees (the Board) on November 22, 2018.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Foundation have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. The Foundation presents statements of comprehensive income separate from the statements of profit or loss.

The Foundation presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Foundation does not present third statement of financial position as there were no retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Foundation's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Foundation are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Foundation operates.

### 2.2 Adoption of New and Amended PFRS

(a) Effective in Fiscal Year 2018 that are Relevant to the Foundation

The Foundation adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017, for its annual reporting period beginning October 1, 2017:

PAS 7 (Amendments) : Statement of Cash Flows - Disclosure Initiative

PAS 12 (Amendments) : Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses

Discussed below are the relevant information about these amendments.

(i) PAS 7 (Amendments), Statement of Cash Flows – Disclosure Initiative. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

The application of these amendments did not result in additional disclosure in the Foundation's financial statements as it has no liabilities arising from financing activities in 2018 and 2017.

(ii) PAS 12 (Amendments), Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

These amendments have no significant impact on the Foundation's financial statements.

(b) Effective in Fiscal Year 2018 that are not Relevant to the Foundation

Annual Improvements to PFRS (2014-2016 Cycle) – PFRS 12, Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale are mandatorily effective for annual periods beginning on or after January 1, 2017 but are not relevant to the Foundation's financial statements.

(c) Effective Subsequent to Fiscal Year 2018 but not Adopted Early

There are new PFRS, amendments to and interpretation of existing standards effective for annual periods subsequent to fiscal year 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Foundation's financial statements:

- (i) PAS 40 (Amendment), Investment Property Reclassification to and from investment property (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on the Foundation's financial statements.
- (ii) PFRS 9 (2014), Financial Instruments (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, Financial Instruments: Recognition and Measurement, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
  - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting
  more closely with the risk management activities undertaken by entities when hedging their financial and non-financial
  risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income (FVTOCI) if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Foundation's financial assets and financial liabilities as of September 30, 2018, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to have impact on the Foundation's financial statements upon application of PFRS 9 (2014):

- On classification and measurement of the Foundation's financial assets, management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the receivables to continue to be accounted for at amortised cost. However, a number of available-for-sale (AFS) financial assets are likely to be measured at FVTPL as the cash flows are not solely payments of principal and interest.
- The expected credit loss model will apply to the Foundation's receivables and investments in debt-type assets currently
  classified as AFS financial assets that may have significant financing component. For other financial assets and receivables,
  the Foundation will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a
  significant financing component.
- The Foundation's equity securities, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.
- The Foundation's financial liabilities will continue to be accounted for at amortized cost.
- (iii) PFRS 15, Revenue from Contract with Customers (effective from January 1, 2018). This standard will replace PAS 18, Revenue, and PAS 11, Construction Contracts, the related interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, Customer Loyalty Programmes, IFRIC 15, Agreement for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and Standing Interpretations Committee 31, Revenue Barter Transactions Involving Advertising Services. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Management has initially assessed that this new standard has no material impact on the Foundation's financial statements.

(iv) IFRIC 22, Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Management has initially assessed that this interpretation has no material impact on the Foundation's financial statements.

(v) PFRS 9 (Amendment), Financial Instruments – Prepayment Features with Negative Compensation (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI.

Management is currently assessing the impact of this amendment on the Foundation's financial statements.

(vi) PFRS 16, Leases (effective from January 1, 2019). The new standard will eventually replace PAS 17, Leases.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management has initially assessed that the Foundation's adoption of PFRS 16 would likely result in recognition of asset and corresponding lease liability in its statement of financial position to account for its long-term leases in accordance with this new standard.

(vii) IFRIC 23, Uncertainty over Income Tax Treatments (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Foundation to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Foundation has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

Management is currently assessing the impact of this interpretation on the Foundation's financial statements.

### 2.3 Financial Assets

Financial assets are recognized when the Foundation becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, Financial Instruments: Presentation. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

A more detailed description of the categories of financial assets relevant to the Foundation are as follows:

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Foundation provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Foundation's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Receivables (excluding Advances to partners and Advances to employees) and Refundable deposits (shown under Other Non-current Assets) in the statement of financial position. Cash and cash equivalents include cash on hand, savings and demand deposits,

and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

### (ii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets in the statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. The Foundation's AFS financial assets include investments held under trustee-managed funds.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, and are reported under Revaluation Reserve on AFS Financial Assets account in the statements of changes in fund balance, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

The determination of what is significant or prolonged requires judgment. The Foundation treats significant as generally 20% or more and prolonged as greater than six months for quoted equity securities. In addition, the Foundation evaluates other factors, including normal volatility in share price for quoted price equities and the future cash flows and the discount factors for unquoted equities.

### (b) Impairment of Financial Assets

The Foundation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Foundation recognizes impairment loss based on the category of financial assets as follows:

### (i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

### (ii) Carried at Fair Value - AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss - measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

### (c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Other Income or Other Expenses accounts in the statement of profit or loss.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

### (d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Foundation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Foundation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Foundation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Foundation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

### 2.4 Other Assets

Other current assets pertain to other resources controlled by the Foundation as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Foundation and the asset has a cost or value that can be measured reliably.

Included in the other current assets are biological assets which pertains to vermi. Biological assets are measured at fair value less cost to sell based on estimated future cash flows which are calculated based on estimated selling prices reduced by the estimated farming costs to be incurred until those have reached saleable condition. Expenditures related to the costs of day-to-day servicing such as feeding, labor costs, and cage maintenance for biological assets are expensed as incurred. The cost of purchase including transaction costs are capitalized as part of biological assets. Changes in fair value of vermi are recognized in profit or loss.

Other assets of similar nature, where future economic benefits are expected to flow to the Foundation beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

### 2.5 Property and Equipment

Land is stated at cost less any impairment in value. As no finite useful life for land can be determined, the related carrying amount are not depreciated. All other property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Property and equipment acquired for a project through restricted contributions are recorded as grants expenses. The Foundation recognizes the asset only upon project completion or upon transfer of the ownership of the asset to the Foundation.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements 25 years
Hatchery facilities and other properties 10 to 25 years
Furniture, fixtures and other equipment 3 to 10 years
Transportation equipment 5 years
Computer equipment 3 years

Amortization of building improvements is computed based on the estimated useful lives of the assets, or the remaining life of the building, whichever is shorter.

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use but no further charge for depreciation and amortization is made in respect to those assets.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

#### 2.6 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognized at cost which includes acquisition price plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, investment properties are stated at cost less

any accumulated impairment losses. Impairment loss on investment properties is recognized in the same manner as in property and equipment. Accordingly, the carrying amount of an investment property is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7). Transfers from other accounts (such as property and equipment) are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising from the disposal of an investment property, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of profit or loss in the year the item is derecognized.

### 2.7 Impairment of Non-financial Assets

The Foundation's property and equipment, investment properties and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Foundation's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and assets-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

#### 2.8 Financial Liabilities

Financial liabilities, which include accounts payable and accrued expenses (except for payables to government agencies and funds held in trust) are recognized when the Foundation becomes a party to the contractual terms of the instrument. These are recognized initially at their fair value and subsequently measured at amortized cost using effective interest method for those with maturities beyond one year, less settlement payments.

All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of each reporting period (or in the normal operating cycle of the business, if longer), or the Foundation does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

### 2.9 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Foundation currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must, be legally enforceable for both entity and all counterparties to the financial instruments.

### 2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Foundation that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Foundation can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### 2.11 Income and Expense Recognition

Revenue comprises support in the form of grants/contributions and donations measured by reference to the fair value of support received or receivable by the Foundation from the donors and/or member organization.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Foundation; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) Revenue from restricted support including government grants – This is recognized upon fulfillment of the donor-imposed conditions attached to the support and/or to the extent that expenses are incurred.

Parts of the restricted support are funds extended in the form of financial advances to qualified proponents. The financial advances are recorded as restricted grants expense and a corollary entry is setup to recognize the receivable upon release of the funds. Interest charges on financial advances which also represent administrative fees on servicing the projects related to restricted grants are recognized and recorded as part of Deferred Support account in the statement of financial position. The repayments are generally used to support similar programs for which the original grants to the Foundation were intended.

Restricted support for which restrictions and conditions have not yet been met are classified as deferred support. At project completion date, any excess funds in the deferred support are returned to the donors unless otherwise agreed by both parties that the excess shall be retained by the Foundation and therefore credited to unrestricted support. However, excess funds after project completion that have been retained by the Foundation but with a commitment to the donor to continue the project are retained in the Deferred Support account.

- (b) Revenue from unrestricted support This is recognized upon receipt of the support while the related expenses are reported when incurred. It also includes restricted support and reflows from project proponents for which the donor-imposed restrictions have been completed and that the Foundation no longer has an obligation to return those to the donors upon completion of the project.
- (c) Investment income The Foundation's investment income is comprised of interest income, foreign currency exchange gains (losses) on dollar-denominated AFS financial assets, gain (loss) on disposal of AFS financial assets, and dividend income.
  - (i) Interest income These are recognized as the interest accrues taking into account the effective yield on the asset.
  - (ii) Foreign currency exchange gains (losses) Foreign currency exchange gains (losses) from the changes in the foreign exchange rates of dollar-denominated AFS financial assets are recognized in profit or loss at the end of the reporting period.
  - (iii) Gain (loss) on disposal of AFS financial assets This is calculated as the difference between net sales proceeds and acquisition cost less any impairment in value. Gain (loss) on the sale of AFS financial assets is recognized in profit or loss when the sale transaction occurred.
  - (iv) Dividend income This is recognized when the shareholder's right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.
- (d) Income from small enterprise facility trust fund This pertains to service and/or consultancy fees for providing technical assistance on program management and implementation and is recognized upon rendering of the service and completion of the required output to other parties. Associated costs directly related to the rendering of the services or completion of the output are recognized when incurred.

Expenditures are recognized in profit or loss upon receipt of goods or utilization of services or at the date they are incurred.

### 2.12 Leases

The Foundation accounts for its leases as follows:

(a) Foundation as Lessee

Leases which do not transfer to the Foundation substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments (net of any incentive from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

### (b) Foundation as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Foundation determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### 2.13 Foreign Currency Transactions and Translation

The accounting records of the Foundation are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss except for foreign currency gains and losses arising from the translation of foreign currency-denominated restricted cash, which form part of the Deferred Support account in the statement of financial position.

### 2.14 Employee Benefits

The Foundation provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized and measured as follows:

### (a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Foundation, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Foundation's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows arising from expected benefit payments using a discount rate derived from the interest rates of a zero coupon rate government bond, as published by Philippine Dealing and Exchange Corporation (PDEx) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest (presented as part of Other Expenses account in the statement of profit or loss) is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

#### (b) Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Foundation pays fixed contributions into an independent entity (e.g., Social Security System). The Foundation has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment, respectively, has occurred and are included in current liabilities or current assets as they are normally short-term in nature.

### (c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Accounts Payable and Accrued Expenses account in the statement of financial position at the undiscounted amount that the Foundation expects to pay as a result of the unused entitlement.

### 2.15 Fund Balance

Fund balance is composed of undesignated and designated fund balances, remeasurement of defined benefit post-employment plan and revaluation reserve on AFS financial assets.

Undesignated fund pertains to accumulated balance of the excess (deficiency) of support and income over expenditures from unrestricted funds, net of amount transferred to designated fund.

Designated fund pertains to amounts specifically approved by the Board for future projects, unpaid committed grants and advances to project proponents.

Remeasurement of defined benefit post-employment plan represents the cumulative balance of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of post-employment defined benefit obligation.

Revaluation reserve on AFS financial assets pertains to accumulated gains or losses arising from the revaluation of AFS financial assets (see Note 2.3).

#### 2.16 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in fund balance, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Foundation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in fund balance are recognized in other comprehensive income or directly in fund balance, respectively. Deferred tax assets and deferred tax liabilities are offset if the Foundation has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

#### 2.17 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Foundation and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one of more intermediaries, control or are controlled by, or under common control with the Foundation; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Foundation that gives them significant influence over the Foundation and close members of the family of any such individual; and, (d) the Foundation's funded post-employment benefit plan for its employees.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

#### 2.18 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Foundation's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

#### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Foundation's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

#### 3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Foundation's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

#### (a) Determining Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Foundation evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the evaluation of information and circumstances affecting the Foundation's AFS financial assets, management concluded that the assets are not impaired as of September 30, 2018 and 2017 as disclosed in Note 8. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

#### (b) Distinguishing Investment Properties and Owner-occupied Properties

The Foundation determines whether a property qualifies as investment property. In making its judgment, the Foundation considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process or rendering of services.

Some properties may comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the rendering of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Foundation accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the rendering of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Foundation considers each property separately in making its judgment.

#### (c) Distinguishing Operating and Finance Leases

The Foundation has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Based on management's evaluation, all of the Foundation's lease agreements are classified as operating leases.

#### (d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and relevant disclosures are presented in Note 21.

#### 3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

#### (a) Impairment of Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Foundation evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Foundation's relationship with the partners, project proponents and other counterparties, each counterparties' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Foundation to reduce any differences between loss estimates and actual loss experience.

The carrying amounts of receivables and the analysis of allowance for impairment on such financial assets are shown in Note 9.

#### (b) Fair Value Measurement for Financial Assets Other than Receivables

The Foundation carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Foundation utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect the amounts presented in other comprehensive income.

The carrying values of the Foundation's AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Note 8.

#### (c) Fair value Measurement for Biological Assets

The fair value of the Foundation's biological assets represents the fair values of estimated net cash flows relating to such biological assets, determined by application of assumptions such as timing and volume of spawning and production, growth trends, mortality rates, climatic conditions such as floods and water temperature, productive life of the asset, and expected future sales price which can be affected by inflation. The valuation method utilized by the Foundation also assumes that the biological assets will be appropriately managed in the future using best agricultural industry practices and that the Foundation will continue exerting the same level of management commitment in investing in biological assets. Significant changes in these assumptions may affect the valuation of the assets and volatility in the results of the Foundation's farming operation in the future.

There were no fair value gains or losses recognized related to biological assets in 2018 and 2017.

#### (d) Estimating Useful Lives of Property and Equipment

The Foundation estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are analyzed in Note 10.

Based on management's assessment as of September 30, 2018 and 2017, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

#### (e) Determining the Fair Value of Investment Properties

The Foundation's investment properties are composed of parcels of land held for capital appreciation and buildings held for lease which are both measured using cost model. The estimated fair values of investment properties as disclosed in Notes 5.3 and 11 are determined by the Foundation based on the appraisal reports prepared by an independent appraiser applying relevant valuation methodologies as discussed therein.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

#### (f) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.7). Though management believes that the assumptions used in the estimation of recoverable amounts reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

#### (g) Determining Realizable Amount of Deferred Tax Assets

The Foundation reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

#### (h) Valuation of Post-employment Defined Benefit

The determination of the amounts of post-employment defined benefit obligation is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the expense, other comprehensive income or losses and the carrying amount of the post-employment defined benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation are presented in Note 18.2.

#### (i) Indirect Cost Rate

The Foundation estimates indirect cost rate (ICR) based on the audited disbursement report of the Foundation done by an independent auditor on a yearly basis, which is submitted to the donor for evaluation and approval. The approved ICR through a grant modification report will be submitted by the donor to the Foundation. This modification carries the new provisional ICR, which will be used by the Foundation for the current fiscal year subject to change based on the annual audited disbursement report. As of September 30, 2018, the Foundation is using the most recent approved ICR pending any grant modification.

#### 4. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### 4.1 Carrying Amounts and Fair Values by Category

The following table presents a comparison by category of the carrying amounts and estimated fair values of the Foundation's financial assets and financial liabilities:

	Notes		2018			2017		
		C	arrying Values	Fair Values		Carrying Values_	Fair Values	
<b>Financial assets:</b> Loans and receivables								
Cash and cash equivalents	7	P	672,598,458 P	672,598,458	Р	690,140,135 P	690,140,135	
Receivables - net	9		33,143,582	33,143,582		25,579,022	25,579,022	
Refundable deposits	12		1,277,026	1,277,026		446,528	446,528	
AFS financial assets	8		475,479,776	475,479,776		539,543,591	539,543,591	
		<u>P</u>	1,182,498,842 P	1,182,498,842	<u>P</u>	1,255,709,276 P	1,255,709,276	
Financial liabilities -  At amortized cost  Accounts payable and								
accrued expenses	13	<u>P</u>	86,236,507 P	86,236,507	<u>P</u>	99,556,051 P	99,556,051	

Management considers that the carrying amounts of the above receivables, refundable deposits and all financial liabilities which are measured at amortized cost approximate their fair values because those instruments are short-term in nature or the effect of discounting for those long-term receivables and refundable deposits are not significant.

See Notes 2.3 and 2.8 for the description of the accounting policies for each category of financial instruments. A description of the Foundation's risk management objectives and policies for financial instruments is provided in Note 6.

#### 4.2 Offsetting of Financial Assets and Financial Liabilities

The Foundation has not set-off financial instruments in 2018 and 2017 and does not have relevant offsetting arrangements. Currently, financial assets and liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis.

#### 5. FAIR VALUE MEASUREMENT AND DISCLOSURES

#### 5.1 Fair Value Hierarchy

In accordance with PFRS 13, Fair Value Measurements, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date:
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which an asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Foundation uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

#### 5.2 Financial Instruments Measured at Fair Value

The fair value hierarchy of the Foundation's AFS financial assets measured at fair value in the statements of financial position on a recurring basis as of September 30, 2018 and 2017 is shown below.

		Level 1		Level 2		Level 3		Total
2018	<u>P</u>	357,728,322	<u>P</u>	117,751,454	<u>P</u>		<u>P</u>	475,479,776
2017	<u>P</u>	387,145,442	<u>P</u>	152,398,149	<u>P</u>		<u>P</u>	539,543,591

There are no financial liabilities measured at fair value as of September 30, 2018 and 2017. Moreover, there were no transfers among Level 1, Level 2 and Level 3 in both years.

Described below are the information about how the fair values of the Foundation's AFS financial assets are determined.

#### (a) Government Securities

The benchmark or reference prices of dollar-denominated government securities based on the weighted average of done or executed deals in an active market or bond exchange (i.e., PDEx) is categorized under Level 1, whereas, dollar-denominated government securities with fair values categorized within Level 2 is determined based on the prices of benchmark securities which are also quoted in an active market or bond exchange.

#### (b) Corporate Bonds

The fair value of corporate bonds categorized within Level 1 is determined based on the bid prices quoted in an active market or bond exchange.

#### (c) Equity Securities

The fair values of equity securities were valued based on their market prices quoted in the Philippine Stock Exchange at the end of each reporting period; hence, included in Level 1.

#### 5.3 Fair Value Disclosures for Investment Properties Carried at Cost

The fair values of the Foundation's investment properties as of September 30, 2018 and 2017, categorized as Level 3 in the fair value hierarchy is shown below.

		2018		2017
Land	P	138,041,000	Р	107,788,972
Buildings		4,168,310		4,682,710
	Р	142,209,310	<u>P</u>	112,471,682

The fair values of investment properties as of September 30, 2018 and 2017 are based on appraisal reports dated September 2018 and April 2016, respectively. The fair values disclosed for the Foundation's investment properties were determined based on the appraisals performed by an independent appraiser with appropriate qualifications and relevant experience in the fair value measurement of similar properties in nearby locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Foundation's management with respect to the determination of the inputs such as the size, age, and condition of the land and building, and the comparable prices in the corresponding property location.

In estimating the fair values of the investment properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Foundation's investment properties is their current use.

The fair values of the Foundation's investment properties were determined based on the following approaches:

#### (a) Fair Value Measurement for Land

The fair value of land was derived using market data approach (direct sales comparison method) where the value of the land is based on sales and listings of comparable properties registered within the vicinity. The market data approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The technique of this approach requires adjustments to sales and listings by considering the elements of comparison such as real property rights conveyed, conditions of sale, market and physical conditions, location and amenities.

#### (b) Fair Value Measurement for Buildings

The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change in the valuation techniques used by the Foundation during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2018.

#### 6. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Foundation is exposed to a variety of financial risks which result from its operating, investing and financing activities. The Foundation's risk management is closely monitored by the Board, and focuses on actively securing the Foundation's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial assets are managed to generate lasting returns.

The Foundation does not engage in trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Foundation is exposed to are described below and in the succeeding pages.

#### 6.1 Market Risk

The Foundation is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risks which result from its operating, investing and financing activities.

#### (a) Foreign Currency Risk

The Foundation has significant exposure to foreign currency risk arising from its investment transactions and financial instruments denominated in foreign currencies, primarily in United States (US) dollar. The Foundation manages its exposure to the effects of fluctuations in foreign currency exchange rates by maintaining foreign currency exposure within a conservative level. As of September 30, 2018 and 2017, the Foundation's significant exposure to foreign currency risk consists of the financial assets (with peso equivalents) is presented below.

	2018				2017			
	US Dollars	Ph	ilippine Peso	_	US Dollars	<u>P</u>	hilippine Peso	
Cash and cash equivalents AFS financial assets	\$ 918,870 519,827	P —	49,848,698 28,200,615	\$	2,999,914 2,034,678	P _	153,214,593 103,392,165	
	\$ 1,438,697	<u>P</u>	78,049,313	\$	5,034,592	<u>P</u>	256,606,758	

The exchange rate of the Philippine peso against the US dollar as of September 30, 2018 and 2017 is P54.25: \$1.00 and P51.07: \$1.00, respectively.

In computing for the sensitivity of the net result for the year and fund balance with respect to the Foundation's US dollar-denominated financial assets as of and for the year ended September 30, 2018 and 2017, the Foundation assumes a +/- 45.96% and +/- 32.43% change, respectively, in the US dollar/Philippine peso exchange rate.

If the Philippine peso had strengthened against the US dollar, then this would have the following decreases in the net results for the year and fund balance:

	2018				2017			
	_	let Result or the Year	_Ft	und Balance		Net Result or the Year	_F	und Balance
Cash and cash equivalents AFS financial assets	P	22,910,461 12,961,003	P 	22,910,461 12,961,003	P	49,687,492 33,530,079	P —	49,687,492 33,530,079
	P	35,871,464	<u>P</u>	35,871,464	<u>P</u>	83,217,571	<u>P</u>	83,217,571

If the Philippine peso had weakened against the US dollar, then this would increase the net results for the year and fund balance by the same amounts.

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency-denominated transactions. Nonetheless, the analysis above is considered to be representative of the Foundation's currency risk.

#### (b) Interest Rate Risk

The Foundation is exposed to changes in market interest rates through its short-term placements included in its trustee-managed funds which are subject to variable interest rates (see Note 8).

The following table illustrates the sensitivity (increase or decrease) of the Foundation's profit or loss and fund balance for the year ended September 30, 2018 and 2017 to a reasonably possible change in interest rates of the Foundation's short-term placements:

	Observed		Impact on					
	Volatility Rates	Profit	or Loss (+/-)	Fund Balance (+/-)				
<u>2018</u>								
Time deposits	(+/-) 1.68%	Р	519,202	Р	519,202			
Savings deposit accounts	(+/-) 0.33%		1,582		1,582			
		<u>P</u>	520,784	<u>P</u>	520,784			
2017								
Time deposits	(+/-) 0.34%		400,686		400,686			
Savings deposit accounts	(+/-) 0.70%		2,056		2,056			
		Р	402,742	Р	402,742			

The percentage changes have been determined using standard deviation at 99% level of confidence on the average volatility of the market interest rates for savings deposit and special savings deposit accounts and based on the volatility of the Bangko Sentral ng Pilipinas' (BSP) compilation of domestic rates for short-term placements in the previous 12 months, with effect estimated from the beginning of the year, with all other variables held constant.

The Foundation also holds financial assets which include investments in government securities, investment in bonds, and other financial instruments which have fixed interest rates. These financial assets although having fixed interest rates expose the Foundation to risk due to volatility in interest rate of other similar financial assets which the Foundation may or may not deal with. Nonetheless, the estimated impact arising from this risk exposure is not significant.

#### (c) Other Price Risk

The Foundation's market price risk arises from its investments carried at fair value that are included in the trustee-managed funds and investment in bonds. As part of the Foundation's investment management agreement with trustee banks, the latter, in coordination with the Board, manages the market risk by monitoring the changes in the market price of the investments.

The observed volatility rates, using standard deviation estimated at 99% level of confidence, of the market values of the Foundation's investments carried at fair value and their possible effect on the Foundation's profit or loss and fund balance as of September 30, 2018 and 2017 are summarized below.

	2018			2017		
	+/-%	_	Increase (Decrease)	+/-%		Increase (Decrease)
Listed equity securities	16.45%	P	22,590,274	14.15%	Р	26,057,991
Government securities	7.25%		9,783,557	5.29%		7,386,063
Investment in unit investment						
trust funds	8.02%		2,866,467	10.14%		2,342,196
Corporate bonds	5.13%		2,604,246	4.75%		2,619,111
		P	37,844,544		<u>P</u>	38,405,361

The percentage changes in market price used in the above analysis have been determined based on the average volatility in market price rates in the previous 12 months.

#### 6.2 Credit Risk

Credit risk is the risk that a counterparty in a transaction may fail to fulfill its contractual obligations to the Foundation. The Foundation is exposed to this risk for various financial instruments arising from granting loans and providing financial advances to project proponents and donors, placing deposits with banks and investing in debt securities. The Foundation continuously monitor defaults of counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Foundation's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes		2018		2017
Cash and cash equivalents	7	P	672,598,458	Р	690,140,135
AFS financial assets:	8		338,163,332		355,441,597
Receivables - net	9		33,143,582		25,579,022
Refundable deposits	12		1,277,026		446,528
		<u>P</u>	1,045,182,398	P	1,071,607,282

Except for cash in banks and loans to intermediary financial institutions (IFIs) as discussed below, none of the financial assets are secured by any collateral or other credit enhancements.

As part of the Foundation's policy, bank deposits and trustee-managed investments are only maintained with reputable financial institutions.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

With respect to receivables, the Foundation is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Foundation provides financial assistance in the form of financial advances to qualified project proponents for housing and livelihood projects. The project proponent, in return, lends the financial advances to individual beneficiaries. The project proponent guarantees the repayment of the said financial advances according to an agreed amortization schedule. To mitigate the risk on this activity, the Foundation has firm policies in place over the selection and qualification of project proponents. In addition, monitoring of the accounts and field visits to the proponents are conducted regularly.

The table below and in the succeeding page shows the credit quality by class of financial assets as of September 30, 2018 and 2017.

	<b>Neither Past Due nor Impaired</b>			P	Past Due or			
	High Grade			Standard Individually Grade Impaired		Total		
2018								
Cash and cash equivalents	Р	672,598,458	Р	-	Р	-	Р	672,598,458
Loans and receivables:								
Receivables from sale of property		10,462,528		-		-		10,462,528
Loans receivables		6,954,253		-		9,758,478		16,712,731
Refundable deposits		1,277,026		-		-		1,277,026
Other receivables		15,726,801		-		3,395,187		19,121,988
AFS financial assets:		338,163,332		-		-		338,163,332
	<u>P</u>	1,045,182,398	<u>P</u>	-	<u> P</u>	13,153,665	<u>P</u>	1,058,336,063
2017								
Cash and cash equivalents	Р	690,140,135	Р	-	Р	-	Р	690,140,135
Loans and receivables:								
Receivables from sale of property		11,933,496		-		-		11,933,496
Loans receivables		6,954,253		-		9,758,478		16,712,731
Refundable deposits		446,528		-		-		446,528
Receivables		196,951		-		-		196,951
Other receivables		8,776,797		-		3,013,769		11,790,566
AFS financial assets:		355,441,597	_	-	_	-		355,441,597
	<u>P</u>	1,073,889,757	<u>P</u>	-	<u> P</u>	12,772,247	<u>P</u>	1,086,662,004

#### 6.3 Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the maturing obligations and commitments of the Foundation. The Foundation manages liquidity risk by holding sufficient, liquid assets of appropriate quality to ensure that short-term funding requirements related to its planned and on-going projects are met. In addition, the Foundation seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

As of September 30, 2018 and 2017, the Foundation's financial liabilities amounting to P86,236,507 and P99,556,051, respectively, are expected to be settled within six months from the end of each reporting period.

#### 7. CASH AND CASH EQUIVALENTS

The breakdown of this account as to type of fund follows:

		2018		2017
Restricted	P	599,380,302	Р	593,559,330
Unrestricted		73,218,156		96,580,805
	P	672,598,458	Р	690,140,135

Restricted cash represents available funds on hand and in banks for projects undertaken under membership donations, grants and other contributions with donor-imposed restrictions. The Foundation is restricted from using the funds for purposes other than their intended use.

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements were made for varying periods ranging from 34 to 36 days and earned effective interest rate of 3.36% and 2.23% in 2018 and 2017, respectively.

The related interest earned in 2018 and 2017 amounted to P300,544 and P130,913, respectively, and is shown as part of Interest income under Other Income account in the statements of profit or loss (see Note 16.2).

#### 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS financial assets include the Foundation's trustee-managed funds and investment in bonds as discussed below and in the succeeding page.

#### 8.1 Trustee-managed Funds

This account is composed of the following:

	2018			2017		
Debt securities:						
Government securities	P	159,679,721	Р	139,755,052		
Corporate bonds		60,732,157		63,288,396		
		220,411,878		203,043,448		
Quoted equity securities		137,316,444		184,101,994		
Other financial instruments		117,751,454		152,398,149		
	<u>P</u>	475,479,776	<u>P</u>	539,543,591		

These securities are classified in the statements of financial position as follows:

Current Non- Current		2017		
	P	284,866,809 190,612,967	P	146,470,345 393,073,246
	Р	475,479,776	Р	539,543,591

Government and corporate debt securities have annual interest rates ranging from 2.97% to 6.54% in 2018 and 3.20% to 8.38% in 2017.

Other financial instruments include savings and special savings deposit accounts with the BSP and unit investment trust funds.

Income earned from the Foundation's trustee-managed funds amounted to P20,343,768 and P19,779,923 in 2018 and 2017, respectively, and is shown as part of Investment Income account in the statements of profit or loss (see Note 16.1). This includes gain on sale of securities amounting to P2,616,661 and P3,889,845 in 2018 and 2017, respectively.

The Foundation recognized unrealized fair value losses of P28,337,256 in 2018 and unrealized fair value gains of P5,043,487 in 2017 arising from changes in fair value of trustee-managed funds during those years, which are reported as adjustment to other comprehensive income in the statements of comprehensive income.

The fair values of the Foundation's trustee-managed funds are determined directly by reference to published prices in an active market (see Note 5.2) except for savings and special savings deposit accounts which are measured at their face amount approximating their fair value.

	-	2018	2017
Unrealized fair value gains (losses) - net	(P	<b>30,953,917)</b> P	1,143,642
Unrealized foreign exchange gains - net Net accrued income		5,959,658 1,042,460	5,657,651 1,934,418
	( <u>P</u>	23,951,799) 🛚	8,735,711

#### 8.2 Investment in Bonds

Investment in bonds pertain to a dollar-denominated investment in Republic of the Philippines (ROP) bonds acquired in October 2002 with a face value of US\$350,000 at a premium of US\$35,000 and has an effective annual interest of 9.5%. The investment will mature in 2024. In 2017, investment in ROP bonds was transferred to a certain financial institution, which is an existing trustee of the Foundation, and categorized as part of the Foundation's AFS financial assets, which are held under trustee-managed funds (see Note 8.1). There were no changes in the terms of the investment.

#### 9. RECEIVABLES

This account is composed of the following:

	Notes		2018		2017
Loans receivables	9.1	P	16,712,731	Р	16,712,731
Receivables from sale of property	11		10,462,528		11,933,496
Advances to employees			9,975,959		9,343,207
Advances to partners			4,951,875		42,618,064
Receivables from donors			-		196,951
Others			19,121,988		11,790,566
			61,225,081		92,595,015
Allowance for impairment		(	13,153,665 )	(	12,772,247_)
		<u>P</u>	48,071,416	Р	79,822,768

A reconciliation of the allowance for impairment of receivables at the beginning and end of each reporting period is shown below.

	Notes		2018	2017			
Balance at beginning of year Impairment losses during the year	17.4	P	12,772,247 381,418	P (	12,241,947 530,300)		
Balance at end of year		P	13,153,665	<u>P</u>	12,772,247		

Advances to employees pertain to project and operating funds provided by the Foundation, which are subject to liquidation during and at the completion of the project activities.

Others include receivables arising from rentals and accrued income from investments. Also, this includes receivables from emergency loans availed by employees amounting to P1,067,911 and P1,349,264 as of September 30, 2018 and 2017, respectively.

#### 9.1 Small Enterprise Facility Trust Fund

The small enterprise facility trust fund was established as a result of a tripartite agreement among the Foundation, the Kreditanstalt fur Wiederaufbau (KfW) of the Federal Republic of Germany and Government of the Philippines (GOP) through the Land Bank of the Philippines (Landbank) to make funds available for the promotion of small enterprises in the countryside under the program Small and Medium Enterprise Credit (SMEC).

By virtue of a subsidiary loan agreement, Landbank extended and channelled the loan in full to the Foundation as the Project's Executing Agency. Under the subsidiary loan agreement, the channelling of the loan from Landbank to the Foundation shall not constitute any liability of the Foundation to KfW for payment of obligations; thus, effectively converted the Euro dollar loan into peso loan payable by the Foundation to Landbank. The conversion of the loan in peso terms is also covered by a Memorandum of Agreement and Guarantee Agreement among the Foundation, KfW, GOP and Landbank on February 16, 1996, whereby GOP agreed to guarantee and assume the foreign currency risk with respect to the loan of Landbank from KfW.

On November 23, 2011, the Foundation's management decided to exit the SMEC program related to the KfW I and KfW II loans as the Foundation had incurred losses in implementing the said program for the past five years and management did not expect such program to provide the Foundation the scale needed to operate without incurring further losses. Consequently, the Foundation made an agreement with Landbank for the settlement of its remaining trust fund liability through six installment payments which commenced on May 10, 2012 and completed in 2013.

In 2014, the tripartite agreement among the parties was effectively terminated following the Foundation's full settlement of its outstanding loan from Landbank. Consequently, the remaining assets in the fund pertaining to loans receivables from IFIs were transferred to the custody and administration of the Foundation.

Income and expenses generated and incurred by the fund as shown in the statements of profit or loss, are as follows:

	Notes		2018	2017			
Income from management fees	21.1	P	2,625,000	<u>P</u>	2,968,750		
Expenses:							
Salaries and wages	18.1		2,058,946		2,339,287		
Miscellaneous			161,016		189,865		
			2,219,962		2,529,152		
Net		P	405,038	Р	439,598		

#### 9.2 Global Fund

The Foundation provides funding to the partners for the Global Fund project implementation covered by separate sub-grant agreement to carry out the project activities. However, the Foundation acknowledges and agrees that providing grant to partners or making payments on behalf of partners does not relieve the Foundation of its obligations and liabilities under the Grant and the Amended Grant and the Foundation is responsible for the acts and omissions of all partners in relation to the projects. As of September 30, 2018 and 2017, the Foundation has outstanding advances to partners amounting to P4,951,875 and P42,618,064, respectively.

The analysis of the grants as of September 30 is shown below.

		2018		2017
Balance at beginning of year	Р	247,828,029	Р	180,967,460
Amount received		1,759,549,874		2,948,040,249
Amount disbursed	(	1,613,321,724)	(	2,881,179,680)
Balance at end of year	<u>P</u>	394,056,179	<u>P</u>	247,828,029

The remaining funds as of September 30, 2018 and 2017 is presented as part of the Deferred Support account in the statements of financial position (see Note 14).

#### 10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of each reporting period are shown below.

		Land	Building and Improvements		Furniture, Fixtures and Other Equipment	_	Computer Equipment	_	Transportation Equipment	_	Hatchery Facilities and Other Properties		Total
September 30, 2018													
Cost Accumulated depreciation	Р	3,711,393	P 19,940,278	Р	8,417,869	Р	9,211,877	Р	7,217,807	Р	1,288,011	Р	49,787,235
and amortization		(	16,838,751)	(_	6,923,197)	(	6,176,711)	(	4,862,087)	(_	708,406)	(	35,509,152)
Net carrying amount	P	3,711,393	P 3,101,527	<u>P</u>	1,494,672	<u>P</u>	3,035,166	<u>P</u>	2,355,720	<u>P</u>	579,605	<u>P</u>	14,278,083
September 30, 2017													
Cost	Р	3,711,393	P 19,940,278	Р	8,417,869	Р	8,388,642	Р	9,875,950	Р	1,288,011	Р	51,622,143
Accumulated depreciation and amortization		(	16,610,990)	(_	6,229,174)	(	4,983,458)	(	6,678,595)	(_	450,804)	(	34,953,021)
Net carrying amount	<u>P</u>	3,711,393	P 3,329,288	<u>P</u>	2,188,695	<u>P</u>	3,405,184	<u>P</u>	3,197,355	<u>P</u>	837,207	<u>P</u>	16,669,122
October 1, 2016													
Cost	Р	3,711,393	P 19,940,278	Р	7,777,938	Р	5,219,823	Р	6,482,776	Р	1,190,532	Р	44,322,740
Accumulated depreciation and amortization		(	16,385,069)	(_	5,962,834)	(	4,020,397)	(	6,156,766)	(_	39,139)	(	32,564,205)
Net carrying amount	<u>P</u>	3,711,393	P 3,555,209	<u>P</u>	1,815,104	<u>P</u>	1,199,426	<u>P</u>	326,010	<u>P</u>	1,151,393	<u>P</u>	11,758,535

A reconciliation of the carrying amounts of property and equipment at the beginning and end of each reporting period is shown below.

	_	Land		Building and mprovements	i	Furniture, Fixtures and Other Equipment		Computer quipment	-	Fransportation Equipment		Hatchery Facilities and Other Properties		Total
Balance at October 1, 2017, net of accumulated depreciation and amortization Additions Disposals Depreciation and amortization charges for the year	Р	3,711,393 - - -	P (	3,329,288 - - - 227,761)	P (	2,188,695 - - - 694,023)	P (	3,405,184 823,235 - 1,193,253)	P (	3,197,355 - 6) 841,629)	P (	837,207 - - 257,602)	P (	16,669,122 823,235 6) 3,214,268)
Balance at September 30, 2018 net of accumulated depreciation and, amortization	<u>P</u>	3,711,393	<u>P</u>	3,101,527	<u>P</u>	1,494,672	<u>P</u>	3,035,166	<u>P</u>	2,355,720	<u>P</u>	579,605	<u>P</u>	14,278,083
Balance at October 1, 2016, net of accumulated depreciation and amortization Additions Depreciation and amortization charges for the year	P	3,711,393 - -	P (	3,555,209 - 225,921)	P (	1,815,104 634,111 260,520)	P (	1,199,426 3,168,819 963,061)	P (	326,010 3,393,173 521,828)	P (	1,151,393 - 314,186)	P (	11,758,535 7,196,103 2,285,516)
Balance at September 30, 2017, net of accumulated depreciation and amortization	<u>P</u>	3,711,393	<u>P</u>	3,329,288	<u>P</u>	2,188,695	<u>P</u>	3,405,184	<u>P</u>	3,197,355	<u>P</u>	837,207	<u>P</u>	16,669,122

In 2018, the Foundation sold certain transportation equipment with a carrying amount of P6 for a consideration of P232,667, which resulted to a gain amounting to P232,661. The gain is presented as Gain on sale of property and equipment under Other Income account in the 2018 statement of profit or loss (see Note 16.2). There was no similar transaction in 2017.

No retirement of property and equipment occurred in 2018 and 2017.

As of September 30, 2018 and 2017, the gross carrying amount of the Foundation's fully-depreciated property and equipment that are still in use is P26,262,071 and P26,492,626, respectively.

#### 11. INVESTMENT PROPERTIES

This account is composed of assets held for capital appreciation and assets held for rental amounting to P7,647,524 and P1,165,134, respectively, both as of September 30, 2018 and 2017.

Assets held for capital appreciation consist of land and improvements owned by the Foundation in various locations that are neither used in operations nor held for sale in the ordinary course of business.

Investment properties held for rental consist of parcels of land situated in Silay, Negros Occidental. These parcels of land were donated by Hawaiian-Philippine Company, Inc. (HPCI) by virtue of a deed of donation in favor of the Foundation in May 1975 when the Laurel-Langley Agreement expired. As a condition to the deed of donation, the Foundation leased the parcels of land to HPCI under a lease-back agreement covering a period of 25 years which is renewable for another 25 years. In 2000, HPCI exercised its option to renew the lease for the said term (see Note 21.2).

On July 31, 2017, the Foundation sold a certain portion of its investment properties held for rental to HCPI (through its agent, BPI Asset Management and Trust Corporation) resulting to a gain of P15,662,523 (see Note 16.2). Consequently, the lease agreement was amended by both parties to exclude the sold portion of the land in the property for rent. The total consideration amounting to P18,277,679, net of VAT, is payable through a downpayment of P2,030,853 and eight annual installments of the same amount starting on July 31, 2017. The receivable was initially recorded at its net present value of P13,869,458 using a discount rate of 4.8%, which is the rate of comparative instrument at the time of transaction, as required under PAS 39 for initial recognition of noninterest-bearing financial instruments. Outstanding receivable as of September 30, 2018 and 2017 arising from this transaction amounting to P10,462,528 and P11,933,496, respectively, is presented as Receivables from sale of property under Receivables account in the statements of financial position (see Note 9). The related interest income amounting to P559,885 and P94,891 in 2018 and 2017, respectively, is presented as part of Interest income under Other Income account in the statements of profit or loss (see Note 16.2).

Rental income recognized from the investment properties amounting to P45,255 and P43,980 in 2018 and 2017, respectively, are reported as part of Other Income account in the statements of profit or loss (see Note 16.2). The Foundation incurred and paid real property taxes amounting to P123,434 and P172,068 in 2018 and 2017, respectively, related to its investment properties [see Note 24(f)].

The Foundation's investment properties have a total fair value of P142,209,310 and P112,471,682 as of September 30, 2018 and 2017, respectively (see Note 5.3).

#### 12. OTHER ASSETS

This account consists of the following:

	Notes	2018		2017
Current:				
Prepaid expenses		P 116,707,878	Р	52,259,169
Input VAT	24(b)	20,164,487		19,768,672
Biological assets		1,375,880		1,375,880
		138,248,245		73,403,721
Non-current:				
Refundable deposits	21.3	1,277,026		446,528
Others		1,964,117		1,964,117
		3,241,143	· <del></del>	2,410,645
		P 141,489,388	<u>P</u>	75,814,366

#### 13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The components of this account follow:

		2018	2017		
Accounts payable	P	67,371,697	Р	77,446,564	
Accrued expenses		18,864,810		22,109,487	
Payable to government agencies		4,624,082		7,446,665	
Funds held in trust		2,734,068		5,447,853	
Others		962,204		1,410,711	
	<u>P</u>	94,556,861	<u>P</u>	113,861,280	

Accounts payable pertains to obligations to various suppliers and contractors arising from the normal conduct of the Foundation's activities. It also includes written checks payable to third party vendors for purchases of goods and services, which are unreleased as of the end of each reporting period.

Accrued expenses consist of, among others, accruals for various project costs, employee benefits, and SMEC-related fees and liabilities.

Funds held in trust represent donations directly deposited to the Foundation's bank accounts wherein the respective donors are still subject for identification.

#### 14. DEFERRED SUPPORT

Deferred support represents restricted funds received by the Foundation which remained unspent at the end of each reporting period and are to be utilized for specific projects in compliance with the terms and conditions of the grant.

Deferred support balance as of September 30, 2018 and 2017 includes the remaining funds related to Global Fund amounting to P394,056,179 and P247,828,029, respectively (see Note 9).

On January 1, 2010, the Foundation entered into a grant agreement with Global Fund for the management and implementation of Sustaining Tuberculosis (TB) Control and Ensuring Universal Access to Comprehensive Quality TB Care (the Project) with grant number PHL-210-G11-T (the Grant) under the Rolling Continuation Channel (RCC) Phase 1 program of the Global Fund. The Grant is an award to the Philippines to augment the resources of the Philippine government in TB prevention and control.

The Foundation was selected as the Principal Recipient of the Grant through a competitive and transparent selection process, under the auspices of the Country Coordinating Mechanism (CCM). CCM is a multisectoral body of TB stakeholders from the government, academe, business and the civil society sectors.

This two-year project under the RCC Phase 1 covered the period from January 1, 2010 to December 31, 2011 with a total grant amount of €43,679,429. On April 2, 2012, the Project was extended up to December 31, 2014 under RCC Phase 2 program with an additional committed grant of €73,919,683, of which €51,541,023 was received by the Foundation. In March 2014, the Global Fund approved an incremental funding of US\$39,379,997 under its new funding model (NFM) covered by an amended grant agreement number PHL-T-PBSP (the Amended Grant) for a single stream of funding entitled "Intensifying and Mainstreaming Integrated DOTS in the Philippines" (the NFM Project) with implementation period effective January 1, 2014 to December 31, 2016. Under the Amended Grant, the funding of the NFM Project shall take into account the €22,378,660 undisbursed grant from the RCC Phase 2 program at the start of the new implementation period. On September 12, 2016, the implementation period was extended until December 31, 2017, with an additional funding of US\$5,291,510. Under the NFM Project, the Foundation, as the Principal Recipient, is in charge of the grant and project administration over the following implementing partners/sub-recipients:

- a. Philippine Coalition Against Tuberculosis, Inc. (PHILCAT): and.
- b. Culion Foundation, Inc. (CFI)

On November 22, 2017, the Foundation entered into a new grant agreement with Global Fund for the management and implementation of the NFM Project with grant name and grant number PHL-T-PBSP and 1446, respectively. The three-year project covered the period from January 1, 2018 to December 31, 2020 with a total grant amount of US\$88,543,887.

In general, unused funds at the end of the project are returned to the donors unless otherwise agreed. Certain funds and reflows of completed projects may be transferred to unrestricted grants and other contributions.

#### **15. FUND BALANCE**

The movements in the Foundation's designated fund balance follow:

	Reserve for Future Projects	Unpaid Committed Grants	Advances to Project Proponents	Total
Balance at October 1, 2017 Designations for the year	P 377,000,000	<u>P</u> -	P 4,831,968	P 381,831,968
Approved Disbursed Closure of savings of	-	8,133,500 ( 3,065,750)	-	8,133,500 ( 3,065,750)
completed projects	<u> </u>	(5,067,750)		(5,067,750)
	<del>-</del>	()		()
Balance at September 30, 2018	<u>P 377,000,000</u>	<u>P</u> -	P 4,831,968	<u>P 381,831,968</u>
Balance at October 1, 2016 Designations for the year	P 377,000,000	<u>P - </u>	P 4,831,968	P 381,831,968
Approved Disbursed Closure of savings of	-	12,303,000 ( 9,823,738)	-	12,303,000 ( 9,823,738)
completed projects		(2,479,262)		(2,479,262)
	<del>-</del>	()	<del>-</del>	()
Balance at September 30, 2017	P 377,000,000	P -	P 4,831,968	P 381,831,968

The Foundation, through the approval of the Board, designates reserve for future projects to ensure that the Foundation would be financially capable of supporting its future programs for social and economic development.

#### 16. INVESTMENT AND OTHER INCOME

#### 16.1 Investment Income

The breakdown of Investment Income account follows:

	Note		2018		2017
Interest income		P	10,617,482	Р	10,603,874
Foreign currency exchange gains			8,319,777		5,657,651
Gain on disposal of AFS financial assets	8.1		2,616,661		3,899,845
Dividend income			1,968,990		2,488,133
			23,522,910		22,649,503
Investment expenses		(	3,179,142)	(	2,869,580)
		<u>P</u>	20,343,768	<u>P</u>	19,779,923

Investment income mainly pertains to the Foundation's trustee-managed funds presented as part of AFS Financial Assets account in the statements of financial position (see Note 8).

#### 16.2 Other Income

Details of this account is shown below.

	Notes		2018	2017		
Income from profit center		P	3,542,997	Р	2,387,699	
Contract income			1,650,441		987,403	
Interest income	7, 11		860,429		225,804	
Foreign exchange gains - net			354,847		83,426	
Gain on sale of property and equipment	10		232,661		-	
Rental income	11, 21.2		45,255		43,980	
Gain on sale of investment property	11		-		15,662,523	
Miscellaneous income			35,974		5,424,978	
		P	6,722,604	<u>P</u>	24,815,813	

#### 17. EXPENDITURES

The details of grant expenses, unrestricted project development and monitoring expenses, general operating expenses, and other expenses are as follows:

#### 17.1 Grant Expenses

		2018			2017			
	Ur	restricted	!	Restricted		Inrestricted		Restricted
Regular grants Financial advances	P	3,065,750	<b>P</b> P	2,044,323,096	P 	7,191,738	P	2,665,205,859 14,000,000
	P	3,065,750	<b>P</b> P	2,044,323,096	<u>P</u>	7,191,738	<u>P</u>	2,679,205,859

#### 17.2 Project Development and Monitoring Expenses

	Notes		2018		2017
Salaries and employee benefits	18.1, 19.1	P	31,027,254	Р	34,363,214
Rental	21.3		1,704,365		970,485
Communication, light and water			907,797		1,304,254
Transportation and travel			636,949		984,773
Professional fees			218,937		300,469
Office supplies			217,997		164,693
Security and janitorial			207,983		175,000
Repairs and maintenance			181,725		3,739
Taxes and licenses	24(f)		21,296		32,630
Miscellaneous			568,081		577,535
		<u>P</u>	35,692,384	<u>P</u>	38,876,792

#### 17.3 General Operating Expenses

	Notes		2018		2017
Salaries and employee benefits	18.1, 19.1	P	54,152,821	Р	43,642,901
Professional fees			6,943,440		3,983,236
Communication, light and water			6,103,328		5,819,860
Dues and subscription			1,584,894		2,266,282
Repairs and maintenance			1,489,758		3,413,976
Taxes and licenses	24(f)		1,280,804		1,349,733
Transportation and travel			1,261,881		1,103,052
Security and janitorial			1,215,874		1,265,005
Office supplies			827,831		524,675
Property insurance			195,993		288,315
Miscellaneous			2,199,807		5,934,936
		<u>P</u>	77,256,431	<u>P</u>	69,591,971

#### 17.4 Other Expenses

This account is composed of the following:

	Notes		2018		2017
Net interest expense on post-employment					
defined benefit	18.2	P	1,058,766	Р	899,423
Impairment losses on receivables	9		381,418		530,300
Others			-		1,495
		P	1,440,184	<u>P</u>	1,431,218

#### **18. EMPLOYEE BENEFITS**

#### 18.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are presented below.

	Notes <b>2018</b>		2018		2017
Salaries and wages		P	62,986,796	Р	61,551,749
Other short-term benefits			17,014,760		11,939,499
Post-employment defined benefit	18.2		7,237,465		6,854,154
		<u>P</u>	87,239,021	<u>P</u>	80,345,402

The amount of employee benefits is charged and allocated to the following accounts in the statements of profit or loss:

	Notes		2018		2017
General operating expenses	17.3	P	54,152,821	Р	43,642,901
Project development and monitoring expenses	17.2		31,027,254		34,363,214
Small enterprise facility trust fund expenses	9.1		2,058,946		2,339,287
		P	87,239,021	<u>P</u>	80,345,402

#### 18.2 Defined Benefit Post-employment Plan

#### (a) Characteristics of the Defined Benefit Plan

The Foundation maintains a tax-qualified, trustee-managed and non-contributory retirement plan, which took effect on October 1, 1989, covering all of its regular, full-time employees. The normal retirement age is 60 with a minimum of 10 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service. Normal retirement benefit is an amount equivalent to a certain percentage of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

#### (b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2018 and 2017.

The amounts of post-employment benefit obligation recognized in the statements of financial position are determined as follows:

		2018		2017
Present value of the obligation	P	41,751,174	Р	57,058,807
Fair value of plan assets	(	34,792,549)	(	36,437,560)
	Р	6,958,625	<u>P</u>	20,621,247

The movements in the present value of the post-employment defined benefit obligation are as follows:

	2018		2017	
Balance at beginning of year	P	<b>57,058,807</b> ₽	51,165,330	
Current service cost		7,237,465	6,854,154	
Interest expense		2,904,293	2,348,489	
Remeasurements - actuarial losses				
(gains) arising from:				
Changes in financial assumptions	(	16,376,126) (	3,637,316)	
Experience adjustments	(	1,683,672)	590,482	
Changes in demographic assumptions		56,607	-	
Benefits paid	(	<b>7,446,200</b> ) (	262,332)	
Balance at end of year	<u>P</u>	<b>41,751,174</b> ₽	57,058,807	

The movements in the fair value of plan assets are presented below.

	2018		2017	
Balance at beginning of year	P	<b>36,437,560</b> ₽	27,464,996	
Contributions		7,086,859	8,472,455	
Interest income		1,845,527	1,449,066	
Return on plan assets (excluding				
amounts included in net interest)	(	3,131,197) (	686,625)	
Benefits paid	(	7,446,200) (	262,332)	
Balance at end of year	P	<b>34,792,549</b> P	36,437,560	

The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	2018		2017	
Cash and cash equivalents	<u>P</u>	433,625	<u>P</u>	7,288
Loans receivables		1,935,412		1,621,471
Quoted equity securities:				
Holding firms		7,238,846		6,646,211
Unit investment trust funds		4,090,803		8,508,170
Others		-		612,151
		11,329,649		15,766,532
Debt securities:				
Philippine government bonds		18,595,865		16,542,652
Corporate bonds		2,497,998		2,499,617
		21,093,863		19,042,269
	<u>P</u>	34,792,549	<u>P</u>	36,437,560

The fair values of the above equity and debt securities are determined based on quoted market prices published in the Philippine Stock Exchange and PDEx, respectively.

The plan assets earned returns of P1,285,670 and P1,449,066 in 2018 and 2017, respectively.

Plan assets include loans and advances to key management personnel amounting to P287,255 and P816,908 as of September 30, 2018 and 2017, respectively (see Note 19.2).

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Notes		2018		2017
Reported in profit or loss					
Current service cost	18.1	P	7,237,465	Р	6,854,154
Net interest expense	17.4		1,058,766		899,423
		<u>P</u>	8,296,231	<u>P</u>	7,753,577
Reported in other comprehensive income					
Actuarial gains (losses) arising from:					
Changes in financial assumptions		P	16,376,126	Р	3,637,316
Experience adjustments			1,683,672	(	590,482)
Changes in demographic assumptions		(	56,607)		-
Return on plan assets (excluding amounts					
included in net interest expense)		(	3,131,197)	(	686,625)
		P	14,871,994	<u>P</u>	2,360,209

Current service cost is presented in the statements of profit or loss as part of Salary and Employee benefits under various expenses accounts.

The net interest expense is included in Other Expenses account in the statements of profit or loss (see Note 17.4).

Amounts recognized in other comprehensive income were included within item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2018	2017
Discount rates	8.06%	5.09%
Expected rate of salary increases	7.00%	7.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. At the end of the reporting period, the average remaining working lives of an individual retiring at the age of 60 is 17.8 for both male and female.

These assumptions were developed by management with assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon rate government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

#### (c) Risks Associated with the Retirement Plan

The plan exposes the Foundation to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

#### (i) Investment and Interest Risks

The present value of the defined benefit post-employment obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. At the end of each reporting period, the plan is significantly composed of investment in debt securities and has relatively balanced investment in cash and cash equivalents and equity securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Foundation's long-term strategy to manage the plan efficiently.

#### (ii) Longevity and Salary Risks

The present value of the defined benefit post-employment obligation is calculated by reference to the best estimate of mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

#### (d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Foundation's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding pages.

#### (i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit post-employment obligation as of September 30, 2018 and 2017:

	Impact on Post-employment Defined Benefit Obligation					
	Change in Assumption	Increase in Assumption		Decrease in Assumption		
<u>2018</u>						
Discount rate	+/- 1.0%	(P	4,682,954)	Р	4,029,379	
Salary growth rate	+/- 1.0%		4,265,225	(	3,756,406)	
2017						
Discount rate	+/- 1.0%	(P	7,595,590)	Р	6,430,920	
Salary growth rate	+/- 1.0%		6,781,894	(	5,906,979)	

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation was calculated using the projected unit credit method at the end of each reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

#### (ii) Asset-liability Matching Strategies

To effectively manage the risks related to the retirement plan, the Foundation ensures that the investment positions are managed in accordance with its asset-liability matching strategy to ensure that long-term investments included in the plan assets are in line with the timing of the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Foundation actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of September 30, 2018 and 2017 consists of debt securities, although the Foundation also invests in equity securities, lending and holding cash and cash equivalents. The Foundation believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a diversified portfolio of local blue chip entities. There has been no change in the Foundation's strategies to manage its risks from previous periods.

#### (iii) Funding Arrangements and Expected Contributions

As of September 30, 2018, the plan is underfunded by P6,958,625 based on the latest actuarial valuation. While there is no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The Foundation has a plan to contribute a certain amount to the retirement plan in the next reporting period. Such amount will be determined by the management based on their ongoing study.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years follows:

	2018		2017	
Within one year	P	1,019,003	Р	1,105,564
More than one year to five years		14,025,234		18,688,472
More than five years to ten years		17,601,282		26,668,388
	P	32,645,519	<u>P</u>	46,462,424

#### 19. RELATED PARTY TRANSACTIONS

#### 19.1 Key Management Personnel Compensation

The details of key management personnel compensation are as follows:

	2018			2017	
Salaries and wages	P	8,072,859	Р	6,802,703	
Other short-term benefits		1,796,973		1,748,289	
Post-employment defined benefit		1,059,583		816,908	
	<u>P</u>	10,929,415	<u>P</u>	9,367,900	

The amount of key management personnel compensation is charged and allocated to the following accounts in the statements of profit or loss:

	Note		2018		2017
General operating expenses	17.3	P	10,929,415	Р	6,825,691
Project development and					
monitoring expenses	17.2				2,542,209
		P	10,929,415	P	9,367,900

#### 19.2 Retirement Plan

The Foundation's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and composition of the plan assets as of September 30, 2018 and 2017 are presented in Note 18.2.

The post-employment plan allows its key management personnel to obtain interest-bearing loans and advances from the plan assets. As of September 30, 2018 and 2017, loans and advances to key management personnel amount to P287,255 and P816,908, respectively (see Note 18.2).

On June 19, 2013, a related party under common management obtained an unsecured, interest-bearing loan amounting to P990,000 from the plan assets. The loan bears an interest of 6.26% per annum and will mature on March 21, 2022.

The retirement fund neither provides any guarantee or surety for any obligation of the Foundation nor its investments covered by any restrictions or liens.

#### 20. INCOME TAX AND TAX EXEMPTION

#### 20.1 Income Tax Exemption and Status

As disclosed in Note 1, the Foundation is exempt from income tax pursuant to Section 30(g) of the Tax Reform Act of 1997. However, income derived from its properties, real or personal, or from any of its activities conducted for profit regardless of the disposition made of such income, is subject to tax.

In July 2013, the BIR issued Revenue Memorandum Order (RMO) No. 20-2013 requiring corporations and associations enumerated under Section 30 of the NIRC, as amended, to file for Applications for Tax Exemption/Revalidation with the Revenue District Office where they are registered. The Foundation filed with the BIR in December 2013 the necessary requirements for the revalidation of its tax exemption in compliance with BIR RMO No. 20-2013. On October 1, 2018, the BIR issued the Foundation's Certificate of Tax Exemption renewable after its validity period of three years. The Foundation's exemption covers income tax on the following revenues and receipts:

- 1. Member's donations; and,
- 2. Grants and contributions

The Foundation is subject to income tax on all its income/receipts/revenues not expressly exempted and stated in the Certificate of Tax Exemption. Moreover, the Foundation is subject to the corresponding internal revenue taxes imposed under the NIRC on its income derived from any of its properties, real or personal, or any activity conducted for profit regardless of the disposition thereof.

#### 20.2 Tax Expense

The components of current tax expense as reported in the statements of profit or loss for the years ended September 30 are as follows:

		2018	2017	
Regular corporate income tax (RCIT) at 30%	P	3,149,532	Р	9,075,875
Application of unrecognized MCIT	(	)		574,812
	P	3,149,532	<u>P</u>	8,501,063

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in statements of profit or loss follows:

	2018		2017	
Tax on pretax profit at 30%	P	4,793,586	Р	8,501,321
Tax effects of:				
Non-taxable income	(	651,102,529)	(	838,814,508)
Non-deductible expenses		649,458,475		839,535,769
Unrecognized MCIT		-	(	574,812)
Application of net operating loss carry over (NOLCO)		-	(	146,707)
	<u>P</u>	3,149,532	<u>P</u>	8,501,063

The Foundation is required to pay MCIT computed at 2% of gross income as defined under the tax regulations, or the RCIT, whichever is higher, on income arising from operations not covered by its tax exemption as a non-stock, non-profit corporation. The Foundation is liable for RCIT amounting to P3,149,532 and P8,501,063 in 2018 and 2017, respectively, on its taxable activities which are presented as Tax Expense in the statements of profit or loss.

In 2014, the Foundation incurred NOLCO amounting to P5,292,436, of which the remaining P489,024 was utilized against the taxable income in 2017.

The details of the Foundation's MCIT, which are applied against RCIT in 2017 are as follows:

Year Incurred		Amount		Expired	Utiliz	zed in 2017		Balance	Valid Until
2016	Р	221,700	Р	-	(P	221,700)	Р	-	2019
2015		193,946		-	(	193,946)		-	2018
2014		159,166		-	(	159,16 <u>6</u> )		-	2017
	<u>P</u>	574,812	<u>P</u>	-	( <u>P</u>	574,812)	<u>P</u>		

The Foundation claimed the itemized deductions in computing for its income tax due on its taxable activities.

In 2018 and 2017, the Foundation applied all its creditable withholding taxes amounting to P965,562 and P2,738,422, respectively, against the RCIT.

#### 21. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies relating to the operations of the Foundation:

#### 21.1 Agreement with Department of Finance (DOF)

In September 1989, the United States Agency for International Development (USAID) and the Foundation entered into a grant agreement for the SMEC project pursuant to which USAID agreed to provide funds to IFIs for lending to small and medium scale enterprises located outside of the National Capital Region. The SMEC Project included a grant credit component amounting to US\$12,000,000 or P286,870,000,000, and a research and policy analysis component and a training and loan development component amounting to US\$1,000,000.

A trust fund, managed by the Development Bank of the Philippines, was established for purposes of this facility. The DOF, representing the ROP as beneficiary of the funds, assumed control and ownership over the SMEC fund after the grant expired on December 31, 1992. The DOF has approved the implementation of the SMEC Project until September 30, 2019. A Project Implementation Committee composed of private and public sector representatives (of which the DOF is a member) oversees this SMEC project. The Foundation has no remittances for the years ended September 30, 2018 and 2017.

For implementing the SMEC project, the DOF compensates the Foundation by way of a management fee of 1.75% of the principal amount disbursed from the Liquidity Facility Fund, effective October 1, 2000. The Foundation earned management fees amounting to P2,625,000 and P2,968,750 in 2018 and 2017, respectively, which are presented as part of Income from Small Enterprise Facility Trust Fund account in the statements of profit or loss (see note 9.1).

The breakdown of the total assets managed by the Foundation on behalf of DOF as beneficiary of the SMEC fund which are not recognized as part of the Foundation's assets is shown below.

	2018		2017	
Cash and cash equivalents Loans and other receivables - net	P	68,224,287 219,011,559	P 	63,639,958 223,233,383
	P	287,235,846	<u>P</u>	286,873,341

#### 21.2 Operating Lease Commitment - Foundation as Lessor

The Foundation has a lease agreement with HPCI covering the lease of two parcels of land with remaining term of 8 years up to 2025 based on the leaseback option of the original term of the agreement which HPCI has exercised (see Note 11). The lease agreement, treated as operating lease, provides for annual rentals to be paid by HPCI to the Foundation, based on percentages ranging from 1.6% to 3.4% of the fair market value of the leased properties amounting to P1,145,161 at the inception of the lease. Moreover, the lease agreement also stipulates that, should the fair market value of the leased property during the extended period be higher than that of the original value at the inception of the lease, the rental should be adjusted based on the higher fair market value using the original stipulated rate, provided that the annual rental will not exceed 25% of the amount of rental for the said years.

On July 31, 2017, a certain portion of the land held for lease was sold to the lessor. Consequently, the lease agreement was amended by both parties (see Note 11). Rental income recognized from the properties amounted to P45,255 and P43,980 in 2018 and 2017, respectively (see Note 16.2).

The future minimum rental receivables under this operating lease as of September 30, 2018 and 2017, are as follows:

	2018			2017	
Within one year	P	37,603	Р	37,603	
More than one year but not more					
than five years		150,412		150,412	
More than five years		75,206		112,809	
	P	263,221	<u>P</u>	300,824	

#### 21.3 Operating Lease Commitment - Foundation as Lessee

The Foundation entered into lease agreements for the lease of its regional office spaces in Davao and Cebu for a period of 3 and 5 years, respectively. Both leases have annual escalation rate of 5%. The future minimum rentals payable under these operating leases as of September 30 are as follows:

		2018		
Within one year	Р	1,531,069	Р	1,780,515
More than one year but not more than five years		5,365,812		6,896,881
	<u>P</u>	6,896,881	<u>P</u>	8,677,396

Total rentals from these operating leases amounted to P1,704,365 and P970,485 in 2018 and 2017, respectively, and is presented as Rental under Project Development and Monitoring Expenses account (see Note 17.2). Refundable security deposits related to these operating leases are presented as part of Other Non-current Assets account in the statements of financial position (see Note 12).

#### 21.4 General

In the normal course of the Foundation's operations and undertakings, it makes various commitments and incurs certain contingent liabilities that are not reflected in the financial statements. Management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effects on the financial statements.

#### 22. EVENT AFTER THE END OF THE REPORTING PERIOD

On November 22, 2018, the Board approved the management's proposal to offer a special, one-time Voluntary Retirement Program (VRP). This VRP will be offered to all core employees who have rendered at least 4.5 years of continued service as of December 3, 2018, the offering date. The VRP provides eligible employees who will participate with additional financial incentives on top of what would have been received under the existing Retirement benefit plan.

Eligible employees will be given until January 4, 2019 to submit their intent to apply. Consequently, separation of employees whose applications are accepted will take effect between January 31 to June 30, 2019.

#### 23. FUND MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The general objective of the Foundation's fund management is the preservation of the fund balance and to work towards its growth so that the imperatives of development work can be sustained.

The Foundation manages the fund structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Foundation's goal in fund management is to ensure the long-term continuity of the fund and its services through the following undertakings:

- a. Investing the fund in high yielding, low risk instruments;
- b. Calibrating disbursements for Foundation operations and assistance to partners to the amount of funds readily available; and,
- c. Limiting operating expenses to a maximum of 12% to 15% of total support and income and 12% to 15% against total expenditures.

The Foundation has complied with its undertakings. The operating-expense-to-total-support-and-income and operating-expense-to-total-expenditures ratios are both 5% and 4% in 2018 and 2017, respectively.

#### 24. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding page is the supplementary information which is required by the BIR under RR No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

#### (a) Output Value-added Tax (VAT)

In 2018, the Foundation declared output VAT amounting to P817,330 based on the total vatable revenues from rendering of services amounting to P6,811,085 reported as part of Other Income account in the 2018 statement of profit or loss. The Foundation also declared output VAT amounting to P1,426,767 from the receipts pertaining to the sale of investment property. The tax bases for rendering of services are based on the Foundation's gross receipts for the year, hence, may not be the same as the amounts reported in the 2018 statement of profit or loss.

As discussed in Note 20.1, the Foundation, as a non-stock and non-profit corporation, is exempt from paying VAT on receipts of grants and contributions and donations along with its income tax exemption pursuant to Section 30(g) of the Tax Reform Act of 1997, as amended by RA No. 8424.

Output VAT declared during the year were set off against the Foundation's available input VAT on purchases of goods and services.

#### (b) Input VAT

The movements in input VAT in 2018 are summarized below.

Balance at beginning of year	Р	19,768,672
Services lodged under other accounts		2,442,493
Goods other than for resale or manufacture		197,419
Applied against output VAT	(	2,244,097)
Balance at end of year	<u>P</u>	20,164,487

The balance of input VAT as of September 30, 2018 is presented as part of Other Current Assets account in the 2018 statement of financial position (see Note 12).

#### (c) Taxes on Importation

In 2018, the Foundation did not have customs duties and tariff fees paid on importation as there were no importations made during the year.

#### (d) Excise Tax

The Foundation did not have any transactions in 2018 which are subject to excise tax.

#### (e) Documentary Stamp Tax

The Foundation did not incur any documentary stamp taxes in 2018 as it did not execute any documents, instruments, loan agreements and papers evidencing the acceptance, assignment, sale or transfer of an obligation, and any right or property hereunto during the year.

#### (f) Taxes and Licenses

The details of taxes and licenses for the year ended September 30, 2018 follow:

	Note		
Real property taxes	11	Р	1,157,041
Municipal licenses and permits			119,331
Annual registration fees			21,632
Miscellaneous			4,096
		P	1,302,100

The amounts of taxes and licenses are allocated as follows:

	Note		
General operating expenses	17.3	Р	1,280,804
Project development monitoring expenses	17.2		21,296
		P	1,302,100

#### (g) Withholding Taxes

The details of total withholding taxes for the year ended September 30, 2018 are shown below.

	P	42,543,592
Fringe benefits		28,772
Expanded		20,184,805
Compensation and employee benefits	Р	22,330,015

The Foundation does not have any transactions subject to final tax in 2018.

#### (h) Deficiency Tax Assessments and Tax Cases

As of September 30, 2018, the Foundation does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or other bodies outside of the BIR in any of the open taxable years.

## SCHEDULE OF TOP 20 DONORS ON THE BASIS OF RESTRICTED FUNDS RECEIVED

FOR THE YEAR ENDED SEPTEMBER 30, 2018 | Amounts in Philippine Pesos

	Donors	Project Name		Funds Received this Year	Grants Expenses this Year	Deferred Support as of September 30, 2016	Amount Approved by Donors
1	The Global Fund	Sustaining TB Control and Ensuring Universal Access to Comprehensive Quality TB Care	Р	1,759,549,873 P	1,613,321,724 P	394,056,179 P	9,650,019,361
		Advancing Client-Centered Care and Expanding Sustainable Services for TB (ACCESS TB) Project					
2	U. S. Agency for International Development	Innovation & Multi-Sectoral Partnership to Achieve Control of Tuberculosis (IMPACT)		59,514,611	73,847,884	3,192,927	1,185,779,572
3	Oxfam GB	Improving the Availability of Reproductive Health Services in the ARMM (ARCHES) OXFAM: Development of Municipal Septage Management Services Year 3		23,931,364	29,453,463	35,061,248	119,032,572
		Creating Spaces to Take Action Against Women and Girls in Lanao Del Sur and Maguindanao					
4	COCA-COLA Foundation Atlanta	Potable Water for Coca-Cola Little Red Schoolhouses Project (Water-LRS)		19,029,778	13,615,348	23,150,452	78,712,426
		Technical Assistance to Cagayan De Oro City Water District on Non-Revenue Water Reduction, Strategy and Implementation					
5	COCA-COLA Foundation- Phils.	Coca Cola Little Red School House Classroom Repair 2016-2017 Coca Cola Little Red School House Classroom Repair Tuka ES Coca-Cola Senior High School Program		16,098,588	2,617,356	14,738,838	21,819,627
6	Telstra Foundation Philippines, Inc.			12,379,789	11,782,049	8,564,554	23,356,062
7	Lutheran World Relief	Accelerating Women Empowerment through Scaling-up Opportunities for Micro-Enterprises (AWESOME)		7,609,455	7,859,761	28,776	9,932,422
8	Petron Corporation	Petron Tulong Aral High School Scholarship Program Year 10 and 11		7,531,306	8,323,851	1,392,011	15,222,367
9	SMART Communications	SMART Communications School In A Bag Project		6,871,104	5,525,061	1,326,306	6,067,440
10	Siam Cement Group	SCG Sharing the Dream High School Scholarship Program (2017 and 2018)		5,965,655	4,801,335	4,124,608	11,615,696
11	Fluor Daniel	Flour Daniel Inc., supports various projects in education, disaster relief, watershed management, and promotion of Engineering to students. This is done through grants, employee engagement, and a establishing a fund facility with PBSP		4,832,638	1,516,629	6,908,488	3,967,447
12	Aboitiz Foundation, Inc.	AEV Adopt a Watershed Project		3,666,565	3,013,174	653,391	23,469,075
13	Standard Chartered	Standard Chartered Alay sa Kinabukasan: Kalusugan para sa Estudyante at Guro (Year 1 and 2)		3,027,000	1,460,545	2,274,397	3,947,000
		Improvements of SCB-donated classroom building in Tindog ES					
		SCB Livelihood and Education for Agri-Agra Development					
14	Asalus Corporation (Intellicare)	Asalus/ Intellicare Support to the Marikina Watershed Project Intellicare Safe Motherhood Caravans and Supplementel feeding in Communities in Luzon Visayas and Mindanao		2,796,195	3,172,293	1,883,367	7,808,950
		Support to Ready for School initiative					
15	Accenture, Inc.	Accenture Skills to Succeed Youth Training and Employment Skills to Succeed Near/ Far Hire Training and Employment Facilitation Program		2,566,339	8,401,837	7,317,149	19,835,702
		Grant Management for Mano Amiga 2017					
		Accenture Support to Marikina and La Mesa Watershed and TREES Project					
		Accenture Senior High School Program Scholarship at Asia Pacific College and APEC Schools					
		Accenture - Pinoy Quest: A Mobile Game					
		Accenture Employee Engagement initiatives for Ready for School and Relief Donation					
		Grant Management for Kapwa Greens, Virtualahan, Passerelles Numeriques in Cebu					
16		San Miguel Corporation Potable Water System Project		2,500,000	383,975	2,116,025	2,500,000
17		IRC Marawi Response Assistance		2,482,516	2,482,516		2,533,782
	United Way Worldwide	United Way Worldwide/Wells Fargo Supplementary Feeding Proj		2,322,399			2,000,000
19	Grow Asia Partnership Limited	Philippines Partnership for Sustainable Agriculture (PPSA)		2,103,798	2,090,996	322,695	6,211,717
20	COMS360	COMS360- Clean and Renewable Energy Material Development		2,100,000	1,200,601	899,399	7,000,000





MANUEL V PANGILINAN CHAIRMAN President and CEO PLDT, Inc.



VICE-CHAIRMAN
President and CEO
Philippine Investment Management, Inc.



BR. ARMIN A. LUISTRO FSC PRESIDENT Individual Member



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