



INSTITUTE FOR
SOLIDARITY
IN ASIA



ONE ADVOCACY

THE NATIONAL SOLIDARITY COVENANT

Philippine society is in transition from its traditional political culture to a genuine democratic culture.

We seek to hasten that transition.

Philippine society labors under the weight of illegal, unethical, immoral practices of both rich and poor in government, business, and civil society.

We seek to end these practices.

More than one out of three Filipinos are mired in poverty.

We seek to eliminate poverty through honest and competent work.

We are unfazed by the bleak picture many paint of the present.

We trust in the creative energies of the human person.

We trust in the common sense of the Filipino.

We trust in the inherent power of goodness.

We are ready to lead change, beginning with ourselves.

We are ready to help others to change, one by one.

And we pledge to keep these commitments, while urging people to change – however long it may take, here, in the Philippines.

**Making
governance
a shared
responsibility**

VISION, MISSION, VALUES

The **Institute for Solidarity in Asia (ISA)** is a collaborative network of sectoral leaders, public officials, and ordinary citizens committed to governance in all aspects and levels of society.

By **2015**, it shall be recognized as the leading public governance reform institute in East Asia.

CORE VALUES:
service to the common good
patriotism
subsidiarity

ISA WORKS WITH:

01 | sectoral leaders in raising the standards of professional and ethical as well as **social responsibility** in their respective sectors.

02 | public officials in institutionalizing a public governance system, in partnership with multi-sectoral coalitions, for the **long-term development** of their communities and institutions.

03 | national public institutions to develop centers for leadership dedicated to the continuing training of citizens in the exercise of their civic duties and in their participation to **serve the common good of society**.



26



31



12

16



14

08

TABLE OF CONTENTS

- 04 chairman's message
- 05 president's message
- 06 our history
- 08 what we do
- 09 governance pathway
- 10 2011 ISA scorecard
- 12 feature story: Ang Bagong Calapan
- 14 feature story: No Fear of Depth
- 16 feature story: Governance Patrol
- 18 feature story: Soldiering on to 2028
- 20 ISA institutional partners
- 22 partners in the pathway
- 24 ISA institutional partner testimonials
- 26 board of trustees
- 28 ISA fellows
- 29 ISA associates
- 30 staff
- 31 executive leadership
- 32 statement of management's responsibility for financial statements
- 33 independent auditor's report
- 34 financial statements

CHAIRMAN'S MESSAGE



“We must learn to look past ourselves in order to contribute to the quiet revolution that is taking place in our communities.”

It has been eleven years since we at the Institute for Solidarity in Asia (ISA) reached out to our first dream cities. The friendships we formed in our earlier years have grown into unshakeable partnerships, and we are grateful for institutions and individuals like you, who continue to help us make our dreams a reality.

We thank you for supporting us as we guide local government units, national government agencies, and professional associations in creating constructive, real-world solutions to critical issues. Together, we have encouraged them to share the responsibility of governance with their communities.

We thank you for allowing us to restore the dignity of our public servants. Through our coaching programs, we have developed their confidence and increased their capacity for transformative work.

We thank you for helping us engage the Filipino in our campaign for good governance. By reminding leaders and citizens of their duty to make government accountable, we have given them the power to lead our country into the future.

We thank you for recognizing the significance of our work in the context of a regional movement for change. We will continue to push the limits of our imagination, pursue our ambitions, and care deeply for our country—and for others that seek transformation.

This year, we share with you four stories of institutions, leaders, and citizens who have learned to look past themselves in order to contribute to the quiet revolution that is taking place in our communities. With your help, our young advocacy has come so far in turning ideas into actions, and we bring 2011 to a close with a fervent wish for boundless optimism, creative energy, and the continued trust and support of partners like you who can truly help us make governance a shared responsibility.


Dr. Jesus P. Estanislao
Chairman

PRESIDENT'S MESSAGE



“In this annual report, we offer spectacular proof of the impact of a shared advocacy.”

We at the Institute for Solidarity in Asia (ISA) are privileged to have spent another successful year of bringing people together under the governance advocacy.

We partnered with the cities of Iloilo and Tagaytay in training more than 130 public officials in our governance boot camps, and we are delighted to have attracted the largest class of delegates in this year's training program, which we designed to inspire, connect, and empower government officials.

We invested in leaders who exhibited extraordinary vision and skill in leading their communities toward greater economic development. This year, we welcomed four new institutions into the governance pathway, and guided eight more into the higher levels of the program. We also granted three military officers entry into our Society of Associates.

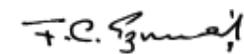
We took part in a national effort to demonstrate our country's progress in controlling corruption. Together with our friends in the National Competitiveness Council (NCC), we organized six cabinet departments in delivering their first performance reports to the Millennium Challenge Corporation (MCC).

We innovated on our transparency and accountability mechanisms, partnering with the COMFAC Global Group to create, launch, and distribute the e-PGS, our first technological solution to real-time performance tracking.

We expanded community ownership of transformation programs through the creation of multi-sector governance coalitions that encouraged leaders and citizens to exchange ideas and determine solutions to strategic issues. Out of the 39 national and local government institutions that are undergoing our governance program, 17 have adopted and formalized councils of this kind.

In this annual report, we offer spectacular proof of the impact of a shared advocacy by featuring the experiences of the Cities of Calapan and Masbate, Philippine National Police, and Philippine Army in collaborating with their communities for far-reaching impact.

We hope that these stories will inspire you to look for more opportunities to grow and serve in the advocacy, and we look to the future with great hope as a new generation of leaders and citizens works toward higher standards of governance in the public sector.


Francisco C. Eizmendi Jr.
President

OUR HISTORY

2000 The Foundation for Community Development puts up the Institute for Solidarity in Asia (ISA) to improve public governance standards.

2001 ISA serves as the Secretariat of the Presidential Governance Advisory Council.

2003 ISA and the Professional Regulation Commission (PRC) issues the Code of Good Governance for the Professions.

2004 With a grant from the Center for International Private Enterprise (CIPE) and The Asia Foundation, ISA introduces the Public Governance System (PGS) to a pilot group of cities.

2005 Eight dream cities present their development strategies at ISA's first Public Governance Forum.

ISA names its first Fellows consisting of local chief executives and sectoral leaders.

2006 ISA also unveils the four-stage PGS Governance Pathway. Two batches of cities enroll in the program.

San Fernando Pampanga becomes the first city to legislate its multi-sector governance council (MSGC).

ISA forms the Mahal Ko Ang Pilipinas National Coalition consisting of cities and sectoral organizations that support the vision of Philippines 2030.

2007 ISA's PGS is a featured case study in a Global Public Sector Summit held in Washington, D.C.

ISA formally launches its Certification Program for ISA Associates.

ISA enters into partnerships with the League of Cities of the Philippines, the National Competitiveness Council, and the Embassy of the Kingdom of the Netherlands.

2008 The Palladium Group formalizes ISA's PGS Pathway as an official feeder program to the Balanced Scorecard Hall of Fame for Executing Strategy™.

2009 After completing the governance pathway, Iloilo becomes the first Philippine City to be elevated to the Balanced Scorecard Hall of Fame for Executing Strategy™, while CSFP is elevated to the ISA-ICD Maharlika Hall of Fame.

ISA renames the PGS as the Performance Governance System to underscore the need for governance to deliver results.

ISA begins installing the PGS in six national government agencies (Philippine National Police, Bureau of Internal Revenue, Department of Health, Department of Education, Department of Transportation and Communications, and Department of Public Works and Highways) as part of the National Government's efforts to qualify for funding from the Millennium Challenge Corporation. These agencies are dubbed the "MCC6".

2010 The MCC6 unveil their governance scorecards, and in September, the Millennium Challenge Corporation grants "Compact" status to the Philippines, and US\$ 434 million for anti-poverty projects.

The National Electrification Administration receives the distinction for becoming the first government agency to complete the Governance Pathway.

2011

1 new city and **3** national institutions begin their governance journeys.

8 public sector institutions advance to the higher levels of the governance pathway.

6 national institutions and **4** cities convene multi-sector governance councils.

3 military officials are inducted into ISA's Society of Associates.

Under ISA's guidance, the MCC6 report to the Millennium Challenge Corporation for the first time. ISA partners with the National Competitiveness Council to ensure their continued progress.

ISA organizes two governance boot camps in partnership with the cities of Tagaytay and Iloilo, and graduates **130** public officials.

ISA publishes a book on the introduction of good governance programs in **12** national government institutions.



01



02



03



04

WHAT WE DO

ONE VISION

At the Institute for Solidarity in Asia (ISA) we believe that every government institution plays an important role in national development. We help local government units and national government agencies translate development goals into strategies that produce results, in the process increasing transparency and accountability mechanisms in government. Through our programs, we create opportunities for civic participation that enable us to make governance a shared responsibility of both the governors and the governed.

ONE STANDARD

Many of our public sector partners are counted among the country's top-performing or most-improved organizations. From our pilot class of dream cities, the city governments of Iloilo and San Fernando Pampanga have gone on to join local and international halls-of-fame for governance and strategy execution. National institutions like the National Electrification Administration, Philippine Navy, Department of Social Welfare and Development, Department of Health, and the Philippine Army are regularly asked to share their best-practices in organizational and financial management with fellow government departments that are on the road to reform.

ONE COMMUNITY

Today, ISA trains over 40 public sector organizations using the Performance Governance System (PGS), a rigorous, four-stage program that combines the precepts and systems of the Harvard Business School's Balanced Scorecard with a participatory, values-centered development philosophy. As part of our core program, we facilitate the involvement of private sector leaders and community representatives in the crafting and assessment of development strategies, and encourage local and international private sector organizations to support government organizations that express a desire for cultural and operational transformation.

01 & 02 Monitoring and guiding the development of public sector institutions through regular Public Governance Fora held every March and October.

03 & 04 Sharing the advocacy through PGS Boot Camps in January and July.

THE GOVERNANCE PATHWAY



PATHWAY

HALLMARK

ANG BAGONG CALAPAN

As a young provincial capital and regional center, Calapan has so far succeeded in branding itself as the next model Philippine city, ranking highly in the small city category of the Asian Institute of Management's Philippine Cities Competitiveness Ranking Project (PCCRP 2008) and qualifying for international standard certification in business, property, and registration frontline services. The local government is redefining the future of Philippine cities with a perfectionist mindset, a hunger for transformation, and a desire to bring people together.

Calapan's search for development hit a critical point when it decided to adopt a good governance program that required unprecedented levels of exposure to the community. "We wanted to embrace change in every sense," says Mayor Doy Leachon, who is also Vice President of the League of Cities of the Philippines (LCP).

In February 2011, the city government put together a group of 50 city employees and representatives of the civil, business, academic, fishing, and public transportation sectors for an exchange of views on current realities and long-term solutions to critical issues. One of the participants, business owner Dennis Alcancia, was expecting the usual public assembly, but was pleasantly surprised. "It was the first time my ideas were taken into account in an official government activity," he shares. In that first get-together, government workers and citizens examined Calapan's strengths and potentials, and drew up an initial five-year forecast of the city's economic development. Dennis says that for him, there was a sense of accomplishment in being asked to "co-create" Calapan's future.

The following month, representatives of the community were once again invited to participate in a city branding exercise. Mr. Don Calda, a communications officer at one of the local colleges, remembers the excitement of getting an inside look into the local government's planning processes. "It was my first time to see the administration in action," he recounts, describing the thrill of being counted among the architects of Calapan's five-year plan.

The branding session was also a take off point for the city government to design strategic projects and programs together with its citizens.

Today, the city aspires to achieve greater levels of productivity for its people through projects like the *Kapag Disiplinado Aasenso Program (KDAP)*, an alternative income and entrepreneurial development program for farmers, fisher folk, and other organized groups, and *Bahay ni Juan Sa Bagong Calapan* program, a housing program that hopes to build sustainable, self-reliant communities. It also seeks to ensure the welfare of its citizens by creating the *Orange Card Plus*, which will serve as an access card for health and financial assistance, as well as a citizen registry card. Over time, the range of services provided through the Orange Card is expected to increase.

These initiatives were created to guarantee satisfaction, improved quality of life, and equitable access to social services for citizens. In turn, the community has responded with a strong showing of support from sectoral leaders and representatives like Dennis and Don. Mayor Doy Leachon, who believes that social harmony will "enable the city to pursue equitable and sustainable growth and empower the marginalized sector," is thankful.

As a representative of the academic sector, Don says the government's decision to reach out to community leaders has paid off. "The academe definitely feels more involved in the fight against corruption," he discloses. "It is easier for us to commit our support because we know exactly what is going on." In the meantime, Don promises to do his best to help the city promote its brand and vision of becoming the country's *model city for good governance with united and productive Calapeños* through his local television show.

In the event that Calapan decides to create a multi-sector governance council, which formalizes the participation of its citizens in executing the city's five-year strategy, Dennis says that he would like to be involved. "At this point, it is critical for more of us to participate in the planning and execution of programs that could recreate the future for our children," he asserts. "If we take it a step further, Calapan stands a real chance of putting itself in a position to receive national—and even international—opportunities."

For a full list of Calapan's strategic programs, please log on to www.cityofcalapan.gov.ph.



"It is critical for more of us to participate in the planning and execution of programs that could recreate the future for our children."

NO FEAR OF DEPTH

It takes guts for a city government to admit its deficiencies as a political structure, but the fourth-class provincial capital of Masbate is determined to do whatever it takes to lift the community to greater levels of development.

In 2007, the city took its first steps toward a brighter future by adopting a governance program that combines environmental care with people empowerment through projects like A Sea to See, a coastal resource management initiative for small fisher folk, and Arangkada Agrikultura, an organic farming endeavour that seeks to elevate farmers' food sufficiency. This year, two of Masbate's preservation sites, Bugsayon and Buntod were certified by the Department of Environment and Natural Resources (DENR) as the most climate adaptive marine sanctuaries in the Philippines, bringing it closer to its ultimate goal of becoming the country's leading marine sanctuary by 2020.

These big ticket accomplishments encouraged Masbate to take the governance campaign to the next level by giving the community a voice in the design and administration of its 2020 development strategy. In August 2011, the local government invited the best and the brightest of the city's sectoral leaders to form the City Advisory Board (CAB) with the idea of involving the city sectors in tackling large-scale governance concerns. The decision was an act of optimism on the part of the local leadership, who had chosen to involve several members of the opposition, but City Mayor Socrates Tuason was determined to harness their enthusiasm for change. "We wanted them to understand the significance of working hand in hand in order to realize our dreams for the people of Masbate," he says.

After an intense discussion that involved a defense of the city's governance program and its intentions in promoting civic engagement, twelve leaders from the academe, business, media, civil society, and youth sectors pledged their commitment to safeguard the city's 2020 strategy. CAB Secretary Leopoldo Estoquia admits that the board initially shared a "reserved excitement" about joining forces with the government, but ultimately decided it was as good an opportunity as any to keep the city on its toes.

As one of the youngest multi-sector governance councils in the country, the Masbate CAB is still finding its way, but its members are increasingly convinced that Masbate's 2020 plans are the way to go. "We have never had the chance to get involved like this," says business sector representative Atty. Darwin Dimen. "It's great that our local government has found a way to turn the long-standing problem of dynamite fishing into a focal point for change."

The city government has never been so open in sharing its plans and processes with the community. To show its sincerity in putting up the CAB as a transparency and accountability mechanism, Masbate has adopted a "full disclosure" policy that allows board members to demand documents from city departments, take part in strategic budgeting sessions, and contribute to the creation of sharper solutions to both short- and long-term challenges.

By listening to its sectors and giving the community access, the local government has improved its chances of shaping its services to meet the public's needs. Together, Masbate and its citizens are repairing the damage caused by the stigma of high poverty incidence, electoral violence, and frequent outmigration and the community is gaining a new understanding of what it means to make governance a shared responsibility.

Mayor Tuason, who is now on his last term as local chief executive, is thankful for the support. "We have always recognized that we cannot do it alone," he says. "Now that we have opened the doors of city hall to the people, we hope the governance program can be sustained beyond election cycles."

By promoting friendship between leaders and citizens, the local government has demonstrated the value of an engaged civic community, and for the first time, the sea that separates Masbate from other islands has become a unifying factor for its people.

For more information on the city's journey towards sustained marine preservation, visit www.masbatecity.gov.ph.



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GOVERNANCE PATROL

Corporate turnaround specialist Rex Drilon II was only too happy to respond to the Philippine National Police's (PNP) request for civic guidance in executing their Integrated Transformation Program-Performance Governance System (ITP-PGS). As part of a good governance panel that had previously critiqued the Police's transformation strategy, Drilon had been carrying around a mental list of seven police concerns—credibility, confidence, capability, competence, conspiracy with criminal elements, and complaints within the organization—and the invitation to serve as Chairman of the National Advisory Group for Police Transformation and Development (NAGPTD) could not have come at a better time.

"It felt good to respond to the call of *Inang Bayan* (the mother land)," says Drilon, who is concurrently president of the Institute of Corporate Directors. He is excited about the progress the advisory group is making in understanding the PNP's needs as an organization that has always been placed under intense scrutiny. Police Chief Superintendent Rex Milton Dolino recognizes that whether real or perceptual, the public's negative opinions about the police service must be turned around. "The mistakes of a few cannot continue to taint the entirety."

PCSUPT Dolino was part of the technical group that set-up *Patrol Plan 2030: Peace and Order Agenda for Transformation and Upholding the Rule-of-Law* under the leadership of former Police Director General Raul Bacalzo. What was introduced to the them as an anti-corruption requirement turned out to be an organized response to critical issues on performance, leadership, operating systems, and organizational culture. For the first time in a long time, the organization agreed on a common strategic direction—that of becoming a *highly capable, effective and credible police service working towards a safer society by 2030*. In addition, the once disjointed thrusts of the PNP found continuity and consistency in implementation. In September 2011, current Police Director General Nicanor Bartolome adopted Patrol Plan 2030 as the PNP's long term transformation program.

Upon assumption of office, he launched a good governance campaign called "PULIS AKO, PULIS NYO PO," which encourages police officers to

perform their duties with responsiveness and integrity in order to contribute to the greater goals of the organization. The purpose of this campaign is not just to rally or inspire, but to communicate the transformation the service wants to see in every policeman.

"It is unfortunate that the public only hears of the misdeeds," says Doreen Yu, a journalist and member of the NAGPTD Media Committee, "but I have always believed that there are good cops." She argues that a collective shift in premise might be in order. "We should try to move beyond the *honest cop returns money stories*, into a scenario where all cops are—indisputably—honest."

Collaboration is a key ingredient in the success of the 16-person police advisory group, and Drilon asserts that it is necessary to "harness individual efforts" in order to help the PNP leadership execute its 2030 road map with excellence. Yu agrees, and identifies the "outsider" perspective the group provides as an important element in creating an effective and people-focused organization. She also looks at the NAGPTD's diverse sector representation as a take-off point for positive communication. As a member of the media, Yu has committed to continue writing about positive developments in the PNP. "The momentum of good governance is so strong, and we have a rare opportunity to help one of our national institutions effect positive change," she says.

As Chairman of the group, Drilon is confident that under the close surveillance and guidance of the NAGPTD, the next generation of police officers will grow to be men and women of effectiveness and integrity. "In the last six months that I've worked with the police, I have been impressed by the dedication, commitment, and continuing support they have given their transformation program," he remarks, and with societal leaders like him, Yu, and the other members of the NAGPTD keeping watch over Patrol Plan 2030, the PNP is likely to make accelerated progress. After a long spell of unfavorable publicity, the police service finally stands a real chance of regaining the respect of the communities it seeks to serve and protect.

For more updates on the PATROL Plan 2030, visit www.pnp.gov.ph



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SOLDIERING ON TO 2028

Since the later years of the Marcos administration, numerous stories of military corruption have placed the Philippine Army in an unflattering light, but our soldiers have decided to put up a rallying point: 2028—the year the defense institution becomes a world-class army that is a source of national pride. To get there, our soldiers follow the Army Transformation Roadmap (ATR)—a plan of action that promotes truthful governance and exceptional performance.

By now, the story of its creation is legendary in Fort Bonifacio and in other places that are familiar with the Army's advocacy. 1st Lieutenant Mario Feliciano considers himself fortunate to have been counted among the 49 officers, uniformed and non-uniformed personnel who put their heads—and, many will say, their hearts—together to formulate the 18-year transformation plan. At the time, accusations of plunder against former military comptrollers had begun to surface, and the young officer had all but given in to disillusionment. "I remember operating in the jungles of Surigao del Sur after seeing the live court hearings, and asking myself: what am I doing here?" Like many of his comrades, Lt. Feliciano had lost hope in the institution he had decided to devote his career to, and the ATR was his life raft. "It made me want to stay," he says.

The Army's transformation plan calls for the restoration of opportunity, fairness, and dignity to military service. As a massive, organization-wide governance campaign, it requires a turnaround in public perception, and in a real stroke of military brilliance, the organization chose its allies smartly. In July of this year, the Army sought the help of public and private sector leaders who could help them stage a performance-driven comeback, selecting ten influential individuals to be part of its Multi-Sector Advisory Board (MSAB). The MSAB is one of the most high-profile citizen governance councils ever created, with the likes of Prof. Solita Collas-Monsod, Prof. Jennifer Santiago-Oreta, Ramon del Rosario, Dr. Jesus Estanislao, Victoria Garchitorena, Samira Gutoc-Tomawis, Dr. Carolina Hernandez, Atty. Alexander Lacson, Mayor Oscar Rodriguez, and Congressman Mel Sarmiento serving as guardians of the transformation program.

It was no easy feat to win ten of the most influential and outspoken personalities of this

generation to the cause of Army reform. For the most part, they were optimistic, but the inaugural meeting was not enough to convince them entirely. Some still grappled with the popular perception that the Army was an unskilled organization that operated under a cloud of controversy. To remedy this, the officers in charge of the roadmap organized a two-day trip to Fort Magsaysay, where former Commanding General Arturo Ortiz and his men could sit down with the MSAB for a heart to heart.

There, in the sprawling 46,000-hectare camp formerly ballyhooed as the last place any soldier would ever want to be stationed, they demonstrated the improving capabilities of the Philippine Army. "The image of a fumbling, bumbling, inept organization is definitely gone," says Prof. Monsod, who famously converted to the cause of the ATR after visiting Fort Magsaysay and listening to the testimonies of officers like Lt. Feliciano.

Her fellow board members seem to be just as keen on the transformation that is taking place in the organization. The Ayala Foundation's Vicky Garchitorena who heads the advisory board's finance committee says she "used to think of the military as the enemy" but after seeing the organization up close, she is determined to improve the quality of life of Filipino soldiers through her involvement.

Current Commanding General Emmanuel Bautista, who has adopted the ATR as a major driving force in his administration, says the challenge now is to "ensure their trust is well-placed," and constantly reminds his men that through the MSAB, the entire nation has the power to hold the Army to the promises they have made under their reform program. He likewise encourages his fellow senior officers to help the younger ones find their place in the roadmap.

2028 may be a long way down the road, but with collective determination, and the expectant confidence of their civilian advisors, the Army can surely look forward to marching alongside the best in the world—and winning a place in the hearts of Filipinos.

For more information on the ATR, visit www.army.mil.ph.



“Through the MSAB, the entire nation has the power to hold the Army to the promises they have made under their reform program.”

ISA INSTITUTIONAL PARTNERS



The **Center for International Private Enterprise (CIPE)** strengthens democracy around the globe through private enterprise and market-oriented reform. CIPE is one of the four core institutes of the National Endowment for Democracy. Since 1983, CIPE has worked with business leaders, policymakers, and journalists to build the civic institutions vital to a democratic society. Its programs are supported by the National Endowment for Democracy, the U.S. Agency for International Development, the Middle East Partnership Initiative, and the U.S. Embassy in Iraq Office for Private Sector Development.



The **Palladium Group** is the global leader in helping organizations execute their strategies by making better decisions. Our expertise in strategy, performance management, and business intelligence helps our clients achieve an execution premium. Palladium's Balanced Scorecard Hall of Fame for Executing Strategy® recognizes organizations that have achieved an outstanding execution premium.



The **National Competitiveness Council (NCC)** was formed in October 2006 as a Public-Private Task Force on Philippine Competitiveness by virtue of Presidential Executive Order No. 571 to address the improvement of the country's competitiveness from the bottom third of competitiveness rankings to the top third by 2010.



For 36 years now, the **Development Academy of the Philippines (DAP)** has focused on approaches to national development. Its mandate is to assist in the country's development efforts as change catalyst and capacity builder.



The **Embassy of the Kingdom of the Netherlands** in Manila fosters bilateral ties in the economic, political, and cultural fields. While it was decided to end the Dutch development cooperation program in 2004, the Embassy has since remained active on a small scale, supporting initiatives by local NGOs with focus on good governance and human rights.



The **League of Cities of the Philippines (LCP)** is committed to bringing the local urban governance agenda to the forefront of the country's development strategies. As the mandated organization of the Philippine cities, the LCP believes effective change in the national consciousness starts with the primary visions of the local government units.



The mandate of the **Department of the Interior and Local Government (DILG)** is to promote peace and order, ensure public safety, and strengthen the capabilities of local government units through active people participation and a professionalized corps of civil servants. Its vision is to become a primary catalyst for excellence in local governance that nurtures self-reliant, progressive, orderly, safe and globally competitive communities sustained by a God-centered and empowered citizenry.



The **Comfac Global Group**, ISA's technology partner, is one of the Philippines' leading systems integrator and total fit-out contractors for workspace facilities. Its vision is to provide total customer satisfaction from a single source, through global solutions that are truly world-class in terms of products and technologies vis-a-vis functionality and reliability.



Punongbayan & Araullo is a Philippine accounting and professional services firm within Grant Thornton International, one of the world's leading organizations of independently owned and managed accounting and consulting firms.



The **Philippine Chamber of Commerce and Industry (PCCI)** is a non-stock, non-profit, non-government organization composed of small, medium, and large enterprises, local chambers and industry associations representing various sectors of business, all working together to foster a healthier Philippine economy and improve the viability of business in the country.



The **Institute of Internal Auditors - Philippines** is the primary association of internal auditors in the Philippines. Dedicated to develop and promote the practice of internal auditing, it serves as the principal educator of internal auditors and provides professional guidance on emerging issues and trends in the profession.



UnionBank, a partnership among the Aboitiz Group, Insular Life and Social Security System, is one of the country's leading universal banks. It stands out for its strategy, execution and performance. It has followed a highly focused differentiation strategy that emphasizes innovation and service, and puts technology at the heart of its business. Information and network access are a core UnionBank offer, with multiple channels for transaction and information access: 111 branches nationwide, 94 ATMs (as of June 2004), a call center and Internet bank, www.unionbankph.com.



Bank of Commerce is one of the Philippines' progressive commercial banks. It has been in operation since 1991. The Bank offers a wide range of banking and other financial products and services, including traditional deposit products, corporate banking, consumer banking, treasury, asset management, trust services, trade, and credit card services.



The **Development Bank of the Philippines** is classified as a development bank and may perform thrift bank functions. Its primary objective is to provide banking services principally to cater to the medium and long-term needs of agricultural and industrial enterprises with emphasis on small and medium-scale industries.



Ortigas & Company Limited Partnership is a real estate development company which counts in its portfolio some of the country's residential, business and commercial developments: Greenhills Shopping Center, Ortigas Center, Tiendesitas, Frontera Verde, Valle Verde and Greenmeadows.



Sycip Gorres Velayo & Co. is the Philippines' largest professional services firm since 1964. It is a member of Ernst & Young, a world-leading provider of assurance, tax, transaction and advisory services.



Creative 2.0, Inc. is a marketing and corporate communications agency that provides creative solutions in graphic design and advertising, branding, digital media, publications, and retail printing. (www.creativetwo.com)

PARTNERS IN THE PATHWAY

Local Government Units		Initiation	Compliant	Proficient	Institutionalized	HOF
1	Iloilo City	Aug 05	Aug 06	Mar 08	Sep 09	Oct 09
2	San Fernando, Pampanga	Feb 06	Aug 06	Aug 07	Sep 09	Sep 10
3	Marikina, Metro Manila	Aug 05	Aug 06	Aug 07		
4	Tagbilaran City, Bohol	Aug 05	Aug 06	Aug 07		
5	Calbayog, Western Samar	Aug 05	Aug 06	Sep 09		
6	San Fernando, La Union	Aug 05	Aug 06			
7	Naga, Camarines Sur	Aug 05	Aug 06			
8	Sorsogon Province	Feb 06	Aug 06			
9	Iriga, Camarines Sur	Aug 06	Mar 08			
10	Tagaytay, Cavite	Feb 06	Mar 08			
11	Bani Municipality, Pangasinan	Mar 09	Sep 09			
12	Bayawan City, Negros Oriental	Aug 08	Sep 09			
13	Balanga City, Bataan	Aug 08	Sep 09			
14	Dipolog City, Zamboanga del Norte	Mar 10	Mar 11	👉		
18	Masbate City, Masbate	Mar 08	Oct 11	👉		
24	Talisay City, Negros Occidental	Mar 10	Oct 11	👉		
15	Island Garden City of Samal	Aug 05				
16	Dagupan, Pangasinan	Aug 06				
17	Ligao, Albay	Aug 06				
19	Sagay, Negros Occidental	Aug 08				
20	Santiago, Isabela	Aug 08				
21	Legazpi City, Albay	Mar 09				
22	Tobaco City, Albay	Mar 09				
23	Municipality of Santa Fe, Nueva Vizcaya	Mar 10				
25	Calapan City, Oriental Mindoro	Oct 11	👉			
26	League of Cities of the Philippines	Oct 11	👉			
National Government Agencies		Initiation	Compliant	Proficient	Institutionalized	HOF
1	National Electrification Administration	Aug 07	Aug 08	Sep 09	Sep 10	Sep 10
2	Philippine Military Academy	Feb 06	Aug 06	Aug 07		
3	Philippine Navy	Mar 07	Mar 10	Sep 10		
4	Philex Mining Corporation	Mar 08	Aug 08			
5	Bureau of Internal Revenue	Sep 09	Mar 10			
6	Department of Health	Sep 09	Sep 10			
7	Department of Education	Sep 09				
8	Department of Social Welfare and Development	Sep 10	Mar 11	👉		
9	Department of Public Works and Highways	Sep 09	Oct 11	👉		
10	Philippine National Police	Sep 09	Oct 11	👉		
11	Philippine Army	Sep 10	Oct 11	👉		
11	Civil Service Commission	Mar 11	Oct 11	👉		
10	Department of Transportation and Communications	Sep 09				
12	Development Academy of the Philippines	Sep 09				
15	Maritime Industry Authority	Oct 11	👉			
Sectoral Institutions		Initiation	Compliant	Proficient	Institutionalized	HOF
1	Accounting Profession	Aug 06	Mar 08	Sep 09	Sep 10	
2	Nursing Profession	Aug 06	Aug 07	Mar 10		
3	Architecture Profession	Aug 06				



01 & 02 The League of Cities of the Philippines, represented by its National President, Hon Oscar S. Rodriguez, and the City of Calapan are initiated into the PGS at the October 2011 Public Governance Forum.

03 & 04 The Civil Service Commission and the Maritime Industry Authority are initiated into the PGS at the October 2011 Public Governance Forum.

ISA INSTITUTIONAL PARTNER TESTIMONIALS



John D. Sullivan PH.D.
Executive Director
Center for International
Private Enterprise

On behalf of the Center for International Private Enterprise (CIPE), I would like to congratulate the Institute for Solidarity in Asia (ISA) on its considerable achievements towards helping democracy deliver for the Filipino people.

CIPE has worked with ISA since 2004 to strengthen public governance in the Philippines by enhancing public institutions, building public-private partnerships, and promoting civic involvement in local policymaking processes through the Performance Governance System (PGS).

The results of CIPE's partnership with ISA are remarkable. In cities across the country, public services are being improved and citizens are being empowered to hold local leaders politically accountable. ISA has begun to apply this governance reform methodology to central government agencies, with equally impressive impact.

For example, the National Electrification Administration (NEA) announced that it reached its target of 69% of the country having access to electricity, and the city of Masbate improved its management of its coastal resources to such an extent that the locality was accredited as a marine sanctuary by the Department of Environment and Natural Resources.

These and other examples of improved governance were, in large part, made possible by the systems and practices introduced by the Performance Governance System (PGS) and the enhanced capacity of local institutions brought about by ISA training. Moreover, because the PGS works to institutionalize the input of community groups and business associations in the policymaking process, this project is encouraging democratic participation by citizens and private sector organizations.

We at CIPE are proud to partner with ISA in working towards democracy that can deliver in the Philippines.



Jaime B. Aquino
Chairman and CEO
COMFAC Global Group

For the past decade, we at the COMFAC Global Group (CGG) have been helping national and local governments through information technology; but in the process of carrying out our work, we witnessed the failure of good projects and promising private-public partnerships. We knew IT was essential in carrying out the work of governance, but we needed something more.

The challenge was not only to deliver hardware and software, or to automate processes, but also to undergo a change in mindset and shift paradigms amidst the present governance landscape. We needed to transform the way automation work was being done in the country.

ISA's Performance Governance System (PGS) lays the foundation for institutionalizing progress by helping government institutions establish one vision, ensure alignment, and develop mechanisms for successful execution. The PGS has naturally shifted governance from personalities to institutions, from able managers to visionary leaders, from *"para sa akin"* (for me) to *"para sa bayan"* (for the country).

Our introduction to PGS was, though cliché, the light at the end of the tunnel. Since 2008, CGG has been attending and supporting ISA's Public Governance Forum, and witnessing how specific institutions are able to deliver breakthrough achievements, and by example, lead other institutions into ISA's governance program. We are convinced that because of this transformation movement, the future is brighter for all Filipinos.

Dealing with government is not an easy task, which makes it all the more fruitful. We at CGG will continue with its advocacy towards good governance through IT, together with ISA—a true partner in nation-building.

Our vision at the National Competitiveness Council (NCC) is to promote a more Competitive Philippines and instill a Culture of Excellence through public-private sector collaboration. We seek to address the major constraints to national growth (bureaucratic processes, corruption, the cost of doing business, and weak infrastructure) through transparency, accountability, governance, and the streamlining of the bureaucracy.

At NCC, we believe that transparency builds trust in society and system, and good governance is good for the economy. We are pleased to join forces with the Institute for Solidarity in Asia (ISA) to improve the country's competitiveness through the Performance Governance System (PGS). This good governance program allows for multi-sectoral participation in translating the agency vision into executable strategies and realizable initiatives. It is a strategic performance management tool which allows government agencies to be assessed objectively and therefore fosters transparency and accountability in the different tiers of the organization.

Right from the start, the Institute for Solidarity in Asia impressed us with their efficient, hardworking, professional manner—an approach that not only inspired confidence, but generated the results we were looking for. By partnering with ISA, we have been able to consistently and efficiently establish the PGS in the local government units and national government institutions. The service they have provided is excellent: always prompt, professional, and proactive.

We really appreciate the time ISA has dedicated in helping NCC emphasize the relationship of transparency and good governance with competitiveness. Together, we will continue to pursue the dream of a just, peaceful, prosperous, and COMPETITIVE Philippines.



Guillermo M. Luz
Private Sector Co-Chair
National Competitiveness
Council

In building an institution of enduring greatness, we must have a higher purpose, beyond simply obtaining profits. At UnionBank, we strive to contribute to nation-building through the five cardinal virtues of business: Creativity, Building Community, Practical Realism, Honor, and Integrity.

Our purpose is to connect and enable communities through smart banking in the spirit of Ubuntu as we strive to make 'Da Diff' in the lives of others, and in the communities we serve. We know our work ultimately helps others fulfill their dreams and live better lives. We are part of something larger than ourselves, and we should feel good about what we are doing—we should feel good about ourselves as UnionBankers, and as human beings.

For us, success is the unintended by-product of effective efforts, and focused action concentrated in the direction of a worthy purpose. It comes in the follow-through, in the implementation and execution from the knowledge we have acquired. Our greatest privilege is the chance to elevate lives. We cannot let this opportunity pass us by. We must be what we aspire to be. We must live our purpose, rise to the challenge, and act now.

The Institute for Solidarity in Asia or ISA, which in Filipino translates as ONE, has indeed been a catalyst for the change our country needs. ISA represents the power of one advocacy in changing a person, a community, an institution, a nation. As Dr. Estanislao shares in our 2010 UnionBank Annual Report: "Both UnionBank and ISA are committed to help others in the process of development. We find in UnionBank a soul mate and genuine partner in promoting social responsibility."



Justo A. Ortiz
Chairman and CEO
UnionBank of the
Philippines



BOARD OF TRUSTEES

- 01 Dr. Jesus P. Estanislao, Chairman, Institute for Solidarity in Asia
- 02 Mr. Francisco C. Eizmendi, Jr., President, Institute for Solidarity in Asia
- 03 Amb. Cesar B. Bautista, Trustee & Fellow, Institute for Solidarity in Asia
- 04 Mr. Rex C. Drilon II, President, Institute for Corporate Directors
- 05 Dr. Paul A. Dumol, Associate Professor, University of Asia and the Pacific
- 06 Dr. Baltazar N. Endriga, Managing Partner, Endriga, Manangu & Associates
- 07 Hon. Ma. Lourdes C. Fernando, Former Mayor, Marikina City
- 08 Dr. Aniceto B. Fontanilla, President and CEO, Asia-Pacific Center for Research, Inc.
- 09 Ms. Antonietta Ibe, Trustee and Fellow, Institute for Solidarity in Asia
- 10 Hon. Mary Jane C. Ortega, Trustee and Fellow, Institute for Solidarity in Asia
- 11 Sec. Jesse M. Robredo, Department Secretary, Department of the Interior and Local Government
- 12 Hon. Oscar S. Rodriguez, Mayor, City of San Fernando Pampanga
- 13 Cong. Mel S. Sarmiento, Congressman, First Legislative District, Western Samar
- 14 Ms. Evelyn R. Singson, President, Gilt-Edged Properties, Inc.
- 15 Cong. Jerry P. Treñas, Congressman, Iloilo City

**“ONE Advocacy:
Making
governance
a shared
responsibility.”**

ISA FELLOWS

LT GEN. CRISTOLITO P. BALAOING (RETIRED) Armed Forces of the Philippines	AMB. CESAR B. BAUTISTA Trustee, Institute for Solidarity in Asia	ERIC S. CANOY President, Radio Mindanao Network
PERICLES P. DAKAY President, Dakay Construction and Development Corp.	REX C. DRILON II Trustee, Institute for Solidarity in Asia; President, Institute of Corporate Directors	PAUL A. DUMOL Trustee, Institute for Solidarity in Asia; Associate Professor, University of Asia and the Pacific
FRANCISCO C. EIZMENDI, JR. President, Institute for Solidarity in Asia	BALTAZAR N. ENDRIGA Managing Partner, Endrida Managu & Associates	DR. JESUS P. ESTANISLAO Chairman, Institute for Solidarity in Asia
FRANCIS G. ESTRADA Chairman, De La Salle University Board of Trustees	HON. MARIA LOURDES C. FERNANDO Trustee, Institute for Solidarity in Asia	ATTY. RICHARD N. FERRER Executive Vice President, Institute of Corporate Directors
DR. ANICETO B. FONTANILLA Trustee, Institute for Solidarity in Asia; President and CEO, ACRE, Inc.	ANTONIETA FORTUNA-IBE Trustee, Institute for Solidarity in Asia	GEN LEOPOLDO L. MALIGALIG (RETIRED) Consultant, First Philippine Holdings Corp.
GREGORIO S. NAVARRO Managing Partner and CEO, Deloitte Philippines	HON. MARY JANE C. ORTEGA Former Mayor, City of San Fernando La Union	DR. CAYETANO W. PADERANGA Director General, National Economic and Development Authority
HON. JESSE M. ROBREDO Secretary, Department of Interior and Local Government (DILG); Trustee, Institute for Solidarity in Asia	HON. OSCAR S. RODRIGUEZ City Mayor, City of San Fernando Pampanga; President, League of Cities of the Philippines	CESAR G. SALDAÑA Principal, PSR Consulting, Inc.
EVELYN R. SINGSON President, Gilt-Edge Properties, Inc. Resolution Center, Inc.	HON. JERRY P. TREÑAS Trustee, Institute for Solidarity in Asia; Congressman, Iloilo City	ATTY. ADELITA A. VERGEL DE DIOS Trustee, Institute of Corporate Directors

ISA ASSOCIATES

CHRISTIAN P. ZAENS Executive Director, Institute for Solidarity in Asia	TOMAS C. AGUILAR City Planning and Development Officer, Marikina City	ENGR. FERDINAND Z. CAYLAO City Administrator, City of San Fernando Pampanga
FRANCISCO A. CAYMO Division Manager, Strategic Planning Division, National Electrification Administration	MARIA GRACIA A. CHUA Former Development Project Management Officer IV, Iloilo City	LT EDWIN GERMAN A. CORDOVA Acting Assistant Director, Center for Naval Leadership and Excellence, Philippine Navy
BGEN FERMIN R. DE LEON (RETIRED) President, National Defense College of the Philippines	FERDINAND JOSEPH T. ESCOBAL Director and Facilitator, True North Strategic	MA. SOCORRO L. ESCUETA Executive Director, EDUCHILD
BENITO T. JIMENA City Tourism Officer, Iloilo City	LUCILLE Y. LAGUNAY City Councilor, Tagbilaran City	ENGR. FERNANDO A. LIMBITCO City Planning and Development Officer, City of San Fernando Pampanga
BETTY F. MERRITT Member, Board of Nursing	JONATHAN JUAN DC. MORENO Practice Leader for Corporate Governance & Managing Consultant for Philippines, Palladium Group	RODERICK N. PADUA Director, Corporate Planning Office, National Electrification Administration
MERLA A. ROSALADO Executive Secretary, Accreditation Office, Christ the King College	SONIA P. SOTO VP-General Manager, CLTV36, City of San Fernando Pampanga	

3 NEW ASSOCIATES



“Whenever I think of ISA, I think of the word “transformation”. As an Associate, I feel privileged to participate in the work of ISA in facilitating the transformation of the Philippine public sector. I will continue to be part of the Filipino’s journey towards progress.”

CAPT GIOVANNI J BACORDO
Deputy Commander of Naval Forces West, Palawan

“I believe that my value comes not only from my good governance experience in the PMA but also from my earnest desire to see the Army grow into a stronger institution, unaffected by the personal priorities of the leadership.”

LTC ROMMEL C CORDOVA
Chief, Strategy Management Branch, OG5, Philippine Army

“This is the legacy I want to be remembered for, that I fought a good fight for the system that I believe will transform the PNP as an institution of integrity.”

PCSUPT REX MILTON A DOLINO
Center for Police Strategy Management, Philippine National Police



Member of the Board of Trustees



01



02



03



04



05



06



07



08



09



01



02



03

“Governance begins with me.”

STAFF

ADMINISTRATIVE AFFAIRS

- 01 Jennifer V. Santos, Administrative Officer
- 02 Julie Mea P. Parreño, Administrative Assistant
- 03 Maria Esperanza C. Solivar, Administrative Liaison Officer

PROGRAMS

- 04 Jeremy John A. Pintor, Program Officer
- 05 Mary Rose Juliet G. Anatalio, Program Assistant for NGAs
- 06 Cyril Marie L. Benedicto, Program Assistant for LGUs

COMMUNICATION

- 07 Gabrielle Marie C. Antonio, Program Assistant for Research & Communication
- 08 Amanda Nicole B. Sindiong, Program Assistant for Research & Communication

CORPORATE SECRETARY

- 09 Atty. Jim Rommel S. Flores

EXECUTIVE LEADERSHIP

- 01 Dr. Jesus P. Estanislao, Chairman
- 02 Mr. Francisco C. Eizmendi Jr., President
- 03 Mr. Christian P. Zaens, Executive Director

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the **INSTITUTE FOR SOLIDARITY IN ASIA, INC.** is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2011, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Trustees reviews and approves the financial statements and submits the same to the members.

SyCip Gorres Velayo & Co. and Mr. Jose P. Llopis, the independent auditors appointed by the management for the period December 31, 2011 and 2010, respectively, have examined the financial statements of the Organization in accordance the Philippine Standards on Auditing, and in their report to the members, have expressed their opinion on the fairness of presentation upon completion of such examination.



Dr. Jesus P. Estanislao
Chairman



Francisco C. Eizmendi Jr.
President



Christian P. Zaens
Executive Director

Signed this 19th day of March 2012

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
INSTITUTE FOR SOLIDARITY IN ASIA, INC.

Report on the Financial Statements

We have audited the accompanying financial statements of Institute for Solidarity in Asia, Inc. (a nonstock, nonprofit organization), which comprise the statement of assets, liabilities and fund balances as at December 31, 2011, and the statement of comprehensive income, statement of changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities, and for such internal control as management determines is necessary to enable the preparation of statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and fund balances of **INSTITUTE FOR SOLIDARITY IN ASIA, INC.** as at December 31, 2011, its financial performance, and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities.

SYCIP GORRES VELAYO & CO.



John Nai Peng C. Ong

Partner

CPA Certificate No. 85588

SEC Accreditation No. 0327-AR-1 (Group A), April 2, 2009, valid until April 1, 2012

Tax Identification No. 103-093-301

BIR Accreditation No. 08-001998-57-2009, June 1, 2009, valid until May 31, 2012

PTR No. 3174817, January 2, 2012, Makati City

March 19, 2012

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES

	2011	2010
ASSETS		
Current Assets		
Cash (Note 4)	₱239,091	₱2,633,931
Receivables (Note 5)	2,002,945	103,410
Total Current Assets	2,242,036	2,737,341
Noncurrent Assets		
Property and equipment (Note 6)	357,432	1,532,577
Other noncurrent assets (Note 7)	739,132	693,364
Total Noncurrent Assets	1,096,564	2,225,941
TOTAL ASSETS	₱3,338,600	₱4,963,282
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accrued expenses and other payables (Note 8)	₱1,991,262	₱111,960
Payables to the Chairman and others (Note 9)	8,305,248	8,905,070
Total Current Liabilities	10,296,510	9,017,030
Fund Balance		
General fund	(6,957,910)	(4,053,748)
TOTAL LIABILITIES AND FUND BALANCES	₱3,338,600	₱4,963,282

See accompanying Notes to Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
REVENUES		
Programs, donations, and contributions (Note 10)	₱11,675,037	₱11,466,044
Grants (Note 10)	4,621,753	6,651,171
Other income	67,526	378,985
	16,364,316	18,496,200
EXPENSES		
Program costs (Note 10)	7,725,191	7,855,381
General and administrative expenses (Note 11)	11,186,485	12,615,359
Foreign exchange loss	40,769	-
Miscellaneous	316,033	447,352
	19,268,478	20,918,092
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE OTHER COMPREHENSIVE INCOME	2,904,162	2,421,892
OTHER COMPREHENSIVE INCOME	-	-
DEFICIENCY OF REVENUES OVER EXPENSES	₱2,904,162	₱2,421,892

See accompanying Notes to Financial Statements.

STATEMENT OF CHANGES IN FUND BALANCES

Balance at December 31, 2009	(₱1,631,856)
Deficiency of revenues over expenses	(2,421,892)
Balance at December 31, 2010	(4,053,748)
Deficiency of revenues over expenses	(2,904,162)
Balance at December 31, 2011	(₱6,957,910)

See accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(P2,904,162)	(P2,421,892)
Adjustments for:		
Depreciation and amortization (Note 6)	1,317,428	1,529,737
Unrealized foreign exchange loss	40,769	-
Interest income (Note 4)	(1,952)	(4,253)
Operating loss before working capital changes	(1,547,917)	(896,408)
Decrease (increase) in receivables	(1,899,535)	167,634
Increase (decrease) in:		
Accrued expenses and other payables	1,879,302	(41,625)
Payables to the Chairman and others	(599,822)	939,956
Net cash generated from (used in) operations	(2,167,972)	169,557
Interest received	1,952	4,253
Net cash flows from (used in) operating activities	(2,166,020)	173,810
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 6)	(142,283)	(161,179)
Increase in other noncurrent assets	(45,768)	-
Cash flows used in operating activities	(188,051)	(161,179)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(40,769)	-
NET INCREASE (DECREASE) IN CASH	(2,394,840)	12,631
CASH AT BEGINNING OF YEAR	2,633,931	2,621,300
CASH AT END OF YEAR	P239,091	P2,633,931

See accompanying Notes to Financial Statements.

1. Organization, Tax Exemption, Status of Operations and Authorization for Issuance

Organization

The Institute for Solidarity in Asia, Inc. (ISA or the Organization) was registered with the Philippine Securities and Exchange Commission (SEC) as a nonstock, nonprofit organization on September 20, 1999. It is organized primarily to inculcate and nurture the spirit of community and cooperation among people in the Asia-Pacific Region and to contribute to the social, economic and financial reform and development agenda of the region.

The registered office address of the Organization is 9th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City.

Tax Exemption

The Organization, being a nonstock, nonprofit organization, falls under Section 30 (E), of Republic Act No. 8424 entitled "An Act of Amending the National Internal Revenue Code as Amended, and For Other Purposes". The income from activities conducted in pursuit of the objectives for which the Organization was established is exempt from income tax. However, any income on any of its properties, real or personal, or from any activity conducted for profit regardless of the disposition of such income, is subject to income tax. On November 16, 2009, the Bureau of Internal Revenue (BIR) issued a ruling in favor of the Organization to be exempted from payment of taxes.

Status of Operations

In 2011 and 2010, the Organization incurred a deficiency of revenues over expenses of P2,904,162 and P2,421,892, respectively and had a negative fund balance of P6,957,910 and P4,053,748 as of December 31, 2011 and 2010, respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Organization's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty because the Organization confirmed that it intends to accomplish the following plans:

- 1) *Transfer of office* - ISA will be transferring to a new office in Trident building in 2012. The monthly lease payments for this new office are considerably lower than the current rental.
- 2) *Recruitment of more Performance Governance System (PGS) partners through an open platform program* - To address and attract an increasing number of partner organizations and allow ISA greater flexibility, an open platform model was proposed, designed and approved by the Board of Trustees. The old platform required too much handholding in the following five core processes (recruitment, handholding, auditing, linking, and recognition). With the new Open Platform, ISA can at once involve itself with the partner's technical working group (TWG) or "Mars Team" who will carry out the task of propagating PGS. Under the open platform, programs and their corresponding fees are now unbundled so partners can select ISA engagements as needed. This results to fewer ISA interventions and partner expenses. Overall, the open platform scenario will result to: a) more involvement from Fellows and Associates, b) well-selected, intensively-trained technical working groups, c) better pacing for PGS partners, d) higher volume of PGS partners, and e) per-intervention funding arrangement.

Because partners are free to choose from a menu of services offered by ISA, organic staff members can accommodate different partners simultaneously. Interventions will be more or less limited to the TWGs in a "training the trainers" set-up, where the latter will serve as change agents in the unit. Under the open platform, ISA is targeting revenues of P24 million in 2012.

- 3) *Additional grants and donors* - ISA is exerting more effort in looking for ways to fund the good governance advocacy. The Organization seeks to increase the number of donors and sponsors by networking with individuals and organizations who can alert it to new opportunities for development. ISA is taking a more pro-active approach to fund generation by looking for interested development partners as well as interested public sector organizations whose transformation is of great interest to the private sector.

4) *Creation of Cost Center* - This approach will help ISA monitor its finances closely. By using the enrollment fee to cover the costs of all interventions for partners thereafter, ISA will be able to track its expenses better, and assess whether or not partners are charged justly.

Authorization for Issuance

The Organization's financial statements as at and for the year ended December 31, 2011 (with comparative figures as at and for the year ended December 31, 2010) were authorized for issue by the Board of Trustees (BOT) on March 19, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements of the Organization have been prepared under the historical cost basis and presented in Philippine peso, which is the Organization's functional currency.

Statement of Compliance

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

Revenue Recognition

Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the Organization and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Grants

Grants are recognized when the scope of work and the purpose of the grants stipulated in the agreements are performed and the donor's imposed conditions are substantially complied.

Donations and Contributions

Donations and contributions are recorded when received.

Programs

Proceeds from programs are recognized as revenue when participants enroll in the related activities.

Interest

Interest is recognized as it accrues using the effective interest method.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expenses arise.

Cash

Cash includes cash in banks which are not restricted in its use.

Financial Instruments

Classification

The following are basic financial instruments:

- Cash
- A debt instrument that satisfies specific criteria
- A commitment to receive a loan that
 - Cannot be settled net in cash, and
 - When the commitment is executed, is expected to meet the conditions of a debt instrument above
- An investment in non-convertible preference shares and non-puttable ordinary shares or preference shares.

Other financial instruments would include instruments that are not within the scope of basic financial instruments.

Recognition

Basic and other financial instruments are recognized in the statement of assets, liabilities and fund balances

when the entity becomes a party to the contracts.

Initial Measurement of Financial Instruments

Basic financial instruments are measured at their transaction price including transactions costs. If the contract constitutes a financing arrangement it is measured at the present value of future payments discounted at a market rate of interest for a similar instrument (this is not applicable to assets and liabilities classified as current, unless they incorporate a finance arrangement). If interest is not at a market rate, the fair value would be future payments discounted at a market rate of interest. Other financial instruments are initially measured at fair value, which is usually their transaction price. This will exclude transaction costs.

Subsequent Measurement

Investments in non-convertible preference shares and non-puttable ordinary, and preference shares that are publically traded or their fair value can otherwise be reliably measured, are measured at fair value through profit or loss if a public market exists, otherwise at cost less impairment.

Debt instruments are measured at amortized cost using the effective interest rate.

Commitments to receive a loan are measured at cost less impairment. All other financial instruments are measured at fair value at reporting date. The only exception are equity instruments (and related contracts that would result in delivery of such instruments) that are not publicly traded and whose fair value cannot be reliably determined are measured at cost less impairment.

Impairment of Financial Instruments

At each reporting date, an assessment is made by the Organization whether there is objective evidence of a possible impairment. The impairment loss of financial instruments at amortized cost is the difference between carrying value and the revised cash flows discounted at the original effective interest rate.

The impairment of financial instruments at cost less impairment is the difference between the carrying value and best estimate of the amount that would be received if the asset were sold at the reporting date.

Fair Value

The standard makes use of a fair value hierarchy. This is quoted prices in an active market, prices in recent transactions for the identical assets (adjusted if necessary), and use of a valuation technique (that reflects how the market would expect to price the asset and the inputs reasonably represent market expectations). Fair value, where there is no active market, is only considered reliable if the variability in the range of fair values is not significant and the probabilities of various estimates can be reasonably assessed.

Derecognition

The Organization derecognizes a financial asset when:

- The contractual rights to the cash flows from the financial asset expire or are settled;
- The Organization transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The Organization, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party.

The Organization derecognizes a financial liability when extinguished.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets, liabilities and fund balances if, and only if, there is a currently enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of assets, liabilities and fund balances.

Receivables

Receivables are stated at face value less allowance for impairment losses, if any. An estimate for doubtful accounts is made after a study of the estimated collectibility of receivable balances.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment loss.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and

any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets or the term of the lease as in the case of leasehold improvements, whichever is shorter, as follows:

Category	Number of Years
Leasehold improvements	3
Office equipment	3-5
Furniture and fixtures	3-5
Transportation equipment	7-10

The useful lives and depreciation and amortization methods are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Impairment of Property and Equipment and Other Noncurrent Assets

The carrying values of property and equipment and other noncurrent assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written-down to their estimated recoverable amount. The estimated recoverable amount is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in profit or loss.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in profit or loss. However, the increased carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

Operating Leases

Operating leases represent leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessor. Operating lease payments are recognized as an expense in the statements of comprehensive income on a straight-line basis over the lease term.

As a Lessee

The Organization entered into a lease agreement as a lessee. This lease agreement is accounted for as an operating lease because the lessor, Philam Properties Corporation, retains all significant risk and rewards of ownership of the property (see Note 10).

Fund Balances

The amount included in fund balances includes accumulated excess (deficiency) of revenues over expenses from the Organization's activities. This account relates to operating fund account in the statement of assets,

liabilities and fund balances. Fund balances may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Provisions

Provisions are recognized when the Organization has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Foreign Currency Transactions

Transactions in foreign currencies are recorded in Philippine peso using the exchange rates at prevailing transaction dates. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from foreign currency transactions and translations are charged against current operations.

Contingencies

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

Events Subsequent to Reporting Date

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

3. Significant Accounting Judgments and Estimates

The preparation of the Organization's financial statements requires management to make judgements and estimates that affect the amounts reported in the financial statements and related notes. However, uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

Management makes judgments in the process of applying the Organization's accounting policies. Judgments that have the most significant effect on the reported amounts in the financial statements are discussed below.

Determining Functional Currency

The functional currency of the Organization has been determined to be the Philippine peso. It is the currency of the primary economic environment in which the Organization operates. It is the currency that mainly influences its revenues and the cost of its operations.

Classification of Financial Instruments

The Organization exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of assets, liabilities and fund balances.

In addition, the Organization classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Determination Whether an Arrangement Contains a Lease

The Organization uses its judgements in determining whether an arrangement is, or contains a lease, based on the substance of the arrangement and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Organization.

Operating Leases - The Organization as Lessee

The Organization has entered into lease agreements as a lessee. The Organization has determined that all significant risks and rewards incident to ownership of the leased property are retained by the lessor due to the following:

1. the ownership of the asset does not transfer at the end of the lease term;
2. the Organization has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
3. the lease term is not for the major part of the economic life of the asset even if title is not transferred; and
4. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Estimates

The key estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating Allowance for Impairment Losses on Receivables

The Organization reviews its receivables at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by BOT is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance.

Allowance for impairment losses on receivables is maintained at a level considered adequate to provide for potentially uncollectible receivables. A provision for impairment of receivables is established when there is objective evidence that the Organization will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is recognized in profit or loss.

As of December 31, 2011 and 2010, the carrying values of receivables amounted to ₱2,002,945 and ₱103,410, respectively (see Note 5). No provision for impairment losses on receivables was recognized in 2011 and 2010.

Estimating Fair Value of Financial Instruments

The Organization carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, (i.e. foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Organization utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

Where the fair value of certain financial assets and financial liabilities recorded in the statement of assets, liabilities and fund balances cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The carrying values and fair values of financial instruments as of December 31, 2011 and 2010 are disclosed in Notes 4, 5, 7, 8 and 9 to the financial statements.

Estimating Useful Lives of Property and Equipment

The Organization estimates the useful lives of property and equipment based on the period over which the property and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation expenses and decrease noncurrent assets.

Depreciation and amortization charged to operations amounted to ₱1,317,428 and ₱1,529,737 in 2011 and 2010, respectively (see Note 6). As of December 31, 2011 and 2010, the net book values of property and equipment amounted to ₱357,432 and ₱1,532,577, respectively (see Note 6).

Estimating Impairment Losses on Property and Equipment and Other Noncurrent Assets

The Organization assesses the impairment on property and equipment and other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Organization considers important which could trigger an impairment review include the following:

1. Significant underperformance relative to expected historical or projected future operating results;
2. Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
3. Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Organization is required to make estimates that can materially affect the financial statements.

As of December 31, 2011 and 2010, the carrying values of property and equipment and other noncurrent assets are disclosed in Notes 6 and 7 to the financial statements. No provision for impairment losses was recognized in 2011 and 2010.

Determining Retirement Benefit Cost

Since the Organization is not able, without undue cost or effort, to use the projected unit credit method to measure its obligation and cost for retirement and other post-employment benefits under defined benefit plans, the Organization is permitted to make simplifications under PFRS for SMEs. Management believes that the effect on the financial statements of the difference between the retirement costs determined under the current method used by the Organization and an acceptable actuarial valuation method is not significant.

The Organization did not accrue any retirement benefit costs as of December 31, 2011 since it is employing not more than ten (10) employees. Moreover, the BOT believes that the retirement benefit costs accruing as of December 31, 2011 are not significant.

Determination of Uncertain Tax Positions

Changes in the probability-weighted average amount of all possible outcomes must be based on new information, not a new interpretation by the Organization of previously available information. There is no probability threshold applied to the recognition of an uncertain tax position.

4. Cash

	2011	2010
Cash in banks	₱229,091	₱2,623,931
Cash equivalents	10,000	10,000
	₱239,091	₱2,633,931

Cash in banks earn interests at the respective bank deposit rates. Interest income earned on cash in banks amounted to ₱1,952 and ₱4,253 in 2011 and 2010, respectively.

5. Receivables

	2011	2010
Receivables	₱1,851,540	₱23,722
Advances to officers and employees	81,405	79,688
Advances to suppliers	70,000	-
	₱2,002,945	₱103,410

Receivables pertain to noninterest-bearing receivables from public institutions and sectoral groups who enrolled in the programs and services of the Organization.

Advances to officers and employees represent cash advances made by officers and employees for their out-of-town assignments which remained unliquidated and outstanding as of December 31, 2011.

Advances to suppliers pertain to advanced payments to vendors for future purchases of services.

6. Property and Equipment

As of December 31, 2011

	Leasehold Improvements	Office Equipment	Furnitures and Fixtures	Transportation Equipment	Total
Cost:					
Beginning balances	₱3,312,620	₱777,282	₱987,937	₱1,149,625	₱6,227,464
Additions	-	142,283	-	-	142,283
Ending balances	3,312,620	919,565	987,937	1,149,625	6,369,747
Accumulated depreciation and amortization:					
Beginning balances	2,255,354	532,363	757,546	1,149,624	4,694,887
Depreciation and amortization	904,840	197,128	215,460	-	1,317,428
Ending balances	3,160,194	729,491	973,006	1,149,624	6,012,315
Net book value	₱152,426	₱190,074	₱14,931	₱1	₱357,432

As of December 31, 2010

	Leasehold Improvements	Office Equipment	Furnitures and Fixtures	Transportation Equipment	Total
Cost:					
Beginning balances	₱3,207,620	₱746,103	₱962,937	₱1,149,625	₱6,066,285
Additions	105,000	31,179	25,000	-	161,179
Ending balances	3,312,620	777,282	987,937	1,149,625	6,227,464
Accumulated depreciation and amortization:					
Beginning balances	1,194,431	373,525	447,570	1,149,624	3,165,150
Depreciation and amortization	1,060,923	158,838	309,976	-	1,529,737
Ending balances	2,255,354	532,363	757,546	1,149,624	4,694,887
Net book value	₱1,057,266	₱244,919	₱230,391	₱1	₱1,532,577

7. Other Noncurrent Assets

	2011	2010
Security deposit (see Note 12)	₱396,000	₱403,500
Advanced rent (see Note 12)	283,132	283,132
Performance bond	60,000	-
Construction bond	-	6,732
	₱739,132	₱693,364

The security deposit and advanced rent are the amounts given at the inception of the contract with a third party. At the end of the term, the advanced rent arising from the lease will be applied as payments for the last three months of the lease term while the security deposit will be refunded to the Organization (see Note 12).

Performance bond refers to the amount paid to the Development Academy of the Philippines and City of Mandaue as a security for the completion of the services to be rendered by the Organization amounting to ₱35,000 and ₱25,000, respectively.

Construction bond pertains to the amount paid to Philamlife Tower Management Corporation as a security for any damages after the completion of the construction of the office.

8. Accrued Expenses and Other Payables

	2011	2010
Accrued expenses	₱1,768,710	₱-
Other payables	222,552	111,960
	₱1,991,262	₱111,960

Accrued expenses include accruals for professional fees and utilities. Other payables mainly pertain to government payables.

9. Payables to the Chairman and Others

	2011	2010
Payables to the Chairman	₱8,215,973	₱8,783,710
Advances from Institute of Corporate Directors, Inc. (ICD)	89,275	111,775
Others	-	9,585
	₱8,305,248	₱8,905,070

Payables to the Chairman and others pertain to advances made to the Organization to support the design, organization and delivery, and administration of the programs of the Organization prior to receipt of financial commitment from the funding agencies.

Advances from ICD represent expenses paid by ICD in behalf of the Organization.

Payables are due and demandable.

10. Programs, Donations and Contributions, Grants and Program Costs

The Organization received grants, donations and contributions which were used to finance project costs. These are presented as "Programs, donations and contributions" and "Grants" in the statement of comprehensive income.

	2011	2010
Programs, donations and contributions:		
Programs, bootcamp and conference fees	₱10,615,119	₱11,466,044
Sponsorship and donation	1,059,918	-
	11,675,037	11,466,044
Grants:		
The Center for International Private Enterprise	4,751,753	5,171,171
Embassy of the Kingdom of the Netherlands	(130,000)	1,480,000
	4,621,753	6,651,171
	₱16,296,790	₱18,117,215

	2011	2010
Program costs:		
Seminars, conference and exhibits	₱5,853,435	₱4,759,704
Travel and transportation expenses	1,327,390	2,127,896
Printing and publication	544,366	967,781
	₱7,725,191	₱7,855,381

Below is a brief description of the programs, donations and contributions and grants received by the Organization:

Programs, donations and contributions

ISA works with institutions and individuals who believe and act upon the mission to deliver real government performance. To promote the public governance advocacy, ISA uses the PGS, a strategic management tool that enables an entire community to channel its energies, abilities and knowledge to pursuing one path towards long-term development. Those who sign up to undergo PGS process become ISA's PGS partners. Each year, the Organization organizes bi-annual boot camps that provide its PGS partners with intensive values and management training. During the year, ISA organized bootcamps in January and in July. The Organization also convenes a semi-annual Public Governance Forum where PGS partners deliver performance reports using their governance scorecards. The two forums organized by the Organization during the year happened in March and in October. Various seminars, conferences, and exhibits are also organized by ISA throughout the year to promote and deliver its advocacy.

In organizing the above activities, ISA collects membership and registration fees for funding purposes. The said activities also served as an avenue for the Organization to solicit funds from various sponsors and donors. Total revenues recognized amounted to ₱11,675,037 and ₱11,466,044 in 2011 and 2010, respectively.

Grants

The Center for International Private Enterprise

On June 22, 2010, the Organization (the "Grantee") entered into a grant agreement (the Agreement) with The Center for International Private Enterprise (CIPE) (the "Grantor"). The Agreement was for a period of twelve months from August 1, 2010 through July 31, 2011 wherein the Grantor was obligated to provide financial support to the Grantee amounting to \$117,274 or approximately ₱5,141,292 using the exchange rate of ₱43.84 to \$1 as of December 31, 2011. In return, the Grantee shall carry out the development and implementation of its proposed project "Expanding the Performance Governance System in Select East Asia Economies (Phase 7)". Furthermore, the Grantee is required to submit financial and programmatic progress of the project on a regular basis and failure to do so will result in withholding Grant payments. The Grantee further agrees to provide from its own or other resources all funds in addition to the grant which are required to carry out the project in a timely manner.

On September 20, 2011, the Organization entered into a new grant agreement with CIPE to continue its advocacy with the new proposed project "Propagating Good Governance in the Philippines and East Asia (Phase 8)". This shall be for a period of twelve months from October 1, 2011 through September 30, 2012 with a grant amounting to \$125,153 or approximately ₱5,486,708 using the exchange rate of ₱43.84 to \$1 as of December 31, 2011.

Total revenues recognized amounted to \$110,446 (₱4,751,753) and \$116,319 (₱5,171,171) in 2011 and 2010, respectively. Total costs incurred by the Organization amounted to ₱6,566,083 and ₱7,855,381 in 2011 and 2010, respectively. The exchange rates used were the actual rates used in every transaction in 2011 and 2010, respectively.

Embassy of the Kingdom of the Netherlands

The Organization accepted a contribution for the implementation of "Improving Local Governance in Select National Government Agencies" for the State of Netherlands consisting of an activity plan, a budget and a liquidity forecast amounting to ₱1,600,000. The activity ran from September 1, 2010 to August 31, 2011. Total revenues recognized and costs incurred by the Organization related to the agreement amounted to ₱1,480,000 and ₱1,159,108, respectively. On September 16, 2011, the Organization returned the excess of grant recognized over costs incurred to the State of Netherlands amounting to ₱130,000 since one of the proposed projects did not push through.

11. General and Administrative Expenses

	2011	2010
Professional fees	₱4,876,239	₱6,257,265
Rent (see Note 12)	2,405,540	1,666,232
Salaries, allowances and employee benefits	1,702,005	1,811,373
Depreciation and amortization (see Note 6)	1,317,428	1,529,737
Communication, light and water	436,133	498,356
Association dues	403,779	363,255
Representation and entertainment	40,395	209,805
Contract labor	4,966	279,336
	₱11,186,485	₱12,615,359

12. Lease Commitment

The Organization (the "Lessee") entered into a lease agreement with Philam Properties Corporation (the "Lessor") which was represented by Philamlife Tower Management Corporation as its leasing agent. The lease agreement is for a period of five (5) years from August 1, 2008 to July 31, 2013. The agreement provides the Lessee the right to lease the condominium units and parking spaces of the Lessor in exchange for monthly lease payments which is subject to 7% annual escalation. Furthermore, the leasing agreement stipulates that the Lessee will deposit with the Lessor, a security deposit of three (3) months rent amounting to ₱396,000 and advance rent amounting to ₱283,132. The advance rent will be applied on the last three months of the lease term while the security deposit will be refunded to the Organization at the end of the lease term (see Note 7). Rent expense amounted to ₱2,482,477 and ₱1,666,232 in 2011 and 2010, respectively (see Notes 10 and 11).

Future minimum lease payments under operating lease as of December 31, 2011 are as follows:

Within one year	₱1,997,065
After one year but not more than five years	1,211,176
	₱3,208,241

13. Reclassification of Accounts

The following accounts in the 2010 financial statements were reclassified to conform with the 2011 presentation of financial statements:

- Property and equipment
- Accrued expenses and other payables
- Payables to the Chairman and others
- Costs and expenses

The reclassification has no impact to the Organization's financial position, financial performance and cash flows.

14. Supplementary Tax Information Under Revenue Regulations 19-2011 and 15-2010

On November 25, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

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

Below is the additional information required by Revenue Regulations 19-2011 and 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

RR No. 19-2011

Exempt Revenues

The Organization's exempt revenues in 2011 consist of programs and grants amounted to ₱11,675,037 and ₱4,621,753, respectively.

Exempt Non-Operating and Other Income

The Organization's exempt income consists of income from sale of books and other income aggregating to ₱67,526 in 2011.

Exempt Itemized Deductions

Details of the Organization's exempt itemized deductions for the year:

Professional fees	₱5,489,572
Rent	2,482,477
Salaries, allowances and employee benefits	2,347,340
Bootcamp expenses	2,247,793
Travel and transportation	1,327,390
Depreciation and amortization	1,317,428
Forum expenses	1,171,669
Seminars, conference and exhibits	1,064,719
Printing and publication	544,366
Communication, light and water	469,782
Association dues	403,779
Representation and entertainment	40,395
Contract labor	4,966
Miscellaneous	316,032
Total exempt deductible expenses	₱19,227,708

RR No. 15-2010

Withholding Taxes

The Organization's withholding taxes on compensation and benefits and final withholding taxes amounted to ₱835,947 and ₱181,852, respectively in 2011.

Other Taxes and Licenses

The Organization paid license and permit fees amounted to ₱15,095 in 2011.

Making governance a shared responsibility

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