

# RIPPLES

The 2017 Annual Report

# RIPPLES

Ripples is a report on how a single drop of effort transforms into a governance journey that creates a wave of inspiration for more public sector institutions and people to do better for reform in the Philippines, and empowering its people one story at a time.

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# Chairman's Message



We started with a big vision for our beloved country. We fostered our mission to bring good governance in the spotlight. Together, we aspired to make public institutions strive for reform to have proud Filipinos lead enhanced and meaningful lives.

With a humble start of having just eight (8) partners from the local government sector in 2004, our endeavor with the Performance Governance System (PGS) has now grown to fifty (50) active partners – with added sectors from health, peace and security, infrastructure and transportation, and education. This is a true testament to our advocacy, and its significance in capacitating our public sector and creating meaningful reforms for our nation.

This year's annual report narrates the ripples of our advocacy's impact to and through our partners. We are proud to celebrate the many strides and milestones that continue to serve as inspiration for more public institutions to join us in this journey towards a transformative, democratic but undivided Philippines.

Triumphant as we are in 2017, and honored as I am to celebrate our partners' globally-recognized breakthroughs, I say that having a good year is not enough. We need more of this flame to deliver our advocacy to more of our

public institutions, officials, and fellow Filipinos worldwide. In the coming year, we believe that we could tap into even more sectors, and bring more partners in our journey towards our dream Philippines. And, we are optimistic that our various efforts, engagements, and interventions would continue to bring more Filipinos together.

This phase in our journey would not have been possible without our partners and donors who understood our goal of an empowered Philippines. We would not have fulfilled all these achievements without the dedication of our staff who continue to work hard as models of good governance. We would not exist if not for every individual who entrusted us with the responsibility of turning our vision into reality.

On behalf of the Board, I thank all our staff, members, and partners for a meaningful journey in bringing the public sector to the forefront of our dream Philippines. As we build our dream Philippines, I encourage all members to continue in their support for us, and take lead in this collaborative and united country of which we are building.

**Francisco  
Del Rosario Jr.**

# President's Report



2017 was like no other and calling it our banner year is an understatement. ISA encountered truly unique challenges, challenges that we faced head on. And, without a doubt, all our efforts paid off.

We witnessed a ripple effect as our partner institutions flourished under the Performance Governance System (PGS), their stories and accomplishments inspiring others to start their own journeys. It was indeed a year of realized breakthroughs and evident impact in the Filipino community, even some reaching the international stage for their accomplishments.

We are proud of the Philippine Navy and the City Government of Balanga for their induction into the Palladium Balanced Scorecard Hall of Fame for Executing Strategy. The global award from the Harvard-based group is a true testament to their dedication in transforming themselves for better governance and, ultimately, better service.

Aside from our partners' accomplishments, we are happy to have welcomed twelve (12) new partners—such as the National Center for Mental Health, the Office of the Vice President, and the City of Sorsogon, Sorsogon—and steadily worked with a total of fifty (50) partners throughout the year.

Simultaneously, we organized our main events. Our two Governance Boot Camps could not have been possible without the help of our partners: The Municipality of Mariveles, Bataan for #BOOTCAMP15, and the Armed Forces of the Philippines (AFP) for #BOOTCAMP16.

At our two Public Governance Forums, the second also serving as the Dream Philippines Fair, twelve (12) of our partners advanced in the PGS pathway, which included the Mariano Marcos Hospital & Medical Center (Initiated), Province of La Union (Compliant), and the Philippine Veterans Affairs Office (Proficient). The City of Legazpi became the 15th

Island of Good Governance (IGG) for reaching the Institutionalization stage with flying colors.

We also met with various local chief executives at our Governance that Delivers luncheon to talk about how local governments can push for change through good governance, and to listen to our LGU partners' inspiring PGS stories. In 2017, we also had the second run of our Skills Lab, where risk management expert Michael Gallego tackled the Enterprise Risk Management framework in the context of the PGS.

It is humbling to realize we achieved all these in a year. To everyone who made it happen, to our partners and to our team, thank you. I look forward to another year of challenges and triumphs for the good governance advocacy, and to another year of empowering public institutions for a better Philippines.

**Marides Fernando**

## ***Initiation***

National Commission for Muslim Filipinos  
Department of National Defense  
Mariveles, Bataan  
Navotas City Hospital  
Philippine Children's Medical Center  
Mariano Marcos Memorial Hospital & Medical Center



## ***Partners in the Pathway***

## ***Compliance***

Board of Investments  
Department of Health  
Intellectual Property Office  
National Police Commission  
Bislig, Surigao del Sur  
Dinalupihan, Bataan  
Samal, Bataan  
Orani, Bataan  
Pilar, Bataan  
La Union Province  
Bayawan City, Negros Oriental  
University of San Agustin, Iloilo  
Association of Nursing Service Administrators of the  
Philippines



## ***Proficiency***

Department of Public Works and Highways  
Development Bank of the Philippines  
Governance Commission for GOCCs  
National Development Company  
Philippine Airforce  
Philippine National Police  
Philippine Veterans Affairs Office  
Bataan Province  
Legazpi, Albay  
Mandaue City, Cebu  
Philippine Heart Center

## ***Institutionalization***

Armed Forces of the Philippines  
Civil Service Commission  
Department of Trade and Industry  
National Electrification Administration  
Philippine Army  
Philippine Navy  
Balanga, Bataan  
Dipolog, Zamboanga del Norte  
Accountancy Profesion

## ***Open platform partners***

Office of the Vice President  
Climate Change Commission  
DTI-Foreign Trade Service Corps  
Export Development Council  
DA-Agribusiness and Marketing Assistance Service  
Philippine Halal Board  
National Center for Mental Health  
Steel Asia Manufacturing Corporation

## Legazpi City

Increased number of MICE hosted from 12 (2012) to 130 (2017)

Increased local income from 611M (2012) TO 855M (2016)

Decreased poverty rate from 30.7% (2009) to 17.463 (2016)

Increased employment generated from 12,264 (2012) to 17,463 (2016)

***“..The PGS also brought about reduction in poverty due to economic vibrancy. More investors were enticed to do business in the city which resulted in employment generation”***

**Mayor Noel E. Rosal**  
Mayor, City of Legazpi



## Partner Breakthroughs



## Department of Public Works and Highways

100% of the National Road Network Paved by EO2016

Institutionalization of the Cadetship Program and Graduation of 125 Engineers by 2016

ISO 9001:2015 Certification for the whole Department by 2017

***“The PGS raises the bar and desire of the people to work together and think outside the box to do innovative practices that transforms the old system into a world-class service that provides satisfaction for both the internal and external clients.”***

**Atty. Michael Villafranca**  
HRAS Director / PGS Technical Working Group Member



## Philippine Veterans Affairs Office



Payment of 4.77 B Total Administrative Disability Arrears

Increase in Old Age Pension from PHP 5,000.00 to PHP 20,000.00

Additional funds for the development of KAGITINGAN Builders amounting to PHP 389.327 M for 2017 and PHP 2.1 B for 2018

Digitization of Pertinent WWII Records

*“Through the PGS, we are now able to use PVAO as an example of a government agency which is able to think big and invest in a nation’s self-worth”*

**Sec. Orlando Mercado**

*MSGC Member / Former Senator & DND Secretary*

## University of San Agustin



Accreditation of 19 Academic Programs

ISO 9001:2008 Certification of the entire University

Increase in revenue by 41%

*“With the help of the PGS, there is an increase of research grants which resulted to more funding and encouraged the conduct of researches in pursuit of academic excellence”*

**Fr. Arnel S. Dizon**

*VP for Admin & Finance, USA*



## **Making waves**

words by Jan-Ace Mendoza

Largely hampered by the usual challenges of local politics, the Balanga from ten (10) years ago is highly different from the city that we know today.

Growing up and witnessing the ups and downs of the city, Dr. John Dizon, a long-time resident of Balanga and Associate Professor in Bataan Peninsula State University (BPSU)'s Industrial Engineering Department, shares that "Balanga, as the center of politics and economy of the province of Bataan, is never spared from the usual political bickering of rival candidates and their families

At present, however, he is inspired by how much progress Balanga has made over the last few years. Aside from the generally strong economic outlook of the province, he attributes the developments to the transformative leadership provided by the city government.

City Accountant Myrna Roman cites the Performance Governance System (PGS) as the tool that really allowed the city leadership to spearhead reforms in the locality. Concurrently serving as the LGU's PGS Core Team Chairperson, Roman shares that it was through the PGS that employees of City Hall were transformed, and in turn, this led to greater development outcomes for their constituents.

Since the installation of the system within the LGU in 2008, the poverty incidence in the city has gone down from 29% to 18% in 2015.

The economy also grew as a result of the PGS. The LGU's internal revenue allotment (IRA) dependence, one of the primary indicators of a City Government's financial independence, went down from 73% to 57%. The number of registered businesses in the city grew from 1,818 to 3,913 with an approximately 400% increase in the income generated from these establishments.

Part of this success can largely be attributed to the University Town vision of the City. With its dream of becoming the "Silicon Valley of the Philippines", the LGU has made an effort to leverage on its strong educational system to encourage students and other citizens to set up businesses of their own, preferably in the areas of technology and other related fields.

"It goes against the longstanding mindset that it is necessary for students to become employees or join the workforce when they graduate. There is nothing wrong with being employed or being a member of the workforce but it has been the natural inclination of society that it

is the only way to prosper and grow professionally," explains Former Mayor Jose Enrique "Joet" Garcia III in ISA's 2015 Journey Report.

Mark Colentava, a graduate of BPSU and one of the leading young technopreneurs in the city, has seen this change in mindset among his own peers. He shares that Balanga's start-up community has greatly benefited from the LGU's technology and innovation thrust.

Before the LGU identified its current strategic focus, Colentava shares that efforts to build a start-up community in the city were disjointed. This made it difficult to minimize costs and maximize resources for their businesses.

"Before the vision, all technopreneurs in the city were living in their own bubbles, typically spending thousands of pesos acquiring training outside the city, and allocating valuable resources just to productively work in private offices, coffee shops and other shared spaces," he shares.

"Through the LGUs vision, technopreneurs, entrepreneurs, investors, supporters, and even customers are now connected more than ever. Engineers and aspiring entrepreneurs like us also save a lot of resources by utilizing open spaces like the city Library and the co-working space."

***"Through the LGUs vision, technopreneurs, entrepreneurs, investors, supporters, and even customers are now connected more than ever. Engineers and aspiring entrepreneurs like us also save a lot of resources by utilizing open spaces like the city Library and the co-working space."***



## Ripples of change in the province & sustaining transformation

Balanga's example has inspired other LGUs in the Province to follow suit. At present, six (6) other LGUs in Bataan (including the Provincial Government) have already begun their PGS journeys. One of these towns, the Municipality of Pilar, has already produced early wins from its PGS program.

"One of our early wins was that we were able to form our Multi-Sector Governance Council (MSGC) who were immediately able to produce projects that were aimed towards the attainment of our vision," shares Office for Strategy Management (OSM) Head Celestial Doreen Pizarro.

Similar gains have been made in the Municipality of Samal. Municipal Administrator Aaron Rondilla shares that

the PGS was instrumental in strengthening the development that has already taken place in the town in the last decade.

"Under the administration of [incumbent] Mayor Gene [Malibiran-De La Fuene], [a lot of reforms were made] in [strengthening] good governance.

For the past 7 years of her leadership, Samal lacked a clear path towards [harmonizing its day to day operations] with the reforms that were being made - from its municipal hall down to its employees' performances. [The PGS] helped us accomplish this] by aligning the municipality's dream for its people."

Sustaining the gains made from the PGS is now seen as the bigger challenge down the road.

City Administrator Rodolfo de Mesa believes that the transformation that has occurred among its stakeholders will be the key to sustainability.

"We were able to change the hearts and minds of the people, which is said to be the big challenge for each politician because, even if we change the system, if the hearts and minds of the people are not committed with the change that you want to have in your community, I think it will not be reality," he explains.

Dr. Dizon affirms de Mesa's statement. "The city's leadership challenges and inspires us to be world class citizens. And in the same way, the city's vision challenges and inspires us to hope for a better future for our city as well as our children."



## **Set Sail**

words by Arielle Tugade & Sushi Santos



***to become  
“.. a strong and  
credible Navy that  
our maritime nation  
can be proud of”***

Following the establishment of ISA's PGS Governance Pathway as an official feeder program into the Balanced Scorecard (BSC) Hall of Fame (HoF) for Executing Strategy™ in 2008, ISA's partner institutions, and, most importantly, the Philippines have had several of its public institutions and local governments globally recognized for their efforts in creating positive impact through their strategies and leadership.

Starting with the cities of Iloilo and San Fernando, Pampanga in 2010, the legacy of ISA partner breakthroughs have been continued by more local governments, with the triumphant inauguration of the cities of San Fernando, La Union (2015), and the City of Balanga (2017).

Established as the first national government agency to have been inducted in the prestigious BSC HoF, the Philippine Navy (PN) proved themselves esteemed leaders of positive impact.

A model for others to follow suit, the Philippine Navy serves as inspiration for more national government agencies to aim for organizational sustainability and global recognition. This is their story.

### Afloat with the challenges

More than external forces, the Navy faced internal difficulties as defenders of the Philippine seas. Before starting on their PGS journey, the Navy lacked the strategic focus and technical capabilities in carrying out their mandate to protect the maritime interest of the country. In 2006, the Navy saw the need to improve and provide better service to the Filipino people, and joined the PGS pathway – embarking on their Sail Plan journey to become “a strong and credible Navy that our maritime nation can be proud of.”

## Innovations turned breakthroughs

Commodore Giovanni Carlo J. Bacordo, AFP, shared that the changes that their Technical Working Group (TWG) initially wanted eventually turned into milestones.

With the Center for Leadership Excellence (CLE), the PN's working Office for Strategy Management, the Navy is able to conduct ten PN Governance Forums annually – a leadership forum broadcasted in real-time for all PN units in the country.

Bringing up the internal core processes to international modern standards, the Navy's efforts are proven effective with the certification given by the International Maritime Organization, and the presence of a total of twenty-seven (27) office units ISO certified.

As testament to the effectivity of "Sail Plan 2020" to improve utilized technologies to sustain financial processes and communication efforts, a significant increase was seen in operational readiness with 90.38% 2015 – from just 67.93% in 2008.

## Onwards to 2020

Despite having accomplished impressive feats with the implementation of its Sail Plan 2020, the Philippine Navy recognizes that much still has to be done in order to elevate the organization into a world-class Navy.

With this in mind, the PN is currently in the process of refreshing its strategy in an effort to not just continuously improve its processes, but more importantly to align to the thrusts of its mother agency, the AFP, and ultimately to the priorities of the Department of National Defense (DND).

In line with the AFP's ongoing modernization program, the country can expect that the PN will be beefing up its naval capabilities in the aspects of equipment acquisition and competencies upgrade.



Public sector institutions undergo the four-stage Performance Governance System (PGS) pathway in the belief that designing, executing, and sustaining a long-term strategy will bring about breakthrough results and positive impact for the Filipino people. This dream of transformation is what keeps partners of the Institute for Solidarity in Asia (ISA) engaged in pursuing strategic goals as articulated in their respective roadmaps and governance scorecards. But, what happens when an organization has already achieved its targets and has garnered local and international praise for successful implementation of the PGS? The Philippine Heart Center answers.



## ***In the blood***

words by Guia Luistro

When the Philippine Heart Center (PHC) started its governance journey under the theme of Towards Healthy Happy Hearts in 2012, the PHC dreamt of becoming the leader in upholding the highest standards of cardiovascular care in the country. Five years since then, the hospital has not only attained its goals centered on increasing its client satisfaction, and the number of new patients served, but has also exceeded most of its scorecard targets by the end of 2016—even garnering a 100.5% increase in its satisfaction rating. Additionally, the hospital has also been recognized as an Island of Good Governance (IGG) in the 2015 Asia-Pacific Economic Cooperation (APEC) Summit, highlighting the tremendous transformation journey that it has undergone. These breakthroughs have proven that the PHC is already an exemplary model not just as a specialty center for cardiovascular care but as a public sector institution rooted in creating a better Philippines.

While the PHC has garnered numerous awards and achievements for its internal transformation, it also made the hospital ponder on how it was going to sustain itself as an IGG institution. Dr. Juliet Balderas, head of the hospital's Office for Strategy Management (OSM), had an answer: the PHC needed to connect with other possible Islands of Good Governance in the healthcare sector, and encourage them to think strategically by going the PGS way. She adds, “We wanted to present the PGS for hospitals as an effective way of addressing major issues through sharing with them the PHC experience.”

***“We wanted to present the PGS for hospitals as an effective way of addressing major issues through sharing with them the PHC experience.”***



The idea of governance outreach or sharing is not new to the hospital, as it has established regional heart centers to widen the access to quality cardiovascular care. It has organized best practice sharing modules such as the “Governance in Healthcare Summit” in 2016 which had ninety-six (96) public and private hospitals coming together to discuss innovations in medical practices and hospital administration.

This new endeavour, however, was different as the PHC wanted a more pro-active module that would allow them to directly assist public hospitals to craft their own roadmaps aligned to the Department of Health (DOH) Agenda 2016-2022—paving the way for others to also realize their dreams of providing better healthcare services to Filipinos.

This governance sharing program was first carried out by the PHC on January 2017 through the “Governance in Healthcare: Performance Governance System Module 1” (PGS Module 1) session. With the assistance of ISA, PGS Champions within the Heart Center mentored the delegates as they go through the gruelling task of articulating their long-term goals and deliverables in a hospital-wide strategy map and scorecard.

Through this exercise, Dr. Gerardo S. Manzo, the Assistant Director for Medical Services of the PHC, hopes that the participating hospitals “learn good practices from the things we did right and avoid challenges in areas where we stumbled.”

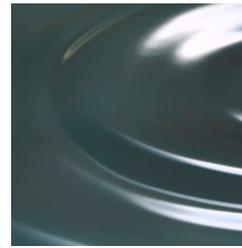
Since the inaugural module, the PHC has been able to reach five (5) DOH hospitals with three of the PGS Module 1 graduates eventually being conferred the PGS Initiation seal by ISA, namely: the Mariano Marcos Memorial Hospital & Medical Center, the Navotas City Hospital, and the Philippine Children’s Medical Center.

As more and more hospitals have expressed their desire to take part in this governance sharing initiative, they hope to conduct at least one (1) PGS Module 1 session every quarter of 2018. While this may sound like a daunting task to take on, the Philippine Heart Center looks forward to the challenge of becoming the catalyst for other hospitals to undergo the PGS. Dr. Balderas envisions the hospital to continue with its own governance journey with this beyond better mindset: “PHC as an IGG should always aspire to make governance a shared responsibility in the healthcare sector, even if this means working with only one hospital at a time.”



# Raising the bar

words by Arrielle Tugade



Amid the country's rapid economic growth, and rise in the global competitiveness ranking, the benefits of job creation generated by the influx of foreign direct investments in the public and private sectors still fail to trickle down to the Filipinos at the margins. With the country's lack of economic inclusivity, the Philippines endures to be marred by extreme poverty despite her impressive economic growth.

Recognizing the need to address the country's poverty dilemma, the Office of the Vice President (OVP) has developed "Angat Buhay," an advocacy program in fulfillment of the Vice President's promise to serve the underserved Filipino people. As an anti-poverty platform, the program aims to uplift the lives of the Filipino people, and generate lasting impact in the society.

## Value chain

Culled from the shift in the OVP's mandate – from performing a largely ceremonial and spare-tire function, to leading an anti-poverty advocacy program for the Filipinos in the peripheries – a strategic focus was identified. The strategic focus aims to showcase Angat Buhay communities as models of convergence and transformation. Leveling up the delivery of the program, the OVP is set to annually identify nationwide priority areas in order to produce more tangible results, and to maximize the Angat Buhay impact.

Characterized by key result areas, a value chain was created to strengthen its current organizational systems and processes. It starts with the partner communities as their needs are assessed, then proceeds to the public and private sector partners – where the linkages necessary for implementation are secured. It then moves to progress monitoring and impact assessment of the programs, to the storytelling and communication of transformation stories to its stakeholders, and finally to the recommendation of public policies based on the Angat Buhay experience – all actions integrated and aligned in a process flow that standardizes and harmonizes the OVP's anti-poverty efforts.



## Covergence and transformation

As seen in the value chain, significant impact cannot be done by one organization alone. The OVP's strategy highlights the necessity of societal convergence to create substantial contribution to the grander scheme of poverty reduction. It partners with local government units (LGUs) to address the most pressing issues in the localities, and fosters linkages with the rest of the bureaucracy, the private sector, and non-government organizations (NGOs) for the implementation of different community-specific programs. Consequently, the collective, meaningful effort enhanced Filipino communities and lives.

Improving 83,707 families in just its first year, the "Angat Buhay" program allowed for its partner institutions to serve Filipino families contributing to personal and societal growth. It delivered feeding and nutrition programs for 2,345 lactating mothers, and undersized and undernourished children. It also granted 7,691 farmers, fisherfolk, and indigent families with livelihood opportunities. Helping further education in the country, the program aided 21,791 students, out-of-school youth, and teachers.

It helped develop classrooms, train teachers, and equip schools with items essential for efficient and holistic learning. Improving the daily lives of 1,868 individuals, the program granted 725 families with solar kits and generators, water filters and pumps, and hygiene kits and facilities.

Nation building. This is the essential endeavor that the OVP, and its partners in both the public and private sectors, promotes. And that, in itself, is a substantial benefit that goes beyond having an anti-poverty strategy. And this substantially inspires transformation towards a Philippines that has risen above poverty through the collaborative efforts of the Filipino people.



# Public Governance Forum

June 2017

**372** delegates

**5** revalidas

Partner Breakthroughs

PCMC is the premiere institution in pediatric and prenatal research, training and service.

By 2020,

Mariveles is the number one industrial tourism destination in the Philippines.

Pilar is the historical-cultural center of the Philippines.

Orani is within the top five ecotourism destinations in Central Luzon.

Samal is the emerging inclusive business model (IBM) hub for agro-industrial enterprises.



## Boot Camp 15 & 16

Mariveles  
**114** delegates  
**26** orgs

Among the many challenges of the PGS is being able to sustain the governance program in the organization after being institutionalized.

In the module “Sustainability beyond Institutionalization”, Dr. Estanislao talked about the sustainability tripod, a holistic approach to sustainable development wherein transformation does not only occur in the workplace but also in schools, families, and individuals.

*“It’s encouraging to see public servants leading transformation in their respective organizations to attain better quality service for their constituents.”*

– Anthony Dignadice  
Ramon Aboitiz Foundation, Inc.



Baguio  
**90** delegates  
**22** orgs

The Managing Change module featured four (4) Bataan LGUs in different stages of the PGS pathway.

Through the module, the delegates were able to learn how to deal with the various challenges in implementing the PGS that occur in all levels of the pathway.

The Bataan LGUs featured were the Municipality of Samal (Initiated), Municipality of Dinalupihan (Compliant), Province of Bataan (Proficient), and the City of Balanga (Institutionalized).

*“With this event, we became more empowered, knowing in our minds that we are not mere employees who are tested to execute the strategy, but we should also be part of the formulation of the strategy.”*

– Camille Sta. Maria  
Armed Forces of the Philippines



## Skills Lab

### Risk Management

**30** delegates

**11** organizations

*"For the City Government of Legazpi, we find ERM as very timely and appropriate for us, especially that we value resiliency and sustainable development."*

*– Engr. Miladee Azur,  
City Government of Legazpi*

*"The ERM workshop that we have just attended would definitely complement to the current efforts that we are exerting to develop the Philippine Army. It will complement our strategy management and will definitely improve our systems and processes."*

*– MAJ Michael Rayman,  
Philippine Army*



## LCE Luncheon

**31** delegates

**18** LGUs/organizations

*"Adopting the PGS will allow you to grow your local economies, transform your workforce, produce more jobs for your constituents, and ultimately gain the support of your people."*

*– Mary Jane Ortega,  
ISA Trustee & Fellow*



October 2017

**182** delegates

**9** revalidas

**707** pledges



## ***Dream Philippines Fair 2017***



The Dream Philippines campaign is an initiative to seek as many Filipinos as possible to create sustainable support for good governance and responsible citizenship programs.

The initiative paves the way to attain ISA's mission of building our Dream Philippines where every government institution delivers and every citizen prospers.





## ***Our Founder***

Dr. Jesus P. Estanislao  
Chairman Emeritus  
Institute for Solidarity in Asia

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Securities and Exchange Commission

Alexander L. Lacson  
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Institute for Solidarity in Asia

Mary Jane C. Ortega  
MSGC Chairperson  
City of San Fernando La Union  
Multi-sector Governance Council

# Our Team

## Executives

Christian Zaens  
Executive Director

Jose Marianito Palaña  
Chief Staff Officer

## National Government Agencies

Guia Luistro  
Program Officer

Denise Dalusong  
Program Coordinator

Jonas Trinidad  
Program Coordinator

Arrielle Tugade  
Program Coordinator

## Resource Mobilization

Jyska Kuan Ken  
Resource Mobilization Coordinator

## Communication

Marielle Antonio  
Program Officer

Isabel Camus  
Senior Program Coordinator

Kirsten Ramos  
Program Coordinator

## HR & Administrative Services

Jennifer Santos  
HR & Admin Officer

Nelvi Lucero  
HR & Admin Coordinator

Kristine Gonio  
HR & Admin Assistant

Roger Marcelo  
EA to the Chairman Emeritus

## Local Government Units

Jan-Ace Mendoza  
Program Officer

Luis Carlos Martinez  
Senior Program Coordinator

Gabriela Amaris Macasinag  
Program Coordinator

Jose Miguel Deanon  
Program Coordinator

Flora May Bisan  
Program Coordinator

## Learning & Development

Bernice Esguerra  
Program Officer

Dana Juridico  
Program Coordinator

Julie Parreño  
Program Coordinator

Aimee Abello  
Program Coordinator

## Finance & Accounting

Rennica Torres  
Accountant

Esperanza Solivar  
Admin & Accounting Assistant/  
Administrative Staff

VADM JOSE LUIS M ALANO (RET)  
Former Flag Officer in Command  
Philippine Navy

Madeline Alfelor-Gazmen  
Former Mayor  
City Government of Iriga

Rafael M. Alunan III  
Former Secretary  
Department of the Interior  
and Local Government

Mario Rogelio P. Antalan  
Former Mayor  
City Government of Samal

Sally Ante-Lee  
Mayor  
City Government of Sorsogon

LTGEN CRISTOLITO P BALAOING (RET)  
Former Superintendent  
Philippine Military Academy

Atty. Fe B. Barin  
Executive Vice President  
Manila Bulletin Publishing Co.

PDG NICANOR A BARTOLOME (RET)  
Former Director General  
Philippine National Police

Cesar B. Bautista (+)  
Former Trustee and Fellow  
Institute for Solidarity in Asia

GEN EMMANUEL T BAUTISTA (RET)  
Undersecretary  
Office of the President

Oliver B. Butalid  
Former Governor  
Board of Investments

Eric S. Canoy  
Chairman and President  
Radio Mindanao Network

Dr. Pericles P. Dakay  
Director  
Mactan-Cebu International Airport Authority

LTGEN JEFFREY F DELGADO (RET)  
Former Commanding General  
Philippine Air Force

Dr. Edilberto C. De Jesus  
President  
Asian Institute of Management

Melinda Q. De Jesus  
Executive Director  
Center for Media Freedom and Responsibility

Rex C. Dylon II  
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Institute for Solidarity in Asia

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Department of Health

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Center for Police Strategy Management  
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Associate Professor  
University of Asia and the Pacific

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Former President  
Institute for Solidarity in Asia

Baltzar N. Endriga  
Managing Partner  
Endriga, Manangu & Associates

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Chairman Emeritus  
Institute for Solidarity in Asia

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Chairperson  
Galing Pook Foundation

Atty. Richard N. Ferrer  
Former President  
Institute of Corporate Directors

Aniceto B. Fontanilla  
President and CEO  
Asia-Pacific Centre for Research, Inc.

Jose Enrique S. Garcia III  
Congressman  
Second District of Bataan

Linda P. Gonzalez  
Former Mayor  
City Government of Ligao

Antonieta F. Ibe  
Commissioner  
Securities and Exchange Commission

GEN HERNANDO DCA IRIBERRI (RET)  
Former Chief-of-Staff  
Armed Forces of the Philippines

Alexander L. Lacson  
Former Chief Executive Officer  
Institute for Solidarity in Asia

Dan Neri Lim  
Former Mayor  
City Government of Tagbilaran

Anneli R. Lontoc  
Undersecretary  
Department of Transportation and Communications

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

GEN LEOPOLDO L MALIGALIG (RET)  
Consultant  
First Philippine Holdings Corporation

Dr. Gerardo S. Manzo  
Assistant Director for Medical Services  
Philippine Heart Center

VADM JESUS C MILLAN (RET)  
Former Flag Officer in Command  
Philippine Navy



Evelyn R. Singson  
Chairperson  
Shareholders' Association of the Philippines

Abraham N. Tolentino  
Congressman  
Seventh District of Cavite

Jerry P. Treñas  
Congressman  
Lone District of Iloilo

Atty. Adelita A. Vergel de Dios  
President  
Center for Family Advancement

## ***Society of Fellows***

Gregorio S. Navarro (+)  
Managing Partner and CEO  
Deloitte Philippines

Mary Jane C. Ortega  
MSGC Chairperson  
City of San Fernando La Union  
Multi-sector Governance Council

Dr. Cayetano W. Paderanga (+)  
Former Director General  
National Economic and Development Authority

Oscar S. Rodriguez  
Former Congressman  
Third District of Pampanga

Dr. Cesar G. Saldaña  
Principal  
PSR Consulting, Inc.

Mel Senen S. Sarmiento  
Former Secretary  
Department of the Interior and Local Government

Atty. James M. Abadia  
Vice President for Social Services  
Ramon Aboitiz Foundation, Inc.

Tomas C. Aguilar, Jr.  
Marikina City Development  
Authority Planning Head  
City Government of Marikina

BGEN GERRY P AMANTE (RET)  
Former Munitions Control Center Chief  
Armed Forces of the Philippines

CAPT ARMIL M ANGELES (PN)  
Director  
Center for Naval Leadership and Excellence  
Philippine Navy

COMMO GIOVANNI J BACORDO  
Former Naval Forces Southern  
Luzon Commander  
Philippine Navy

Dr. Juliet J. Balderas  
Officer-in-Charge  
Office for Strategy Management  
Philippine Heart Center

PCSUPT NOEL A BARACEROS  
Director  
Center for Police Strategy Management  
Philippine National Police

Atty. Jamaal James C. Calipayan  
Chief-of-Staff  
Office of Congressman Jonas Cortes

Engr. Ferdinand Z. Caylao  
Former City Administrator  
City Government of San Fernando Pampanga

Francisco A. Caymo  
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Corporate Planning Office  
National Electrification Administration

Maria Gracia A. Chua  
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City Government of Iloilo

LTC ROMMEL C CORDOVA  
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Office of the Strategic Studies  
and Strategy Management  
Armed Forces of the Philippines

LCDR EDWIN GERMAN A CORDOVA (PN)\*  
Assistant Director  
Center for Naval Leadership and Excellence  
Philippine Navy

COL ARTHUR M CORDURA (PAF)  
Chief  
Air Force Strategy Management Office (AFSMO)  
Philippine Air Force

BGEN FERMIN R DE LEON (RET)  
Former President  
National Defense College of the Philippines

## ***Society of Associates***

Ferdinand Joseph T. Escobal  
Director and Facilitator  
True North Strategic

Ma. Socorro L. Escueta  
Consultant  
EDUCHILD Foundation

Ryan G. Evangelista  
Associate  
Institute for Solidarity in Asia

CAPT OPINIANO M JAYME JR  
Assistant Chief-of-Staff of Plans (O-N5)  
Philippine Navy

Benito T. Jimena  
Former City Tourism Officer  
City Government of Iloilo



Lucille Y. Lagunay  
City Councilor  
City Government of Tagbilaran

Engr. Fernando A. Limbitco  
City Administrator  
City Government of San Fernando Pampanga

Betty F. Merritt  
Former Member  
Board of Nursing

Jonathan Juan DC. Moreno  
Chief Strategy and Governance Officer  
Metro Retail Stores Group, Inc.

Mary Jean T. Pacheco  
Assistant Secretary  
Competitiveness and Ease of Doing  
Business Group (CEODBG)  
Department of Trade and Industry

Annjanette F. Dimaculangan  
Consultant to the Governor  
Provincial Government of La Union

Merla Abarquez-Rosalado  
Former President  
Christ the King College

Roderick N. Padua  
Department Head  
Information Technology and Communication Services  
Department (ITCSD)  
National Electrification Administration

COL JOEL M PALOMA PA (GSC)  
Army Governance and Strategy  
Management Office Head  
Philippine Army

Ramon T. Peralta  
Chief-of-Staff  
Office of Congressman Pablo Ortega

COL RUEL G ROMBAOA (RET)  
Sales and Marketing Manager  
Alpha Aviation Group

Sonia P. Soto  
President and General Manager  
Central Luzon Television 36

Normita L. Villaruz  
PGS Committee Chair  
Accountancy Profession

Christian P. Zaens  
Executive Director  
Institute for Solidarity in Asia

# ***Statement of Responsibility***

The management of Institute for Solidarity in Asia Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors (Trustees) is responsible for overseeing the Company's financial reporting process.

The Board of Directors (Trustees) reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip,Gorres,Velayo & Co. (SGV), the independent auditor appointed by stockholders , has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



**Francisco Del Rosario Jr.**  
Chairman



**Christian P. Zaens**  
Executive Director

# ***Independent Auditor's Report***

The Board of Trustees  
Institute for Solidarity in Asia, Inc.  
14th Floor, Trident Tower Condominium  
H.V. Dela Costa Street, Salcedo Village, Makati City

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

### **Opinion**

We have audited the financial statements of Institute for Solidarity in Asia, Inc. (a nonstock, nonprofit organization) (the Organization), which comprise the statements of assets, liabilities and fund balance as at December 31, 2017 and 2016, and the statements of excess (deficiency) of revenue over costs and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRSs for SMEs).

### **Basis for Opinion**

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010**

The supplementary information required under Revenue Regulations No. 15-2010 for the purpose of filing with the Bureau of Internal Revenue is presented by the management of Institute for Solidarity in Asia, Inc. in a separate schedule. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule No. 68, As Amended (2011). Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

*Wenda Lynn M. Loyola*  
Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-A (Group A),

March 8, 2016, valid until March 8, 2019

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 6621276, January 9, 2018, Makati City

April 10, 2018

**INSTITUTE FOR SOLIDARITY IN ASIA, INC.****(A Nonstock, Nonprofit Organization)****STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE**

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 5)	<b>₱1,466,624</b>	₱1,301,495
Receivables (Note 6)	<b>4,442,054</b>	1,873,420
Prepayments and other current assets (Note 7)	<b>1,369,539</b>	1,200,201
Total Current Assets	<b>7,278,217</b>	4,375,116
<b>Noncurrent Asset</b>		
Property and equipment (Note 8)	<b>17,283,523</b>	18,384,207
Deferred tax asset (Note 14)	<b>291,029</b>	—
Total Noncurrent Assets	<b>17,574,552</b>	18,384,207
	<b>₱24,852,769</b>	₱22,759,323
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 9)	<b>₱9,858,498</b>	₱9,337,459
Due to related parties (Note 10)	<b>14,438,571</b>	13,402,895
Current portion of installment payable (Note 11)	<b>2,572,940</b>	2,707,301
Total Current Liabilities	<b>26,870,009</b>	25,447,655
<b>Noncurrent Liabilities</b>		
Retirement benefit obligation (Note 15)	<b>639,874</b>	639,874
Installment payable - net of current portion (Note 11)	<b>5,380,322</b>	6,380,117
Total Noncurrent Liabilities	<b>6,020,196</b>	7,019,991
Total Liabilities	<b>32,890,205</b>	32,467,646
<b>Fund Balance</b>	<b>(8,037,436)</b>	(9,708,323)
	<b>₱24,852,769</b>	₱22,759,323

*See accompanying Notes to Financial Statements.*

**INSTITUTE FOR SOLIDARITY IN ASIA, INC.****(A Nonstock, Nonprofit Organization)****STATEMENTS OF EXCESS (DEFICIENCY) OF REVENUE OVER COSTS AND EXPENSES**

	<b>Years Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>REVENUE</b>		
Programs, donations and contributions (Note 12)	<b>₱19,974,361</b>	₱18,019,463
Interest and other income	<b>3,197,441</b>	2,037,728
	<b>23,171,802</b>	20,057,191
<b>COSTS AND EXPENSES</b>		
Program costs (Note 12)	<b>10,636,332</b>	15,598,176
General and administrative expenses (Note 13)	<b>9,414,829</b>	7,482,036
Interest expense (Notes 10 and 11)	<b>1,261,313</b>	1,209,693
Miscellaneous expense	<b>279,743</b>	120,655
	<b>21,592,217</b>	24,410,560
<b>EXCESS (DEFICIENCY) OF REVENUE OVER COSTS AND EXPENSES BEFORE INCOME TAX</b>	<b>1,579,585</b>	(4,353,369)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 14)	<b>(91,302)</b>	89,304
<b>NET EXCESS (DEFICIENCY) OF REVENUE OVER COSTS AND EXPENSES</b>	<b>₱1,670,887</b>	(₱4,442,673)

*See accompanying Notes to Financial Statements.*

**INSTITUTE FOR SOLIDARITY IN ASIA, INC.**

**(A Nonstock, Nonprofit Organization)**

**STATEMENTS OF CHANGES IN FUND BALANCE**

	<b>Years Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>FUND BALANCE</b>		
Balances at beginning of year	<b>(₱9,708,323)</b>	(₱5,265,650)
Excess (deficiency) of revenue over costs and expenses	<b>1,670,887</b>	(4,442,673)
Balances at end of year	<b>(₱8,037,436)</b>	(₱9,708,323)

*See accompanying Notes to Financial Statements.*

**INSTITUTE FOR SOLIDARITY IN ASIA, INC.**  
**(A Nonstock, Nonprofit Organization)**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over costs and expenses before income tax	<b>₱1,579,585</b>	(₱4,353,369)
Adjustments for:		
Interest expense (Notes 10 and 11)	<b>1,261,313</b>	1,209,693
Depreciation and amortization (Notes 8 and 13)	<b>1,170,673</b>	1,279,824
Provision for doubtful accounts (Note 13)	<b>970,096</b>	–
Unrealized foreign exchange loss (gain)	<b>92,323</b>	(22,011)
Movement in retirement liability (Note 15)	–	(64,358)
Interest income (Note 5)	<b>(1,364)</b>	(3,728)
Operating income (loss) before working capital changes	<b>5,072,626</b>	(1,953,949)
Decrease (increase) in:		
Receivables	<b>(3,538,730)</b>	2,400,011
Prepayments and other current assets	<b>(169,338)</b>	(357,300)
Increase (decrease) in:		
Accrued expenses and other payables	<b>521,039</b>	(214,397)
Due to related parties	<b>508,689</b>	31,705
Net cash generated from operations	<b>2,394,286</b>	(93,930)
Interest received	<b>1,364</b>	3,728
Income tax paid	<b>(199,727)</b>	(89,304)
Interest paid	<b>(734,326)</b>	(1,209,693)
Net cash flows provided by (used in) operating activities	<b>1,461,597</b>	(1,389,199)
<b>CASH FLOW USED IN INVESTING ACTIVITY</b>		
Acquisition of property and equipment (Note 8)	<b>(69,989)</b>	(15,250)
<b>CASH FLOW USED IN FINANCING ACTIVITY</b>		
Payment of loans payable (Note 11)	<b>(1,134,156)</b>	(1,067,525)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH ON HAND AND IN BANKS</b>		
	<b>(92,323)</b>	22,011
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>165,129</b>	(2,449,963)
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,301,495</b>	3,751,458
<b>CASH AT END OF YEAR (Note 5)</b>	<b>₱1,466,624</b>	₱1,301,495

*See accompanying Notes to Financial Statements.*

**INSTITUTE FOR SOLIDARITY IN ASIA, INC.**  
**(A Nonstock, Nonprofit Organization)**

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**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

Institute for Solidarity in Asia, Inc. (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 promote good governance, good citizenship, democracy, and strategic thinking in the practice of transformative and sustainable public sector governance, with the ultimate objectives of improving public service delivery, sparking local economic growth for Filipino citizens and communities, and promoting social welfare and the common good.

The Organization's registered office address is 14th Floor, Trident Tower Condominium, H.V. Dela Costa Street, Salcedo Village, Makati City.

Authorization for Issuance

The financial statements of the Organization as at and for the years ended December 31, 2017 and 2016 were approved and authorized for issuance by the Board of Trustees (BOT) of the Organization on April 10, 2018.

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**2. Basis of Preparation and Statement of Compliance**

Basis of Preparation

The accompanying financial statements of the Organization have been prepared using the historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the Organization's functional currency. All amounts are presented to the nearest peso unit unless otherwise indicated.

Statement of Compliance

The accompanying financial statements of the Organization have been prepared in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRSs for SMEs).

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**3. Summary of Significant Accounting and Financial Reporting Policies**

Changes in Accounting Policies and Disclosures

The Organization applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. The adoption of these pronouncements did not have a significant impact on the Organization's financial position or performance, unless otherwise indicated.

**2015 Amendments to the PFRSs for SMEs**

In August 2016, the Securities and Exchange Commission resolved to adopt the *2015 Amendments to the PFRSs for SMEs* as part of its rules and regulations on financial reporting.

Most of the amendments clarify existing requirements and add supporting guidance to the existing standard rather than change the underlying requirements. Among the most significant amendments to the standard are:

- Permitting SMEs to use the revaluation model to measure items of property, plant and equipment;

- Aligning the recognition and measurement requirements for deferred income tax with full PFRSs; and
- Allowing SMEs to use the equity method to account for investments in subsidiaries, associates and jointly controlled entities in the separate financial statements.

The impact of the adoption of the amendment in the recognition and measurement requirements for deferred income tax is disclosed in Note 14.

### **New Accounting Framework Effective on Annual Periods beginning January 1, 2019**

In March 2018, the Philippine Securities and Exchange Commission resolved to adopt PFRSs for Small Entities (the Framework) as part of its rules and regulations on financial reporting. This Framework was developed in response to feedback of small entities that PFRSs for Small and Medium-sized Entities (PFRSs for SMEs) is too complex to apply. By reducing choices for accounting treatment, eliminating topics that are generally not relevant to small entities, simplifying methods for recognition and measurement, and reducing disclosure requirements, the Framework allows small entities to comply with the financial reporting requirements without undue cost or burden. Some of the key simplifications introduced by the Framework are as follows:

- For defined benefit plans, an entity is required to use the accrual approach in calculating benefit obligations in accordance with Republic Act (RA) 7641, The Philippine Retirement Pay Law, or company policy (if superior than RA 7641). Accrual approach is applied by calculating the expected liability as of reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.
- Investment properties can be carried either at cost or at fair value, depending on the policy choice made by the entity.
- There is no concept of "finance lease" under the Framework. All lease receipts (payments) are recognized as income (expense) as earned (incurred).
- Inventories are to be subsequently valued at the lower of cost and market value (i.e., the probable selling price to willing buyers as of reporting date).
- Entities are given a policy choice of not recognizing deferred taxes in the financial statements.

The Organization plans to adopt the Framework when it becomes mandatory starting January 1, 2019. The Organization is currently assessing the impact of adopting the Framework on its financial statements.

### Summary of Significant Accounting Policies

#### Current versus Noncurrent Classification

The Organization presents assets and liabilities in the statement of assets, liabilities and fund balance based on current or noncurrent classification.

An asset is current when it is:

1. Expected to be realized or intended to be sold or consumed in normal operating cycle;
2. Held primarily for the purpose of trading;

3. Expected to be realized within 12 months after the reporting period; or
4. Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

1. It is expected to be settled in normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within 12 months after the reporting period; or
4. There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Organization classifies all other liabilities as noncurrent.

#### Cash

Cash includes cash on hand and cash in banks. Cash includes cash in banks that earn interest at floating rates based on daily bank deposit rates.

#### Receivables

Receivables, which are based on normal credit terms and do not bear interest, are recognized and carried at original invoice amounts. At the end of each financial reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statement of excess (deficiency) of revenue and costs and expenses.

If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (EIR). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in the statement of excess (deficiency) of revenue over costs and expenses.

#### Prepayments and Other Current Assets

Prepayments and other current assets are assets held by the Organization, which are expected to be realized and consumed within twelve (12) months after the reporting date.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable purchase taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the item has been put into operation, such as repairs and maintenance, are charged to operations. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, significantly add service potential and extend the economic useful life of the existing asset, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation commences once the property and equipment are available for use and is computed using the straight-line method, net of an estimated residual value, over the estimated useful lives (EUL) of the assets, as follows:

Category	EUL (in years)
Condominium unit	25
Office improvements	15
Office equipment	5
Furniture and fixtures	3-5

The EUL, residual values and depreciation method are reviewed periodically and adjusted if appropriate, at each financial year, to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any allowance for impairment losses are removed from the accounts, and any resulting gain or loss is included in the statement of excess (deficiency) of revenue over costs and expenses.

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 the statement of excess (deficiency) of revenue over costs and expenses. 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 there been no impairment loss recognized for that asset in prior years.

#### Liabilities

Liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. These are present obligation of the Organization arising from past transactions or events, the settlement of which is expected to result in an outflow from the Organization's resources embodying economic benefits. A liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

This accounting policy relates to "Accounts payable and accrued expenses", "Due to related parties", "Current portion of installment payable" and "Installment payable – net of current portion".

#### Fund Balance

Fund balance represents accumulated excess of revenues over expenses from the Organization's activities. This account relates to the general fund and special funds in the statement of assets, liabilities and fund balance. The fund balance may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Organization and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

##### *Programs*

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

##### *Donations and Contributions*

Donations and contributions are recorded when received.

### *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.

### *Interest Income*

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

### Costs and Expenses Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in fund balances. Expenses are generally recognized when the services are used or the expenses arise.

### Retirement Costs

Retirement costs are based on the estimated retirement benefits of employees based on RA 7641, *Retirement Pay Law*. This method considers each period of service as giving rise to an additional benefit entitlement and measures separately to build up the final obligation.

### 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 statement of excess (deficiency) of revenue over costs and expenses on a straight-line basis over the lease term.

### Income Taxes

#### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at reporting date.

#### *Deferred tax*

Deferred tax is provided on all temporary differences using the liability method, with certain exceptions, at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable profit or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

#### Foreign Currency Transactions

Foreign currency transactions are recorded in Philippine peso using the exchange rate prevailing at the date of transactions. Foreign currency-denominated monetary assets and liabilities are translated using the closing exchange rate prevailing at the reporting date. Foreign exchange difference between the rates at transaction date and settlement date or reporting date are recognized in the statement of excess (deficiency) of revenue over costs and expenses.

#### 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 made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment 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 an interest expense.

Where the Organization expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of excess (deficiency) of revenue over costs and expenses, net of any reimbursement.

#### Contingencies

Contingent liabilities are not recognized in the financial statements. These 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 disclosed when an inflow of economic benefits is probable.

#### Events after the Financial Reporting Date

Post year-end events that provide additional information about the Organization's financial 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 financial statements when material.

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#### **4. Significant Accounting Judgment and Estimates**

The Organization's financial statements prepared in accordance with PFRS for SMEs require management to make judgements and estimates that affect the amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon the management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Judgment

In the process of applying the Organization's accounting policies, the management has not made any significant judgment for both years ended December 31, 2017 and 2016.

### Estimates

The key assumptions concerning the future and other key sources of estimation and uncertainty at the financial 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 doubtful accounts*

The Organization reviews its receivables at each reporting date to assess whether an allowance for doubtful accounts should be recognized in the statement of excess (deficiency) of revenue over costs and expenses. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance.

Receivables, net of allowance for doubtful accounts amounted to ₱4.44 million and ₱1.87 million, respectively (Note 6). In 2017, the Organization recognized provision for doubtful accounts amounting to ₱0.97 million. No provision for doubtful accounts was recognized in 2016.

#### *Estimating realizability of deferred tax assets*

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimate is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Organization has unrecognized deferred tax assets amounting to ₱2.28 million and ₱3.42 million as of December 31, 2017 and 2016, respectively (Note 14).

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## 5. Cash

	2017	2016
Cash on hand	<b>₱30,000</b>	₱35,000
Cash in banks	<b>1,436,624</b>	1,266,495
	<b>₱1,466,624</b>	₱1,301,495

Cash in banks earns interest at the prevailing bank deposit rates. Cash in banks are unrestricted and immediately available for use.

Interest income earned from cash in banks amounted to ₱1,364 and ₱3,728 in 2017 and 2016, respectively.

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**6. Receivables**

	2017	2016
Receivables	<b>₱4,975,993</b>	₱1,658,554
Advances to officers and employees	<b>378,924</b>	157,633
Others	<b>57,233</b>	57,233
	<b>5,412,150</b>	1,873,420
Allowance for doubtful accounts	<b>(970,096)</b>	—
	<b>₱4,442,054</b>	₱1,873,420

Receivables pertain to noninterest-bearing receivables from public institutions and sectoral groups who enrolled in the programs and services of the Organization. The Organization has not written off receivables both in 2017 and 2016, respectively.

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, 2017 and 2016 and deducted from salaries of officers and employees after a month not liquidated from the completion of intended purpose of the advances.

Others mainly pertain to advance rent and security deposit recoverable from the lessor.

In 2017, the Organization recognized provision for doubtful accounts amounting to ₱0.97 million, which includes impaired receivables from the City Government of Talisay (Note 13).

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**7. Prepayments and Other Current Assets**

	2017	2016
Creditable withholding taxes	<b>₱787,356</b>	₱763,895
Performance bond	<b>215,781</b>	215,781
Input value-added tax (VAT)	<b>158,747</b>	52,855
Others	<b>207,655</b>	167,670
	<b>₱1,369,539</b>	₱1,200,201

Performance bond refers to the amount paid to the local government units (LGUs) and national government agencies (NGAs) as a security for the completion of the services to be rendered by the Organization.

Input VAT is applied against output VAT. The remaining balance is recoverable in future periods. The input VAT are mainly from the costs incurred in relation to the program costs.

Others refers to security bid deposit and rent deposit of the Organization.

## 8. Property and Equipment

	2017				Total
	Condominium Unit	Office Improvements	Furnitures and Fixtures	Office Equipment	
<b>Cost:</b>					
Balances at January 1	₱18,500,000	₱3,843,954	₱1,841,438	₱1,377,362	₱25,562,754
Additions	–	–	–	69,989	69,989
Balances at December 31	18,500,000	3,843,954	1,841,438	1,447,351	25,632,743
<b>Accumulated depreciation and amortization:</b>					
Balances at January 1	3,083,333	1,067,765	1,708,580	1,318,869	7,178,547
Depreciation and amortization (Note 13)	740,000	256,392	132,858	41,423	1,170,673
Balances at December 31	3,823,333	1,324,157	1,841,438	1,360,292	8,349,220
<b>Net book values</b>	<b>₱14,676,667</b>	<b>₱2,519,797</b>	<b>₱–</b>	<b>₱87,059</b>	<b>₱17,283,523</b>

	2016				Total
	Condominium	Office Improvements	Furnitures and Fixtures	Office Equipment	
<b>Cost:</b>					
Balances at January 1	₱18,500,000	₱3,843,954	₱1,841,438	₱1,362,112	₱25,547,504
Additions	–	–	–	15,250	15,250
Balances at December 31	18,500,000	3,843,954	1,841,438	1,377,362	25,562,754
<b>Accumulated depreciation and amortization:</b>					
Balances at January 1	2,343,333	811,502	1,522,518	1,221,370	5,898,723
Depreciation and amortization (Note 13)	740,000	256,263	186,062	97,499	1,279,824
Balances at December 31	3,083,333	1,067,765	1,708,580	1,318,869	7,178,547
<b>Net book values</b>	<b>₱15,416,667</b>	<b>₱2,776,189</b>	<b>₱132,858</b>	<b>₱58,493</b>	<b>₱18,384,207</b>

The cost of fully depreciated property and equipment amounted to ₱5.12 million and ₱3.28 million as of December 31, 2017 and 2016, respectively. These are retained in the records and are still used by the Organization until they are disposed.

No property and equipment is pledged as security to the Organization's obligation in 2017 and 2016.

## 9. Accounts Payable and Accrued Expenses

	2017	2016
Trade payables	₱8,317,264	₱7,385,679
Accrued expenses	92,101	28,484
Deferred output VAT	480,708	–
Others	968,425	1,923,296
	<b>₱9,858,498</b>	<b>₱9,337,459</b>

Trade payables are unsecured, non-interest bearing and normally settled within 30- to 90-day terms. These mainly consist of professional fees of the audit firms hired during implementation of Performance Governance System (PGS) for the requirements with the national government agencies and local government units.

Other payables pertain to government payables.

## 10. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

The Organization has entered into transactions with Chairman Emeritus and affiliates in the normal course of business.

Category	Year	Amount/Volume	Outstanding Balance	Terms	Conditions
<b>Chairman Emeritus (Note 10a)</b>					
Advances	2017	₱479,724	(10,758,205)	On demand, interest-bearing	Unsecured
	2016	(486,245)	(10,278,481)		
Professional fees	2017	(5,985)	(2,943,455)	On demand, interest-bearing	Unsecured
	2016	–	(2,949,440)		
<b>Affiliates:</b>					
Institute of Corporate Directors, Inc. (ICD)					
Advances (Note 10b)	2017	(55,419)	(₱119,555)	On demand, noninterest-bearing	Unsecured
	2016	174,974	(174,974)		
Center for Excellence in Governance (CEG)					
Advances (Note 10c)	2017	617,356	(617,356)	On demand	Unsecured
	2016	–	–		
	2017	₱1,035,676	(₱14,438,571)		
	2016	(₱311,271)	(₱13,402,895)		

- a. In 2013, the Organization obtained advances from Chairman Emeritus 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 and professional fees as speaker, trainor and facilitator on various Performance Governance System (PGS) forums, bootcamps and interventions with the Organization's partners.

As of December 31, 2017 and 2016, the outstanding balance recognized in the statements of assets, liabilities and fund balance amounted to ₱13.70 million and ₱13.23 million, respectively.

The Organization has accrued interest on the outstanding advances at a rate of 4.00% per annum. Interest expense recognized on the statements of excess (deficiency) of revenue over costs and expenses amounted to ₱0.53 million and ₱0.51 million, in 2017 and 2016, respectively.

- b. Advances from ICD represent expenses paid by ICD in behalf of the Organization including loan settlement.
- c. Advances from CEG pertain to professional fees paid to one of the key officers of CEG upon rendering of management and administrative functions.

### *Terms and conditions of transactions with related parties*

Outstanding balances as at year end are unsecured, non-interest bearing, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Organization has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2017 and 2016. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

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## 11. Installment Payable

	2017	2016
Current portion	<b>₱2,572,940</b>	₱2,707,301
Noncurrent portion	<b>5,380,322</b>	6,380,117
	<b>₱7,953,262</b>	<b>₱9,087,418</b>

In 2012, the Organization and ICD obtained a loan from Union Bank of the Philippines (UBP) for the acquisition of a condominium unit in Trident Tower worth ₱37.00 million. The loan will be settled on a 50-50 basis between the Organization and ICD through joint efforts to undertake fund-raising activities to generate the necessary cash to complete the payment of the obligation. The 10.00% of the loan is payable over five (5) equal monthly installments and the remaining balance is payable in equal monthly installments of ₱0.38 million over fifteen (15) years with an interest rate of 11.00% per annum.

On October 11, 2013, amendments to the contract were made. The outstanding balance of the loan of the Organization and ICD as of July 16, 2013 totaling ₱25.29 million (₱12.65 million share of the Organization) shall be paid until May 16, 2027 with an interest thereon at the new rate equivalent to the average of 10-year and 20-year Philippine Dealing System Treasury - Fixing (PDST-F) plus 2.50% with re-pricing every six (6) months in equal and successive monthly installments of ₱0.30 million (₱0.15 million share of the Organization).

Interest expense on loans amounted to ₱0.73 million and ₱0.70 million in 2017 and 2016, respectively.

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## 12. Programs, Donations and Contributions, and Program Costs

The Organization received donations and contributions which were used to finance project costs. The Organization also hold programs, forums and bootcamps for the local government units and public sector agencies in exchange for payment of registration fees.

These revenue-generating programs are presented under “Programs, donations and contributions” in the statements excess (deficiency) of revenue over costs and expenses.

	2017	2016
<b>Programs, donations and contributions</b>		
Programs, bootcamp and conference fees	<b>₱19,314,361</b>	₱16,880,598
Sponsorship and donation	<b>660,000</b>	1,138,865
	<b>₱19,974,361</b>	<b>18,019,463</b>
<b>Program costs</b>		
Seminars, conference and exhibits	<b>₱10,137,355</b>	₱14,172,284
Travel and transportation expenses	<b>498,977</b>	808,279
Printing and publication	–	617,613
	<b>₱10,636,332</b>	<b>₱15,598,176</b>

### Programs, donations and contributions

The Organization works with institutions and individuals who believe and act upon the mission to deliver real government performance. To promote the public governance advocacy, the Organization 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 the Organization's PGS partners. Each year, the Organization organizes bi-annual boot camps that provide its PGS partners with intensive values and management training which are held every year during February and September. The Organization also convenes a semi-annual Public Governance Forum where (PGS) partners deliver performance reports using their governance scorecards. These are various seminars, conferences, and exhibits organized and held by the Organization throughout the year to promote and deliver its advocacy held during May and November.

In organizing the above activities, the Organization 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.

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### 13. General and Administrative Expenses

	2017	2016
Salaries, allowances and employee benefits	₱2,565,992	₱2,258,614
Professional fees	2,520,625	1,894,698
Depreciation and amortization (Note 7)	1,170,673	1,279,824
Provision for doubtful accounts (Note 6)	970,096	-
Utilities	443,038	449,812
Association dues	435,240	423,954
Office supplies	391,541	289,402
Contracted services	324,346	487,774
Transportation	197,888	77,122
Rent	107,368	107,368
Taxes and licenses	34,653	124,871
Others	253,369	88,597
	<b>₱9,414,829</b>	<b>₱7,482,036</b>

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### 14. Income Taxes

- a. The Organization's provision for (benefit from) income tax follows:

	2017	2016
MCIT	₱199,727	₱89,304
Deferred	(291,029)	-
	<b>(₱91,302)</b>	<b>₱89,304</b>

- b. The reconciliation of income tax expense computed at statutory income tax rate to provision for income tax follows:

	2017	2016
Income tax computed at statutory tax rate	₱473,876	(₱1,306,010)
Tax effects of:		
Expired NOLCO and MCIT	1,339,706	-
Non-deductible expenses	169	362,162
Interest income subject to final tax	(409)	(1,118)
Non-taxable income	(764,333)	-
Changes in unrecognized deferred tax assets	(1,140,311)	1,034,270
	<b>(₱91,302)</b>	<b>₱89,304</b>

- c. As of December 31, 2017, the Organization recognized deferred tax asset amounting to ₱0.29 million which pertains to the tax effect of the provision for doubtful accounts recognized during the year.
- d. Pursuant to the 2015 Amendments to the PFRSs for SMEs, the Organization did not recognize deferred tax assets on the following accounts since the Management assessed that it is not probable that sufficient taxable income will be available to allow the deferred tax asset to be utilized.

	2017	2016
NOLCO	<b>₱5,597,588</b>	₱9,928,579
Retirement benefit obligation	<b>639,873</b>	639,873
Excess of MCIT over regular corporate income tax	<b>377,060</b>	242,792
Foreign exchange loss	<b>92,323</b>	9,927

- e. As of December 31, 2017, details of NOLCO are as follows:

Year Incurred	Amount	Applied/ Expired	Balance	Expiry date
2016	3,204,318	–	3,204,318	2019
2015	2,393,270	–	2,393,270	2018
2014	4,330,991	4,330,991	–	2017
	<b>₱9,928,579</b>	<b>₱4,330,991</b>	<b>₱5,597,588</b>	

Expired NOLCO amounted to ₱4.33 million and nil in 2017 and 2016, respectively.

- f. As of December 31, 2017, details of MCIT are as follows:

Year Incurred	Amount	Applied/ Expired	Balance	Expiry date
2017	₱199,727	₱–	₱199,727	2019
2016	89,304	–	89,304	2019
2015	88,029	–	88,029	2018
2014	65,459	65,459	–	2017
	<b>₱442,519</b>	<b>₱65,459</b>	<b>₱377,060</b>	

Expired MCIT amounted to ₱0.07 million and nil in 2017 and 2016, respectively.

#### Republic Act (RA) No.10963

On December 19, 2017, the RA No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

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**15. Retirement Benefit Obligation**

The Organization provides for the estimated retirement benefits of employees based on RA 7641, *Retirement Pay Law*. The discount rates used to determine the present value of retirement benefits are 5.00-6.88% in 2017 and 2016.

The benefits are based on the years of service and compensation of the employees.

Under the existing regulatory framework, RA 7641 requires a provision for retirement pay to qualified private sectors employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. In the absence of a formal retirement plan, under RA 7641, an employee who retires shall be entitled to retirement pay equivalent to at least one-half month salary for every year of service, a fraction of at least six months being considered as one whole year.

Movement in retirement benefit obligation recognized in the statements of financial positions follows:

	<b>2017</b>	2016
At January 1	<b>₱639,874</b>	₱704,232
Payments	–	(64,358)
At December 31	<b>₱639,874</b>	₱639,874

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**16. Contingencies**

As of December 31, 2017 and 2016, there is no present, pending nor threatened litigation, claim, lawsuit or proceeding by or against the Organization. The Organization is not aware of any other case under preliminary investigation, litigation and/or prosecution in courts.

**INSTITUTE FOR SOLIDARITY IN ASIA, INC.**  
**SUPPLEMENTARY INFORMATION ON REQUIRED UNDER**  
**REVENUE REGULATIONS NO. 15-2010**

In compliance with the requirements set forth by Revenue Regulations No. 15-2010 hereunder are the information on taxes and license fees reported and/or paid during the taxable year:

**Value Added Tax (VAT)**

Details of the Organization's net sales/receipts, output VAT and input VAT accounts as declared in the Organization's VAT returns are as follows:

a. Output VAT

	Net Sales/Receipts	Output VAT
Vatable sales:		
Programs, bootcamp and conference fees	₱327,001	₱39,240
Sales to government	12,635,518	1,516,262
	<u>₱12,962,519</u>	<u>₱1,555,502</u>

The Organization's sale of services are based on actual sales collected, hence, may not be the same as amounts accrued in statement of excess (deficiency) of revenues over costs and expenses. The Organization has deferred output VAT amounting to ₱480,708 pertaining to services rendered in the year but subsequently collected in the following year.

b. Input VAT

Balance at January 1, 2017:	
Input tax carried over from previous periods	₱-
Current year's domestic purchases/payments:	
Purchases of goods other than capital goods	458,622
Claims for tax credit/refund and other adjustments:	
Input tax on sales to government closed to expense (income)	884,486
VAT withheld on sales to government	287,459
Output tax credited against input tax	(1,471,820)
Balance at December 31, 2017	<u>₱158,747</u>

**Taxes and Licenses**

Business permits and licenses	₱33,153
Annual registration fee	500
Certification for tax clearance	1,000
Total	<u>₱34,653</u>

Withholding Taxes

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

Expanded withholding taxes	₱304,080
Withholding taxes on compensation and benefits	708,976
<u>Total</u>	<u>₱1,013,056</u>

Tax Assessments and Cases

As at December 31, 2017, the Organization has no pending final assessment notices. The Organization is not aware of any tax case under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

**INSTITUTE FOR SOLIDARITY IN ASIA, INC.**

**(A Nonstock, Nonprofit Organization)**

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**SUPPLEMENTARY SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Receipts**

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Programs, bootcamps and conference fees	₱17,321,626
Sponsorship and donations	660,000
	₱17,981,626

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**Disbursements**

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Purchase of property and equipment	69,989
Payment of loans payable	1,134,156
Program costs	10,270,900
General and administrative expenses	5,607,126
Payment of interest	734,326
	₱17,816,497

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# ***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, and 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.



*Empowering public institutions  
for a better Philippines*

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