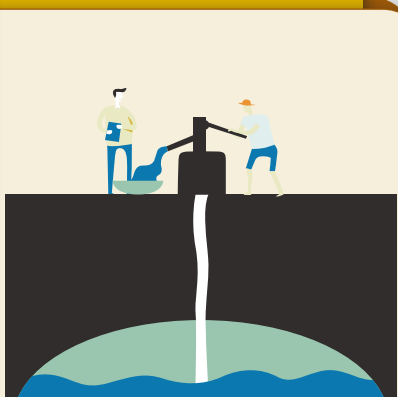
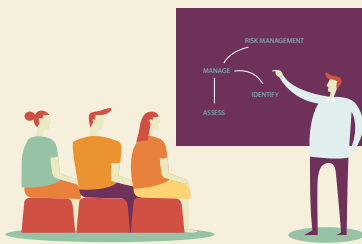
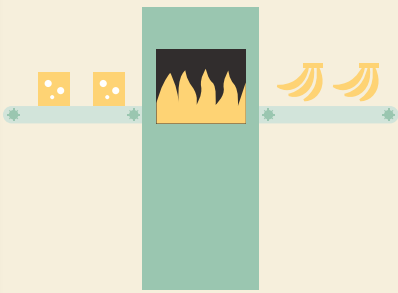




ANNUAL REPORT 2017





The Peace Equity Access for Community Empowerment Foundation, Inc. (also known as Peace and Equity Foundation or PEF) aspires to drive positive change in poor Filipino households by investing in social enterprises that will provide them with viable livelihood and better access to basic services. PEF works with individuals or entities who share this vision by developing models and best practices that will build, promote and scale up social enterprises.

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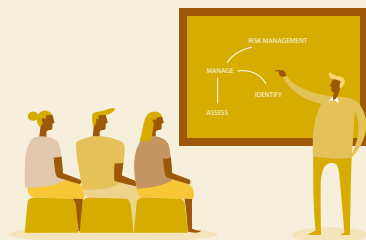
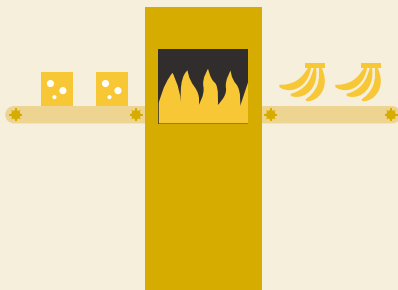
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When the Peace and Equity Foundation started the social enterprise strategy for creating sustainable livelihoods in 2011, the Board and the General Assembly thought then that **social enterprises (SE) are effective vehicles of economic empowerment and value creation for the poor** — the same thought that continues to guide the foundation. It is our belief that a household with a sustainable source of income is at liberty to choose the best route to take to escape the poverty trap.

Engaging in a purely commercial undertaking is difficult enough, and unofficial statistics have revealed that only 50% of small enterprises would survive their fifth year in business and 30% would reach their tenth. With such a bleak horizon, we are challenged to prepare our SEs for external and internal vulnerabilities. However, given the good performance of our endowment fund, we have the advantage to gear them up for the long haul.

With the complex and evolving nature of the problem of poverty, what has been constant for the foundation is the **unrelenting challenge to retool and reinvent itself** through the years to remain relevant by scaling up the impact, building on previous successes and lessons, and engaging critical stakeholders to the work that we do.

We also saw the need to reflect on the necessary structural changes within, so that we will continue to be relevant to our targeted households. With the renewed focus on four agricultural commodities, cacao, cane sugar, coffee, and coconut (C4), we developed intelligence on each of them. Moreover, we strengthened partnerships with the government and industry associations for alignment and support.

PEF continues to explore **effective models for scaling social impact on communities**. The area development approach with C4 as the entry point has been studied and will be piloted in selected regions. As such, we are broadening our understanding and appreciation of industries and other sectors that will loop into the developments that we started in C4.

Evidently, what we have before us is an evolving landscape for impact creation, where **household outreach will no longer be simply defined by its sprawl but by the depth of its impact**. While there are many moving parts in the organization—establishment of systems, strategy recalibration, mandate reviews, and upgrading of skills — there remain critical decisions that need to be made fast, lest great opportunities pass us by.

I remain optimistic about the opportunities and challenges ahead of us. The Board continues to draw inspiration from our community of stakeholders and supporters for the richness of collaboration to pursue common goals. I hope that in the coming years, we will see more meaningful partnerships as we strive to make a difference in the lives of the poor. 🙌

BENJAMIN D. ABADIANO



Taking hold of lessons from the first social enterprises to guide the achievement of this year's targets, PEF took steps to improve its approach in supporting the most promising projects and managing the current portfolio.

These steps include building critical intelligence for priority commodities such as C4 and the emerging sectors; pooling a diverse internal talent to scope the local landscapes for C4; strengthening partnerships with industry stakeholders; and customizing the financial structures of the enterprise to improve the credit quality. Capacity development grounded in SE-focused needs assessment have now become part of the project development process.

In terms of financial health, timely investment decisions to take advantage of favorable market conditions resulted in a high return of 12.53%, thus ensuring that financial resources are available for projects and support activities.

While PEF learned a lot about the external and internal environments the SEs operate in, it also saw the need to adjust internal structures, upgrade competencies, stabilize performance metrics, and realign processes and systems.

With the midterm impact study showing positive but marginal household improvement attributed to social enterprises, an emerging need to develop multiple income streams to create a more focused and deeper impact at the household level has led to the configuration of an area-focused development approach. Essentially, this strategy intends to connect the value chain processes and enablers in a given locality or cluster to strengthen the ecosystem where households will participate. 🌱



GROW



PHP 65M
Total SE Approvals



1,620
Target Households



C4

PHP 39M



NON C4

PHP 23M



SE SUPPORT

PHP 3M

More than 1,620 households are estimated to participate and benefit from investments in agricultural social enterprises focused on four priority crops — cacao, cane sugar, coffee, and coconut (C4). Aside from remaining as the biggest portfolio for development financing, the C4 SEs increased by 13% compared with 2016.

PEF continues to explore effective models for scaling social impact on communities. An area development strategy with C4 as the entry point is being developed, which will be piloted in selected regions starting in 2018. As we broaden our understanding of other industries and sectors that will loop into the developments in C4, we have initiated discussions with potential partners in coastal resource management, Islamic financing, and community-based enterprises led by indigenous peoples.

Chocolates with a Heart of Gold

Move over Chocolate Hills. This chocolate house in Bohol has real chocolate and a lot more to offer.

With support from PEF and BPI Foundation's Sinag, the Dalareich Chocolate House opened its cacao-colored gates in September 2017, allowing people to witness and experience local chocolate production from bean to bar.

Built by chocolatier Dalareich Polot, the chocolate factory is not just a place where you can eat a variety of chocolates. The factory is also a learning space that provides tourists the basics about chocolate making. With the will to promote chocolates made of cacao from the province, Dalareich founded Ginto Fine Chocolates, exclusively sourcing cacao requirements from local small farmers.

"Five years from now, I'll be making Bohol literally the island of chocolates," says Dalareich. She hopes that through this chocolate house and their company, they will be able to seize more opportunities for the province's and the country's cacao farmers and chocolate makers. "Social entrepreneurship is a mission; it's not just about making money," she adds.

More of this story at <http://bit.ly/2oKRQiq>.

PARTNER DALAREICH FOOD PRODUCTS

Dalareich Food Products had its humble beginnings in 1994. A small, family-owned business, the enterprise manufactures tableya and distributes the unsweetened chocolate bars to local supermarkets, malls, and cafés. The factory employs 20 production workers, mostly mothers and students, and processes seven tons of cacao beans every month.

SOCIAL ENTERPRISE	Cacao production
LOCATION	Tagbilaran, Bohol





COLLABORATE

Using its financial and knowledge resources to the maximum advantage, PEF joined forces with other organizations for shared strategic concerns.

- At least 3,000 residents of three barangays in Cagwait, Surigao del Sur now enjoy a steady supply of safe and potable water through the new water system that was supported jointly by PEF and the Coca-Cola Foundation Philippines, Inc.
- As an offshoot to the call for synergy during the PEF-led partnership forum in November 2016, closer ties with industry leaders and government agencies were forged. This act translated to more than a hundred potential projects — particularly those related to C4 — wherein 12 projects were developed.



COFFEE

- Philippine Coffee Alliance
- Philippine Coffee Board, Inc.



COCONUT

- Philippine Coconut Authority
- Davao Region Coconut Industry Cluster, Inc.



CACAO

- Cacao Industry Development Association of Mindanao, Inc.



CANE
SUGAR

- Sugar Industry Foundation, Inc.

- PEF maintains an active role in other convergence initiatives: as the livelihood cluster lead in the Zero Extreme Poverty 2030 Coalition; as well as convenor for the development of an Islamic financing program in Mindanao and for building the ecosystem for sustainable energy enterprises in Laguna, Iloilo, and Basilan.



NETWORK

- Department of Trade and Industry
- ACDI/VOCA
- Ramon Magsaysay Award Foundation
- Zero Extreme Poverty



FINANCE

- Rabobank Foundation
- The Coca-Cola Foundation Philippines, Inc.

Expanding the Access to Drinking for Surigaonons

PEF teamed up with Coca-Cola Foundation Philippines to provide a safe and steady supply of potable water to at least 3,000 residents of Barangay Aras-Asan, Unidad, and Tubo-Tubo in the municipality of Cagwait, Surigao del Sur.

This new water system project included the collection and channeling of spring water to a filtration and chlorination system to ensure water potability, the installation of more than four kilometers of transmission pipe to two main water reservoirs, and the setup of a new distribution pipeline.

According to Leticia Goyongco, the chair of Aras-Asan / Unidad Rural Waterworks & Sanitation Association, Inc. (AURWSA): “We can now serve our consumers 24/7 and benefit more communities.” In fact, the new source is set to increase water production by 100% or double the previous capacity of AURWSA within the next 10 years. The same initiative will be replicated in Barili, Cebu; Calinan, Davao City; as well as Surallah and T’Boli in South Cotabato. 🇵🇭

More of this story at <http://bit.ly/2Ff5jcf>.

PARTNER ARAS-ASAN / UNIDAD RURAL WATERWORKS & SANITATION ASSOCIATION, INC. (AURWSA)

AURWSA was organized in 1991 to operate a Level III water system for the domestic water supply to Barangay Aras-Asan and Unidad covering 615 households. The new water system developed in Camoning Creek will increase the water production by 100% or double the previous capacity of AURWSA within the next 10 years.

SOCIAL ENTERPRISE	Rehabilitation and Expansion of AURWSA Water System
LOCATION	Cagwait, Surigao del Sur





ENHANCE

While there are critical skills that an SE partner needs to manage an enterprise better, PEF recognizes that each SE is unique. Thus, capacity development is designed according to the SE's context and integrated with the project development and management processes. This improvement comes with new knowledge from other organizations as well as tools that can better assess the capacity development needs of the social enterprise partner.

WORKSHOPS ON SPECIAL TOPICS CRITICAL TO LEADING AND MANAGING ENTERPRISES



- Good agricultural practices (GAP) training on coffee production were conducted in coffee communities in Ifugao, Leyte, South Cotabato, and Sultan Kudarat. The training benefited the members of seven farmer organizations.

Each run of the GAP program included two and a half days of interactive discussion and practical application of relevant principles and practices on primary production, processing, storage, and transport of green coffee beans to ensure food safety and production sustainability.



- The Islamic Financing Technology Learning Exchange held in Davao City in November 2017 was the first in a planned series of dialogues among Islamic microfinance organizations, quasi-government agencies, capacity builders, and other financing organizations to discuss and resolve issues related to increasing the access to finance for poor Muslim Filipinos.

The two-day event was held in partnership with the Ramon Magsaysay Transformative Leadership Institute and Dompot Dhuafa, a 2016 Ramon Magsaysay Awardee for redefining the landscape of zakat-based philanthropy in Indonesia.



- In partnership with the Philippine Disaster Resilience Foundation (PDRF), PEF facilitated the participation of 16 social enterprise partners in the business continuity planning workshops.

The two-day seminars raised awareness on the top natural hazards that their enterprises faced and provided a planning tool for preparing and recovering quickly in the event of a disaster. The workshops were sponsored and organized by Unilever Philippines, UP Institute for Small-Scale Industries, and PDRF.

North Meets South

The sight of the bountiful green coffee berries leaves visitors in awe. So amazed they were that they could not seem to grasp how coffee trees could grow so low and yet bear so much fruit.

Coffee growers from the Cordilleras in the North and Bukidnon in the South gathered at the foot of Kalatungan Mountain Range, which sits 1,200 feet above sea level in the central portion of the province of Bukidnon, to share sustainable farming practices. During the exchange, it was Kagawad Cornelio Iraya's pruning technique which stood out most, with his stories from not being taken seriously at first to being able to have a 12-hectare plantation with bountiful yield. His story not only provided visiting coffee growers with new knowledge but also served as inspiration.

Exchanges like this remain one of PEF's pursuits of providing not only learning opportunities but also prospects for future collaborations across the value chain of C4 agri-enterprises. The next encounter heads north. 🌿

More of this story at <http://bit.ly/2l5neQD>.

PARTNER RURAL IMPROVEMENT CLUB (RIC) FEDERATION OF KAPE MARAMAG, INC.

In 2000, coffee farmers representing each of the 20 barangays formed RIC Federation of Kape Maramag. The organization provides training and employment to rural farmers and links them to local and international market with their quality green coffee beans. The federation runs Kape Maramag, a small-scale community-based coffee enterprise that is managed by local women.

SOCIAL ENTERPRISE	Green coffee beans sourcing
LOCATION	Maramag, Bukidnon





KNOWLEDGE EVENTS

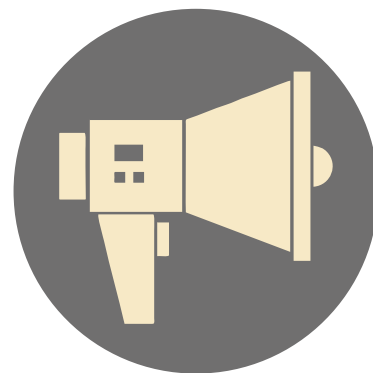
- National Cacao Congress, Cebu
- Cacao Link Luzon, Pampanga
- Cacao Link Visayas, Iloilo
- Cacao Link Mindanao, Butuan
- Kakao Konek, Davao
- Cocoweek, Manila
- Cocolink, Davao
- Coffee Summit, Davao
- Good News Kapihan, Manila
- Mindanao Business Conference, Cagayan de Oro
- IP Conference, Davao
- National SE Conference, Manila



KNOWLEDGE PRODUCTS

- Attempts at social enterprise
- C4 industry reports
- Value chain development for PEF cluster approach
- Lessons in building and developing SEs (2011-2017)
- Midterm evaluation of first 10 SEs

PEF is an active catalyst of opportunities for internal mutual learning and within the SE space to generate innovative ideas, drive shared agenda, expand the social enterprise sector, and increase awareness on SE initiatives and prospects. A C4-focused research agenda and communication campaign complemented the frontline operations through industry reports for project scoping, participation in various industry-led events, and co-organizing national-level conversations that revolved around social innovation as the cross-cutting theme. Part of the campaign is to increase awareness through social media and on the ground coverage.



PROMOTE

UPGRADE



PERFORMANCE AND IMPACT MEASUREMENT

PEF has adopted a results-oriented framework to set the key outcome and output indicators, as well as to align evidence gathering and progress reporting. Aside from monitoring performance in terms of strategy implementation and work plan delivery, the framework enhances institutional learning to seek constant improvement across PEF.



STAFF DEVELOPMENT

PEF staff dedicated a cumulative total of 1,529 hours for continuous learning and retooling. Investment in staff training and development amounted to PHP 1.22 million for January to December 31, 2017, which is equal to 81% of the total annual budget.



GOVERNANCE AND INTERNAL CONTROL

Cognizant of its responsibility to ensure transparency as well as to protect and maintain PEF's reputation and integrity, the Board strengthened governance principles by adopting guidelines for loan grants and financial assistance to trustees, officers, management, and other related interests (TOMRI) of PEF and its subsidiaries.

The compliance audit of 20 projects was completed, which will be subsequently used for designing appropriate capacity-building interventions and project structuring. A third-party evaluation of the internal audit and control unit was also started as part of the continuous service improvement.

Finding Opportunities across the C4 Value Chain

Influenced by the increasing poverty incidence in agricultural households, PEF puts greater emphasis on developing agricultural social enterprises that are focused on the four priority crops (C4)—cacao, cane sugar, coffee, and coconut.

To build an enabling environment that would allow poor communities to participate in the value chain, PEF studied each industry to establish challenges and constraints from production to processing and marketing; spot opportunities for partnerships with stakeholders from the government, industry associations, the private sector, and other financing institutions; and to eventually identify investment options for PEF. This led to the selection of initial priority impact areas with C4 as the entry point. 🇵🇪



CACAO



SUPPLY

It is estimated that local demand for cacao is at 40,000 metric tons (MT), but the PHILIPPINES CAN ONLY PRODUCE about **10,000 MT**



PRICES

The Philippines experienced a large spike in farm gate price in 2002, which is up by 61% from previous year. In 2016, prices increased by **175%** compared to 10 years ago.

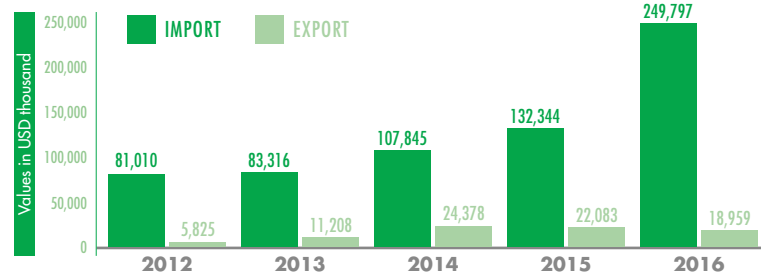


AREA PLANTED

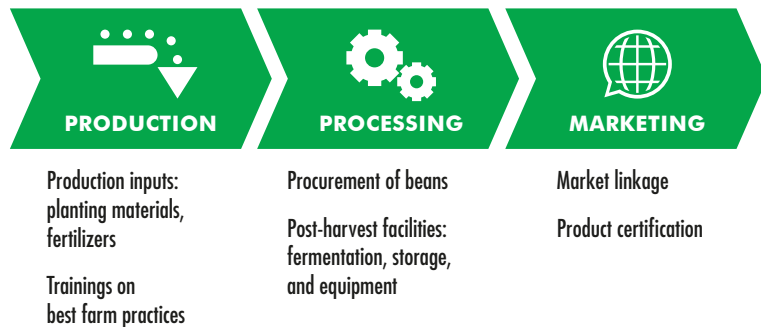
13,911 hectares in 2016

PH CACAO INDUSTRY (2012-2016)

The Philippines remains to be a cacao-importing country.



CACAO VALUE CHAIN



PROFILE OF CACAO FARMERS IN THE PHILIPPINES



Estimated **15,000** cacao farmers

- Many farmers manage less than five hectares of land.
- Cacao is often intercropped with coconut and banana.
- In five years, farmers can earn more than PHP 100,000 per hectare per year, excluding income from other intercropped produce.
- Common problems include prevalence of pests and diseases; farmers' limited access to credit facilities; and inadequate knowledge in good cultivation practices.



CANE SUGAR



INDUSTRY

PHP 87B

sugar industry contribution to the Philippine economy from local and international trade

80% of the sugar produced is domestically consumed.

50% of the domestic consumption is by industrial users, and

30% is by household.



PRICES

Wholesale prices of raw and refined sugar dropped since 2015, while retail prices remained relatively stable. The decrease in prices is attributed to the industrial usage of alternatives and cross-country policy changes.

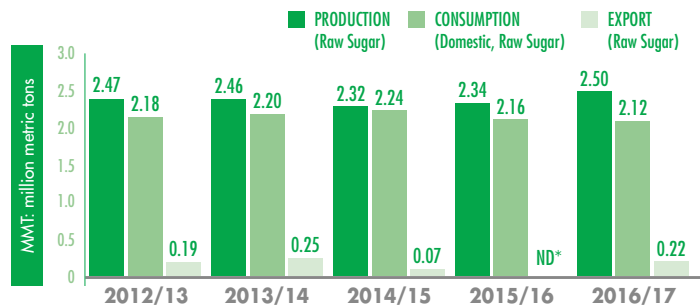


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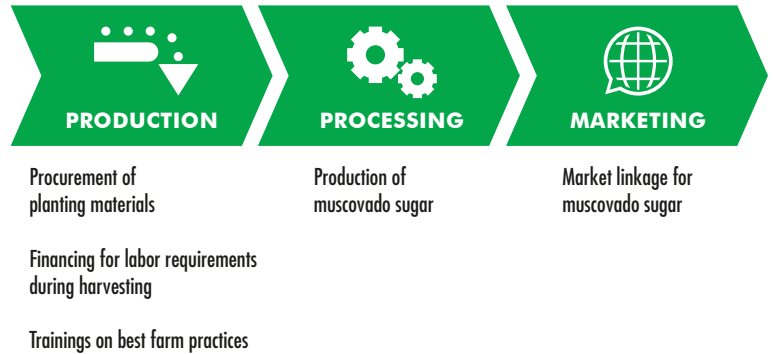
419,207

hectares producing total of 2.5 MMT raw sugar

PH SUGAR INDUSTRY (2012-2017)



MUSCOVADO (RAW SUGAR) VALUE CHAIN



PROFILE OF CANE SUGAR FARMERS IN THE PHILIPPINES



Estimated
65,000
cane sugar farmers

- Around 90% of cane sugar farmers are small landholders with less than 10 hectares of land.
- Small parcels of land incur higher production costs, ranging from PHP 80,000 to PHP 110,000 from planting to harvesting.
- Low productivity, high capital requirement for production, and fluctuating domestic prices severely affect the income generated from cane sugar farming.
- Small landholder farmers earn as small as PHP 10,000 a year.

Source: Sugar Regulatory Administration



COFFEE



SUPPLY

Although consumption increased in 2016, coffee production is decreasing by **3.9% per year** over the last decade.



PRICES

Since 2001, farm gate prices of green coffee beans have been increasing.



ARABICA

PHP 150-250/kilo



ROBUSTA

PHP 80-100/kilo

from an initial price of PHP 34 per kilogram.

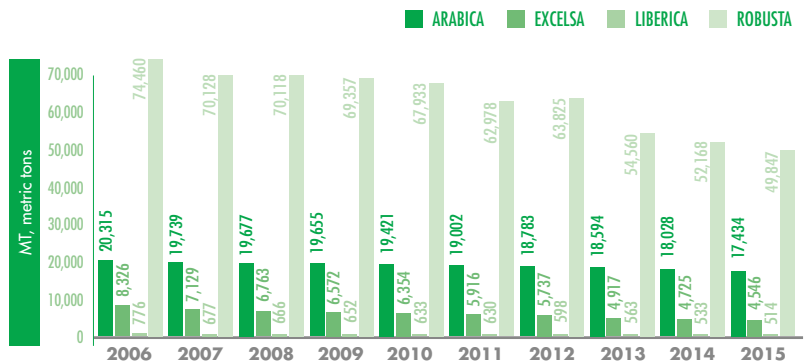


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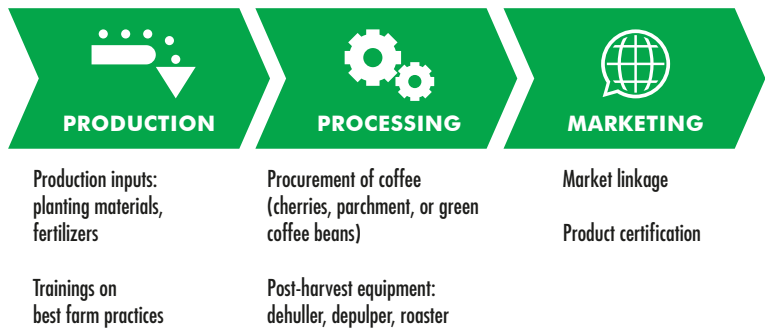
113,700 hectares

with an estimated 83.5 million fruit-bearing trees in 2015.

PH COFFEE INDUSTRY (2006-2015)



COFFEE VALUE CHAIN



PROFILE OF COFFEE FARMERS IN THE PHILIPPINES



Estimated **60,000** coffee farmers

- The average land size per farmer is one to two hectares.
- Farmers often sell fresh cherries, green coffee beans and parchment coffee.
- In four to five years, farmers selling green coffee beans can earn as much as PHP 100,000 per hectare.
- Inadequate knowledge on Good Agricultural Practices (GAP), farmers' limited access to credit services, and the absence of post-harvest facilities affect the industry's growth potential.



COCONUT



SUPPLY

The Philippines produces **15 billion nuts** annually from 340 M coconut trees planted in 3.56 M hectares



COCONUT OIL



COPRA

INDUSTRY

The coconut industry is equivalent to an average of **PHP 43 B** in export value from various products in the last decade.

More than **90%** consists of traditional products in export value from various products.



DESICCATED COCONUT



EMERGING MARKETS

The global market demand for nontraditional products is growing, potentially increasing the income of stakeholders.



VIRGIN COCONUT OIL

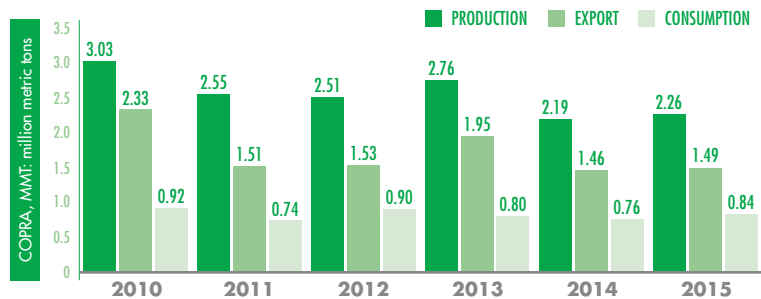


COCONUT SUGAR



COIR-BASED PRODUCTS

PH COCONUT INDUSTRY (2010-2015)



COCONUT VALUE CHAIN



PRODUCTION

Procurement of planting materials
Trainings on best farm practices

PROCESSING

Procurement of raw materials for virgin coconut oil (VCO) production
Improvement of product quality based on industry standards
Upgrade of equipment and facilities

MARKETING

Market linkage
Product certification

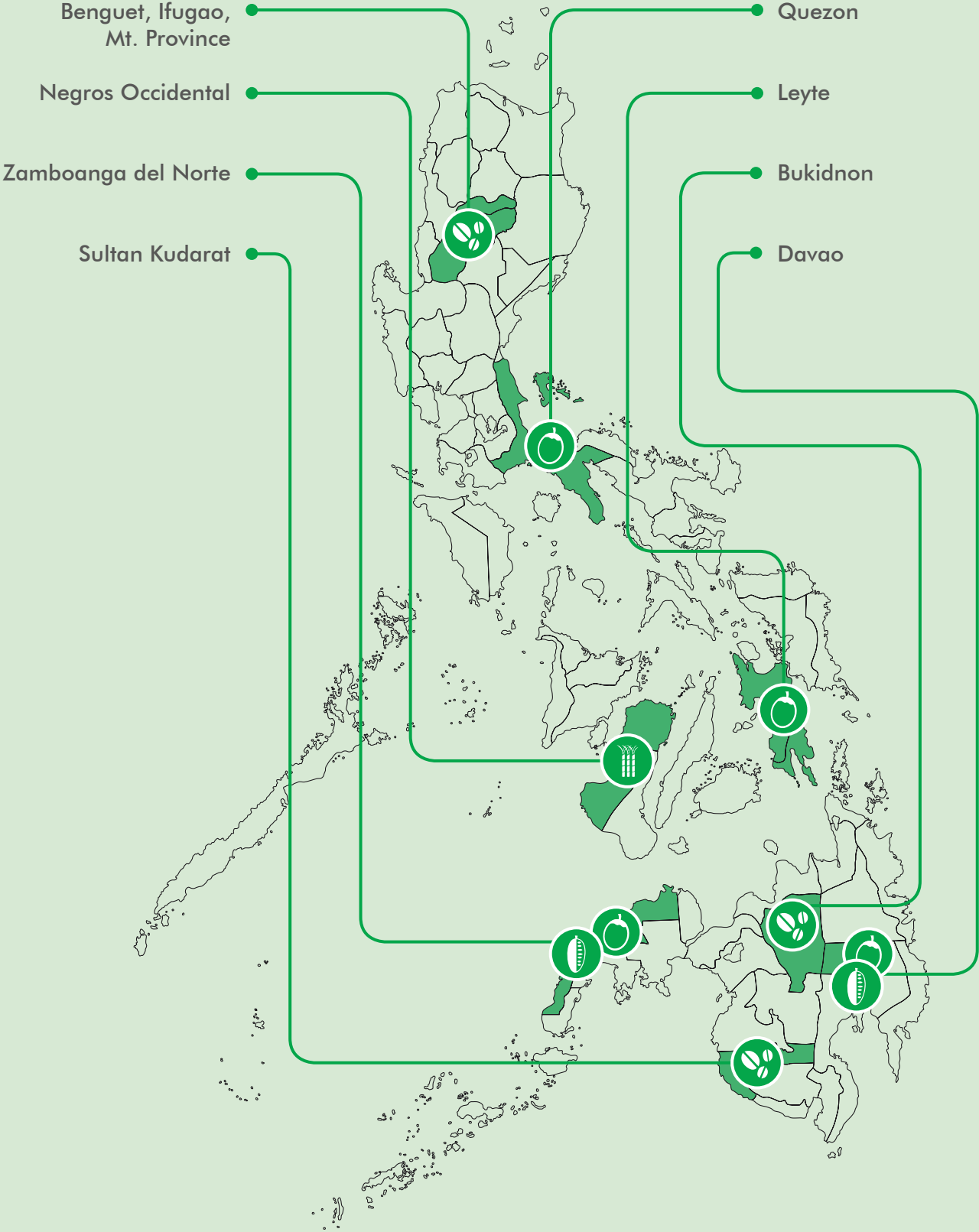
PROFILE OF COCONUT FARMERS IN THE PHILIPPINES



Estimated **3.5 M** coconut farmers

- Average land area per farmer is around three hectares.
- Copra and whole nuts trading are the most common income-generating activities of farmers.
- An average farmer earns PHP 20,000 from copra trading and PHP 30,000 from whole nuts trading.
- Low productivity, a high capital requirement for processing, and stringent quality standards in export market affect the industry's growth potential.

PRIORITY AREAS




Connecting the Dots

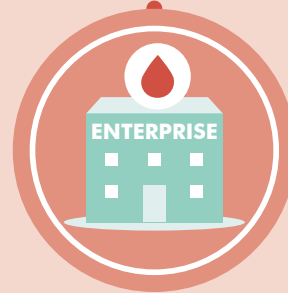
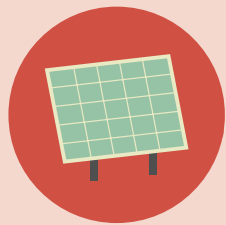
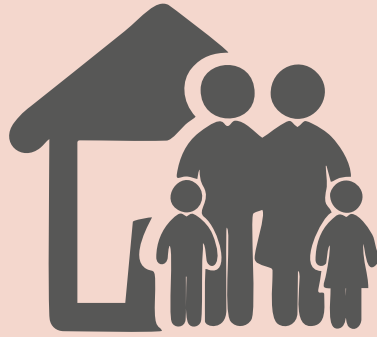
When PEF adopted scale-up as the strategy for 2016 to 2020, this entailed expansion and replication of successful social enterprise models as well as enhancement of the implementation strategy and ecosystems approach, among others.

A review was carried out to examine the current portfolio, the performance of the pilot SEs, and the constraints and opportunities across the value chain.

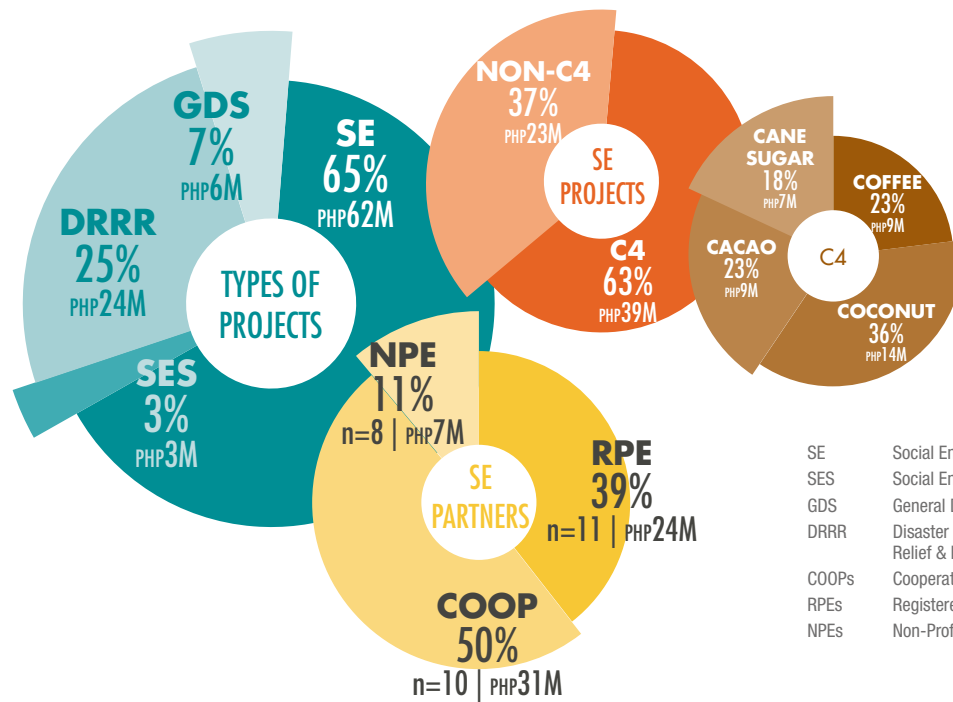
It was found that while there is an improvement in the economic situation of beneficiaries, impact was scattered and loosely related to the growth of the enterprise.

Given these, PEF started to shift to an area development approach to create more meaningful change in the lives of target households. Along with the benefit of focus, this approach will encourage synergy across social enterprises and the interventions provided to them. It will be characterized by the following:

1. Social enterprises as PEF's primary conduit to deliver mission to the poor
2. Selection of impact areas where social entrepreneurship can thrive as a means to ease poverty
3. Comprehensive understanding of poverty drivers as well as facilitating factors for growth
4. Identification of interventions to elevate poor households to greater economic stability
5. Connecting the different value chain activities and enablers to facilitate the creation of sustainable SE ecosystems 



CONNECTING THE DOTS



SE Social Enterprise
 SES Social Enterprise Support
 GDS General Development Support
 DRRR Disaster Risk Reduction, Relief & Rehabilitation
 COOPs Cooperatives
 RPEs Registered For-Profit Entities
 NPEs Non-Profit Entities

**C4 Social Enterprises
 PHP 38,849,650**

COCONUT
 Coco geonet production
Albay
 Coco Technologies Corporation
 10,500,000

Coco geonet and organic fertilizer production and organic certification
Quezon
 Coco Husk Innovations, Inc.
 2,000,000

Coconut sourcing and virgin coconut oil production
Laguna and Quezon
 Amazing Foods Corporation
 1,000,000

Small-scale coconut farm setup and coco sugar processing
Quezon
 Coco Deli Coconut Products
 700,000

CANE SUGAR
 Sugarcane harvesting and milling
Negros Occidental
 Occidental Negros Agrarian Reform Beneficiaries Cooperative
 5,000,000

Block farming expansion
Negros Occidental
 Hacienda Malaga Cuenca Agrarian Reform Cooperative
 2,000,000

COFFEE
 Coffee production
Ifugao
 Hojap Multi-Purpose Cooperative
 3,606,000

Product consolidation, marketing, and capacity building
Benguet
 Atok Arabica Coffee Growers Marketing Cooperative
 3,435,000

Site scoping, coffee production training, and business planning
Benguet, Ifugao, Biliran, Southern Leyte, General Santos, South Cotabato, Sultan Kudarat
 Philippine Coffee Alliance, Inc.
 1,052,800

Green coffee beans sourcing
Bukidnon
 Rural Improvement Club Federation of Kape Maramag, Inc.
 500,000

Farm development, product processing, and marketing
South Cotabato
 JOSCUAL Trading
 298,000

CACAO
 Cacao production
Davao del Sur
 Seed Core Agri-Industrial Corporation
 2,000,000

Cacao production
Cebu
 Compostela Market Vendors Multi-Purpose Cooperative
 1,757,850

Cacao processing
Davao del Norte
 Chokolate de San Isidro
 1,000,000

Cacao trading
Compostela Valley
 Cabinuangan Small Coconut Farmers' Cooperative
 1,500,000

Cacao trading
Davao del Sur
 Farmers Development Cooperative
 1,000,000

Cacao trading
Davao del Sur
 Subasta Integrated Farmers Multi-Purpose Cooperative
 500,000

Production equipment
Bohol
 Dalareich Food Products
 1,000,000

**Non-C4 Social Enterprises
 PHP 23,327,998**

OTHER AGRI-RELATED SEs
 Palay production and processing
Nueva Ecija
 Cooperative Enterprise for True Economic Reform
 3,150,000

Organic produce sourcing and inventory management
Nueva Vizcaya
 Organic Options, Inc.
 3,000,000

BASIC SOCIAL SERVICES
Water
 Water system rehabilitation and upgrading
Cebu
 Kauswagan Water and Sanitation Service Cooperative
 8,731,298

Water system development
Kasilak
 Development Foundation
Davao del Sur
 1,431,700

Hydrological study and water system improvement
Palawan
 Culion Foundation, Inc.
 715,000

Renewable Energy
 Solar energy system pilot installation
Laguna
 Don Bosco Youth Center -Calauan
 1,400,000

MANUFACTURING | MARKETING
 Community sourcing and weaving for fashion accessories production
Rags to Richs, Inc.
 1,000,000

Weaving materials sourcing and product development
ECHOSi Foundation, Inc.
 400,000

PROCESSING | WAREHOUSING
 Warehouse renovation and operations
Global Organic and Wellness Corporation
 2,000,000

Food processing center construction
Tugdaan Mangyan Center for Learning and Development
 1,000,000

ISLAMIC FINANCING
 Technology learning exchange on Shari'a-based financing
Ramon Magsaysay Transformative Leadership Institute
 500,000

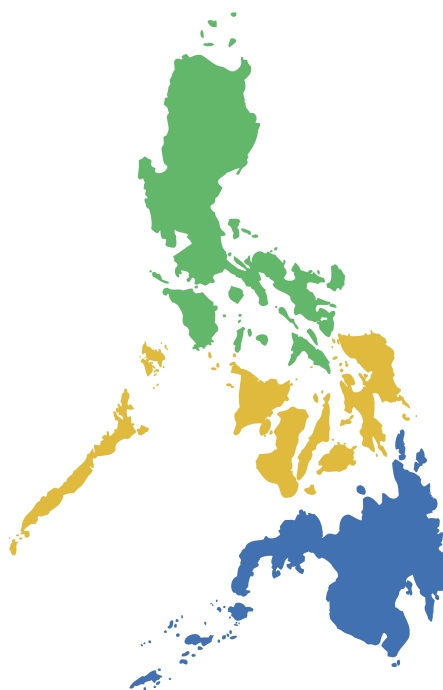
Social Enterprise Support PHP 2,844,250

Social enterprise planning for leprosy patients Culion Foundation, Inc. 267,000	Participation in the Salon Du Chocolat in Paris Dalareich Food Products 47,000	Charcoal briquettes production, technology, and marketing HiGi Consultancy Corporation 500,000
Strategic planning and management training Bugkalot Casecnan Coffee Producers Cooperative 50,000	Strategic planning for virgin coconut oil production and coconut water processing Compostela Valley Cocolife Multi-Purpose Cooperative 50,000	Prototype study and solar store deployment SolarSolutions, Inc. 500,000
Strategic planning Healthdev Integrative Clinics, Inc. 50,000	Cutflower clustering for agro-enterprising and rain shelter technology development Cebu Lamac Multi-Purpose Cooperative 80,250	Solar energy pilot study for Sta. Rita fisherfolks Agoo, La Union Alalay sa Kaunlaran, Inc. Multi-Purpose Cooperative 150,000
10 th National Coffee Summit Philippine Coffee Board, Inc. 500,000		
2 nd International Coconut Conference and Expo Davao Region Coconut Industry Cluster, Inc. 150,000	Prototype development and market research for heat-powered refrigeration solutions Cleverheat Clean Technology Solutions, Inc. 500,000	

Disaster Risk Reduction, Relief, Rehabilitation PHP 23,750,000

MARAWI CITY RELIEF AND RECOVERY ASSISTANCE Philippine Partnership for the Development of Human Resources in Rural Areas - Mindanao 250,000	PAROLA COMPOUND FIRE VICTIMS RELIEF ASSISTANCE Kababaihan Para sa Kalayaan ng Bayan 250,000	TYPHOON VINTA RELIEF OPERATIONS <i>Misamis Oriental</i> Balay Mindanaw Foundation, Inc. 250,000
Social Action Center - Archdiocese of Cagayan de Oro 250,000	TROPICAL STORM URDUJA RELIEF OPERATIONS <i>Biliran</i> Fatima Multi-Purpose Cooperative 250,000	SUPER TYPHOON LAWIN POST-DISASTER REHABILITATION Smallholder farming, livelihood protection, and portfolio rebuilding <i>Cagayan and Isabela</i> Alalay sa Kaunlaran, Inc. 20,000,000
The Maropreneur Inc. 250,000	Nagkakaisang Magsasaka ng Caibiran Multi-Purpose Cooperative 250,000	
Caucus of Development NGO Networks 750,000	<i>Various sites</i> National Confederation of Cooperatives 250,000	
Eisenhower Fellows Association of the Philippines 1,000,000		

PROJECT FUNDING PER REGION



LUZON	PHP 56,698,000
VISAYAS	PHP 19,366,398
MINDANAO	PHP 12,082,500
NATIONAL	PHP 6,487,250

General Development Support PHP 5,862,250

Fellowship program for renewable energy solutions Impact Hub Manila 1,000,000	6 th Congress and Social Development Celebration Caucus of Development NGO Networks 3,000,000	1 st Assembly on Exercising Leadership in Turbulent Times Simbahang Lingkod ng Bayan 50,000
Leadership development and career mentorship for teacher fellows Teach for the Philippines 200,000	1 st Women's Economic Empowerment and Social Enterprise Regional Visioning and Engagement Conference Institute for Social Entrepreneurship in Asia 257,250	Solar Show 2017 Impact Hub Manila 100,000
Responding to opportunities and challenges in NGO leadership transitions Association of Foundations 580,000	45 th Annual General Assembly Association of Foundations 200,000	StovePlus Workshop Iloilo Caucus of Development NGOs 475,000



On behalf of the Board of Trustees, I am pleased to report the financial highlights of PEF for the year 2017.

Financial Position

Total assets amounted to PHP 2.29 billion, a 6% increase from the previous year. Our biggest asset is in available-for-sale financial securities of PHP 1.94 billion accounts for 85% of our total assets. The remaining 15% of the total assets are in the form of net receivables from partners of PHP 181 million, investments in Peace and Equity Holdings, Inc. of PHP 125 million, and other assets such as property and equipment in the amount of PHP 44 million.

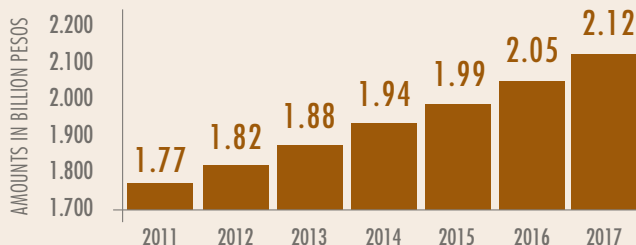
The equity and liabilities side of the balance sheet shows the value of the restricted and unrestricted fund balance of PHP 2.13 billion equal to 93% of total equity and liabilities. The remaining 7% represents the donor funds held in trust as well as the grants payable to partners and other liabilities.

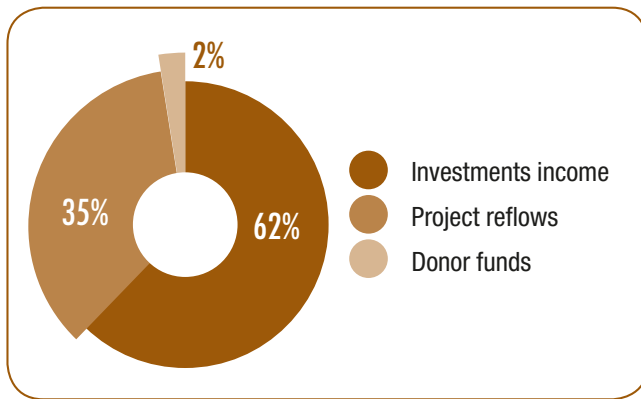
Status of the Endowment Fund

PEF maintains a policy of keeping the value of the original endowment fund intact by adding a 3% provision for annual inflation. The total inflation provision for the year amounted to PHP 61.62 million, which raised the

restricted fund balance to PHP 2.12 billion at the end of the year. This amount is 61% higher than the original endowment fund of PHP 1.318 billion established in 2001. In the same year, the unrestricted balance recovered from its negative balance of PHP 49.67 million to PHP 17.79 million at the end of the year. The recovery primarily came from gains in investments in stocks and bonds.

Comparative Total Endowment Fund
For years 2011-2017
(in billion pesos)





Sources of Funds for 2017

A total of PHP 335.26 million was generated from the following sources:

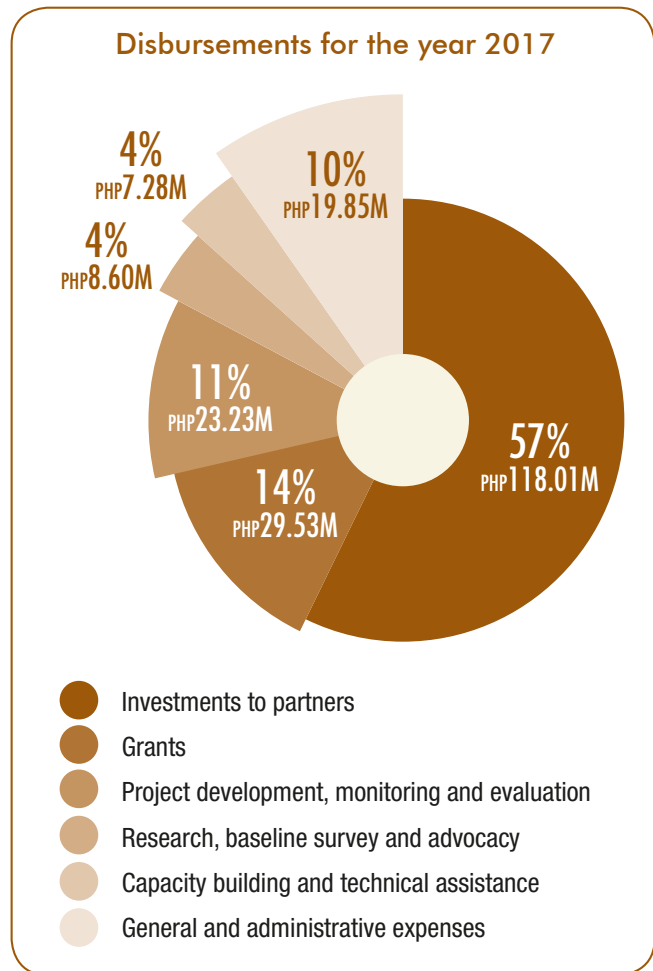
- Realized net and unrealized income from investments in marketable securities, such as stocks and bonds, amounted to PHP 209.12 million. Sixty-four percent of the total investment income is due to mark-to-market valuation as of the end of the year;
- Project reflows in the form of principal payments, interest on loans and dividends received from partner organizations totaled to PHP 117.98 million; and
- PHP 8.16 million loan fund from one of our partners, Stichting Rabobank Foundation.

Summary of Disbursements for 2017

A total of PHP 206.50 million was disbursed in 2017. Disbursements were applied for the following purposes:

- Investments to partner organizations totaled PHP 118.01 million, which were in the form of project loans and equity investments;
- Grants extended to SE and other general development programs amounted to PHP 29.53 million;
- Expenses incurred for capacity building and technical assistance totaled to PHP 7.28 million;
- The cost incurred in project development, monitoring and evaluation totaled to PHP 23.23 million;
- An additional PHP 8.60 million was spent for research, industry studies, baseline survey, and SE advocacy;
- General and administrative expenses amounted to PHP 19.85 million.

Actual disbursements were within the budget approved by the Board of Trustees.



In 2018, the Finance and Investments Committee:

- Expects to reclassify our investments to align with the provisions of the Philippines Financial Reporting Standards (PFRS) regarding classification and measurement, impairment, and accounting of all our managed funds and portfolios; and
- Will continue to build our real estate investment portfolio as part of fund diversification.

While the short-term outlook for the Philippine financial markets appears choppy and fraught with uncertainties, the outlook for the long-term remains stable. We will continue to be vigilant and mindful of movements and trends in the market. Moreover, we will act in an appropriate manner to either take advantage of the opportunities or manage our exposure when the market declines.

VITALIANO N. NAÑAGAS II

**Peace Equity Access for
Community Empowerment (PEACE)
Foundation, Inc.**

Parent Company Financial Statements
December 31, 2017 and 2016

and

Independent Auditor's Report





SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2017 and 2016, and the parent company statements of comprehensive income, parent company statements of changes in fund balances and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company 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 (PFRSs).

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 Parent Company Financial Statements* section of our report. We are independent of the Company 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 parent company 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 Parent Company Financial Statements

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

In preparing the parent company 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 but to do so.



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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Company'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 Company'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 parent company 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company 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.





- 3 -

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 27 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

March 7, 2018



**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION, INC.**

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱18,612,475	₱33,634,157
Receivables (Note 7)	106,991,986	115,688,471
Available-for-sale (AFS) financial assets (Note 8)	1,927,489,228	1,814,344,560
Other current assets (Note 9)	1,166,011	1,616,608
Total Current Assets	2,054,259,700	1,965,283,796
Noncurrent Assets		
Receivables - net of current portion (Note 7)	73,630,824	33,763,176
Property and equipment (Note 10)	26,983,725	29,105,641
Investment properties (Note 11)	4,911,814	4,911,814
Investment in subsidiary	125,000,000	125,000,000
Other noncurrent assets	2,412,522	896,452
Total Noncurrent Assets	232,938,885	193,677,083
	₱2,287,198,585	₱2,158,960,879
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued expenses (Note 13)	₱13,279,137	₱8,809,142
Grants payable (Note 14)	22,300,544	35,202,989
Funds held in trust (Note 15)	118,226,154	110,634,049
Total Liabilities	153,805,835	154,646,180
Fund Balances		
Restricted	2,115,599,547	2,053,980,142
Unrestricted	17,793,203	(49,665,443)
Total Fund Balances	2,133,392,750	2,004,314,699
	₱2,287,198,585	₱2,158,960,879

See accompanying Notes to Parent Company Financial Statements.



See Notes to Financial Statements at www.pef.ph.

**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION, INC.**

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2017	2016
REVENUE		
Investment income (Note 8)	₱81,713,130	₱104,559,460
Interest income (Notes 6, 7, 9 and 19)	8,045,576	6,469,078
Foreign exchange gains	412,573	8,639,958
Other income (Note 19)	540,633	116,802
	90,711,912	119,785,298
EXPENSES		
Project expenses (Note 16)	39,111,020	41,903,945
Grant expenses (Note 14)	29,533,792	36,656,762
General and administrative (Note 17)	19,846,946	17,600,012
Provision for impairment losses on AFS financial assets (Note 8)	10,155,690	14,480,338
Provision for impairment losses on receivables (Note 7)	1,126,460	12,067,001
Depreciation and amortization (Note 10)	2,928,922	3,039,549
	102,702,830	125,747,607
LOSS BEFORE FINAL TAX	(11,990,918)	(5,962,309)
PROVISION FOR FINAL TAX (Note 22)	2,866,744	3,250,227
NET LOSS	(14,857,662)	(9,212,536)
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of AFS financial assets (Note 8)	142,726,626	(32,304,170)
Remeasurement gain on defined benefit plan (Note 20)	1,209,087	42,328
	143,935,713	(32,261,842)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱129,078,051	(₱41,474,378)

See accompanying Notes to Parent Company Financial Statements.



See Notes to Financial Statements at www.pef.ph.

**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC.
PARENT COMPANY STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Unrestricted Funds					Restricted Funds			Total	Grand Total
	Members' Contribution	Cumulative Excess of Revenues over Expenses	Revaluation Gains (Losses) on AFS financial assets (Note 8)	Remeasurement Gain on Defined Benefit Plan (Note 20)	Total	Endowment Fund (Note 1)	Provision for Inflation (Note 25)	Total		
Balances at January 1, 2017	P100,000	(P45,248,661)	(P4,649,527)	P132,745	(P49,665,443)	P1,318,371,694	P735,608,448	P2,053,980,142	P2,004,314,699	
Total comprehensive income (loss)	-	(14,857,662)	142,726,626	1,209,087	129,078,051	-	-	-	129,078,051	
Provision for inflation (Note 25)	-	(61,619,405)	-	-	(61,619,405)	-	61,619,405	61,619,405	-	
Balances at December 31, 2017	P100,000	(P121,725,728)	P138,077,099	P1,341,832	P17,793,203	P1,318,371,694	P797,227,853	P2,115,599,547	P2,133,392,750	
Balances at January 1, 2016	P100,000	P23,788,539	P27,654,643	P90,417	P51,633,599	P1,318,371,694	P675,783,784	P1,994,155,478	P2,045,789,077	
Total comprehensive income (loss)	-	(9,212,536)	(32,304,170)	42,328	(41,474,378)	-	-	-	(41,474,378)	
Provision for inflation (Note 25)	-	(59,824,664)	-	-	(59,824,664)	-	59,824,664	59,824,664	-	
Balances at December 31, 2016	P100,000	(P45,248,661)	(P4,649,527)	P132,745	(P49,665,443)	P1,318,371,694	P735,608,448	P2,053,980,142	P2,004,314,699	

See accompanying Notes to Parent Company Financial Statements.



**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION, INC.**

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before final tax	(P11,990,918)	(P5,962,309)
Adjustments for:		
Provision for impairment losses on AFS financial assets (Note 8)	10,155,690	14,480,338
Depreciation and amortization (Note 10)	2,928,922	3,039,549
Provision for impairment losses on receivables (Note 7)	1,126,460	12,067,001
Loss (gain) on sale of property and equipment (Notes 10 and 19)	24,317	(24,054)
Loss on retirement of property and equipment (Notes 10 and 19)	12,277	-
Unrealized foreign exchange gain	(412,573)	(8,639,958)
Interest income (Notes 6, 7, 9 and 19)	(8,045,576)	(6,469,078)
Investment income (Note 8)	(81,713,130)	(104,559,460)
Operating loss before working capital changes	(87,914,531)	(96,067,971)
Decrease (increase) in:		
Receivables	(31,021,231)	(13,934,311)
Other current assets	450,597	1,359,742
Other noncurrent assets	(51,987)	(6,170)
Net retirement assets	(254,996)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	4,469,995	(1,637,090)
Grants payable	(12,902,445)	2,869,332
Funds held in trust	7,597,015	78,423,505
Net cash used in operations	(119,627,583)	(28,992,963)
Interest income received	6,769,184	6,109,917
Final taxes paid	(2,866,744)	(3,250,227)
Net cash flows used in operating activities	(115,725,143)	(26,133,273)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in AFS financial assets	101,139,398	119,167,636
Proceeds from sale of property and equipment	3,782	58,779
Additions to property and equipment (Note 10)	(852,292)	(1,969,205)
Additional investment in PEHI	-	(93,750,000)
Net cash flows provided by investing activities	100,290,888	23,507,210
EFFECTS OF FOREIGN EXCHANGE		
RATE CHANGES ON CASH	412,573	8,639,958
NET INCREASE (DECREASE) IN CASH	(15,021,682)	6,013,895
CASH AT BEGINNING OF YEAR	33,634,157	27,620,262
CASH AT END OF YEAR (Note 6)	P18,612,475	P33,634,157

See accompanying Notes to Parent Company Financial Statements.



See Notes to Financial Statements at www.pef.ph.

Peace and Equity Holdings, Inc.
*(A Wholly Owned Subsidiary of
Peace Equity Access for Community
Empowerment (PEACE) Foundation, Inc.)*

Financial Statements
December 31, 2017 and 2016

and

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Peace and Equity Holdings, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Peace and Equity Holdings, Inc. (a wholly owned subsidiary of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity 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 Company 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 (PFRSs).

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 Company 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, 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 but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company 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.





- 3 -

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 17 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Peace and Equity Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

March 1, 2018



PEACE AND EQUITY HOLDINGS, INC.
(A Wholly Owned Subsidiary of Peace Equity Access for Community
Empowerment (PEACE) Foundation, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash (Note 6)	₱1,407,153	₱804,036
Receivables	10,858	3,287
Available-for-sale (AFS) financial assets (Note 7)	124,679,879	120,626,521
Other current assets (Note 8)	291,783	222,921
Total Current Assets	126,389,673	121,656,765
Noncurrent Asset		
Property and equipment (Note 9)	132,700	155,189
	₱126,522,373	₱121,811,954
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	₱313,997	₱582,001
Due to Parent Company (Note 12)	32,601	70,753
Total Current Liabilities	346,598	652,754
Equity		
Capital stock (Note 11)	125,000,000	125,000,000
Retained earnings (Deficit)	(254,432)	348,825
Net revaluation gains (losses) on AFS financial assets (Note 7)	1,430,207	(4,189,625)
Total Equity	126,175,775	121,159,200
	₱126,522,373	₱121,811,954

See accompanying Notes to Financial Statements.



See Notes to Financial Statements at www.pef.ph.

PEACE AND EQUITY HOLDINGS, INC.
(A Wholly Owned Subsidiary of Peace Equity Access for Community
Empowerment (PEACE) Foundation, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2017	2016
REVENUE		
Investment income (Note 7)	P10,556,839	P8,598,682
Interest income (Note 6)	5,246	1,804
	10,562,085	8,600,486
EXPENSES		
Personnel	5,574,110	3,034,905
Project appraisal and monitoring	3,343,949	1,400,050
Meeting costs	214,218	177,328
Legal services	150,186	156,981
Utilities	103,680	-
Training and seminars	98,778	49,936
Taxes and licenses	84,691	6,209
Depreciation (Note 9)	81,380	60,127
Professional fee	57,750	64,680
Insurance	23,444	43,691
Provision for impairments losses - AFS financial assets (Note 7)	-	675,214
Others	358,794	243,898
	10,090,980	5,913,019
INCOME BEFORE INCOME TAX	471,105	2,687,467
PROVISION FOR FINAL TAX (Note 13)	1,074,362	746,878
NET INCOME (LOSS)	(603,257)	1,940,589
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized valuation gain (loss) on AFS financial assets (Note 7)	5,619,832	(3,656,102)
TOTAL COMPREHENSIVE INCOME (LOSS)	P5,016,575	(P1,715,513)

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PEACE AND EQUITY HOLDINGS, INC.
(A Wholly Owned Subsidiary of Peace Equity Access for Community
Empowerment (PEACE) Foundation, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 11)	Net revaluation gains (losses) on AFS financial assets (Note 7)	Retained Earnings (Deficit)	Total
For the Year Ended December 31, 2017				
Balances at beginning of year	₱125,000,000	(₱4,189,625)	₱348,825	₱121,159,200
Issuance of capital stock	–	–	–	–
Total comprehensive income (loss)	–	5,619,832	(603,257)	5,016,575
Balances at end of year	₱125,000,000	₱1,430,207	(₱254,432)	₱126,175,775
For the Year Ended December 31, 2016				
Balances at beginning of year	₱31,250,000	(₱533,523)	(₱1,591,764)	₱29,124,713
Issuance of capital stock	93,750,000	–	–	93,750,000
Total comprehensive income (loss)	–	(3,656,102)	1,940,589	(1,715,513)
Balances at end of year	₱125,000,000	(₱4,189,625)	₱348,825	₱121,159,200

See accompanying Notes to Financial Statements.

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PEACE AND EQUITY HOLDINGS, INC.
**(A Wholly Owned Subsidiary of Peace Equity Access for Community
Empowerment (PEACE) Foundation, Inc.)**

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before final tax	₱471,105	₱2,687,467
Adjustments for:		
Depreciation (Note 9)	81,380	60,127
Provision for impairment losses - AFS financial assets	-	675,214
Interest income	(5,246)	(1,804)
Investment income (Note 7)	(10,556,839)	(8,598,682)
Operating loss before working capital changes	(10,009,600)	(5,177,678)
Increase (decrease) in:		
Receivables	(7,571)	17,168
Other current assets	(68,862)	(77,769)
Increase (decrease) in:		
Accounts payable and accrued expenses	(268,004)	461,479
Due to Parent Company	(38,152)	(49,900)
Net cash used in operations	(10,392,189)	(4,826,700)
Interest received	5,246	1,804
Final taxes paid	(1,074,362)	(746,878)
Net cash flows used in operating activities	(11,461,305)	(5,571,774)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in AFS financial assets	12,123,313	(87,853,482)
Additions to property and equipment (Note 9)	(58,891)	(135,761)
Net cash provided by (used in) investing activities	12,064,422	(87,989,243)
CASH FLOWS FROM A FINANCING ACTIVITY		
Proceeds from issuance of capital stock (Note 11)	-	93,750,000
NET INCREASE IN CASH	603,117	188,983
CASH AT BEGINNING OF YEAR	804,036	615,053
CASH AT END OF YEAR	₱1,407,153	₱804,036

See accompanying Notes to Financial Statements.



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Standing from left:
 Ramon B. Magsaysay Jr.
 Martiniano M. Magdolot
 Sylvia O. Paraguya
 Rev. Fr. Manuel R. Guazon
 Roberto A. Ballon
 Roberto R. Calingo

Seated from left:
 Atty. Ana Lea H. Uy
 Edith Y. Villanueva
 Benjamin D. Abadiano
 Carmencita T. Abella

**not in the photo:*
 Vitaliano N. Nañagas II

BOARD COMMITTEES

- PROGRAMS
- FINANCE AND INVESTMENTS
- KNOWLEDGE MANAGEMENT AND COMMUNICATIONS
- HUMAN RESOURCE AND ORGANIZATIONAL DEVELOPMENT
- AUDIT

CHAIRPERSON

Benjamin D. Abadiano
 President
 Assisi Development Foundation, Inc.
representing national networks and coalitions

TREASURER

Vitaliano N. Nañagas II
 President
 Organizational Systems, Inc.
representing the business sector

Martiniano L. Magdolot
 Board Member
 Sarangani Province Empowerment and Community Transformation Forum, Inc.
representing Mindanao NGO networks and coalitions

Edith Y. Villanueva
 President & Chief Operating Officer
 Sugar Industry Foundation, Inc.
representing Visayas NGO networks/coalitions

Sylvia O. Paraguya
 Chief Executive Officer
 National Confederation of Cooperatives
representing national networks and coalitions

Atty. Ana Lea H. Uy
Corporate Secretary & Legal Counsel

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Emmanuel S. de Dios
Anna Marie A. Karaos

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 Ramon Magsaysay Awards Foundation
representing national networks and coalitions

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 Kapunungan sa Gagmay'ng Mangingisda sa Concepcion, Zamboanga Sibugay
representing the basic sectors

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representing the development community at-large

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 Executive Director
 Pondong Batangan Community Foundation, Inc.
representing Luzon NGO networks/coalitions

Roberto R. Calingo
 Executive Director
 Peace and Equity Foundation
Ex-Officio Member

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Information Management Officer

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Executive Assistant

Communication & Planning Support
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Manager

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Communication Officer

Churchille B. Montealto
Sr. Communication Specialist

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Veronica O. Rivera
Senior Internal Audit & Control Specialists

Bianca Mae V. Babierra
Administrative Assistant

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Technical Officer

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Wilma B. Guinto
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Sr. Social Enterprise Institute Specialist

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Senior Business Intelligence Officer

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Marieanne GR L. Ito
Senior Business Intelligence Specialists

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Manager

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Finance Officer

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Sr. Human Resource & Administrative Officer

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[peaceandequityfoundation](https://www.facebook.com/peaceandequityfoundation)

www.pef.ph



A CALL TO
scale up

PEF seeks to partner and invest in social entrepreneurs and organizations with working business models; mentors who are eager to share their expertise; and impact investors who are keen to work with us in building sustainable communities.

We grow
the enterprise.

