

ANNUAL REPORT  
2018



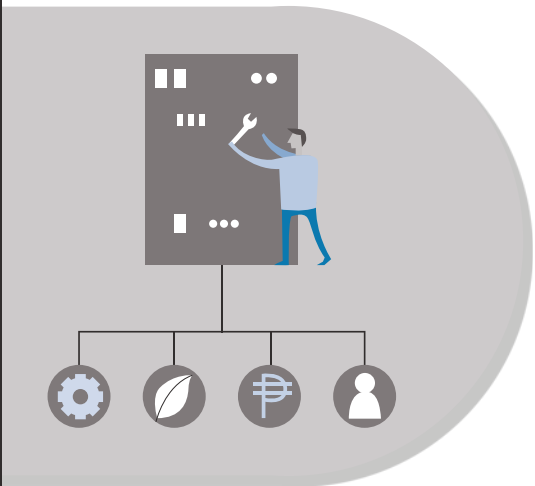


The Peace Equity Access for Community Empowerment Foundation, Inc. (also known as Peace and Equity Foundation or PEF) aspires to drive positive change in poor Filipino households by investing in social enterprises that will provide them with viable livelihood and better access to basic services. PEF 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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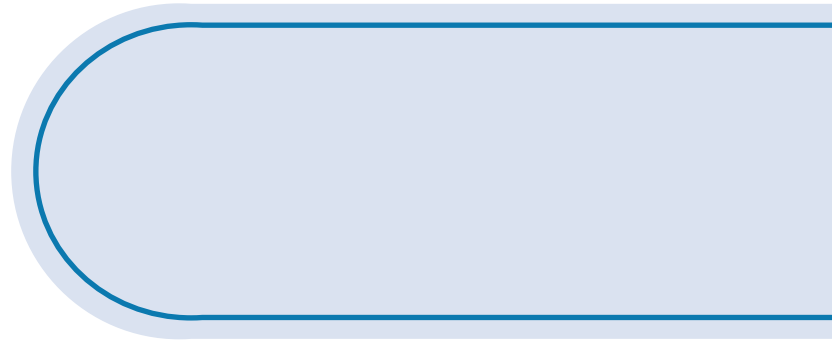
2019 Peace Equity Access for Community Empowerment Foundation, Inc.





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## Celebrating the Gift of Partnerships

In the mountains of Himamaylan in Negros Occidental is a place called Tigbao where a community of Indigenous Peoples (IP) have been living in extreme poverty for many years.

In 2018, the Peace and Equity Foundation and Assisi Development Foundation started a community social enterprise for coffee and cacao production for the Tigbao IP farmers through the Zero Extreme Poverty (ZEP) Movement. Community members voluntarily participated in various activities, from preparing the soil to sowing the seeds, and establishing the coffee and cacao nursery.

My conversations with the community members allowed me to discover the complexities and challenges that they constantly face. The discovery was such a powerful experience that made me realize what many Filipinos must go through under such harsh conditions. Because of its geographical location, the Tigbao IPs seem isolated and have limited access to social services and livelihood opportunities. They are also prone to natural calamities like typhoons and landslides.

In one of my visits, the people openly expressed their gratitude for the gift of partnership. Just before we left, a group of women approached me with a spark of joy and hope on their faces. *"Maraming salamat po sa pagdating ng PEF at ng ZEP dito sa amin. Dahil sa inyong tulong, nagkaroon kami ng pag-asa para mapaunlad ang aming kabuhayan."* Simple words of gratitude, yet very powerful words.

CHAIRPERSON'S  
message

These remind me how ordinary people can be easily satisfied with the simple things in life. Such expressions of gratitude remind us that our partnerships with households and communities are indeed worth celebrating.

Since PEF started, we have been blessed with many partner organizations across the country. In 2018, we started to focus on areas and programs where multiple interventions can be developed to create meaningful change in the lives of our partner communities. We built an enabling environment that allowed 12,000 households to participate in the value chain and access clean water.

While PEF continues to seek opportunities to create a space that is more inclusive, sustainable and resilient for partners and stakeholders, we also faced challenges in ensuring funds are sufficient to deliver PEF's mission. Yet, PEF was able to provide PHP 141 million to worthwhile initiatives of 57 partner organizations.

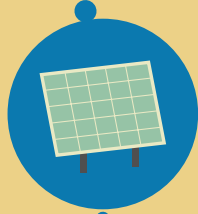
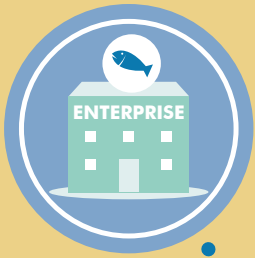
What we accomplished would not have been possible without the commitment and dedication

of my fellow trustees, members, staff, and most especially our partners – institutions and communities – whose lives and dreams are the very reason for the existence of the PEF.

For their guidance in all our decisions and the inspiration of our vision – *maraming salamat po sa inyong lahat. Dahil sa inyo mas naging makabuluhan ang paglalakbay ng PEF kasama ang mga tao at pamayanang nais nating maabot at mapaglingkuran tungo sa makabuluhang pagbabago at pag-unlad ng bawat pamilyang Pilipino.*

I will always be grateful for the trust and confidence as I sought to create better opportunities for all. May the Lord keep us all steadfast and committed to each other in building a better Philippines for everyone. 🙏

**BENJAMIN D. ABADIANO**



**CONNECTING  
THE DOTS**





# highlights

The Peace and Equity Foundation (PEF) 2020 Scale-up Strategy entailed, among others, the expansion and replication of successful social enterprise models.

A review of sample SEs, however, revealed that while there is improvement in the economic situation of beneficiaries, impact on households was scattered and loosely related with the growth of the enterprises.

PEF then implemented an area-focused development strategy to connect social enterprises and enablers across the value chains of priority agricultural commodity crops – cacao, cane sugar, coconut, and coffee, otherwise known as C4 – and integrate basic social services in the ecosystem.

In 2018, with area development approach as its overarching strategy to create self-sustaining households, PEF pursued opportunities to:

- Support and engage more than 2,000 households in priority impact areas, in partnership with 15 social enterprises
- Train 50 farmers on good agricultural practices
- Customize capacity development interventions ranging from financial systems installation and business planning to governance policy development
- Collaborate with resource institutions to demonstrate farming models, build water systems, and design a culturally responsive Shari'a financing
- Facilitate learnings on best practices in C4, coastal resource management, leadership development, stakeholder engagement, and risk management, among others.

To align with the area development approach, PEF reinforced its organizational structure and competencies; developed information systems; and strengthened its governance policies and internal controls.

While PEF continues to seek partnership, the volatile financial market presented challenges in ensuring funds are sufficient to deliver PEF's mission. Funds disbursed for programs and operations totaled PHP 171.62 million for the year.

*This report shows examples of how PEF's search for innovative models and initiatives is helping us rethink how we define, design, and deliver interventions and how we can advance more promising solutions to partner communities.*

# Grow



**PHP 128M**  
Total SE Approvals



**12,146**  
Target Households

## PRIORITY AREAS

- Benguet, Ifugao, Mt. Province  
PHP 3M | 3 projects
- Negros Occidental  
PHP 20M | 3 projects
- Zamboanga del Norte  
PHP 9M | 3 projects
- Sultan Kudarat  
PHP 9M | 2 projects
- Quezon  
PHP 5M | 1 project
- Leyte
- Bukidnon  
PHP 2M | 1 project
- Davao  
PHP 10M | 3 projects

  
**PHP 58M**  
SE Approvals

  
**2,307**  
Target Households



Livelihood and employment-generating ventures in C4 continue to be the biggest portfolio with PHP 64 million or 50% of financial assistance going to production, processing, trading and marketing activities.



SE investments totaling PHP 58 million will support and engage more than 2,000 households in priority impact areas, in partnership with 15 social enterprises.

## Where bitter turns sweet

When Ricardo Salazar's family came to Sitio Mabuhay Purok A in 1981, life was not easy. Now in his 80s, Ricardo shared that he used to walk several kilometers to reach the sitio when logging companies lorded it over the forested area of "Sawata", way before San Isidro was declared a municipality in 2004.

Ricardo started planting cacao in the early 90's when he joined the Mabuhay Farmers Multipurpose Cooperative, a local cooperative that eventually joined the Chocolate de San Isidro, Inc. (CSI).

The Salazars used to get paid PHP 40 per kilo of cacao by traders. Since this is not enough for the family, Ricardo moved from one town to another to sell his cacao beans at a much higher price until CSI entered the picture. CSI encouraged Ricardo and other cacao farmers to source wet and dry cacao beans. From PHP 40 per kilo, Ricardo now sells his cacao beans for PHP 90 per kilo.

The Salazars cacao farm is one example of a successful diversified farming that has ensured food and other necessities for the family. They also earn from other crops planted in their farm all year round such as mangosteen, durian, and lanzones; a small "sari-sari" store; and hog raising.

Ricardo also employs other farmers to wrap every single cacao pod with water cellophane to ensure that pests like the *cacao pod borer* and *black pod rot* are kept out. Another regular activity is pruning the cacao trees to make the 30-year old trees yield more.

Looking back at how the family started way back then, Ricardo can only smile at himself. His hard work and perseverance has finally paid off.



## Life is sweeter for sugarcane farmer

Albert Domeo, a 53-year old cane sugar farmer, hails from Barangay Tapi, Kabankalan, Negros Occidental. Just like other cash-strapped farmers, Albert has no capital to buy and operate his 1.25-hectare sugarcane farm. He was once hooked to loan sharks to sustain farm operations.

Albert is one of the 85 farmers from Kabankalan who enrolled their small farm lands to block farming through Crossing Ibos Farmers Credit Cooperative (CIFCC). In two years, Albert's crop production increased by 40% with net income of PHP 33,000. With fund assistance from CIFCC, he was able to buy fertilizers for his farm and learned a proper and efficient way to plant sugarcane. His adoption of high-yielding varieties, proper nutrient management, and good cultivation resulted to higher yields.

Indeed, life has become sweeter for Albert. His income from the block farming now covers his family's needs and supports his four children's education.



# Collaborate

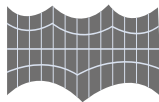
By complementing efforts, PEF has unlocked greater resources and maximized potentials to multiply benefits for partner communities.



Nineteen barangays of Barili, Cebu or nearly 2,500 households are now guaranteed clean and safe water that flows on tap 24/7 with the rehabilitation of the community's water system in partnership with the Coca-Cola Foundation and the local government.



Cocolink, Inc., together with PEF and industry experts, established a 10-hectare techno demo farm to boost coconut production in San Isidro, Davao del Norte.



PEF linked the Coalition of Municipal Fisherfolks of Zamboanga Sibugay with Yakap at Halik Multipurpose Cooperative for technology transfer on sustainable aquaculture methods and practices to coastal communities in Padre Burgos, Quezon.



PEF maintains an active role in various convergence initiatives: as cluster lead for the promotion of livelihood and employment generation under the Zero Extreme Poverty 2030 Coalition and convenor for the development of Shari'a financing in Mindanao.

## Water taps no longer run dry

With abundant sources of fresh water from most of the town's rivers and watershed areas, the people of Barili should have sufficient, affordable, and safe drinking water. Yet, Kauswagan Water Services & Sanitation Cooperative (KAWSSCO) struggled to provide enough potable water to nearly 2,500 household consumers.

Acting on these challenges, KAWSSCO partnered with PEF and Coca-Cola Foundation to rehabilitate and upgrade Barili's water systems in 2017.

Along with the construction of a water reservoir and the installation of transmission and distribution pipes and a gas-chlorinator, the project looked into the development of Mayana falls as a new water source to increase supply. It also allowed KAWSSCO to source bulk water from the Mantayupan river channel that stretches to the Mantayupan Falls.

To conserve the watershed, the coop's members are required to plant at least three seedlings every year in identified watershed areas in Barangays Mantayupan, Mayana, and Hunob.

KAWSSCO's household consumers in Barili's 19 barangays and over 10,000 households more are now guaranteed clean and safe water that flows on tap 24/7.



## Learning Shari'a - compliant microfinance

Shari'a-compliant financing follows the doctrines of the Islamic moral and religious laws.

Representatives from PEF, Mindanao microfinance institutions partners of PEF, Center for Agriculture and Rural Development Mutually Reinforcing Institutions, and Bangsamoro Development Agency attended a five-day study program in Jakarta and Yogyakarta, Indonesia on April 22-30, 2018 to learn solutions and approaches in providing sustainable livelihood and services to rural and poor Muslim communities in Mindanao.

Dompot Dhuafa (DD), a Ramon Magsaysay Awardee, facilitated the visits to partner cooperative sites and lending operations. The team was also shown how DD's social enterprise model of Shari'a-based microfinance strengthened Islamic cooperatives and microfinance systems.

Since 2012, PEF has invested PHP 20.5 million in Mudarabah (profit sharing) schemes with the current Shari'a partners and around PHP 2 million in grants for capacity-building, organizational development and knowledge sharing for on-the-ground social development partners in Mindanao.



# Enhance

PEF designs capacity development interventions that are tailored to the requirements of the SEs through training, mentoring, and learning exchanges.



Twelve (12) capacity development interventions were initiated for nine (9) SE partners ranging from financial systems installation and business planning to governance policy development.



Fifty (50) coffee farmers in Ifugao learned the benefits of good agricultural practices. The practices would guide production systems towards sustainable agriculture and translate it to generating more income.



Twenty (20) organizations also benefitted from training on organizational integrity and enterprise development to enhance knowledge and skills of around 40 enterprise managers and technical personnel.



As part of PEF's continuing efforts to improve access for poor Muslim Filipinos, six (6) Shari'a-compliant microfinance institutions participated in a learning exchange with Dompot Dhuafa, the largest philanthropic organization in Indonesia, and Center for Agriculture and Rural Development Mutually Reinforcing Institutions, one of the leading microfinance institutions in the Philippines.

## Fisherfolks learn sustainable aquaculture methods

For coastal communities such as Padre Burgos in Quezon province, protecting their marine area and conserving their mangrove forest are vital to sustain their main source of income.

PEF, together with the Coalition of Municipal Fisherfolks of Zamboanga Sibugay (COMFAZS), gathered fisherfolk members of YAKAP at HALIK Multipurpose Cooperative Quezon 2 to teach them sustainable aquaculture practices.

The weeklong workshop headed by PEF board member and COMFAZS president, Roberto Ballon includes a trip to Ipil River, Barangay Walay, Padre Burgos where the participants were taught to build fish cages, harvest fish from floating cages and plant mangroves.

Within the next three years, the cooperative hopes to operationalize 40 fish cages with at least 250 to 300 species per cage and 15 hectares of mangrove forests fully rehabilitated. This partnership hopes to ensure economic sustainability and opportunities for the people living in these coastal communities. 🌿



## Promoting good agricultural practices

On May 2-4 2018, PEF through its Social Enterprise Institute organized a training program on good agricultural practices (GAP) on coffee production to a partner social enterprise in Ifugao.

Almost 20 farmers from Hojap Multipurpose Cooperative attended the training. The farmer field schools (FFS) approach was facilitated by Jeni Rimando of Ola Organic Coffee Farm, an accredited farm school for coffee. FFS is an innovative, participatory and interactive learning approach that emphasizes problem solving and discovery-based learning.

The training aimed to improve the farmers' incomes through the adoption of sustainable practices and international quality standards to boost domestic coffee output. The farmers learned how to create organic inputs, how to go through accreditation and certification processes, and plan other income opportunities. 🌿



# Promote

PEF puts strong emphasis on nurturing a learning-centered culture to enhance critical thinking and creativity towards better programs and services. This approach extends to PEF's different publics to inspire social entrepreneurship and innovative solutions in building development models that work.



Support to knowledge and networking events featuring best practices in C4, leadership development, risk management, and community development among others enriched PEF's own organizational learning and knowledge base.



PEF linked with Roots Katipunan, a network of young social entrepreneurs, to foster collaboration among aspiring next generation and seasoned social entrepreneurs.



Internally, action learning sessions are being embedded in routine meetings to surface experiences and lessons that must translate to better decisions and improvements in policies, programs, and processes.




That SE works for the poor is a key message that PEF strives to deliver consistently through online and offline communication platforms. Total media value increased to PHP 9.1 million compared to PHP 6.8 million prior year; online engagement metrics showed increase in audience reach; and invitations to speak on in briefings and conferences suggested recognition of PEF as advocate and enabler of social entrepreneurship.



## Preparing the next gen of social entrepreneurs

**J**amir Ocampo, a young social entrepreneur who founded the social enterprise Tsaa Laya, is also the brains behind Roots Katipunan, a co-working space and lifestyle store for entrepreneurs, NGOs, and creative individuals.

PEF partnered with Roots Katipunan for the leadership development of young social entrepreneurs to inspire innovative solutions to societal problems among the youth. This community of practice provides entrepreneurial capacity building, market access and impact funding. The program hopes to build fellowship and further strengthen the network of aspiring and seasoned social entrepreneurs supporting each other.


During the kick-off meeting on September 29, 2018, Roots Katipunan gathered 14 of its fellows to work on scaling up through the “growth center” concept. The topics included a needs assessment of the individual enterprises and the possibility of Roots Katipunan spinning off into a social enterprise cooperative. 



## Learning cacao

**K**nown to have the biggest chunk of cacao production in the country, Davao region naturally boasts of active cacao stakeholders, some of whom gathered in a Cacao Learning Exchange organized by PEF in Davao City on November 23-24, 2018.

Over 30 participants from 15 organizations and cooperatives in Mindanao learned among storytellers in cacao farming and production. They discussed best agricultural practices adopted by successful cacao entrepreneurs; problems being faced by the farmers and how cacao farmers can improve the quality of cacao; and strategies that can make a demo farm work.

The event was capped with a visit to the cacao farms and production area of Chokolade de San Isidro, Inc. where the visitors were not only treated to steaming hot delicious ‘Sikwate’ but were also shown the cacao hills bearing bountiful fruits. 

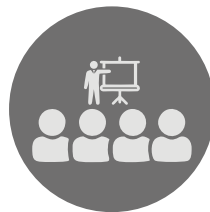


# Upgrade



## PERFORMANCE MEASUREMENT

A results-based management framework adopted in 2017 is now being cascaded and applied deliberately in institutional/program planning and assessment, anchored on key performance indicators. This required re-calibration of monitoring and evaluation systems that will track and measure results. An automated Project Information System will be deployed as a major data processing center and decision dashboard.



## STAFF LEARNING AND COMPETENCY DEVELOPMENT

- Individual development plans that integrate technical and non-technical competencies were crafted to improve staff engagement and performance. The design uses the 70-20-10 learning model which is a combination of on-the-job training, social learning, and structured development activities. PEF staff dedicated a cumulative total of 3,770 hours (or 11 days) in informal and formal development activities.
- Thematic sessions on stakeholder engagement, financial analysis, leadership, performance management, internal control and fraud, knowledge management, business writing, and branding were also held to enrich staff performance.



## GOVERNANCE AND INTERNAL CONTROL

- As an organization that puts premium on learning for better governance, PEF conducted a midstream strategy review. The review provided the Board and staff the chance to reflect and re-examine existing as well as emerging opportunities and challenges in implementing the social enterprise approach halfway into the 2020 strategy.
- To support organizational values of accountability and transparency, key policies governing corporate communications, information technology, projects by trustees and related interests were developed.
- PEF also intends to start converting the wealth of knowledge from internal and project audits (22 completed in 2018) from surfacing control weaknesses to extracting best practices and lessons for designing appropriate capacity development interventions and process/policy improvements.

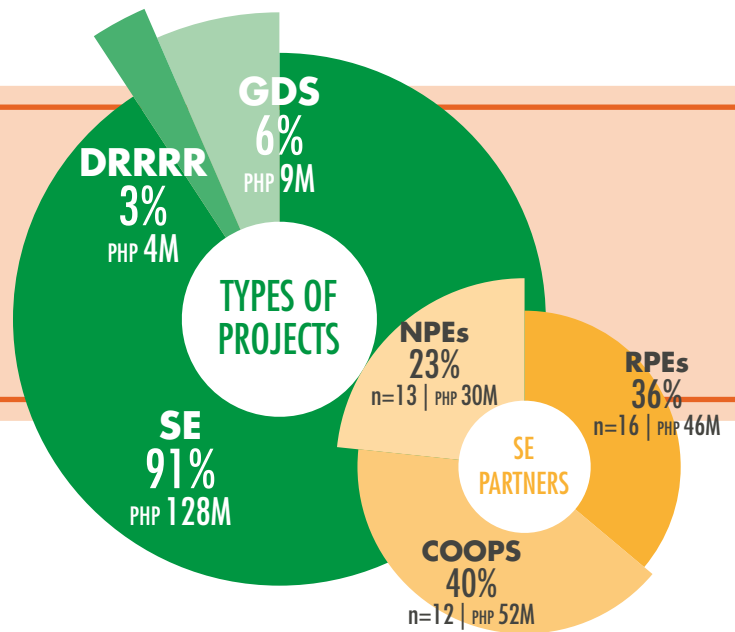


# PARTNERSHIP projects

SE Social Enterprise  
GDS General Development Support  
DRRRR Disaster Risk Reduction, Relief and Rehabilitation  
COOPS Cooperatives  
RPEs Registered For-Profit Entities  
NPEs Non-Profit Entities

## C4 Social Enterprises PHP 64,360,437

CACAO	COCONUT	COFFEE
Cacao nibs processing and organic fertilizer production Davao del Norte Rehoboth Agricultural Cooperative PHP 500,000	Desiccated coconut production Samar Coco Asenso PHP 500,000	Coffee trading Bukidnon Milalitra Farmers Association PHP 1,348,000
Cacao production Zamboanga del Norte Sindangan Facoma Community Multipurpose Cooperative PHP 5,425,000	Nuts trading Leyte Kalipunan ng Maliliit na Magniniyog ng Pilipinas Agricoop PHP 520,000	Coffee beans processing Benguet Kalsada Coffee Roasters, Inc. PHP 2,600,000
Cacao production Zamboanga del Norte Salug Small Coconut Farmers Multipurpose Cooperative PHP 1,997,800	Coconut-cacao farm rehabilitation demonstration Davao del Norte Cocolink, Inc. PHP 2,350,000	Coffee farm inputs and tools Benguet Upper Cabiten Coffee Growers Association PHP 200,000
Cacao farm rehabilitation Zamboanga del Norte Job Sunrise Cacao Farms, Inc. PHP 2,000,000	Coconut-cacao farm rehabilitation and trading Davao del Norte Laak Multipurpose Cooperative PHP 7,463,100	Coffee trading South Cotabato Joscuul Trading PHP 250,000
Kakaokonek 2018 Cacao Industry Development Association of Mindanao, Inc. PHP 190,000	Coconut sap-based products processing Davao del Sur Lao Integrated Farms PHP 4,440,000	Coffee trading Bukidnon Bayanihan Millenium Multipurpose Cooperative PHP 2,471,898
Marketing and networking support Chokolade de San Isidro PHP 80,000	Marketing and networking support Amazing Foods Corporation PHP 41,000	Coffee production, trading and post-harvest support Sultan Kudarat Kalamansig Coffee Industry Development Council PHP 5,125,211
<b>CANE SUGAR</b> Block farming expansion Negros Occidental Crossing Ibos Farmers Credit Cooperative PHP 20,000,000		Coffee production, trading and post-harvest support Sultan Kudarat Keytodac Coffee Growers Association PHP 4,108,428
Organizational strengthening Occidental Negros Agrarian Reform Cooperative PHP 160,000		Coffee trading Bukidnon Kaanib Foundation, Inc. PHP 2,000,000
Organizational strengthening Hacienda Malaga Cuenca Agrarian Reform Cooperative PHP 160,000		Marketing and training Philippine Coffee Board, Inc. PHP 430,000



## Non-C4 Social Enterprises PHP 64,099,013

### BASIC SOCIAL SERVICES

**WATER**  
Water system rehabilitation and expansion  
South Cotabato  
Tribal Leaders Development Foundation, Inc.  
PHP 4,701,013

Water system rehabilitation and expansion  
South Cotabato  
Maguindanao Development Foundation, Inc.  
PHP 1,750,000

Water system upgrading  
Bukidnon  
Mapayag MNLF Farmers Multipurpose Cooperative  
PHP 3,000,000

Water system expansion  
Palawan  
Culion Foundation, Inc.  
PHP 1,247,000

**RENEWABLE ENERGY**  
Solar hubs establishment  
Multiple areas  
Hybrid Social Solutions Inc.  
PHP 5,250,000

### OTHERS

Rice consolidation  
Agusan del Sur  
Agus Pinoy Producers Cooperative  
PHP 5,500,000

Marketing of agricultural products  
Multiple areas  
Global Wellness and Organic Corporation  
PHP 15,000,000

Calamansi-based products processing  
Eastern Samar  
Island's Best Food  
PHP 990,000

Tea processing plant construction  
Laguna  
Kapwa Greens Lifestyle, Inc.  
PHP 1,871,000

Knowledge hub for social enterprises  
Kapwa Greens Lifestyle, Inc.  
PHP 200,000

Herbs and vegetables enterprise  
Palawan  
Palawan Center for Appropriate Rural Technology  
PHP 4,050,000

Rice processing  
Camarines Sur  
Saradit na Kristiyanong Komunidad  
PHP 10,390,000

Banana chips processing plant construction  
Eastern Samar  
Triple L Food Products  
PHP 850,000

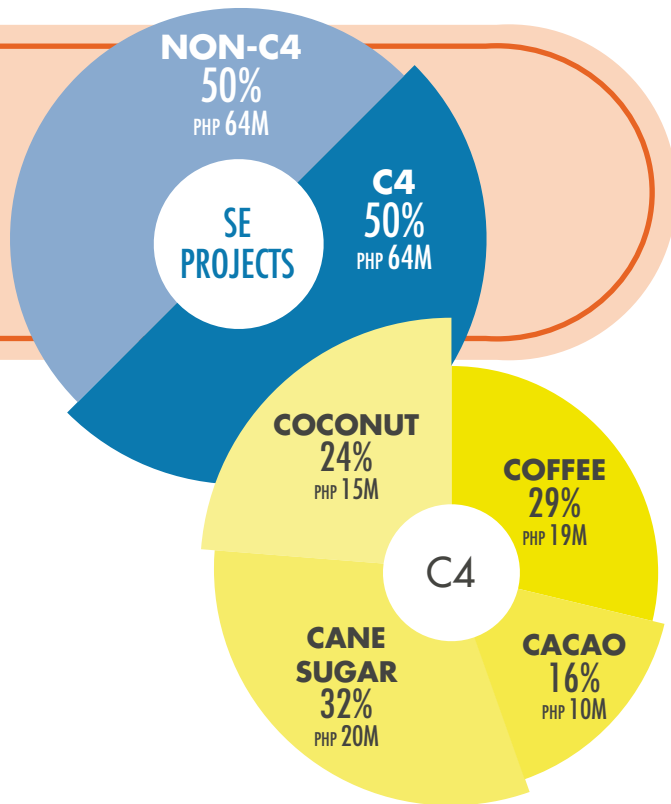
Bag manufacturing  
Multiple areas  
Rags2Riches, Inc.  
PHP 2,000,000

Learning exchange on Islamic microfinance  
Ramon Magsaysay Technology Learning Institute  
PHP 2,500,000

Marketing at Premiere Classe Porte de Versailles  
Rags2Riches, Inc.  
PHP 50,000

### COASTAL

Fishing and aquaculture  
Quezon  
Yakap at Halik Multipurpose Cooperative – Quezon II  
PHP 4,750,000



### General Development Support PHP 9,168,880

#### NETWORK STRENGTHENING

46th Annual General Assembly  
Association of Foundations  
PHP 200,000

Social Development Celebration and  
27th General Assembly  
Caucus of Development NGO Networks  
PHP 653,400

14th National Cooperative Summit  
Philippine Cooperative Center  
PHP 500,000

Strategic planning workshop and  
general assembly  
Save Sierra Madre Network Alliance, Inc.  
PHP 66,580

ZEP 2030 communication campaign  
Zero Extreme Poverty 2030  
PHP 100,000

#### CAPACITY BUILDING

Updating of Ancestral Domain Sustainable  
Development and Protection Plan  
Tribal Leaders Development Foundation, Inc.  
PHP 247,900

NGO Leadership Transition: Design and testing  
of capacity building activities and approaches  
Association of Foundations  
PHP 1,870,000

Workshop on the fundamentals and ideals  
of cooperatives  
CODIS Federation of Cooperatives  
PHP 75,000

Planning workshop on Impasugong Indigenous  
Peoples Legislative Agenda 2018-2021  
Impasugong Tribal Council  
PHP 10,000

Calamianes Community-Managed Water  
Systems Summit  
Partnership of Philippine Support Service  
Agencies, Inc.  
PHP 50,000

Training for Leyte cooperatives  
Eastern Visayas Cooperative Federation  
PHP 50,000

Capacity building for the sustainability of  
member networks and base organizations  
Caucus of Development NGO Networks  
PHP 5,346,000

### PROJECT FUNDING PER REGION



LUZON ● PHP 34,334,360

VISAYAS ● PHP 23,230,000

MINDANAO ● PHP 54,768,350

MULTIPLE AREAS PHP 29,109,400

### Disaster Risk Reduction, Relief, Rehabilitation PHP 3,813,780

#### MAYON VOLCANO EMERGENCY RELIEF OPERATIONS

Coalition for Bicol Development  
PHP 500,000

Juboken Enterprises, Inc.  
PHP 160,000

#### SUPER TYPHOON OMPONG RELIEF OPERATIONS

Alalay sa Kaunlaran, Inc.  
PHP 1,000,000

Shountoug Foundation, Inc.  
PHP 898,780

Norfil Foundation, Inc.  
PHP 455,000

Philippine Disaster Resilience Foundation  
PHP 250,000

Center for Emergency Aid and Rehabilitation, Inc.  
PHP 250,000

Save Sierra Madre Network Alliance, Inc.  
PHP 250,000

Upper Cabiten Coffee Growers Association  
PHP 50,000



On behalf of the Board of Trustees, I am pleased to report the financial highlights of the Foundation for the year 2018.

### **Financial Highlights and Major Investment Decisions**

Due to adverse local and global market conditions, the investment portfolio incurred a negative return on investment of 2.57%. Paper losses on stock market prices amounted to PHP 92.54 million. The decline was cushioned when the Board decided to recognize the current market prices of our existing real estate properties that amounted to net unrealized gains of PHP 66.94 million. As a result, the Foundation's fund balance at yearend decreased by 2% from PHP 2.13 billion to PHP 2.09 billion. (See Figure 1. Comparative Total Fund Balance)

From 2012 to 2018, the Foundation disbursed a total of PHP 1.36 billion for projects and operations.

The Foundation's Board has deferred the provision for annual inflation until the market recovers. The provision is made to keep intact the value of the original endowment fund of PHP 1.318 billion established in 2001 and as a source of fund for programs and operations during unfavorable financial conditions.

The change in our investment strategy to align with the new accounting standards of the Philippine Financial Reporting Standards No. 9 resulted to reversal of prior year's market gains in preferred shares and bonds in the amount of PHP 13.44 million. In our current investment strategy, these securities are now classified as held-to-maturity investments.

### **Financial Position**

Total assets at yearend amounted to PHP 2.25 billion. Seventy-eight percent (78%) of total assets or PHP 1.76 billion are investments in financial securities. The remaining 22% of the total assets are in the forms of cash of PHP 76 million; net receivables from partners of PHP 186 million; investments in Peace

# TREASURER'S report

and Equity Holdings, Inc. of PHP 125 million; and other assets such as property and equipment in the amount of PHP 84 million.

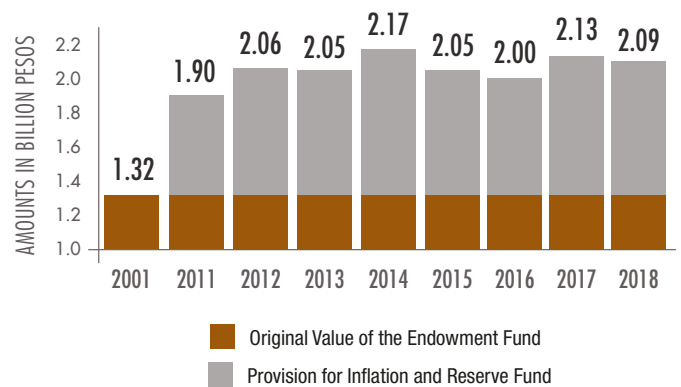
The equity and liabilities side of the balance sheet shows the value of the restricted and unrestricted fund balance of PHP 2.09 billion equivalent to 93% of total equity and liabilities. The remaining 7% or PHP 156 million represent donor funds held in trust, grants payable to partners, and other liabilities.

## Summary of Disbursements and Sources of Funds for 2018

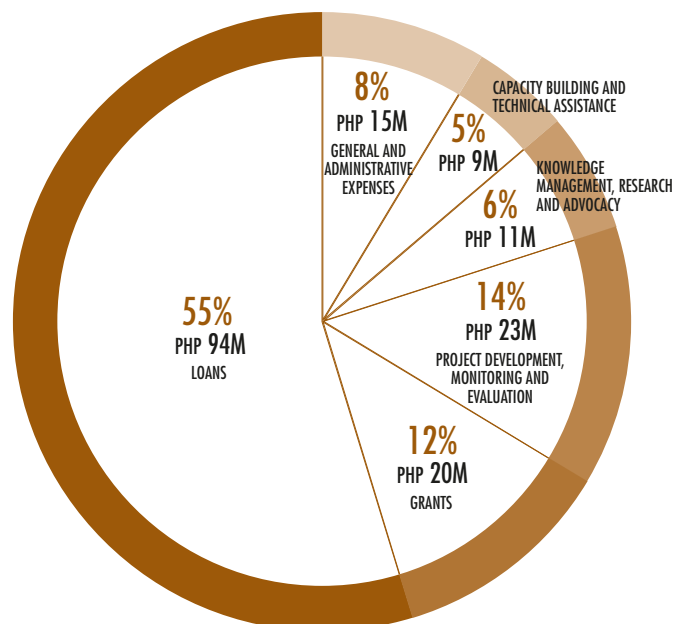
In 2018, the Foundation disbursed a total of PHP 171.62 million for the following purposes:

- Investments to partner organizations in the form of project loans totaled PHP 93.87 million;
- Grants extended to SE and other general development programs amounted to PHP 20.02 million;
- The cost incurred in project development, monitoring and evaluation totaled PHP 23.46 million;
- Expenses incurred for capacity building and technical assistance totaled PHP 8.82 million;
- An additional amount of PHP 10.59 million was spent for knowledge management, research and SE advocacy;
- General and administrative expenses amounted to PHP 14.86 million. (See Figure 2. Summary of Disbursements for 2018)

**FIGURE1**  
Comparative Total Fund Balance  
For years 2011-2018  
(in billion pesos)



**FIGURE2**  
Summary of Disbursements for 2018



AUDITED FINANCIAL

# statements

**Peace Equity Access for  
Community Empowerment  
(PEACE) Foundation, Inc.**  
*(A Nonstock, Not-for-profit Corporation)*

Parent Company Financial Statements  
December 31, 2018 and 2017

and

Independent Auditor's Report



A member firm of Ernst & Young Global Limited





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BOA/PRC Reg. No. 0001,  
October 4, 2018, valid until August 24, 2021  
SEC Accreditation No. 0012-FR-5 (Group A),  
November 6, 2018, valid until November 5, 2021

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees and Members  
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. (a nonstock, not-for-profit corporation) (the Parent Company), which comprise the parent company statements of assets, liabilities and fund balances as at December 31, 2018 and 2017, 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 Parent Company as at December 31, 2018 and 2017, 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 Parent 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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Parent 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 Parent 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 Parent 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 28 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-AR-1 (Group A),

January 10, 2019, valid until January 9, 2022

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 7332565, January 3, 2019, Makati City

March 20, 2019



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**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT  
(PEACE) FOUNDATION, INC.**  
(A Nonstock, Not-for-profit Corporation)

**PARENT COMPANY STATEMENTS OF ASSETS, LIABILITIES AND FUND  
BALANCES**

	December 31		January 1
	2018	2017 (As restated, Notes 3, 11 and 12)	2017 (As restated, Notes 3, 11 and 12)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 6)	₱75,556,135	₱137,211,585	₱33,634,157
Receivables (Note 7)	135,116,975	123,572,316	115,688,471
Financial assets at fair value through profit or loss (FVTPL; Note 8)	893,713,145	-	-
Available-for-sale (AFS) financial assets (Notes 8 and 10)	-	1,804,776,381	1,814,344,560
Other current assets (Note 9)	2,200,827	1,166,012	1,616,608
<b>Total Current Assets</b>	<b>1,106,587,082</b>	<b>2,066,726,294</b>	<b>1,965,283,796</b>
<b>Noncurrent Assets</b>			
Receivables - net of current portion (Note 7)	65,829,121	73,630,824	33,763,176
Investments (Note 10)	824,176,266	-	-
Property and equipment (Note 11)	83,578,425	92,258,579	104,656,420
Investment properties (Note 12)	37,014,706	26,515,108	4,911,814
Investment in a subsidiary (Note 13)	125,000,000	125,000,000	125,000,000
Other noncurrent assets	4,409,253	2,412,522	896,452
<b>Total Noncurrent Assets</b>	<b>1,140,007,771</b>	<b>319,817,033</b>	<b>269,227,862</b>
	<b>₱2,246,594,853</b>	<b>₱2,386,543,327</b>	<b>₱2,234,511,658</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses (Note 14)	₱25,023,691	₱25,745,730	₱8,809,142
Grants payable (Note 15)	11,055,113	22,300,544	35,202,989
Funds held in trust (Note 16)	100,048,490	118,226,154	110,634,049
<b>Total Current Liabilities</b>	<b>136,127,294</b>	<b>166,272,428</b>	<b>154,646,180</b>
<b>Noncurrent Liability</b>			
Deferred tax liability (Notes 11, 12 and 23)	19,773,886	21,410,559	22,665,234
<b>Total Liabilities</b>	<b>155,901,180</b>	<b>187,682,987</b>	<b>177,311,414</b>
<b>Fund Balances</b>			
<b>Restricted</b>			
Endowment fund (Note 1)	1,318,371,694	1,318,371,694	1,318,371,694
Provision for inflation (Note 3)	797,227,853	797,227,853	735,608,448
	2,115,599,547	2,115,599,547	2,053,980,142
<b>Unrestricted</b>	<b>(24,905,874)</b>	<b>83,260,793</b>	<b>3,220,102</b>
<b>Total Fund Balances</b>	<b>2,090,693,673</b>	<b>2,198,860,340</b>	<b>2,057,200,244</b>
	<b>₱2,246,594,853</b>	<b>₱2,386,543,327</b>	<b>₱2,234,511,658</b>

See accompanying Notes to Parent Company Financial Statements.



See Notes to Financial Statements at [www.pef.ph](http://www.pef.ph).

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

(A Nonstock, Not-for-profit Corporation)

**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2018	2017
<b>REVENUE</b>		
Dividends (Note 10)	P33,422,637	P36,577,409
Interest income (Notes 6, 7 and 10)	32,696,835	21,701,222
Foreign exchange gains	9,500,657	412,573
Recovery of doubtful accounts (Note 7)	4,703,467	-
Trading gains (Note 10)	2,858,494	37,160,822
Fair value gains on investment property (Note 12)	2,719,000	21,603,294
Other income (Note 20)	419,292	540,633
	<b>86,320,382</b>	<b>117,995,953</b>
<b>EXPENSES</b>		
Loss on investment at fair value through profit or loss (Note 8)	98,781,787	-
Project expenses (Note 17)	39,230,666	39,111,020
Grant expenses (Note 15)	20,021,027	29,533,792
General and administrative (Note 18)	18,496,368	19,846,946
Depreciation and amortization (Note 11)	10,278,966	13,204,847
Provision for impairment losses on AFS financial assets (Note 10)	-	10,155,690
Provision for impairment losses on receivables (Note 7)	-	1,126,460
Other expenses (Note 10)	5,687,326	5,680,747
	<b>192,496,140</b>	<b>118,659,502</b>
<b>LOSS BEFORE FINAL TAX</b>	<b>(106,175,758)</b>	<b>(663,549)</b>
<b>PROVISION FOR FINAL TAX (Note 23)</b>		
Final tax	4,104,528	2,866,744
Deferred tax	629,976	1,590,907
	<b>4,734,504</b>	<b>4,457,651</b>
<b>NET LOSS</b>	<b>(110,910,262)</b>	<b>(5,121,200)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Net movement in revaluation increment on land and building and improvements (Note 11)	163,795	(9,485,275)
Tax effect	2,266,649	2,845,583
	<b>2,430,444</b>	<b>(6,639,692)</b>
Remeasurement gain on defined benefit plan (Note 21)	(44,249)	1,209,087
	<b>2,386,195</b>	<b>(5,430,605)</b>
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of financial assets at FVOCI	(7,198,095)	-
Change in fair value of AFS financial assets	-	142,726,626
	<b>(7,198,095)</b>	<b>142,726,626</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P115,722,162)</b>	<b>P132,174,821</b>

See accompanying Notes to Parent Company Financial Statements.



See Notes to Financial Statements at [www.pef.ph](http://www.pef.ph).

**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC.  
(A Nonstock, Not-for-profit Corporation)  
PARENT COMPANY STATEMENTS OF CHANGES IN FUND BALANCES**

	Unrestricted Funds					Restricted Funds				
	Members' Contribution	Cumulative Excess of Revenues over Expenses	Other Comprehensive Income (Loss)			Total	Employment Fund (Note 3)	Provision for Inflation (Note 2)	Total	Grand Total
			Fair Value Reserve on Financial Assets at FVOCI	Reserve for Fluctuation on AFS Financial Assets (Note 3)	Revaluation Increment on Land and Building Improvements					
<b>At January 1, 2018, as previously reported</b>	\$100,000	(912,173,228)	\$-	\$138,077,099	\$-	\$1,318,371,694	\$797,227,853	\$2,115,599,547	\$2,133,392,750	
Effect of change in accounting policy on land and building improvements (Note 1)	-	19,221,237	-	-	46,245,853	-	-	-	65,467,290	
Effect of the adoption of PFRS 9, Financial Instruments (Note 3)	-	147,584,236	(9,507,637)	(138,077,099)	-	-	-	-	-	
<b>At January 1, 2018, as restated</b>	100,000	45,808,245	(9,507,637)	-	46,245,853	1,318,371,694	797,227,853	2,115,599,547	2,198,860,349	
Net loss	-	(116,910,262)	-	-	(7,555,495)	-	-	-	(116,910,262)	
Amortization of revaluation increment	-	7,555,495	-	-	2,266,649	-	-	-	2,266,649	
Tax effect of amortization of revaluation increment	-	-	-	-	-	-	-	-	-	
Transfer of property and equipment to investment property	-	-	-	-	7,719,290	-	-	-	7,719,290	
Remeasurement gain on defined benefit plan	-	-	-	-	(44,249)	-	-	-	(44,249)	
Change in fair value of financial assets at FVOCI	-	-	(7,198,095)	-	-	-	-	-	(7,198,095)	
<b>At December 31, 2018</b>	\$100,000	(958,274,022)	(916,705,732)	\$-	\$48,676,297	\$1,318,371,694	\$797,227,853	\$2,115,599,547	\$2,096,093,673	
<b>At January 1, 2017, as previously reported</b>	\$100,000	(945,248,601)	-	(94,649,227)	\$-	\$1,318,371,694	\$735,608,448	\$2,053,980,142	\$2,004,314,099	
Effect of change in accounting policy on land and building and improvements (Note 1)	-	-	-	-	52,855,545	-	-	-	52,855,545	
<b>At January 1, 2017, as restated</b>	100,000	(45,248,601)	-	(4,649,227)	52,855,545	1,318,371,694	735,608,448	2,053,980,142	2,057,200,244	
Net loss	-	(5,121,200)	-	-	(5,121,200)	-	-	-	(5,121,200)	
Amortization of revaluation increment	-	9,485,275	-	-	(9,485,275)	-	-	-	-	
Tax effect of amortization of revaluation increment	-	-	-	-	2,845,583	-	-	-	2,845,583	
Remeasurement gain on defined benefit plan	-	-	-	-	1,209,087	-	-	-	1,209,087	
Change in fair value of AFS financial assets	-	-	-	142,726,626	-	-	-	-	142,726,626	
Provision for inflation (Note 3)	-	(61,619,405)	-	-	-	-	61,619,405	-	-	
<b>At December 31, 2017</b>	\$100,000	(910,203,991)	\$-	\$138,077,099	\$46,545,853	\$1,318,371,694	\$797,227,853	\$2,115,599,547	\$2,108,860,349	

See accompanying Notes to Parent Company Financial Statements.



See Notes to Financial Statements at [www.pef.ph](http://www.pef.ph).

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

**(A Nonstock, Not-for-profit Corporation)**

**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before final tax	(P106,175,758)	(P663,548)
Adjustments for:		
Unrealized changes in prices - FVTPL (Note 8)	98,781,787	-
Depreciation and amortization (Note 11)	10,278,966	13,204,847
Provision for impairment losses on AFS financial assets	-	10,155,690
Loss on retirement of property and equipment (Notes 11 and 20)	-	12,277
Loss (gain) on sale of property and equipment (Notes 11 and 20)	(1,396)	24,317
Gain on sale of investment properties (Notes 12 and 20)	(30,000)	-
Reversal on impairment losses on investment property (Note 12)	(241,301)	-
Changes in fair value gains on investment property (Note 12)	(2,719,000)	(21,603,294)
Provision (recovery) for impairment losses on receivables (Note 7)	(4,703,467)	1,126,460
Interest income (Notes 6, 7 and 20)	(8,060,614)	(8,045,576)
Unrealized foreign exchange gain	(9,500,657)	(412,573)
Investment income (Note 8)	(55,230,027)	(81,713,130)
Operating loss before working capital changes	(77,601,467)	(87,914,530)
Decrease (increase) in:		
Receivables	650,009	(47,601,561)
Other current assets	(1,034,815)	450,596
Other noncurrent assets	(1,952,482)	(306,983)
Increase (decrease) in:		
Accounts payable and accrued expenses	(722,038)	16,936,588
Grants payable	(11,245,431)	(12,902,445)
Funds held in trust	(18,177,664)	7,597,015
Net cash used in operations	(110,083,888)	(123,741,320)
Interest income received	8,371,116	6,769,184
Final taxes paid	(4,104,528)	(2,866,744)
Net cash flows used in operating activities	(105,817,300)	(119,838,880)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net movement in AFS financial assets	43,767,906	223,852,245
Proceeds from sale of property and equipment	1,400	3,782
Additions to property and equipment (Note 11)	(1,598,816)	(852,292)
Increase in investment property (Notes 11 and 12)	(7,719,290)	-
Proceeds from sale of investment property	209,993	-
Net cash flows provided by investing activities	34,661,193	223,003,735
<b>EFFECTS OF FOREIGN EXCHANGE RATE</b>		
<b>CHANGES ON CASH</b>	9,500,657	412,573
<b>NET INCREASE (DECREASE) IN CASH</b>	(61,655,450)	103,577,428
<b>CASH AT BEGINNING OF YEAR</b>	137,211,585	33,634,157
<b>CASH AT END OF YEAR (Note 6)</b>	P75,556,135	P137,211,585

See accompanying Notes to Parent Company Financial Statements.



See Notes to Financial Statements at [www.pef.ph](http://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, 2018 and 2017

and

Independent Auditor's Report



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October 4, 2018, valid until August 24, 2021  
SEC Accreditation No. 0012-FR-5 (Group A),  
November 6, 2018, valid until November 5, 2021

## 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, 2018 and 2017, 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, 2018 and 2017, 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.



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### **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 20 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*  
Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-AR-1 (Group A),

January 10, 2019, valid until January 9, 2022

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 7332565, January 3, 2019, Makati City

March 20, 2019



A member firm of Ernst & Young Global Limited

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

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 6)	<b>₱945,317</b>	₱1,409,581
Receivables (Note 7)	<b>1,314,866</b>	633,199
Financial assets at fair value through profit or loss (FVTPL) (Note 8)	<b>24,744,032</b>	–
Available-for-sale (AFS) financial assets (Note 9)	–	124,132,488
Other current assets (Note 10)	<b>396,395</b>	291,783
<b>Total Current Assets</b>	<b>27,400,610</b>	126,467,051
<b>Noncurrent Assets</b>		
Investments (Note 9)	<b>81,820,127</b>	–
Property and equipment (Note 11)	<b>56,319</b>	132,700
Investment in an associate (Note 12)	<b>4,021,780</b>	–
<b>Total Noncurrent Assets</b>	<b>85,898,226</b>	132,700
	<b>₱113,298,836</b>	₱126,599,751
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 13)	<b>₱259,965</b>	₱391,375
Due to Parent Company (Note 15)	<b>173,231</b>	32,601
<b>Total Current Liabilities</b>	<b>433,196</b>	423,976
<b>Equity</b>		
Capital stock		
Authorized - 5,000,000 shares, ₱100 par value		
Issued and outstanding - 1,250,000 shares	<b>125,000,000</b>	125,000,000
Deficit	<b>(12,944,860)</b>	(254,432)
Fair value reserve of financial assets at FVOCI (Notes 3 and 9)	<b>810,500</b>	–
Net revaluation on AFS financial assets (Note 9)	–	1,430,207
<b>Total Equity</b>	<b>112,865,640</b>	126,175,775
	<b>₱113,298,836</b>	₱126,599,751

*See accompanying Notes to Financial Statements.*



See Notes to Financial Statements at [www.pef.ph](http://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	
	2018	2017
<b>REVENUE</b> (Note 15)		
Investment income	4,217,174	11,081,565
Management income	578,763	—
	<b>4,795,937</b>	<b>11,081,565</b>
<b>EXPENSES</b>		
Changes in fair value of financial assets at FVTPL (Note 8)	6,586,806	—
Personnel	4,032,840	5,574,110
Share in the net loss of associate (Note 12)	2,978,220	—
Project appraisal and monitoring	1,903,932	3,343,949
Meeting costs	157,891	214,218
Legal services	148,832	150,186
Training and seminars	111,023	98,778
Utilities	103,680	103,680
Depreciation (Note 11)	72,593	81,380
Professional fee	66,000	57,750
Taxes and licenses	27,817	84,691
Insurance	22,467	23,444
Others	647,651	878,274
	<b>16,859,752</b>	<b>10,610,460</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(12,063,815)</b>	<b>471,105</b>
<b>PROVISION FOR FINAL TAX</b> (Note 17)	<b>681,550</b>	<b>1,074,362</b>
<b>NET LOSS</b>	<b>(12,745,365)</b>	<b>(603,257)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of financial assets at FVOCI (Note 9)	(564,770)	—
Changes in fair value of AFS financial assets (Note 9)	—	5,619,832
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P13,310,135)</b>	<b>P5,016,575</b>

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**PEACE AND EQUITY HOLDINGS, INC.**  
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**STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock	Deficit	Other Comprehensive Income (Loss)			Total
			Net Revaluation Gain on AFS Financial Assets (Notes 3, 8, 9 and 10)	Fair Value Reserve of Financial Assets at FVOCI (Note 9)		
			For the Year Ended December 31, 2018			
Balances at January 1, as previously reported	₱125,000,000	(₱254,432)	₱1,430,207	₱-	₱126,175,775	
Effect of the adoption of PERS 9, <i>Financial Instruments</i> (Note 3)	-	619,707	(1,430,207)	810,500	-	
Balances at January 1, as restated	125,000,000	365,275	-	810,500	126,175,775	
Total comprehensive loss	-	(13,310,135)	-	-	(13,310,135)	
Balances at December 31	₱125,000,000	(₱12,944,860)	₱-	₱810,500	₱112,865,640	
			For the Year Ended December 31, 2017			
Balances at January 1	₱125,000,000	₱348,825	(₱4,189,625)	₱-	₱121,159,200	
Total comprehensive income (loss)	-	(603,257)	5,619,832	-	5,016,575	
Balances at December 31	₱125,000,000	(₱254,432)	₱1,430,207	₱-	₱126,175,775	

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**

	<b>Years Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before final tax	(P12,063,815)	P471,105
Adjustments for:		
Changes in fair value of financial assets at FVTPL (Note 8)	6,586,806	–
Share in the net loss of associate (Note 12)	2,978,220	–
Depreciation (Note 11)	72,593	81,380
Interest income	(1,856)	(5,246)
Investment income	(4,215,318)	(10,556,839)
Operating loss before working capital changes	(6,643,370)	(10,009,600)
Increase in:		
Receivables	(681,667)	(7,571)
Other current assets	(104,612)	(68,862)
Increase (decrease) in:		
Accounts payable and accrued expenses	(131,410)	(268,004)
Due to Parent Company	140,630	(38,152)
Net cash used in operations	(7,420,429)	(10,392,189)
Interest received	1,856	5,246
Final taxes paid	(681,550)	(1,074,362)
Net cash flows used in operating activities	(8,100,123)	(11,461,305)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net decrease in financial assets	14,632,071	12,125,741
Proceeds from sale of property and equipment	14,323	–
Additions to property and equipment (Note 11)	(10,535)	(58,891)
Investment in an associate	(7,000,000)	–
Net cash provided by investing activities	7,635,859	12,066,850
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(464,264)</b>	<b>605,545</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,409,581</b>	<b>804,036</b>
<b>CASH AT END OF YEAR</b>	<b>P945,317</b>	<b>P1,409,581</b>

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*Ex-Officio Member*



# management and staff



## EXECUTIVE OFFICE

Roberto R. Calingo, *Executive Director*

Margeaux M. Martinez, *Executive Assistant*

## INSTITUTIONAL CONCERNS

Pia V. Villapando, *Manager*

Aleth A. Gayosa  
Anna Amalia B. Vibar  
*Sr. Knowledge Management Officers*

Laurinette Alice A. Gonzalez  
*Sr. Information Management Officer*

Astrid C. Villanueva  
*Communication Officer*

Churchille B. Montealto  
*Sr. Communication Specialist*

Jerome L. Balanquit  
*Developer/Systems Analyst*

Shirley M. Mendoza  
*Administrative Assistant - IT*

## OPERATIONS

### PARTNERSHIPS AND PROGRAMS

Dennis Omar T. Salvo, *Manager*

Danica Marra M. Soliman, *Technical Officer*

Nikki M. Along  
Wilma B. Guinto  
Peter Floriño C. Nabong  
Ricardo D. Soto Jr.  
*Sr. Area Officers*

John Paul L. Capili  
Mysol B. Carcueva  
Shunie Pearl D. Palacios  
Alberto P. Roslinda Jr.  
*Area Officers*

Amaris M. Cabason  
Alfred John M. Escaño  
Marieanne GR L. Itol  
*Program Officers*

Joan Cris D. Lazaro  
*Operations Specialist*

### SOCIAL ENTERPRISE INSTITUTE

Merlyn A. Francisco, *Manager*

Gianne Francis Alfred E. Manzano  
*Sr. Social Enterprise Institute Officer*

Nicholas T. Geaga  
*Sr. Social Enterprise Institute Specialist*

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Cauchie C. Garcia, *Manager*

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Ma. Lucita P. Satiembre, *Finance Officer*  
Cleaufe Linda F. Bautista, *Sr. Finance Specialist*  
Rasheela Ann A. Reyes, *Finance Specialist*

### HUMAN RESOURCES

Arthur N. Gonzaga, *Sr. HR and Admin Officer*  
Eleanor P. Dimaliwat, *Sr. HR Specialist*

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Darren C. Almaden  
Joan Quennie B. Baldoz  
Fritzdane O. Jariol  
*Administrative Assistants*

## INTERNAL AUDIT AND CONTROL

Araceli B. Esconde, *Manager*

Leonor Isabel C. Galvez  
Benedict Errol Y. Purcia  
*Sr. Internal Audit and Control Specialists*

Bianca Mae V. Babierra  
*Internal Audit and Control Assistant*

A CALL TO  
scale up

PEF seeks to partner with 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.



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