

BANTAY KITA, INC.
(A Non-Stock, Non-Profit Organization)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2014
AND
AUDITOR'S REPORT**

Philippine Pesos

MVerzosa, Mibañez & Co.
Certified Public Accountants
(Formerly RSantiago, PdeloSantos, MVerzosa & Co.)
Rm. 207 Mariwasa Bldg, 717 Aurora Blvd., Quezon City, Philippines

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Bantay Kita, Inc.
Unit 1403 West Trade Center
#132 West Avenue, Brgy. Philam
Quezon City

We have audited the accompanying Statement of Assets, Liabilities and Fund Balance of Bantay Kita, Inc. as of December 31, 2014 and the related Statement of Income, Expenses and Changes in Fund Balance for the year then ended.

Management Responsibility for the Financial Statements

Management is responsible for the fair presentation of these financial statements, in accordance with accounting principles accepted in the Philippines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bantay Kita, Inc. as of December 31, 2014 and the results of its operations for the year then ended, in accordance with accounting principles generally accepted in the Philippines.

PRC/BOA Certificate of Registration No. 0648
Valid until December 31, 2015
BIR AN: 07-005941-0 -2014
Valid until April 7, 2017
Tax Identification No. 002116420



MARILOU R. IBAÑEZ
Partner
CPA Certificate No. 0041592
BIR AN: 07-005941-2-2014
Valid until April 7, 2017
PTR No. 681843
January 20, 2015
Quezon City

May 27, 2015
Quezon City, Philippines

BANTAY KITA, INC.
(A Non-Stock, Non-Profit Organization)
Statement of Income, Expenses and Changes in Fund Balance
For the year ended December 31, 2014

	<u>Note</u>	
INCOME		
Grants (Schedule 8)	2 - 4	17,077,681.50
Donations/Contributions		382,021.27
Interest Income		11,728.56
Gain (Loss) on Foreign Exchange		439,818.89
Total		<u>17,911,250.22</u>
EXPENSES (Schedule 9)		
Core Program	2 - 3, 5	
11.11.11		1,897,104.98
Christian Aid		1,901,102.05
British Embassy		
New Budget		2,413,962.65
Old Budget		2,859,560.46
IKAT National		
New Budget		2,129,460.99
Extension		1,152,783.29
Total, Core Program		<u>12,353,974.42</u>
Other Projects		
IKAT Subnational		
New Budget		1,672,832.02
Old Budget		1,098,282.92
Australia AID - EITI		680,880.60
PWYP		2,437,325.55
MDTF		2,524,070.00
IESR		420,000.00
FPE		200,000.00
Total, Other Projects		<u>9,033,391.09</u>
Total, Projects		<u>21,387,365.51</u>
Other Expenses		260,929.19
TOTAL EXPENSES		<u>21,648,294.70</u>
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES		(3,737,044.48)
FUND BALANCE, January 1, 2014		4,522,757.14
Prior Period Adjustment		<u>(265,666.40)</u>
FUND BALANCE, December 31, 2014		<u>520,046.26</u>

see accompanying notes to the financial statement

BANTAY KITA, INC.
 Schedule of Expenses
 For the year ended December 31, 2014

Core Program

11.11.11

Investment Costs	
Desktop	21,000.00
Office System	14,000.00
Sub-total	<u>35,000.00</u>
Working Costs	
General Working Costs	<u>132,152.15</u>
Activity Costs	
Board Meetings	126,739.36
Advocacy Meetings	86,973.12
Fora/Trainings	201,009.50
Policy, Research & Advocacy	358,611.21
Advocacy Materials	291,778.60
Regional Advocacy	120,734.50
Capability Building/Module Dev't.	3,204.00
Sub-total	<u>1,189,050.29</u>
Personnel Cost	
General Staff	184,247.58
Program and project related staff	356,654.96
Sub-total	<u>540,902.54</u>
Total, 11.11.11	<u>1,897,104.98</u>

CHRISTIAN AID

Activity Costs	
Board Meetings	33,516.77
Research	252,324.07
Fora/Trainings	201,989.33
Monitoring tools	301,332.63
Capability Building/Module Dev't.	162,165.98
Sub-total	<u>951,328.78</u>
Project Management	
Equipments	
Desktop	42,570.00
Office System	4,876.00
Sub-total	<u>47,446.00</u>
Operational Costs	<u>80,999.83</u>
Personnel Cost	
General Staff	485,179.25
Program and project related staff	336,148.19
Sub-total	<u>821,327.44</u>
Total, Christian Aid	<u>1,901,102.05</u>

BRITISH EMBASSY (Old Budget)	
EITI Activities	
EITI Coordination Meeting	68,244.24
Subnational EITI Briefings	716,972.04
Logistic for MSG Meeting	161,977.10
EITI Scoping Papers	158,940.50
Training of PH-EITI MSG, TWG	60,594.00
EITI CSO National Conference	747,098.66
Provincial MSG Strat Plan	210,707.52
Sub-total	<u>2,124,534.06</u>
Project Management	
Operational Costs	81,026.40
Personnel Cost	654,000.00
Sub-total	<u>735,026.40</u>
Total British Embassy, Old Budget	<u>2,859,560.46</u>
BRITISH EMBASSY (New Budget)	
EITI Activities	
EITI Coordination Meeting	130,535.06
Subnational EITI Strategic Planning	818,138.31
Subnational EITI Capability Building	822,353.93
Logistic for MSG Meeting	394,758.60
Sub-total	<u>2,165,785.90</u>
Project Management	
Operational Costs	18,176.75
Personnel Cost	230,000.00
Sub-total	<u>248,176.75</u>
Total, British Embassy New Budget	<u>2,413,962.65</u>
IKAT National (Extension)	
Activity Costs	
National Conference	471,003.31
Luzon Subnational Conference	133,832.06
Visayas Subnational Conference	140,728.94
Pilot Test	200,000.00
Monitoring tools	61,625.06
Training of Local Gov't Official	136,393.07
Sub-total	<u>1,143,582.44</u>
Project Management	
Operational Costs	9,200.85
Total, IKAT National Extension	<u>1,152,783.29</u>
IKAT Subnational Extension (Old Budget)	
Project Management	
Equipments	7,599.00
Operational Costs	3,000.00
Personnel Cost	184,000.00
Sub-total	<u>194,599.00</u>
Activity Costs	
Research on Local Mining-Case Study	65,000.00
Creation of TWG	13,503.85
Outreach Subnational Forum	8,793.50
Sub-total	<u>87,297.35</u>

Balance forwarded	87,297.35
Project Evaluation	212,000.00
Enactment of T&A Ordinance:	
Consultation with Stakeholder	72,215.50
Case Study on Mining and Expenses	20,000.00
Outreach/Subnational Forum	105,444.65
Reprinting of TICV Handbook	38,521.75
Sharing of TICV & S. Cotabato	3,217.50
Setting up of Mindanao office	39,859.80
Trip of National Staff to Field	73,781.15
Regional Support in Vietnam	22,073.10
Subnational Forum	229,273.12
Sub-total	<u>903,683.92</u>
Total, IKAT Subnational Extension	<u>1,098,282.92</u>
IKAT National (New Budget)	
Activity Costs	
Coordination Meeting	60,538.16
Advocacy Meetings	40,000.00
Forums/Trainings	82,499.50
Regional Advocacy	279,077.21
Policy, Research & Advocacy	260,475.93
Capability Building/Module Dev't.	742,084.83
Sub-total	<u>1,464,675.63</u>
Project Management	
Operational Costs	99,701.61
Personnel Cost	565,083.75
Sub-total	<u>664,785.36</u>
Total, IKAT National New Budget	<u>2,129,460.99</u>
IKAT Subnational (New Budget)	
Project Management	
Operational Costs	67,077.80
Trip of National staff to field	28,724.70
Personnel Cost	477,000.00
Benefits - 13th month	53,000.00
Sub-total	<u>625,802.50</u>
Activity Costs	
Research Study	471,925.00
Support activities:	
Multistakeholder forum, briefing	10,669.00
COMPLAN Training in S. Cotabato	226,101.73
Outreach Activities:	
Multistakeholder forum, briefing	179,835.94
EITI Outreach Activities	143,497.85
Outreach Activities - Others	15,000.00
Sub-total	<u>1,047,029.52</u>
Total, IKAT Subnational New Budget	<u>1,672,832.02</u>

FPE	
Transportation Cost	
Local Participants	35,000.00
In-Transit Travel Expense and Food	43,800.00
Accomodations and Banquets	121,200.00
Total, FPE	<u>200,000.00</u>
IESR	
Transportation Cost	
Local Participants	84,055.58
International Participants	147,657.20
In-Transit Travel Expense and Food-International	20,767.54
Accomodations and Banquets	75,133.36
Miscellaneous	
Kits	30,180.00
Supplies	7,170.00
Printing	54,763.32
Incidental expenses	273.00
Total, IESR	<u>420,000.00</u>
PWYP	
Transportation Cost	
Local Participants	280,297.43
In-Transit Travel Expense and Food-Local	38,258.00
International Participants	969,671.40
In-Transit Travel Expense and Food-International	8,250.00
Sub-total	<u>1,296,476.83</u>
Accomodations and Banquets	<u>732,467.98</u>
Honorarium and Professional Fees	
Speaker/Session Facilitator	63,000.00
Working Committee Member	40,000.00
Documentation	
Support Staff	7,000.00
Management Fee	176,400.00
Sub-total	<u>286,400.00</u>
Miscellaneous	
Kits	35,166.81
Supplies	19,830.25
Printing	62,721.68
Communication	3,569.00
Incidental expenses	693.00
Sub-total	<u>121,980.74</u>
Total, PWYP	<u>2,437,325.55</u>
MDTF	
Activity Costs	
Visayas Subnational Conference	97,962.00
Luzon Subnational Conference	120,540.06
Media/NCR NGO Training	148,660.00
Small Scale Mining Research	831,555.25
RWI Training Modules Adoption and Implementation	806,695.05
Sub-total	<u>2,005,412.36</u>

Balance forwarded	2,005,412.36
Policy Research And Advocacy	8,000.00
Local Governance Training	23,164.97
Sub-total	<u>2,036,577.33</u>
Project Management Cost	
Operational Costs	106,368.87
Personnel & Benefits	381,123.80
Sub-total	<u>487,492.67</u>
Total, MDTF	<u>2,524,070.00</u>
AUSAID-EITI	
Financial Tracking	72,168.13
The SDMP and How to include..	135,000.00
How to understand the EITI	246,811.67
Capacity building for CSOs	226,900.80
Total, AUSAID - EITI	<u>680,880.60</u>
Total, Projects	<u>21,387,365.51</u>
Other Expenses	<u>260,929.19</u>
Total Expenses	<u><u>21,648,294.70</u></u>

BANTAY KITA, INC.
(A Non-stock, Non-profit Organization)
Notes to the Financial Statements
December 31, 2014

1. ORGANIZATION

Bantay Kita has been a project under Action for Economic Reforms, Inc. (ACTION), a domestic non-stock, non-profit corporation registered with the Securities and Exchange Commission (SEC) up to March 31, 2013. As a separate entity, Bantay Kita, Inc. (BKI) was registered with the Commission per SEC Registration Certificate No. CN201306537 dated April 2, 2013. Its programs and projects, aim to institutionalize transparency and accountability, maximize benefits from the extractive industries, build the capabilities of communities and civil society organizations in all levels of value chain, secure the law on right to public information, work for the rationalization of fiscal framework and strengthen international initiative on transparency.

For the year 2014, BKI's program on policy research, subnational transparency advocacies and capacity building has been implemented through regular funding from 11.11.11, Initiative Kemitraan Asia Tenggara (IKAT) National and Subnational through Revenue Watch Institute (RWI), Christian Aid, British Embassy, Multi Donor Trust Fund (MDFT) through RWI, Australia Aid (AusAID) and the Philippines-Australia Community Assistance Program (PACAP) for its core and special projects. Above-mentioned projects include research on oil and gas industry, policy notes on local autonomy on mining, EITI subnational consultations, research on mining laws and policies, access to information advocacy, development of monitoring tool and promotion of solidarity with regional and other international partners for transparency advocacies.

2. PROJECTS IMPLEMENTED

For 2014, BKI pursued the attainment of the following objectives:

1. To popularize and mainstream transparency & social accountability at the national and local government levels;
2. To engage the Philippine Government and the mining industry on revenue & other transparency initiatives;
3. To contribute to strengthening regional & international initiatives recognized in international networks advocating transparency and addressing mining concerns;
4. To become a stable, consolidated and effective network that performs efficiently and is well coordinated in the advocacy for transparency; and
5. To build a strong and capable Secretariat to support the needs of the members and its objectives.

Said objectives were achieved through these projects:

1. 11.11.11 - "Advocating for Transparency in the EI" with PhP2,387,391.93 budget for the year covering the national and subnational levels;
2. IKAT National & Subnational - "Advocating Transparency within the Philippines' Extractive Industries Sector", a sub-grant from RWI with \$90,000 budget for project implementation commencing March 20, 2014 and ending December 31, 2014;
3. Christian Aid - "Advocate for Transparency and Accountability of the Extractives Sector", not only in terms of the fiscal regime that governs their operations but also in

ensuring the protection of rights of stakeholders affected by these activities. The grant was received in 2013 but the projects were implemented only in 2014 and therefore not reflected in grants for 2014.

4. British Embassy – “Strengthening Transparency and Accountability in the Extractive Industry in the Philippines by Implementing the Extractive Industry Transparency Initiative (EITI)” providing PhP6,006, 289.57.
5. Multi Donor Trust Fund (MDTF-RWI) – “Establish a satellite office in Mindanao to strengthen the outreach of the coalition in the area and provide support to current initiatives of the coalition at the subnational level in Compostela Valley and South Cotabato” at \$60,000.
6. AusAid – “Supporting Philippine Extractive Industries Transparency Initiative (PH-EITI) Multi-Stakeholder Group, Technical Working Group & Secretariat” commencing October, 2013; ending September, 2014. The grant was received in 2013 but the projects were carried out only in 2014; hence, this was excluded in grants for 2014.
7. Institute for Essential Services Reform (IESR) – BK-PWYP Capacity Building Sessions and PWYP Asia-Pacific Regional Conference” which ran from March 26 – 28, 2014 for \$10,000.
8. The Foundation for Philippine Environment (FPE) – “Advancing Civil Society Engagement in the Extractive Industry in the Philippines and Asia-Pacific” at PhP200,000; and
9. Publish What You Pay (PWYP) “BK-PWYP Capacity Building Sessions and PWYP Asia-Pacific Regional Conference” which ran from March 26 – 28, 2014 for \$60,000.

Project terms extensions and new fundings were granted for the British mbassy, IKAT National and Subnational.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

3.1 Basis of Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the organization, the accounts of the “Bantay Kita Philippines” project are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various activities are classified, for accounting and reporting, into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, funds that have similar characteristics are combined into fund groups.

The organization follows the accrual basis of accounting for its transactions; consequently, certain revenues and the related assets are recognized when earned rather than when received; and certain expenses are recognized when the obligation is incurred rather than when paid.

3.2 Foreign Currency Transactions

Transactions in foreign currency are recorded in the books at pegged conversion rates, more or less prevailing for a certain period. When an amount is exchanged from foreign currency to peso, the amount resulting from the difference between the actual conversion rate and the pegged rate is recorded as either gain or loss on foreign exchange. As of December 31, 2014; foreign currency-denominated account balances were restated at US\$1.00 to PhP44.39 and €1 to PhP54.3556.

3.3 Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any impairment in value. Depreciation is calculated on a straight-line basis over the useful lives of the assets estimated based on the period over which the asset is expected to be available for use

4. RECEIPTS

For 2014, grants received from the earlier-mentioned funding partners totaled PhP17,077,681.50 for seven (7) core and related projects/activities. These excluded the grants for the Christian Aid and AusAid projects which were received in 2013. Please see Schedule 8 for details.

5. EXPENDITURE

As shown in Schedule 9, expenditure for core program and other projects/activities for the same period amounted to PhP21,648,294.70. This covers both direct project/activity and project management costs.