

BANTAY KITA, INC.
(A Non-stock, Non-profit Organization)

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Bantay Kita, Inc.
Unit 1102 West Trade Center
1112 West Avenue, Brgy. Pinaric
Quezon City

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED
DECEMBER 31, 2016
AND
AUDITOR'S REPORT**

Philippine Pesos

MVerzosa, Mibañez & Co.
Certified Public Accountants
(Formerly RSantiago, PdeloSantos, MVerzosa & Co.)
Rm. 216 P & S Bldg, 717 Aurora Blvd., Quezon City, Philippines

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Bantay Kita, Inc.
Unit 1402 West Trade Center
#132 West Avenue, Brgy. Philam
Quezon City

We have audited the accompanying Statement of Assets, Liabilities and Fund Balances of Bantay Kita, Inc. as of December 31, 2016 and the related Statement of Income, Expenses and Changes in Fund Balance for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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.

Scope

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.

BANTAY KITA, INC.
(A Non-stock, Non-profit Organization)
Statement of Assets, Liabilities and Fund Balances
December 31, 2016

	<u>Note</u>	
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalent (Schedule 1)	3.1, 3.2	5,935,446.15
Advances for Operations (Schedule 2)	3.1	505,671.80
Accounts Receivable (Schedule 3)	3.1	1,065,283.20
Salary Loan Receivable (Schedule 4)	3.1	45,500.00
Interfund Receivable (Schedule 5)	3.1	14,715.73
Total		<u>7,566,616.88</u>
PROPERTY AND EQUIPMENT (net-Schedule 6)	3.1, 3.3	
Computer Equipment		112,892.87
Office Equipment, Furniture and fixtures		44,684.91
Total		<u>157,577.78</u>
TOTAL ASSETS		<u>7,724,194.66</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts Payable (Schedule 7)	3.1	1,930,744.35
Other Payables (Schedule 7A)	3.1	15,659.54
Interfund Payable	3.1, 4	43,140.00
Fund Held In Trust	3.1, 5	53,782.66
Total Liabilities		<u>2,043,326.55</u>
FUND BALANCES		
Operational Fund	3.1-3.2, 6-7	5,523,290.33
Property & Equipment Fund	3.1, 3.3	157,577.78
Total Fund Balance		<u>5,680,868.11</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>7,724,194.66</u>

see accompanying notes to the financial statement

BANTAY KITA, INC.
 (A Non-stock, Non-profit Organization)
 Statement of Income, Expenses and Changes in Fund Balance
 For the year ended December 31, 2016

	<u>Note</u>	
INCOME		
Grants (Schedule 8)	2, 3.1 -3.2, 6	21,717,431.38
Donations/Contributions		174,350.00
Interest Income		7,959.67
Gain (Loss) on Foreign Exchange	3.1, 3.2	271,918.39
Total Income		<u>22,171,659.44</u>
EXPENSES (Schedule 9)		
Core Program	3.1, 7	
11.11.11		2,724,825.60
Christian Aid		2,032,086.18
British Embassy		1,105,151.98
DAI-USAID		9,940,603.18
MAVC		58,553.37
FPE		423,000.00
PWYP		106,784.33
Total, Core Program		<u>16,391,004.64</u>
Other Projects		
Christian Aid		54,284.86
11.11.11		50,680.00
PWYP		122,144.64
Total, Special Projects		<u>227,109.50</u>
Total, Projects		<u>16,618,114.14</u>
Other Expenses		88,761.45
Total Expenses		<u>16,706,875.59</u>
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES		5,464,783.85
FUND BALANCE, January 1, 2016		138,506.48
Prior Period Adjustment		<u>(80,000.00)</u>
FUND BALANCE, December 31, 2016	3.1. 6 - 7	<u>5,523,290.33</u>

see accompanying notes to the financial statement

BANTAY KITA, INC.
Schedule of Expenses
For the year ended December 31, 2016

Care Program

British Embassy 2016

EITI Activities

EITI Coordination Meetings	34,489.74
Subnational EITI Support	370,064.20
National Conference	504,998.09
Sub-total	<u>909,552.03</u>

Project Management

Personnel	195,599.95
Sub-total	<u>195,599.95</u>
Total British Embassy (New Budget)	<u>1,105,151.98</u>

Christian Aid 2016

Activity Cost

Board Meetings	181,543.63
Subnational Outreach	74,668.90
Subnational EITI Support	148,883.07
EITI Outreach Activities	122,300.08
High Level Meetings	12,459.40
Networking Meetings	18,023.26
Regional Participation	199,421.80
Support to Trainings & Seminars	169,327.65
Research Papers/Policy Note	154,502.39
Advocacy Materials	183,982.01
Support to Advocacy Work	125,184.27
Capacity Building/Module Dev't.	115,881.00
Sub-total	<u>1,506,177.46</u>

Project Management

Operational Cost	208,631.89
Personnel	309,997.83
Sub-total	<u>518,629.72</u>
Equipment	<u>7,279.00</u>
Total Christian Aid	<u>2,032,086.18</u>

11.11.11

Activity Costs

Board Meetings	297,541.73
Subnational Outreach	73,635.57
Subnational EITI Support	119,131.91
Selection of CSO EITI Representative	75,120.77
EITI Outreach Activites	65,751.44
EITI Coordination Meetings	20,000.00
Participation in EITI	200,000.00
High Level Meetings	40,000.00
	<u>891,181.42</u>

BANTAY KITA, INC.
Schedule of Advances for Operations
December 31, 2016

BANTAY KITA, INC.
Schedule of Cash & Cash Equivalent
December 31, 2016

Arso, Eric	2,700.00
Besmanos, Beverly	48,646.13
Llanos, Chadwick	78,150.00
Petty Cash Fund	10,000.00
BPI Euro Savings #53	78,872.20
BPI Dollar Savings #45	229,668.61
BPI-Peso Current #02	270,996.20
BPI-Peso Current #22	5,024,306.33
BPI-Peso Savings #39	321,602.81
Total	<u>5,935,446.15</u>

Schedule of Accounts Receivable
December 31, 2016

Alvar, Joan	185,458.71
Arso, Eric	600.00
Besmanos, Renato	79.00
Besmanos, Ronald Allan	10,000.00
Besmanos, Arturo	100.00
Besmanos, Beverly	2,352.50
Carmona, Ed	4,191.20
Carmona, Elaine	31.80
Carmona, Cleo	2,585.23
Castellano, Carlo	461.00
Chavez, Alma	116,033.00
Chavez, Lorena	19,971.25
Chavez, Mary Ann	124,012.11
Chavez, Maria Aurora Torovita	53,549.56
Chavez, Marga	39,738.00
Chavez, Marco Angelo	96,864.81
Chavez, Rosa	436.25
Chavez, Rosa	44,772.00
Chavez, Rosa	293.00
Chavez, Rosa	16,580.76
Chavez, Rosa	50,000.00
Chavez, Rosa	220,000.00
Chavez, Rosa	43,499.88
Chavez, Rosa	3,850.82
Total	<u>1,065,283.20</u>

BANTAY KITA, INC.
 Schedule of Grants Received
 For the year ended December 31, 2016

Care Project		
11.11.11		2,334,740.45
Christian Aid		1,629,622.70
British Embassy		2,473,761.40
DAI-USAID		12,002,601.92
MAVC		1,297,902.83
NRGI		1,799,257.50
Sub-total		<u>21,537,886.80</u>
Special Project		
PWYP		179,544.58
Sub-total		<u>179,544.58</u>
Total		<u><u>21,717,431.38</u></u>

BANTAY KITA, INC.
 Schedule of Expenses
 For the year ended December 31, 2016

Core Program

British Embassy 2016

EITI Activities

EITI Coordination Meetings	34,489.74
Subnational EITI Support	370,064.20
National Conference	504,998.09
Sub-total	<u>909,552.03</u>

Project Management

Personnel	195,599.95
Sub-total	<u>195,599.95</u>

Total British Embassy (New Budget)	<u>1,105,151.98</u>
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Christian Aid 2016

Activity Cost

Board Meetings	181,543.63
Subnational Outreach	74,668.90
Subnational EITI Support	148,883.07
EITI Outreach Activities	122,300.08
High Level Meetings	12,459.40
Networking Meetings	18,023.26
Regional Participation	199,421.80
Support to Trainings & Seminars	169,327.65
Research Papers/Policy Note	154,502.39
Advocacy Materials	183,982.01
Support to Advocacy Work	125,184.27
Capacity Building/Module Dev't.	115,881.00
Sub-total	<u>1,506,177.46</u>

Project Management

Operational Cost	208,631.89
Personnel	309,997.83
Sub-total	<u>518,629.72</u>

Equipment	<u>7,279.00</u>
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Total Christian Aid	<u>2,032,086.18</u>
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11.11.11

Activity Costs

Board Meetings	297,541.73
Subnational Outreach	73,635.57
Subnational EITI Support	119,131.91
Selection of CSO EITI Representative	75,120.77
EITI Outreach Activites	65,751.44
EITI Coordination Meetings	20,000.00
Participation in EITI	200,000.00
High Level Meetings	40,000.00
	<u>891,181.42</u>

Sub-total	891,181.42
Networking Meetings	25,585.50
Fora/Trainings/Seminars	98,855.73
Regional Participation	74,800.00
Research Papers/Policy Note	126,212.50
Advocacy Materials	68,421.00
Support to Advocacy Work	55,000.00
Capability Building/Module Dev't.	319,093.19
Sub-total	<u>1,659,149.34</u>
Project Management	
Operational Cost	436,929.42
Personnel	561,678.84
Sub-total	<u>998,608.26</u>
Investment Cots	
Equipment	67,068.00
Total, 11.11.11	<u>2,724,825.60</u>
DAI-USAID 2016	
Salaries	<u>2,135,944.14</u>
Direct Cost	
Professional Fees	80,000.00
Travel & Transportation	628,878.20
Supplies & Materials	2,328,431.75
Total Direct Cost	<u>3,037,309.95</u>
Other Direct Cost	
PH-EITI Conference	4,121,278.19
Orientation in TLDFI Project	49,111.43
Groundwork Preparation	71,260.00
IP Conference	90,637.00
Subnational Dialogue	15,912.50
Royalty Governance & Financial Management	235,483.15
Cebu Capacity & Alliance Bldg.	39,873.00
Dev't. of a Model Royalty TF	74,286.15
Legislative Workshop	69,507.67
Total Other Direct Cost	<u>4,767,349.09</u>
Total, DAI-USAID	<u>9,940,603.18</u>
MAVC 2016	
Groundwork/Mapping	1,634.75
Capacity Bldg.	45,809.62
Operational Cost	11,109.00
Total, MAVC 2016	<u>58,553.37</u>
PWYP 2016	
Accommodation	43,602.90
In-transit Expenses	1,148.31
Per Diem	4,600.00
Travel & Transportation	57,133.12
Miscellaneous	300.00
Total, PWYP	<u>106,784.33</u>

FPE 2015

Direct Cost

Research & Development	150,000.00
Training Specialist	60,000.00
Editor	75,000.00
Lead Researcher	138,000.00
Scientific Expert	<u>423,000.00</u>
Total FPE 2015	<u>16,391,004.64</u>

Total Core Program

Special Projects

PWYP 2016

Open Data Initiative	122,144.64
Total PWYP	<u>122,144.64</u>

Christian Aid 2016

Video Documentation	16,047.15
National Conference	37,537.51
Bank Charge	700.20
Total, Christian Aid 2016	<u>54,284.86</u>

11.11.11

Video Documentation	50,680.00
Total, 11.11.11	<u>50,680.00</u>
Total Special Projects	<u>227,109.50</u>

Other Expenses

Bantay Kita Institutional

Mid-year Bonus	60,000.00
Taxes & Licenses	12,100.20
Furniture & Fixtures	10,199.25
Supplies	740.00
Repairs & Maintenance	3,400.00
Miscellaneous	2,322.00
Total, Other Expenses	<u>88,761.45</u>

Total Expenses

16,706,875.59

BANTAY KITA, INC.
(A Non-stock, Non-profit Organization)
Notes to the Financial Statements
December 31, 2016

1. ORGANIZATION

Bantay Kita, Inc. (BKI) is a domestic non-stock, non-profit corporation registered with the Securities and Exchange Commission (SEC) on April 2, 2013 per SEC Registration Certificate No. CN201306537. 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 2016, BKI's program on policy research, subnational transparency advocacies and capacity building has been implemented through regular funding from the British Embassy, Christian Aid, 11.11.11, Natural Resource Governance Institute (NRGI), Foundation for the Philippine Environment (FPE) and Making All Voices Count (MAVC) for its core program and Christian Aid & Pay What You Publish (PWYP) for its special projects. Said projects include research on oil and gas industry, policy notes on local autonomy on mining, EITI subnational consultations/conferences, 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.

BKI operates in Quezon City as its Head Office but has satellite offices in Luzon, Visayas and Mindanao. The National Coordinator executes overall program implementation, supported by the Deputy Coordinator while the temporary regional offices were headed by Coordinators for Luzon, Visayas and Mindanao. Inasmuch as it has a limited number of program officers, it hires consultants and deputizes certain network partners to augment its manpower in implementing BKI's research and training needs.

2. PROJECTS IMPLEMENTED

For 2016, 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. British Embassy –“Strengthening Transparency and Accountability in the Extractive Industry in the Philippines by Implementing the Extractive Industry Transparency Initiative (EITI)”;

2. 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;
3. 11.11.11 - "Advocating for Transparency in the EI". Budget for the year covered the national and subnational levels;
4. NREGI - to promote subnational resource governance innovations and push pending EI fiscal policy reform proposals, with project for the purpose of EITI reporting in the Philippines that is policy relevant, comprehensive and user-friendly, and to ensure that data informs policy debates, reform and improved government systems in the Philippines;
5. FPE - "Advancing Civil Society Engagement in the Extractive Industry in the Philippines and Asia-Pacific"; and
6. MAVC - "Empowering indigenous community towards proper stewardship of its resources mainly in the mining sector".
7. PYWP - "Making Data Work for Communities Project."
8. DAI-USAID - "Strengthening PH-EITI Implementation through CSO Empowerment."

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, 2016; foreign currency-denominated account balances were restated at US\$1.00 to PhP49.72 and €1 to PhP52.3473.

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. INTERFUND PAYABLE

The account is a reclassification from Accounts Payable – BKI for purposes of proper presentation in the financial statements.

5. FUND HELD IN TRUST

This is a reclassification and adjustment from recorded receipts for staff longevity pay sourced out of grants for the year temporarily set aside to shoulder staff retirement benefits.

6. INCOME

For 2015, grants received total PhP21,717,431.38; PhP21,537,886.80 of which is for BKI's core program/projects while PhP179,544.58 is for special projects (Schedule 8).

7. EXPENSES

As shown in Schedule 9, expenditure for core program and other projects/activities for the same period amounted to PhP16,706,875.59; PhP16,391,004.64 of which is for the core program while PhP227,109.50 is for special projects and PhP88,761.45 is for institutional expenses.