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## The ICTSI Foundation, Inc. was established in 2010 to institutionalize and expand corporate social responsibility in International Container Terminal Services, Inc.

(ICTSI). With youth as our core advocacy, we built the Foundation on three development pillars that would provide support mechanisms to the young constituents of our host communities: education, community welfare and sports. We have always envisioned ICTSI to have an impact on the economy, and at the same time we also wanted to have a meaningful impact in our community. The ICTSI Foundation was our way to do just that.

On behalf of the Foundation, I am proud to report that we have achieved so much since 2010. We have developed key partnerships with the Philippine Department of Social Welfare and Development,

Department of Environmental and Natural Resources and Department of Education, the City of Manila, the Philippine Business for Social Progress, various non-government organizations and other local government units. We have also started laying the groundwork in expanding the Foundation's reach in our global operations.

In 2014, the Foundation embarked on one of its most challenging projects so far. One year after Haiyan, we were faced with the challenge to rebuild and rehabilitate affected communities. Some parts of the country still reel from the damage brought about by the most devastating storm to hit the country. Our efforts, however, had not been futile. The Foundation did an outstanding work in helping survivors. We

continue to do our best, together with the help of government and other private entities, to fast track the relief and rehabilitation activities for the affected areas and their constituents. More work still need to be done.

Turning the focus to our own neighborhood, last year marked the second year of the Parola Waste Management Project in Manila. We continue to address the garbage problem by conducting more concrete activities and involving more members of the communities. Despite its initial success, the project remains a work in progress and we are looking to expand its scope in the near future.

We also launched our overseas academic scholarship program. The Foundation selected two of the most eligible high school students to be ICTSI's first college scholars at the Northeastern University in Boston, Massachusetts. We believe that giving these bright minds the opportunity to study in one of the most renowned academic institutions in the world would help them realize their potentials as future leaders of our country.

To the men and women in the ICTSI Group who volunteered to make the ICTSI Foundation a trailblazing CSR arm, thank you.

To the officers and staff of the ICTSI Foundation, including our partners, congratulations for your hard work in bringing ICTSI closer to community.

  
Enrique K. Razon, Jr.  
Chairman



**Y**ear 2014 marked the second year of the Parola Solid Waste Management Project, a key environment project of the ICTSI Foundation, Inc., in the host communities of ICTSI's flagship, the Manila International Container Terminal. The Parola communities in Barangay 20 in Tondo and Barangay 275 in Binondo, Manila were the immediate beneficiaries of the project. Philippine government agencies recognized the project for its influence and remarkable contribution to the community. The project was the recipient of the 2014 Best in New Social Technology Award from Department of Social Welfare and Development (DSWD) and a plaque of recognition from the Environmental Management Bureau of the Department of Environment and Natural Resources (DENR).

Post-Haiyan relief and rehabilitation became the second focus of activities from the first to the third quarters of the year. Activities included distribution of relief goods to survivors in Tacloban and Palo in Leyte, and Basey, Marabut and Balangiga in Samar. Rehabilitation efforts covered repair and re-furnishing of five day care centers in Balangiga, a livelihood project at the DSWD Regional Haven for Women and Home for Girls, and replacement of damaged microscopes and computers at the Eastern Visayas campus of the Philippine Science High School.

Continuation of the Foundation's regular assistance projects for public schools and its host communities were undertaken: high school scholarship, mobile free clinics, technology and livelihood education assistance, alternative learning system, teacher development, Christmas outreach activities, and the like.

A highlight of 2014 was the screening and selection of two graduating public high school students for ICTSI's first

international college scholarship program at Northeastern University in Boston, Massachusetts. One student from Olongapo City and another from General Santos City were chosen from around 69 applicants to this pilot project.

The Foundation commenced CSR scoping in some of ICTSI foreign subsidiaries and plans are underway to mirror the Foundation's CSR footprint to the Group's global operations.

After being declared by the DSWD as an accredited resource agency in 2012, the Foundation has primed itself for accreditation with the Philippine Council for NGO Certification (PCNC). Early this year, the Foundation applied with the PCNC, with the latter commencing its audit in March.

Overall, the Foundation continued implementation of projects in all host communities in the Philippines in line with its three development pillars: education, sports and community welfare assistance. These were done in partnership with DSWD, DENR, Department of Education, the Department of Public Services of the City of Manila and the Philippine Business for Social Progress.



## Scholarship Program for High School and College Students

In partnership with Philippine Business for Social Progress and eight public high schools located in host communities of ICTSI Philippine

terminals, the Foundation continued its scholarship program for 95 senior high school students. The Foundation also supported five sophomore college students taking up various courses in state colleges in the City of Manila.

In addition, two graduating public high school students from Olongapo and General Santos City were chosen to be the first scholars of ICTSI international college scholarship program in partnership with Northeastern University in Boston, Massachusetts, USA.

They were selected from eight shortlisted finalists out of 69 applicants coming from public high schools in ICTSI's seven host communities.

ICTSI host communities in the Philippines are in Manila, Olongapo, Bauan, General Santos, Davao, Misamis Oriental and Tagum.

ICTSI Scholars

2 incoming college scholars

45 high school students, 5 college students

Northeastern University, Boston, MA

Manila

10 high school students

Olongapo City, Zambales

ICTSI-Northeastern University partnership

Two incoming college freshmen from the Philippines' public high school system will be given the opportunity to pursue college education at the Northeastern University (NU) in Boston, Massachusetts in the United States.

The ICTSI-NU scholarship is open to all top senior high school students of 211 public high schools located in the host communities where ICTSI operates in the Philippines. The ICTSI Foundation, the scholarship program implementer, tapped the assistance of the Department of Education (DepEd) in the selection process.

The scholarship fund covers full tuition and fees, airfare, board and lodging, books, insurance, visa processing and other expenses related to undergraduate requirements. The Foundation processed and screened applicants together with a representative from the Department of Education and a

private consultant specializing in teen psychology. The two scholars will commence their college studies in September 2015.

Founded in 1898, NU is a global, experiential, research university built on a tradition of engagement with the world, creating a distinctive approach to education and research. The University offers a comprehensive range of undergraduate and graduate programs leading to degrees through the doctorate in nine colleges and schools, and select advanced degrees.



10 high school students

Bauan, Batangas

10 high school students

Gen. Santos City

10 high school students

Davao City

10 high school students

Misamis Oriental



ICTSI officers mentor scholars on career planning

In May, the ICTSI Foundation invited ICTSI officers for a career talk with some 60 students from the Raja Soliman Soliman Senior High School, 45 of whom were ICTSI scholars, at the school's conference room in Manila. The Foundation and the PBSP gathered select graduating high school students for talks on college life, choosing the right course, and planning a career path. ICTSI mentors also shared values and pointers on how to survive college life, and the need to balance time between studies and personal activities.

TLE Assistance Beneficiaries

4,500 students

Davao City

2,038 students

Gen. Santos City

Technology and Livelihood Education (TLE) Assistance for Public High School Students

In December 2014, two schools in Mindanao were provided with equipment and tools in support of strengthening their TLE curriculum. Around 4,500 high school students in F. Bangoy National High School in Davao City and 2,038 students in Labangal National High School in Gen. Santos City benefitted from the various home-technology sewing equipment and baking tools provided by the Foundation.



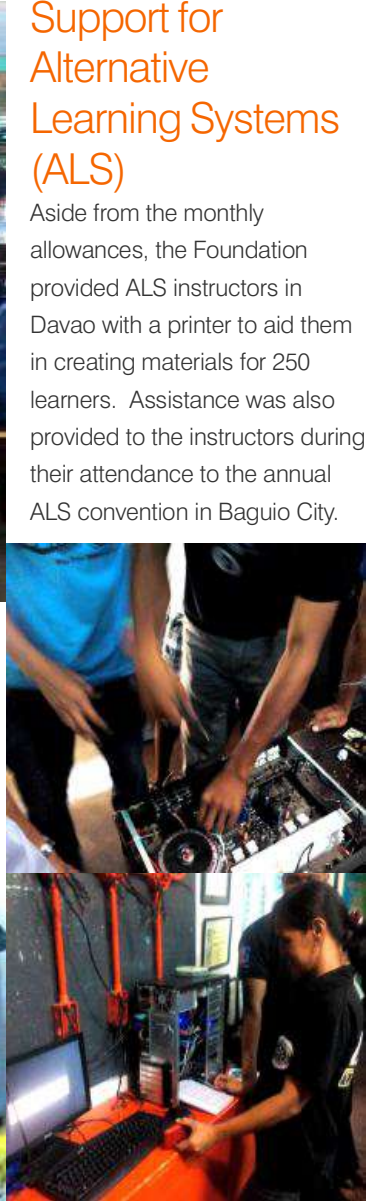
250 students

Davao City

ALS Support Beneficiaries

Support for Alternative Learning Systems (ALS)

Aside from the monthly allowances, the Foundation provided ALS instructors in Davao with a printer to aid them in creating materials for 250 learners. Assistance was also provided to the instructors during their attendance to the annual ALS convention in Baguio City.



Project Teach Beneficiaries

35 high school teachers

Misamis Oriental

Project TEACH  
(Teacher Empowerment and Capacity Honing)

A total of 35 public high school teachers in Tagoloan National High School, Misamis Oriental, were trained in information and communications technology to upgrade their instructional capabilities. The project aims to equip the teachers in the use of current computer technology and software to aid them in teaching.



194 daycare children

Misamis Oriental



Project Aide Beneficiaries

64 daycare children

Bauan, Batangas

Project AIDE  
(Assistance to Improve Daycare Education)

In support of daycare center improvement, seven daycare centers in Casinglot, Misamis Oriental were provided with assorted children's books and bookshelves benefitting 194 daycare pupils. In a daycare center in San Roque, Bauan, Batangas, audio-visual equipment and children's books were also provided to 64 daycare pupils.





## Parola Solid Waste Management Project

**M**ore concrete activities for the project were conducted in 2014. Eco Patrols, community champions and volunteers on solid waste management (SWM) in Parola,

were continuously deployed and provided with tools and implements in solid waste segregation and recycling.

In partnership with the Philippine Department of Environment and Natural Resources (DENR) - Environmental Management Bureau, a two-day team-building workshop for partner councils in Baranggay 20, Tondo and Baranggay 275, Binondo was organized in Antipolo City. Sixteen community leaders attended.

In March, Foundation officers, together with project partners, participated in SWAPPC on 2014

in Legazpi City. Organized by the Solid Waste Management Association of the Philippines (SWAPP), around 150 participants attended the conference. The conference discussed the mainstreaming and integration of the informal waste sector (IWS) into the organized and larger SWM system. The IWS includes waste pickers, waste reclaimers and junk shop operators, among others. SWAPPCon 2014 is in support of the National Framework Plan for IWS-SWM adopted by the National Solid Waste Management Commission in 2010.

The Foundation tapped the Polystyrene Packaging Council of the Philippines and the

Philippine Plastics Industry Association as resource partners in the Foundation's drive to recycle styrofoam and plastic waste products in Parola. Recycling is a key component of the project.

By the middle of the year, the Foundation conducted a waste analysis and characterization study (WACS). The study provided the baseline data to determine the appropriate technology to process solid waste that will generate additional livelihood for Parola's urban poor residents.

Thirty of the 62 Eco Patrols were deployed as collectors, sorters, encoders and recorders.

A total of 201 households were used to generate waste samples. Household wastes for three consecutive days, including one weekend day, were collected, weighed and analyzed. Results showed that the two barangays, with an estimated population of 90,000, generate almost 10 tons of garbage per day or .14 kilograms of garbage a day per person.

Also, the study revealed that more than half of Parola's waste are biodegradable. Among the biodegradable waste, food and kitchen waste comprise the highest percentage followed by residual waste or those which are not compostable and not recyclable. The study also revealed that high-grade recyclables such as PET bottles are no longer in Parola's waste stream as residents sell these in junk shops.

WACS results are now with DENR for evaluation to determine the appropriate livelihood technology that can be applied to the solid waste generated by the Parola community.

In August, the project was among the highlights of the Metropolitan Manila Development Authority's (MMDA) Solid Waste Management Project and Capacity Enhancement on Republic Act 9003 for community leaders. A forum and an exhibit were organized by the MMDA and participated in by the Foundation. The Foundation, together with select Eco Patrols, gave talks and shared insights and experiences on SWM.

The Foundation continued to improve the lives of its 62 Eco Patrols through its partnership with the Philippine Social Security System (SSS). Through the SSS' AlkanSSSyA Program, Eco Patrols drop their coin savings everyday in their designated mini compartments of one metal box as their contribution to their social security. AlkanSSSyA is derived from the Filipino word *alkansya*, which means piggy bank.

This SSS program allows workers of informal sector groups such as jeepney operators and drivers, market vendors, and garbage collectors the opportunity to avail of social protection provided by SSS through a minimal PHP 11 per day savings. The Foundation sponsored two units of safe and secure metal boxes for two barangays of Parola.



**Government recognition on the Parola Solid Waste Management Project**

In February, the Philippine National Solid Waste Management Commission recognized the efforts of the ICTSI Foundation in addressing the garbage problem in Parola, Manila through the Parola Solid Waste Management Project. The Commission presented a certificate of appreciation citing the Foundation's leading role in the implementation of Republic Act 9003 or the Ecological Solid Waste Management Act of 2000.

Parola SWM Project Beneficiaries

2,150 residents

Parola (Barangay 20, Tondo and Barangay 275, Binondo), Manila

62 Eco Patrols

SWM community champions / volunteers

A cleaner community after one year

The ICTSI Foundation gathered 62 Eco Patrols in October for the first anniversary celebration of the Parola Solid Waste Management Project (PSWMP). During the gathering, Eco Patrols shared their thoughts and learning experiences from the project, and the positive changes the project brought to their well-being, family and community.

Key accomplishments of the PSWMP were: solid waste management seminars for 2,822 residents, waste analysis and characterization study on Parola solid wastes, regular garbage collection along South Access Road in coordination with the Manila Department of Public Service, social security for the Eco Patrols, and the creation of a Barangay Ecological Solid Waste Management Committee in accordance with Republic Act 9003.

The Foundation also provided new sets of rubber boots, gloves and broomsticks to Eco Patrols whose assigned

community gates are constantly flooded. On its second year, the PSWMP intensified its information and education drive on waste segregation in households. This is expected to result in significant waste reduction and the identification of appropriate livelihood interventions to process solid waste.



Over 150 trees

Planted at the MICT



Tree planting at MICT's Berth 6

As part of a continuing initiative to “green” ICTSI's Manila flagship terminal and its immediate community, the Foundation conducted a tree planting activity in March to extend the greening of the MICT to Berth 6, the terminal's latest facility.

In cooperation with residents of host community Parola, a total of 90 trees were planted in the perimeter area of Berth 6, and on the road islands of the East Access Road and South Access Road. Talisay, banana and assorted fruit tree seedlings were planted.

This was the third time that ICTSI conducted a tree planting activity. In 2002, coconut seedlings were planted in the seaside sidewalk of the South Access Road, and in 2009, tuba-tuba, talisay and balet seedlings were planted in portions of the road islands of the East Access Road and South Access Road.

Volunteer on-call employees have been maintaining over 150 trees at the MICT since 2002.

Mobile Clinics Beneficiaries

2,585 patients

Bauan in Batangas, Olongapo City and Davao City

Mobile Clinics

Three free mobile medical-dental clinics were conducted in San Roque in Bauan, Batangas, New Asinan in Olongapo City and Sasa in Davao City, which benefitted 339 patients, 246 patients and 2,000 patients, respectively. Aside from the free consultations, free medicines were distributed.



400 families

Roxas City, Capiz

244 families

Balangiga, Eastern Samar

277 families

Marabut, Eastern Samar



Haiyan Relief Operations

During the first quarter, new and old clothing and rice packs were distributed to 400 families in Pilar, Capiz in cooperation with DSWD and the local government. By the end of the second quarter, donations from France and Colombia containing pasta, rice, cooking oil, bottled water and assorted food packs were distributed by the Foundation to 2,360 Haiyan survivors residing in eight DSWD bunkhouses in Tacloban and Palo, Leyte and Basey, Marabut and Balangiga in Samar.

458 families

Basey, Western Samar

1,371 families

Tacloban, Leyte

250 families

Palo, Leyte



Haiyan Rehabilitation Beneficiaries

405 daycare students, 5 renovated day care centers

Balangiga, Eastern Samar

380 high school students

Palo, Leyte

30 abused women

Palo, Leyte

Haiyan Rehabilitation Operations

With the SGV Foundation and with donations from local and foreign donors, rehabilitation activities in Balangiga, Eastern Samar and Palo, Leyte were launched in February. Five DSWD-supported daycare centers in Balangiga were renovated. Children's books, furniture and teaching materials were also included. The daycare centers were turned-over to local government units in October.

In October, the Foundation turned-over 16 units of sewing machines to assist in rehabilitating the livelihood of more than 30 physically and sexually abused women under the custody of the Regional Haven for Women in Pawing, Palo, Leyte.

The Foundation also provided rehabilitation assistance to the Philippine Science High School – Eastern Visayas Campus in the form of scientific and IT equipment. A total of 15 Rax Vision compound microscopes and 10 sets of Acer Z606 computers with UPS were purchased and turned over in January 2015.



Parola Fire Relief Beneficiaries

1,196 families

Tondo, Manila

Relief Operations for Parola Fire Victims

In 2014, two fires gutted portions of Parola: one in July with 180 families rendered homeless from Gate 20 of Barangay 20; and in November with 1,016 families from Gate 1, Pier 2 and Gate 20 of Barangay 20. The Foundation conducted relief operations for 1,196 families.



1,500 daycare pupils, teachers & parents

Parola, Manila



2014 Christmas Outreach Beneficiaries

650 families

Indigenous peoples in Porac and Mabalacat, Pampanga

2014 Christmas Outreach

In Porac, Pampanga, 350 indigenous families of Katutubo Village were provided with Christmas meal packages in partnership with teachers and administrators of Katutubo Elementary School. Meanwhile, 300 indigenous families from Sitio Calapi, Mabalacat, Pampanga were given assorted medicines and medical supplies through the medical mission conducted by *Kabataan Para sa Tribung Pilipino* or KATRIBU, an indigenous people's advocate. In Manila, 1,500 children, daycare workers and volunteer parents under DSWD's pre-school education program were given Christmas pack meals and toys.



Football Clinics Beneficiaries

500 street kids

Manila – Manila Jeepney FC training

150 young footballers, 80 marginalized youth

Fundacion Real Madrid Football Clinic

Football Clinics

In June, the Foundation-sponsored Project Lipad, a series of

weekend training conducted by the Manila Jeepney Football Club, was concluded. Some 500 street children were part of the program aimed at helping the marginalized youth with a sports program that would keep them off city streets. Manila Jeepney is the official soccer team of the City of Manila in the United Football League.

In partnership with the Makati Football Club and the Spanish Embassy in Manila, the Foundation brought to the

Philippines the football clinic of Fundacion Real Madrid in December. Some 150 children from Metro Manila were given the opportunity to join the football clinic in Alabang, Muntinlupa City. Of the 150, 80 of participants were from institutions catering to the marginalized youth like Nasyon ng Kabataan, Don Bosco Foundation, Unang Hakbang and Gawad Kalinga, and young players from the provinces of Pangasinan and Camarines Sur.



15 lady softball athletes

Asia Pacific Champions

Little League Manila Beneficiaries

Little League Manila

In support of the City of Manila's sports program, the Foundation sponsored the Manila softballes' campaign in the 2014 World Series Big League Championships in Sussex, Delaware. The 15-member team from Little League Manila, which won in the Asia Pacific competition and represented the region the World Series, finished fifth overall as it bested other teams from the United States and around the world.



Sports Equipment Beneficiaries

Provision of Sports Equipment

The Foundation supported sports development in public high schools and provided assorted sports equipment and gears to Labangal National High School in Gen. Santos City and to the DepEd Division of Tagum City. These equipment like shot-put, javelin, boxing gloves, head gear, were utilized by 2,038 high school students in Gen. Santos and 5,700 in Tagum City.



2,038 high school students

Gen. Santos City

5,700 high school students

Tagum City



500 junior golfers, 50 marginalized youth

Junior Golf Foundation of the Philippines

Junior Golf Beneficiaries

Junior Golf

The Foundation was a key sponsor of the 2014 season of the Junior Golf Foundation of the Philippines (JGFP). JGFP, the ICTSI Group's partner in the latter's golf program for junior golf, held a total of 54 tournaments: 25 tournaments in the 2014 ICTSI-JGFP School Season; three tournaments in the Summer Circuit; and 26 tournaments in the inter-school competitions. Over 500 junior golfers nationwide participated with 50 young players from the marginalized sector. A total of 60 schools and 16 golf clubs, all host venues of the 2014 tournaments, were represented. In 2014, 169 junior golf players, national winners of ICTSI-JGFP tournaments, participated in over 10 international competitions in the United States. Eleven junior golfers brought home 16 championship trophies in different age brackets.



# Independent Auditors’ Report



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BOA/PRC Reg. No. 0001,  
December 28, 2012, valid until December 31, 2015  
SEC Accreditation No. 0012-FR-3 (Group A),  
November 15, 2012, valid until November 16, 2015

The Board of Trustees  
ICTSI Foundation, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of ICTSI Foundation, Inc., which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of activities and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### 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 Standard for Small and Medium-sized Entities, 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.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

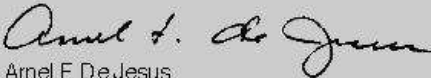
#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ICTSI Foundation, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flow for the years then ended in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities.

### Report on the Supplementary Information Required Under Revenue Regulations 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 on Revenue Regulations 15-2010 in Note 12 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 ICTSI 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.



Arnel F. De Jesus  
Partner  
CPA Certificate No. 43285  
SEC Accreditation No. 0075-AR-3 (Group A),  
February 14, 2013, valid until February 13, 2016  
Tax Identification No. 152-884-385  
BIR Accreditation No. 08-001998-15-2012,  
June 19, 2012, valid until June 18, 2015  
PTR No. 4751272, January 5, 2015, Makati City

March 3, 2015

A member firm of Ernst & Young Global Limited

# Statements of Financial Position

December 31		
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 5)	<b>P7,343,534</b>	P7,447,763
Advances to employees	<b>34,130</b>	4,900
Total Current Assets	<b>7,377,664</b>	7,452,663
<b>Noncurrent Assets</b>		
Property and equipment (Note 6)	<b>5,846,036</b>	2,164,544
Security deposit (Note 11)	<b>165,527</b>	–
Total Noncurrent Assets	<b>6,011,563</b>	2,164,544
<b>TOTAL ASSETS</b>	<b>P13,389,227</b>	P9,617,207
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 7)	<b>P2,414,915</b>	P1,145,778
<b>Fund Balance</b>	<b>10,974,312</b>	8,471,429
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>P13,389,227</b>	P9,617,207

See accompanying Notes to Consolidated Financial Statements.

# Statements of Activities

Years Ended December 31		
	2014	2013
<b>REVENUE</b>		
Grants, donations and pledges (Note 8)	<b>P26,043,329</b>	P28,787,993
Interest income (Note 5)	<b>18,606</b>	11,660
Unrealized foreign exchange gain	<b>7,902</b>	33,741
	<b>26,069,837</b>	28,833,394
<b>EXPENSES</b>		
Project expenses (Note 9)	<b>20,304,322</b>	23,602,429
Administrative expenses (Note 10)	<b>3,262,632</b>	3,309,841
	<b>23,566,954</b>	26,912,270
<b>CHANGES IN FUND BALANCE</b>	<b>2,502,883</b>	1,921,124
<b>FUND BALANCE, BEGINNING</b>	<b>8,471,429</b>	6,550,305
<b>FUND BALANCE, END</b>	<b>P10,974,312</b>	P8,471,429

See accompanying Notes to Consolidated Financial Statements.

# Statements of Cash Flows

	Years Ended December 31	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in fund balance	<b>P2,502,883</b>	P1,921,124
Adjustments for:		
Depreciation (Notes 6 and 10)	<b>1,168,746</b>	1,181,517
Interest income (Note 5)	<b>(18,606)</b>	(11,660)
Unrealized foreign exchange gain	<b>(7,902)</b>	(33,741)
Change in fund balance before changes in working capital	<b>3,645,121</b>	3,057,240
Increase in advances to employees	<b>(29,230)</b>	(4,814)
Increase in accounts payable and other current liabilities	<b>1,269,137</b>	993,297
Cash generated from operations	<b>4,885,028</b>	4,045,723
Interest received	<b>18,606</b>	11,660
Net cash flows provided by operations	<b>4,903,634</b>	4,057,383
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Increase in security deposit	<b>(165,527)</b>	–
Acquisition of property and equipment (Note 6)	<b>(4,850,238)</b>	(140,300)
Net cash flows used in investing activities	<b>(5,015,765)</b>	(140,300)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>		
	<b>7,902</b>	33,741
<b>NET INCREASE (DECREASE) IN CASH</b>		
	<b>(104,229)</b>	3,950,824
<b>CASH AT BEGINNING OF YEAR</b>		
	<b>7,447,763</b>	3,496,939
<b>CASH AT END OF YEAR (Note 5)</b>		
	<b>P7,343,534</b>	P7,447,763

See accompanying Notes to Consolidated Financial Statements.

# Notes to Financial Statements

1. **Foundation Information**

The ICTSI Foundation, Inc. (the “Foundation”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 12, 2009 but officially started its operations on January 1, 2010. The Foundation is organized and operated generally in and for the public interest; and specifically for charitable, civic, social, artistic and cultural endeavors; education youth and sports development; community welfare and development efforts and other related purposes beneficial to the national welfare. The objective of the Foundation is to support the search for training, development and competitiveness of athletes who can represent the Philippines in the national, regional and international competitions; to promote the development of sports; to foster the advancement of education; and to conduct seminars, workshops or livelihood projects in urban and rural communities.

As a non-stock, non-profit corporation, the Foundation's income is exempt from the payment of income tax as set forth in Section 30(E) of Republic Act. no. 8424 known as "An Act Amending the National Internal Revenue Code, as Amended and for other Purposes". However, the income of whatever kind and character from any of its properties, real or personal, or any of their activities conducted for profit regardless of the disposition made of such income shall be subject to tax imposed under the Code.

The registered office address of the Foundation is ICTSI Administration Building, MICT South Access Road, North Harbor, Manila.

The financial statements of the Foundation were approved and authorized for issuance by the Board of Trustees (BOT) on March 3, 2015.
2. **Basis of Preparation and Statement of Compliance**

Basis of Preparation  
The financial statements have been prepared on a historical basis and are presented in Philippine Peso (Peso or ₱), which is the Foundation's functional and presentation currency. All amounts are rounded off to the nearest Peso unit, except when otherwise indicated.

Statement of Compliance  
The financial statements have been prepared in compliance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).
3. **Summary of Significant Accounting and Financial Reporting Policies**

Cash  
Cash includes cash on hand and in bank.

Property and Equipment  
Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment loss. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Depreciation starts on the succeeding month after the property and equipment are available for use and computed using the straight-line method over the estimated useful lives of the assets as follow:

Office equipment	3-5 years
Office improvements	3-5 years
Transportation equipment	5 years
Leasehold improvements	5 years or term of the lease, whichever is shorter

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of activities in the year the asset is derecognized.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Impairment of Property and Equipment  
At each reporting date, property and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in statement of activities.

Accounts payable and other current liabilities  
Accounts payable and other current liabilities is part of the working capital used in the normal operating cycle of the Foundation. Other current liabilities are not settled as part of the Foundation's normal operating cycle but are due for settlement within 12 months after the balance sheet date. Accounts payable and other current liabilities are recognized in the period when incurred.

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

*Grants, donations and pledges.* Revenue from grants, donations and pledges are recognized upon pledge or receipt of the amount from the donor.

*Interest income.* Interest income is recognized as it accrues, taking into account the effective yield on the asset.
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Expenses

Project and Administrative Expenses. Project and administrative expenses are recognized as incurred.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Events after the Reporting Date

Post year-end events that provide additional information about the Foundation's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

The Foundation, as the lessee, does not acquire substantially all the risks and benefits of ownership of the leased asset and thus is classified as operating lease. Operating lease payments are recognized as expense in the statement of activities on a straight-line basis over the lease term.

4. Significant Accounting Judgment, Estimates and Assumptions

Judgment

In the process of applying the Foundation's accounting policies, management has made the following judgment, apart from those involving estimations, which has an effect on the amounts recognized in the financial statements:

- Functional Currency  
The Foundation determined its functional currency to be the Philippine Peso. The determination of functional currency was based on the primary economic environment in which the Foundation operates.
- Operating Lease Commitments - Foundation as a Lessee  
The evaluation of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on the use of a specific asset and the arrangement conveys a right to use the asset. The Foundation, as a lessee, has determined that the lessor retains all significant risks and rewards of ownership of these properties which are on operating lease agreement.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next fiscal year are discussed below:

- Impairment of Nonfinancial Assets  
PFRS for SMEs requires nonfinancial assets to be tested for impairment when certain impairment indicators are present. Nonfinancial assets include property and equipment. Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. There is no indication of impairment in 2014 and 2013 and thus, no asset impairment was recognized. The carrying amounts of property and equipment are disclosed in Note 6 to the financial statements.
- Estimated Useful Lives of Property and Equipment  
Management determines the estimated useful lives and the related depreciation charges for its property and equipment based on the period over which the property and equipment are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of property and equipment. Management will increase the depreciation charges where useful lives are less than what have previously been estimated. A reduction in the estimated useful lives of property and equipment would increase recorded expenses and decrease noncurrent assets.  
The carrying values of property and equipment amounted to P5,846,036 and P2,164,544 as of December 31, 2014 and 2013, respectively (see Note 6).

5. Cash

This account consists of:

	2014	2013
Cash in bank	P7,278,889	P7,378,981
Cash on hand	64,645	68,782
	P7,343,534	P7,447,763

Cash in bank earns interest at the respective bank deposit rates. Interest income earned amounted to P18,606 in 2014 and P11,660 in 2013.

6. Property and Equipment

This account consists of:

	2014				
	Office Equipment	Transportation Equipment	Office Improvement	Leasehold Improvements	Total
Cost					
Balance at beginning of year	P1,151,847	P2,092,285	P2,572,452	P–	P5,816,584
Additions (Note 11)	197,496	–	–	4,652,742	4,850,238
Balance at end of year	1,349,343	2,092,285	2,572,452	4,652,742	10,666,822
Accumulated Depreciation:					
Balance at beginning of year	828,412	1,130,936	1,692,692	–	3,652,040
Depreciation (Note 10)	235,797	418,457	514,492	–	1,168,746
Balance at end of year	1,064,209	1,549,393	2,207,184	–	4,820,786
Net Book Value	P285,134	P542,892	P365,268	P4,652,742	P5,846,036

	2013				
	Office Equipment	Transportation Equipment	Office Improvement	Leasehold Improvements	Total
Cost					
Balance at beginning of year	P1,043,647	P2,092,285	P2,540,352	–	P5,676,284
Additions	108,200	–	32,100	–	140,300
Balance at end of year	1,151,847	2,092,285	2,572,452	–	5,816,584
Accumulated Depreciation:					
Balance at beginning of year	575,028	712,479	1,183,016	–	2,470,523
Depreciation (Note 10)	253,384	418,457	509,676	–	1,181,517
Balance at end of year	828,412	1,130,936	1,692,692	–	3,652,040
Net Book Value	P323,435	P961,349	P879,760	–	P2,164,544

7. Accounts payable and other current liabilities

This account consists of:

	2014	2013
Accounts payable	P1,473,471	P1,029,355
Retention payable	430,380	–
Accrued expenses	427,105	62,272
Withholding tax - compensation	46,522	29,627
SSS premium/ECC, Philhealth, HDMF premium payable	20,229	16,705
Withholding tax - expanded	13,871	5,340
SSS and HDMF loan payable	3,337	2,479
	P2,414,915	P1,145,778

Trade payables are noninterest-bearing and are normally settled on a thirty (30) to ninety (90) day term.

8. Grants, Donations and Pledges

International Container Terminal Services, Inc. (ICTSI) and other parties make donations to the Foundation in support of its projects and activities. Grants consist of:

	2014	2013
Donations from ICTSI	P23,884,360	P26,306,360
Donations from other parties	2,158,969	2,481,633
	P26,043,329	P28,787,993

9. Project Expenses

This account consists of:

	2014	2013
Special projects	P4,905,939	P849,140
Sports development assistance	4,325,317	4,940,412
Community welfare assistance	3,405,389	10,958,262
Education	3,150,156	3,537,750
Salaries and employee benefits	2,759,872	2,073,559
Transportation and travel	1,160,637	512,855
Rent expense (Note 11)	248,291	–
Meals	192,932	149,722
Institutional development program	155,789	560,229
Sponsorship	–	20,500
	P20,304,322	P23,602,429

10. Administrative Expenses

This account consists of:

	2014	2013
Depreciation (Note 6)	P1,168,746	P1,181,517
Salaries and employee benefits	955,365	855,944
Professional fees	358,512	321,432
Christmas giveaways	175,188	141,266
SSS, HDMF, and Philhealth contributions	146,104	98,368
Communication	115,506	75,089
Office supplies	106,139	152,433
Transportation	39,029	—
Power and light	33,235	—
Taxes and licenses	26,573	14,468
Insurance and bonds	25,338	28,361
Meals	22,612	—
Audio visual presentation	—	355,419
Miscellaneous	90,285	85,544
	3,262,632	3,309,841

11. Lease Commitment

In September 2014, the Foundation entered into a lease agreement with Lucky Star Holdings, Inc. for the ICTSI CSR Hall located in Intramuros, Manila where it will serve as training and assembly venue for the Foundation's project partners and beneficiaries. The lease shall be effective for two years commencing on October 1, 2014.

The Foundation paid one month advance rent and a security deposit, which is equivalent to two months of rent inclusive of Expanded Value Added Tax, except at the exclusive option of the lessor, shall not be applied to any unpaid rent and will increase by P8,276 which is equivalent to 5% increase of two months rental for the second year. This is presented under "Security deposit" account in the statements of financial position.

Rent expense recognized amounted to P248,291 in 2014 (see Note 9).

The schedule of future minimum lease payables for outstanding operating lease agreement as of December 31 is as follows:

	2014
Not later than one year	P1,005,577
Later than one year but not later than two years	782,117
	P1,787,694

12. Supplementary Information Required Under Revenue Regulations 15-2010

The Foundation reported and/or paid the following types of taxes for the year ended December 31, 2014:

Taxes and Licenses

Details of taxes and licenses consist of the following:

Local business taxes	P26,071
Community tax certificate	502
	P26,573

Withholding Taxes

Details of withholding taxes for the year are as follows:

Withholding on compensation and benefits	P580,299
Expanded withholding	151,281
	P731,580

The Foundation did not incur and did not have any amount owing for the payment of documentary stamp taxes and custom duties in 2014.

The Foundation did not incur and did not have any amount owing for the payment of excise taxes on locally produced excisable items and imported excisable items.

The Foundation is currently not involved in any tax cases, preliminary investigations, litigation and/or prosecution in courts outside of BIR.

# ICTSI Foundation, Inc.

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