SAVE THE CHILDREN PHILIPPINES (SCP), INC.

(A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Save the Children Philippines (SCP), Inc.
4/F Sunnymede IT Center
1614 Quezon Avenue
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Save the Children Philippines (SCP), Inc. (the "Association"), a nonstock, nonprofit organization, which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of receipts and expenses, statements of changes in fund balances and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association 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 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.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 PSA 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 PSA, 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Association 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 management and 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.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No. 34-2020 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 16 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 supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu

MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
SEC Accreditation No. 1710-A, Group A, valid until September 17, 2021
Tax Identification No. 225-068-761
BIR Accreditation No. 08-001987-041-2020
Issued December 22, 2020, valid until December 21, 2023
PTR No. MKT 8533923
Issued January 4, 2021 at Makati City

May 20, 2021
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Trustees
Save the Children Philippines (SCP), Inc.
4/F Sunnymede IT Center
1614 Quezon Avenue
Quezon City

We have audited the accompanying financial statements of Save the Children Philippines (SCP), Inc. (the "Association"), a nonstock, nonprofit organization, as at and for the year ended December 31, 2020, on which we have rendered our report dated May 20, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal member of the Association.

R.G. MANABAT & CO.

Maria Arleene C. Yu
MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
SEC Accreditation No. 1710-A, Group A, valid until September 17, 2021
Tax Identification No. 225-068-761
BIR Accreditation No. 08-001987-041-2020
Issued December 22, 2020, valid until December 21, 2023
PTR No. MKT 8533923
Issued January 4, 2021 at Makati City

May 20, 2021
Makati City, Metro Manila

SAVE THE CHILDREN PHILIPPINES (SCP), INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 14*	**P274,862,760**	P225,528,851
Receivables	*5, 11, 14*	**96,694,810**	65,289,127
Prepaid expenses and other current assets	*6*	**45,117,310**	67,626,063
Total Current Assets		**416,674,880**	358,444,041
Noncurrent Assets			
Restricted cash	*12, 14*	**51,631,135**	37,433,136
Refundable deposits	*13, 14*	**5,650,094**	5,589,997
Total Noncurrent Assets		**57,281,229**	43,023,133
		P473,956,109	P401,467,174
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable and other current liabilities	*7, 11, 14*	**P359,526,289**	P307,546,499
Noncurrent Liability			
Retirement benefits liability	*12*	**48,504,522**	42,070,021
Total Liabilities		**408,030,811**	349,616,520
Fund Balances			
Fund balances		**65,925,298**	51,850,654
		P473,956,109	P401,467,174

See Notes to the Financial Statements.

SAVE THE CHILDREN PHILIPPINES (SCP), INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF RECEIPTS AND EXPENSES

		Years Ended December 31	
	Note	**2020**	2019
RECEIPTS			
Grants	*8, 11*	**P721,729,318**	P678,918,251
Gifts in kind	*9, 11*	**76,439,172**	77,430,062
Foreign exchange gains		**15,124,192**	-
Interest income	*4*	**1,028,913**	825,204
Other income		**377,487**	1,504,191
		814,699,082	758,677,708
EXPENSES	*10*		
Domestic programming		**650,754,891**	682,116,076
Domestic programming support		**59,314,070**	84,608,623
Advocacy and campaigns		**7,619,488**	6,239,077
Fundraising costs		**30,046,643**	24,002,413
Support services and administration		**52,889,346**	59,579,134
		800,624,438	856,545,323
NET EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENSES		**P14,074,644**	(P97,867,615)

See Notes to the Financial Statements.

SAVE THE CHILDREN PHILIPPINES (SCP), INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCES

	Years Ended December 31
	Fund Balances
Balance as at January 1, 2020	**P51,850,654**
Net excess of receipts over expenses	**14,074,644**
Balance as at December 31, 2020	**P65,925,298**
Balance as at January 1, 2019	P149,718,269
Net deficiency of receipts over expenses	(97,867,615)
Balance as at December 31, 2019	P51,850,654

See Notes to the Financial Statements.

SAVE THE CHILDREN PHILIPPINES (SCP), INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess (deficiency) of receipts over expenses		**P14,074,644**	(P97,867,615)
Adjustments for:			
Retirement benefits costs	*12*	**11,418,634**	11,459,694
Unrealized foreign exchange gains		**(8,796,955)**	-
Interest income	*4*	**(1,028,913)**	(825,204)
Net receipts (expenses) before working capital changes		**15,667,410**	(87,233,125)
Decrease (increase) in:			
Receivables		**(31,405,683)**	(62,076,955)
Prepaid expenses and other current assets		**22,508,753**	30,839,036
Restricted cash		**(14,197,999)**	(6,575,028)
Refundable deposits		**(60,097)**	(256,548)
Increase in accounts payable and other current liabilities		**60,776,745**	154,562,808
Net cash generated from operations		**53,289,129**	29,260,188
Interest received		**1,028,913**	825,204
Retirement benefits paid	*12*	**(4,984,133)**	(3,583,912)
Net cash provided by operating activities		**49,333,909**	26,501,480
NET INCREASE IN CASH AND CASH EQUIVALENTS		**49,333,909**	26,501,480
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**225,528,851**	199,027,371
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P274,862,760**	P225,528,851

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Entity Information

Save the Children Philippines (SCP), Inc. (the "Association") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on April 28, 2014. The Association is a non-stock, nonprofit organization formed for the following purposes: 1) To protect, watch over, secure and ensure the human rights of children which includes, but may not be limited to, any or all of those rights and freedoms defined in the Universal Declaration of Human Rights, and the United Nations Convention on the Rights of the Child, such as: their rights to survival, protection, development and participation; 2) To prevent or relieve poverty, financial hardship and suffering of children, 3) To preserve life and to promote the health and welfare of children, including the protection of children who have suffered harm and abuse, whether mental or physical, and/or whose lives and security are at risk; and 4) Such other purposes as are consistent with the above and Philippine laws for nonstock, nonprofit associations.

On March 1, 2016, the Board of Trustees (the "Board") of Save the Children International (SCI or Head Office) approved the transition of Save the Children International - Philippine Branch (the "Branch") to the Association effective on January 1, 2015. This transition was wide ranging and included the transfer of operations, program activities, contracts, staff, assets, and liabilities from the Branch to the Association. The Association is also authorized by the Branch to enter into an agreement to receive funds from outside the Philippines and transfer the said funds to the Association.

Effective July 1, 2019, the Association became an Associate Member of Save the Children Association (SCA) by unanimous vote of the SCA Members Assembly. SCA is a Swiss non-profit association that holds the membership governance structure for Save the Children globally. As an Associate Member, the Association is required to maintain the minimum performance standards of strong governance and leadership, effective management, financial sustainability and growth, high quality programs, effective advocate for children, strong brand, robust child safeguarding, and an active role in the movement. The Association has autonomy in terms of raising its own funds, but remains to be bound by SCA's policies and governance in pursuing Save the Children's global vision and mission.

On February 20, 2019, the President of the Philippines signed into law Republic Act No. 11232 or the Revised Corporation Code of the Philippines (Revised Code). The Revised Code expressly repeals Batas Pambansa Blg. 68 or the Corporation Code of the Philippines. Section 11 of the Revised Code states that a corporation shall have perpetual existence unless the Articles of Incorporation provides otherwise. Corporations with certificates of incorporation issued prior to the effectivity of this Revised Code, and which continue to exist, shall have the perpetual existence, unless the corporation, upon majority vote of its stockholders or trustees, notifies the SEC that it elects to retain its specific corporate term pursuant to its Articles of Incorporation: Provided, that any change in the corporate term under this section is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Revised Code. The Revised Code took effect on February 23, 2019.

Under Section 30(E) of Republic Act (RA) No. 8424, Tax reform Act of 1997, the Association is exempt from income tax, except on income derived from any of its properties, real or personal, or from any of its activities, conducted for profit, regardless of the disposition made of such income.

In 2020, the Association filed an application for transfer of revenue district office (RDO) from Makati City to Quezon City. As of May 19, 2021, the Association's application of transfer is awaiting for approval. The Association's Certificate of Tax Exemption shall be filed with the Quezon City RDO once the transfer is approved.

As an organization organized to protect and uphold the rights of children, the Association has obtained a license to operate issued by the Department of Social Welfare and Development (DSWD) issued on January 23, 2020 and valid until January 23, 2023.

On October 18, 2019, the Board and the members of the Association approved the amendment of Article III of the Articles of Incorporation to change the principal office of the Association to 4/F Sunnymede IT Center Building, 1614 Quezon Avenue, Quezon City from 3rd Floor, Midland Building, 1040 EDSA, Magallanes Village, Makati City. The change in the principal office address was approved by the SEC on March 6, 2020.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

As at December 31, 2020, the Association had breached the quantitative thresholds set out in the criteria for medium-sized entities. The breach is not expected to be significant and continuing for the Association to transition to Philippine Financial Reporting Standards in accordance with the Revised Securities Regulation Code 68. The Association will continue to reassess the breach in the next accounting period.

The Association's financial statements as at and for the year ended December 31, 2020 were approved and authorized for issuance by the Board on May 19, 2021.

Basis of Measurement

The financial statements have been prepared on a historical cost basis of accounting.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is also the Association's functional currency. All financial information presented in Philippine peso are rounded off to the nearest peso, except when otherwise indicated.

Use of Judgments and Estimates

The preparation of the financial statements in conformity with PFRS for SMEs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, receipts and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

The following presents the summary of these judgments and estimates which have the most significant effect on the amounts recognized in the financial statements.

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Association, the functional currency has been determined to be Philippine peso. It is the currency of the primary economic environment in which the Association operates and the currency that mainly influences the cost of undertaking projects.

Determining whether an Arrangement Contains a Lease. The Association uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership of the Association.

Operating Leases – Association as a Lessee. The Association has entered into various lease arrangements as a lessee. In determining whether all significant risks and rewards of ownership remain with the lessor or transferred to the lessee, the following factors are considered:

a. the ownership of the asset does not transfer at the end of the lease term;

b. there is no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;

c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;

d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset; or

e. the leased assets are not of such a specialized nature that only the lessee can use them without major modifications.

The Association has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

Rent expense recognized in the statements of receipts and expenses amounted to P11,291,757 and P16,722,376 in 2020 and 2019, respectively (Note 13).

Estimating Allowance for Impairment Losses on Receivables. The Association maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Association performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Association. The amount and timing of recorded expenses for any period would differ if the Association made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded expenses and decrease current assets.

There were no impairment losses recognized on the Association's receivables as at December 31, 2020 and 2019. The carrying amount of the Association's receivables as at December 31, 2020 and 2019 amounted to P96,694,810 and P65,289,127, respectively (Note 5).

Estimating Retirement Benefits Costs and Liability. The Association's retirement benefits is the higher of the Association's defined benefit obligation relating to the minimum guarantee as required by Republic Act (RA) 7641, *The Philippine Retirement Law*, and the Association's obligation arising from its defined contribution plan, which pays fixed contributions based on the employee's monthly salaries. No assumptions are used in determining the retirement benefits costs and liability.

The Association's defined contribution plan consist of: (1) Long Term Savings Plan (LTSP) for regular employees, equivalent to 10% of annual gross salary; and (2) Project Completion Bonus (PCB) for project hired staffs, equivalent to half a month's salary for every twelve (12) months period or pro-rated amount if completed less than 12 months. Retirement benefits costs pertaining to services rendered during the year is reported as expense for the current year.

Retirement benefits liability recognized in the statements of financial position amounted to P48,504,522 and P42,070,021 as at December 31, 2020 and 2019, respectively (Note 12).

Retirement benefits costs recognized in the statements of receipts and expenses amounted to P11,418,634 and P11,459,694 in 2020 and 2019, respectively (Note 12).

Estimating Provisions and Contingencies. The Association, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provisions for probable losses arising from legal contingencies were recognized in the Association's financial statements as at December 31, 2020 and 2019.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in the Association's financial statements, unless otherwise indicated.

Certain comparative amounts in the statements of receipts and expenses have been reclassified or re-presented either as a result of changes in the presentation of items or changes in the classification of certain accounts during the current year.

Current versus Noncurrent Classification

The Association presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Association classifies all other assets and liabilities as noncurrent.

Financial Instruments

The Association classifies its financial instruments as either basic financial instruments or other financial instruments. Financial instruments are recognized only when the Association becomes a party to the contractual provisions of the instruments.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in banks and short-term placements. Cash in banks earn interest at the respective bank deposit rate. Short-term placements are readily convertible within three months depending on the immediate cash requirements and earn an interest at the prevailing short-term placement rates. Cash and cash equivalents are stated at face value.

Restricted Cash

Restricted cash comprise the special fund set aside by the Association for retirement benefits claims which is stated at its face value.

Receivables and Refundable Deposits

Receivables and refundable deposits are classified as basic financial instruments with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at the transaction price. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses. At the end of each reporting period, the carrying amounts of receivables and refundable deposits are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If there is objective evidence of impairment, an impairment loss is recognized immediately in profit or loss.

Accounts Payable and Other Current Liabilities
Accounts payable and other current liabilities are classified as basic financial instruments and are recognized initially at the transaction price including transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recognized on the basis of the effective interest method and is included in finance costs in profit or loss.

Impairment of Financial Assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

Derecognition of Financial Assets and Financial Liabilities
Financial Assets. A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Association has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Association has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Association's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Association could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in statements of receipts and expenses.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements. Thus, the related assets and liabilities are presented at gross basis in the statements of financial position.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are recognized in the statements of financial position when it is probable that future economic benefits will flow to the Association and the amounts can be measured reliably. Prepaid expenses are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Preposition stocks pertain to donated goods held by the Association for distribution to its beneficiaries. Preposition stocks are measured at cost.

The Association writes-down preposition stocks that are expired, damaged, physically deteriorated, obsolete, or unusable due to other causes.

Refundable Deposits

Refundable deposits pertain to deposits for various rentals under operating leases which will be returned to the Association after the lease term. These deposits are classified in the statements of financial position as current asset when the deposits are expected to be refunded within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Association has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

The Association maintains a defined contribution plan for its qualified employees as discussed in Note 2 to the financial statements. Under its defined contribution plan, the Association pays fixed contributions based on the employee’s monthly salaries. However, the Association is covered under RA 7641 which provides its qualified employees a defined benefit minimum guarantee. Under RA 7641, an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years, which is hereby declared the compulsory retirement age, and who has served at least five (5) years in the Association, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

The Association accounts for its retirement obligation under the higher of defined benefit obligation relating to the minimum guarantee under RA 7641 and the obligation arising from its defined contribution plan.

PFRS for SMEs does not require an entity to engage an independent actuary to perform the comprehensive actuarial valuation needed to calculate its defined benefit obligation nor does it require that a comprehensive actuarial valuation must be done annually.

As allowed under PFRS for SMEs, the Association elected not to engage a qualified independent actuary and computed its retirement benefits liability and related cost using simplified approach without considering salary increases, employee turnover, disability and mortality rate.

Fund Balances

The amount of fund balances includes the initial capital contribution in the set-up of the Association, assigned fund balances from the Branch and accumulated net excess or deficiency of receipts over expenses from the Association's activities. This account related to operating fund account in the statements of financial position. The fund balances may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Receipt Recognition

Receipts are recognized when it is probable that the economic benefits associated with the transaction will flow to the Association, and the amount of the receipts can be measured reliably and is measured at fair value of the consideration received or receivable. Description of the Association's receipts are as follows:

- *Grants.* Grants are recognized in the period received or when right to receive is established and all the requirements of the donor/grantor are satisfied.

- *Gifts in Kind.* Gifts in kind donated for distribution by country programs (such as food, clothing and medical supplies) are recognized at the commercial or sale value of the item or asset received as evidenced by quotations, comparative advertisements or expert assessment. The Association recognizes income when gifts in kind are received. Expenditure is recognized when gifts in kind are distributed to the projects and any undistributed amounts are recognized on the statements of financial position as preposition stocks.
- *Interest Income.* Interest income is recognized, net of final tax, as it accrues using the effective interest method.

- *Other Income.* Other income is recognized as earned.

Expense Recognition

Expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred. Expenses are presented in the profit or loss according to the function of such expenses. Input Value Added Tax (VAT) incurred on vatable purchases were charged to the related expense in the statements of receipts and expenses.

Leases

Operating Leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are recognized in statements of receipts and expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the Association's benefit. Associated costs such as maintenance, are expensed as incurred.

Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in statements of receipts and expenses.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. The key management personnel of the Association and post-employment benefit plans for the benefit of the Association's employees are also considered to be related parties.

Provisions and Contingencies
Provisions are recognized when: (a) the Association has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discontinuing is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that the reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Association's position at the reporting date (adjusting events) are recognized in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2020**	2019
Cash in banks	*14*	**P274,862,760**	P145,062,229
Short-term placement	*14*	**-**	80,466,622
		P274,862,760	P225,528,851

Cash in banks earn interest at the prevailing bank deposit rates. The short-term placement has a maturity of 35 days with effective annual interest rate of 2.05% and 2.40% in 2020 and 2019, respectively.

Interest income from cash in banks and short-term placement recognized in the statements of receipts and expenses amounted to P1,028,913 and P825,204 in 2020 and 2019, respectively.

5. Receivables

This account consists of:

	Note	2020	2019
Due from related parties	*11, 14*	**P88,893,007**	P58,388,542
Other receivables		**7,801,803**	6,900,585
		P96,694,810	P65,289,127

Other receivables pertain to amounts owed by employees of the Association for the unliquidated cash advances.

6. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2020	2019
Preposition stocks		**P42,838,474**	P62,738,145
Prepaid rentals	*13*	**1,095,456**	1,178,193
Project advances		**-**	2,696,273
Others		**1,183,380**	1,013,452
		P45,117,310	P67,626,063

Preposition stocks pertain to purchased and donated goods held by the Association for distribution to its beneficiaries.

Project advances pertain to advances given to various organizations under subgrant agreements to carry out the Association's projects. These advances are subject to liquidation based on the Association's policy.

7. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	2020	2019
Accounts payable	*14*	**P524,188**	P524,188
Accrued expenses	*14*	**77,762,412**	73,910,526
Due to related parties	*11*	**276,021,856**	229,302,922
Statutory payables		**5,217,833**	3,808,863
		P359,526,289	P307,546,499

Accounts payable are non-interest bearing and are generally on a 30 to 90-day term.

Statutory payables include other taxes payables and mandatory contributions. These are normally settled one month after the reporting date.

Accrued expenses consist of:

	2020	2019
Staff cost	**P27,703,955**	P20,810,596
Payroll	**22,553,129**	15,515,007
Professional fees	**13,086,525**	7,592,287
Supplies	**12,221,177**	15,628,082
Transportation and travel	**426,621**	3,526,027
Utilities	**305,258**	1,208,058
Advertising	**273,927**	1,368,794
Insurance	**-**	2,207,859
Other accruals	**1,191,820**	6,053,816
	P77,762,412	P73,910,526

Professional fees pertain to consultancy and audit fees.

Other accruals include expenses related to program activities such as venue and meals.

8. Grants

The operations of the Association are funded mainly by the grants received from Head Office and various SCI members. In addition, some projects are funded by sponsorship and grants from corporate donors, international humanitarian and developmental organizations.

The receipts under grants are subject to contractual restrictions that the Association must comply with through incurring expenditures that are approved for specified programs in promoting child welfare.

Grants received were from the following:

	Note	2020	2019
Grants from SCI/Head Office	*11*	**P1,701,519**	P65,225,246
Grants from SCI Members:	*11*		
United States		**276,861,787**	311,282,290
Sweden		**94,249,533**	99,975,231
Australia		**84,898,731**	45,731,272
United Kingdom		**32,599,235**	77,956,352
Spain		**31,943,896**	58,743,359
Hongkong		**14,447,939**	-
Germany		**13,309,948**	263,056
Finland		**10,992,362**	10,591,296
Others		**10,120,912**	1,480,456
Local grants		**150,603,456**	7,669,693
		P721,729,318	P678,918,251

Local grants pertain to grants received from direct local donors or international donors with branch office in the Philippines.

9. Gifts in Kind

The Association also receives gifts in kind from SCI members and other organizations. Gifts in kind consists of goods and other non-cash donations for which no payment (in cash or in kind) or a payment of less than true value is made. Gifts in kind are recognized at the commercial or sale value of the item or asset received as evidenced by quotations, comparative advertisements or expert assessment.

Gifts in kind per project are as follows:

Project	***Note***	**2020**	2019
Philippines Global Fund HIV	*11*	**P74,041,672**	P11,492,001
Azure Credits for the Machine Learning Model		**2,397,500**	-
PHL Havaianas 2019		**-**	34,820,100
PHL 101 Nights Curriculum Big Bad Boo		**-**	11,700,000
Media/Ads Fundraising Campaign		**-**	6,826,405
PHL Multi Sector Agreement for Typhoon Ompong response		**-**	5,486,925
Philippine NFM Commodities - Global Fund – GIK	*11*	**-**	4,755,894
PHL Sony Philippines Inc		**-**	1,117,537
GIK various projects		**-**	1,231,200
		P76,439,172	P77,430,062

Donated goods to the Association for distribution to its beneficiaries are recognized initially as preposition stocks, with the corresponding income recognized as “Gifts in kind” presented under “Receipts” in the statements of receipts and expenses. The stocks are subsequently recognized as “Gifts in kind” presented under “Expenses” in the statements of receipts and expenses upon distribution to beneficiaries.

10. Expenses

The following are the descriptions of the project and operational costs of the Association:

Domestic Programming
Domestic programming includes all costs of direct programming in field including through partners. Staff providing thematic expertise to programs are included in this expense category.

Domestic Programming Support Costs
Domestic programming support costs relate to staff who are responsible for the direct implementation of programs for children in various context, including staff such as program operations / implementation directors, Chief of Programs, program managers / coordinators / officers. This also includes staff such as nurses, teachers, etc., who are responsible for direct program delivery. Staff who are responsible for supporting our partners on program implementation are included in this expense category.

Advocacy and Campaigns
Advocacy campaigns pertain to costs of organized activities to influence government and other institutional policies and practices, social norms and behavior to achieve positive and lasting changes for children's lives based on the experience and knowledge of working directly with children, their families and their communities. It is an approach that uses a broad set of tools to create and mobilize pressure to build a broad movement for social change. This include marketing and communication activity, policy research and capacity building, where its primary purpose is to achieve advocacy and campaign outcomes.

Fundraising costs
Fundraising costs broadly include individual giving, corporate, foundations, including all fundraising activities relevant to raising money across private fundraising channels. Costs include marketing and communications activities with primary purpose is for fundraising.

Support Services and Administration
All office costs not included in categories above, including relating to marketing and external communications, internal communications, finance, human resources, information technology, logistics, procurement, legal, general management and other administrative activities are recorded under this category.

11. Related Party Transactions

In the ordinary course of business, the Association has transactions with related parties including but not limited to cash transfers, grant income and intercountry charges.

Category	*Note*	Year	Amount of Transaction	Due from Related Parties	Due to Related Parties	Terms and Conditions
SCI/Head Office						
Grants	*a*	**2020**	**P1,701,519**	**P1,404,860**	**P -**	On demand; non-
		2019	65,225,246	3,267,065	-	interest bearing; unsecured
Cash transfers	*b*	**2020**	**-**	**-**	**50,116,833**	On demand; non-
		2019	125,919,039	-	144,763,465	interest bearing; unsecured
SCI Members						
Grants	*a*	**2020**	**569,424,343**	**87,488,147**	**225,905,023**	On demand; non-
		2019	606,023,312	55,121,477	84,539,457	interest bearing; unsecured
Gifts in kind	*c*	**2020**	**74,041,672**	**-**	**-**	
		2019	16,247,895	-	-	
Key Management Personnel	*d*	**2020**	**36,558,836**	**-**	**-**	
		2019	28,329,236	-	-	
		2020		**P88,893,007**	**P276,021,856**	
		2019		P58,388,542	P229,302,922	

The following are the agreements and transactions entered into by the Association with related parties:

a. The operations of the Association are funded mainly of grants received from Head Office and various SCI members (Note 8). The outstanding balance of due to related parties are subject for liquidation or utilization of funds on various projects.

b. The Association receives funds from the Head Office for program expenses. These will be applied against payments made by the Association on behalf of the Head Office.

c. The Association also received gifts in kind from SCI members (Note 9).

d. The compensation of key management personnel of the Association are as follows:

	2020	2019
Short-term employee benefits	**P33,936,542**	P27,212,837
Post-employment benefits	**2,622,294**	1,116,399
	P36,558,836	P28,329,236

Amounts due from related parties are expected to be settled in cash.

12. Retirement Benefits

As discussed in Notes 2 and 3, the Association maintains a defined contribution plan and accounts for its retirement obligation under the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from its defined contribution plan. As at December 31, 2020 and 2019, the defined contribution plan is higher than the defined benefit obligation. Consequently, the Association accounted for its retirement benefits liability under defined contribution plan.

The following table shows a reconciliation of the retirement benefits liability and its components:

	2020	2019
Balance at beginning of year	**P42,070,021**	P34,194,239
Retirement benefits cost	**11,418,634**	11,459,694
Benefits paid	**(4,984,133)**	(3,583,912)
Balance at end of year	**P48,504,522**	P42,070,021

Had the Association recognized the defined benefit obligation relating to the minimum guarantee instead of defined contribution plan, retirement benefits costs should have been P8,542,089 and P8,667,801 in 2020 and 2019, respectively. While retirement benefits liability should have been P25,978,421 and P25,732,424 as at December 31, 2020 and 2019, respectively.

Restricted cash which consist of the retirement fund set aside by the Association for retirement benefits claims under LTSP amounted to P51,631,135 and P37,433,136 as at December 31, 2020 and 2019, respectively.

13. Lease Agreements

The Association entered into various lease agreements with third parties for its office and warehouse offices for a period ranging from one to five years which will expire on various dates. The lease agreements may be renewed under such terms and conditions acceptable to both parties and provides for, among others, rental and other security deposits in varying amounts.

Refundable deposits for the above lease agreements amounted to P5,650,094 and P5,589,997 as at December 31, 2020 and 2019, respectively. Prepaid rentals amounted to P1,095,456 and P1,178,193 as at December 31, 2020 and 2019, respectively (Note 6).

Future minimum lease payments for the non-cancellable periods of the operating lease are as follows:

	2020	2019
Within one year	**P5,551,708**	P3,319,250
After one year but not more the three years	**3,999,965**	3,958,186
	P9,551,673	P7,277,436

Rent expense recognized in the statements of receipts and expenses amounted to P11,291,757 and P16,722,376 in 2020 and 2019, respectively.

14. Categories of Financial Assets and Financial Liabilities

The categories of financial assets and financial liabilities of the Association as at December 31 are as follows:

	Note	**2020**	2019
Financial Assets Measured at Amortized Cost			
Cash in banks	*4*	**P274,862,760**	P145,062,229
Short-term investment	*4*	**-**	80,466,622
Due from related parties	*5, 11*	**88,893,007**	58,388,542
Restricted cash	*12*	**51,631,135**	37,433,136
Refundable deposits	*13*	**5,650,094**	5,589,997
		P421,036,996	P326,940,526
Financial Liabilities Measured at Amortized Cost			
Accounts payable and other current liabilities*	*7*	**P78,286,600**	P74,434,714

**Excluding due to related parties and statutory payables amounting P281,239,689 and P233,111,785 as at December 31, 2020 and 2019, respectively.*

15. Other Matters

On March 8, 2020, under Proclamation No. 922, the Office of the President of the Government of the Philippines has declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation No. 929, a state of calamity throughout the Philippines due to the spread of the Coronavirus Disease 2019 (COVID-19). To manage the spread of the disease, the entire Luzon area has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 30, 2020, which involved several measures including travel restrictions, home quarantine and temporary suspension or regulation of business operations, among others, limiting activities related to the provision of essential goods and services. While imposition of ECQ on the other parts of Luzon was lifted on April 30, 2020, the directive from the President remained effective for Metro Manila, Calabarzon, Central Luzon (except Aurora), among others, until May 15, 2020. On May 12, 2020, the President declared Metro Manila and Laguna in Luzon, including Cebu City, to be further placed under modified ECQ until May 31, 2020. With the lifting of ECQ, General Community Quarantine came into effect still enforcing physical distancing and home quarantine, among others.

On March 29, 2021, the Presidential Spokesperson has announced that ECQ will be implemented in the NCR plus “bubble” covering areas of NCR, Bulacan, Rizal, Cavite and Laguna until April 4, 2021. Thereafter, ECQ was further extended until April 11, 2021.

The Association, being engaged in charitable works, has not been significantly affected by the aforesaid declaration. There were delays in the implementation of projects during the first half of the year due to government measures, such as travel restrictions while under ECQ and MECQ, but the Association continued its activities when the ECQ and MECQ were lifted. There were also various projects that were implemented as a response to the COVID-19 pandemic which approximately accounts for 20% of the 2020 expenses.

The Association does not expect any decrease in grants from Head Office and SCI Members and local donors as a result of the pandemic nor foresee any going concern issue affecting its activities.

16. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS for SMEs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS for SMEs. The following are the tax information required for the taxable year ended December 31, 2020:

Based on Revenue Regulations (RR) No. 15-2010

A. Value-added Tax (VAT)

The Association is a non-VAT registered entity. Consequently, receipts from donations, grants and funding were not subjected to Output VAT. Input VAT incurred on vatable purchases were charged to statements of receipts and expenses.

B. Withholding Taxes

Tax on compensation and benefits	**P33,593,672**
Withholding tax - expanded	**6,956,302**
	P40,549,974

C. Documentary Stamp Tax

There are no transactions involving documentary stamp tax for the year ended December 31, 2020.

D. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under the statements of receipts and expenses	
Licenses and permits	**P49,020**

E. Tax Assessment and Cases

The Association has no pending tax court cases nor has received tax assessment notices from the BIR as at December 31, 2020.

Information on amounts of custom duties, tariff fees, and excise taxes are not applicable since there are no transactions that the Association entered into that would be subjected to these taxes.

Based on RR No. 34-2020

The Association is not covered by the prescribed requirements and procedures for the submission of BIR Form No. 1709 *Information Return on Related Party Transactions, Transfer Pricing Documentation (TPD) and other supporting documents* under Section 2 of BIR RR No. 34-2020.

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	N	2	0	1	4	0	8	2	9	1

ASSOCIATION NAME

SAVE THE CHILDREN
PHILIPPINES, (SCP) INC.
(A Nonstock, Nonprofit
Organization)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

4/F Sunnymede IT Center
1614 Quezon Avenue,
Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

ASSOCIATION INFORMATION

Association's email Address	Association's Telephone Number/s	Mobile Number
supportercare.PH@savethechildren.org.ph	8-682-7283	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	June 1	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Anna Liza Alvarez	Annaliza,alvarez@savethechildren.org	8-682-7283	0917 128 5187

CONTACT PERSON's ADDRESS

4/F Sunnymede IT Center Building, 1614 Quezon Avenue, Quezon City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*