

**ANCOP INTERNATIONAL (CANADA), INC.
PHILIPPINE OPERATIONS**

**AUDITORS' REPORT
AND FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

AUDITED BY:

J.O. TABALBA & CO.

(Certified Public Accountants)

33 J.C. Coolidge Street, Parkwood Greens Executive Village, Maybunga, Pasig City,
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Promoting Your Success is Our Business

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Report of Independent Auditors

The Board of Trustees

ANCOP International (Canada), Inc. Philippine Operations
4/F Pro Friends Center 55 Tinio St., Brgy. Addition Hills,
Mandaluyong City, Metro Manila, Philippines

We have audited the accompanying financial statements of ANCOP International (Canada), Inc. Philippine Operations which comprise the statements of assets, liability and fund balance as at December 31, 2008 and 2007, and the statements of remittances, income and expenses, and statements of cash flows and changes in fund balance for the years then ended as well as the notes to financial statements consisting of significant accounting policies and other explanatory notes.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Accounting Standards 101 – Financial Reporting Standards for Non-Publicly Accountable Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 whether 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditors consider 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 an expressing 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 basis for our audit opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of ANCOP International (Canada), Inc. Philippine Operations as of December 31, 2008 and 2007 and its financial performance and its cash flows for the years then ended in conformity with Philippine Accounting Standards 101 – Financial Reporting Standards for Non-Publicly Accountable Entities.

J.O. TABALBA & CO.

By:



JULITO OYAN TABALBA

PTR No. 5131732 Issued on January 14, 2009 at the City of Pasig

BOA Certificate No. 1595

BIR Accreditation No. 07-003944-2-2007

June 2, 2009

ANCOP INTERNATIONAL (CANADA), INC.
PHILIPPINE OPERATIONS

STATEMENTS OF ASSETS, LIABILITY AND FUND BALANCE
DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
Current Assets		
Cash (Notes 3 and 4)	Php5,017,151	Php32,422,206
Advances to GK Sites (Notes 1 and 3)	14,683,935	-
Short-term cash investment (Note 5)	10,020,917	16,638,303
TOTAL ASSETS	29,722,003	49,060,509
LIABILITY AND FUND BALANCE		
Accounts Payable	320,000	104,938
Fund Balance	29,402,003	48,955,571
TOTAL LIABILITIES AND FUND BALANCE	Php29,722,003	Php49,060,509

(See Accompanying Notes to Financial Statements.)

ANCOP INTERNATIONAL (CANADA), INC.
PHILIPPINE OPERATIONS

STATEMENTS OF REMITTANCES, INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
REMITTANCES AND INCOME		
Remittance from ANCOP Canada (Note 3)	Php45,351,640	Php44,377,400
Interest income	522,747	715,232
Other receipts	118,545	-
Gain on foreign exchange	-	285,157
	45,992,932	45,377,789
EXPENSES		
Program Expenses		
Shelter	50,948,167	24,223,716
Child sponsorship	9,693,810	7,271,507
	60,641,977	31,495,223
Administrative Expenses		
Retention fees (Note 3)	3,921,841	2,255,137
Admin. expenses - allowances	931,533	937,678
Other expenses	51,149	1,658,014
	4,904,523	4,850,829
	65,546,499	36,346,051
EXCESS (DEFICIT) OF REMITTANCES		
AND INCOME OVER EXPENSES	(Php19,553,568)	Php9,031,737

(See accompanying Notes to Financial Statements.)

ANCOP INTERNATIONAL (CANADA), INC.**PHILIPPINE OPERATIONS****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficit) of remittances and income over expenses	(Php19,553,568)	Php9,031,737
Adjustments for:		
Interest income	(522,747)	(715,232)
Excess (deficit) of remittances and income over expenses before changes in working capital	(20,076,314)	8,316,505
Changes in working capital		
Decrease (increase) in receivables	(14,683,935)	210,347
Increase (decrease) in:		
Accounts payable	215,062	(979,551)
Accrued expenses	-	(269,939)
Net cash generated from (used in) operating activities	(34,545,187)	7,277,363
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of short-term cash investment	6,617,387	4,128,247
Interest received	522,747	715,232
Cash generated from investing activities	7,140,133	4,843,480
NET INCREASE (DECREASE) IN CASH	(27,405,054)	12,120,843
CASH AT BEGINNING OF YEAR	32,422,206	20,301,364
CASH AT END OF YEAR	Php5,017,151	Php32,422,206

(See Accompanying Notes to Financial Statements.)

ANCOP INTERNATIONAL (CANADA), INC.
PHILIPPINE OPERATIONS

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
FUND BALANCE, BEGINNING	Php48,955,571	Php39,923,834
EXCESS (DEFICIT) OF REMITTANCES AND INCOME OVER EXPENSES	(19,553,568)	9,031,737
FUND BALANCE, ENDING	Php29,402,003	Php48,955,571

(See accompanying Notes to Financial Statements.)

**ANCOP INTERNATIONAL (CANADA), INC.
PHILIPPINE OPERATIONS
NOTES TO FINANCIAL STATEMENT**

Note 1 – Corporate Information

ANCOP International (Canada), Inc. (AICI) is a non-profit corporation incorporated under the laws of Canada with its head office located at the City of Mississauga, Ontario.

Until 2007, AICI's agent for its Philippine operations was ANCOP Foundation International, Inc. (AFII), a non-stock, non-profit organization. However, on January 4, 2008, it has terminated its agency agreement with AFII and in its stead, designated Gawad Kalinga Community Development Foundation, Inc. (GKCDF), also a non-stock, non-profit organization, as its agent to manage all remitted funds to support the former's GK programs in the Philippines. The terms and conditions of the relationship are covered by an Agency Agreement dated January 4, 2008. Under this agreement, GKCDF, among others, is tasked to undertake all activities necessary to carry out the programs supported by AICI.

In addition to the above, on October 1, 2007, AICI and GKCDF entered into a Contractors Agreement where the latter is tasked to build houses at a price of Seventy Five Thousand Pesos (Php75,000.00) for Metro Manila sites and Sixty Five Thousand Pesos (Php65,000.00) for non-Metro Manila sites. These prices are, however, subject to revision by mutual agreement of the parties. This agreement supersedes the above mentioned Agency Agreement with respect to the housing (Tatag) component of AICI's program in the Philippines.

GKCDF ensures accountability for the proper use of funds and delivery of committed outputs according to the instructions and intentions of AICI. However, some of the funds of AICI are still under the name of AFII in-trust for AICI.

The accompanying financial statements were authorized for issue by the Board of Directors of ANCOP International (Canada) Inc. on June 26, 2009.

Note 2 – Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements were prepared under the historical cost basis and in conformity with the accounting principles accepted in the Philippines.

Statement of Compliance

Since the Philippine Operations qualifies as a non-publicly accountable entity under the Philippine Accounting Standard 101, otherwise known as Financial Reporting Standards for Non-Publicly Accounting Entities, it availed of this instead of the Philippine Financial Reporting standards. The Philippine Accounting Standards 101 is approved by the Accounting Standards Council and by the Securities and Exchange Commission of the Philippines.

The following are the significant accounting policies of the Organization.

Cash

Cash includes cash on hand and in banks.

Changes in Accounting Policy: Advances to GK Sites

In 2008, program expenses which had not been reported to AFII together with supporting documents are taken up as Advances to GK Sites. In 2007, unreported program expenses were presumed to form part of the cash balance of the GK Sites.

Short-term Cash Investment

Short-term cash investments consists of investment in time deposit held for the purpose of investing liquid funds and are not generally intended to be retained on a long-term basis. Short-term investment is made for periods over three months but not more than one year. Short-term investment is stated at lower of the aggregate cost or market value.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the ANCOP International (Canada) Inc. Philippine Operations and the revenue can be reliably measured.

Note 3 – Related Party Disclosures

The Philippine Operations has the following transactions with related parties:

- a) Remittances from ANCOP International (Canada) Inc. (AICI) to support GK development program and cover expenses of the Philippine Operations amounted to Php45,351,640 and Php 44,377,400 in 2008 and 2007, respectively, and are presented as “Remittances from ANCOP International (Canada), Inc.” in the statement of remittances, income expenses.
- b) ANCOP Foundation International, Inc. (AFII) retention fees amounted to Php 3,921,841 and Php 2,255,137 for 2008 and 2007, respectively.

Note 4 – Cash

Cash is held by different custodians as follows:

<u>Custodian</u>	<u>2008</u>	<u>2007</u>
ANCOP International (Canada), Inc. (AICI)	Php387,225	Php1,144,204
ANCOP Foundation International, Inc. and Gawad Kalinga Sites	4,629,926	31,256,002
Total	Php5,017,151	Php32,422,206

The above cash including those in the custody of AICI are deposited in Philippine banks.

Note 5 – Short-term Cash Investments

Short-term cash investments are held by the following custodians:

Custodian	2008	2007
ANCOP Foundation International, Inc.	Php 10,020,917	Php 9,638,303
ANCOP International (Canada), Inc.	-	7,000,000
Total	Php10,020,917	Php16,638,303

The above funds are short-term time deposits with Philippine banks.
