

Audited Financial Statement

THE PHILIPPINE BAND OF MERCY, INC
(a Nonstock, Nonprofit Organization)
STATEMENT OF CHANGES IN FUND BALANCES
(Amounts in Philippine Peso)

	General	Perpetual Endowment	Nat'l Social Dev'l Fund	Special	Total
Balance as of December 31, 2004					
Net Contribution (Withdrawal) and Income	(440,240)	40,476,739	25,395,370	590,564	66,022,433
Net Deficiency of Revenue over Expense for 9-months ended September 30,2005	-	3,499,612	(12,649,056)	5,936,336	(3,213,108)
Transfers of Rental Income from General Fund	(561,649)	-	-	-	(561,649)
Transfers of Interest Income from Perpetual Endowment Fund	(2,521,573)	2,521,573	-	-	-
	2,597,526		-	-	-
		(2,597,526)			
Balance as of September 30,2005	-925,936	43,900,398	12,746,314	6,526,900	62,247,676

NOTES TO FINANCIAL STATEMENTS

1.) On July 3, 2002, the Organization entered into a trust agreement with the Bank of the Philippine Islands (Trustee), whereby the Organization delivered an initial sum of 29 million pesos and authorized the trustee to administer the investment and reinvestment of such fund for certain. Under the agreement, the Organization may withdraw the principal of the investment or portion thereof, upon written instruction given to the trustee upon maturity. While the interest collections from investments will be remitted to the Organization, standing instruction is to remit 70% of the interest earned to the Organization and the remaining 30 % of the interest earn will retained for reinvestment. The Fund is the Organization's own established fund mainly from the 30% realty rental income and donations from individuals to ensure continuity and sustainability of services.

2. National Social Development Fund

On December 16, 2004, the Organization entered into an agreement with Philip Morris Philippines Manufacturing, Inc. (PMPIMI) to establish and support the PBM National Social Development Fund. The Fund shall be used for various social program such as but not limited to education, health, agriculture, livelihood, human and social services and community development. PMPMI donated for the Fund in the amount of 25 million pesos and shall identify and approve specific projects that will be funded.

3. Special Fund

The composition of and changes in the special fund balance are as follows:

	CAF America	Smile Train	Assistance Fund	PCSO	Balance Sep 30, 2005
Balance @ beginning of year	-	233,772	356,792	150,000	590,564
Receipts and Interest	5,810,229	1,443,750	359,879	150,000	7,763,858
	5,810,229	1,677,522	716,671	150,000	8,354,422
Disbursements:					
Hospital Bills & Medicines	-	1,302,552	-	-	1,452,522
Honorarium	-	375,000	-	-	375,000
Loan Extension	-	-	-	-	-
	-	1,677,522		150,000	1,827,522
Balance @ end of year	5,810,229	-	716,671	-	6,526,900

a. Smile Train - On June 1, 2002, the Organization entered into a project agreement with Smile Train USA to develop and support the organization's cleft care program. Smile Train USA is a non-profit charitable organization whose mission is to provide assistance to children born with cleft lip and palate around the world. Under the program, Smile Train provided the Organization \$27,000 1st grant in Y2002 for 230 cleft surgeries; \$35,000 2nd Grant in Y2003 for 250 cleft surgeries; \$35,000 3rd Grant in Y2004 for 250 cleft surgeries; and US\$35,000 4th Grant in Y2005 for 250 cleft surgeries. In 2005, the Organization received the final 3 installment of 3rd Grant. The funding may only be used for direct program initiatives and may not be used for any overhead.

b. CAF American Fund. On August 25, 2005, the Organization was granted US\$100,00 from Charities Aid Foundation American through the suggestion of Philip Morris International to support the Organization programs and project. Based on the agreement, the grant and any interest income earned on such fund shall be spent only for charitable, religious, scientific, literary or educational purposes. The disposition of the fund shall be reported within 3 months of the close of CAF America's fiscal year. The Organization is required to maintain records of receipts and expenditure and make its books & records available to CAF America for inspection.

c. Chandumal Mirani Assistance Fund Program In 2003, the Organization established a fund as a social insurance package to provide the PBM Family members assistance and facilitate the access to social services including health care, educational needs, and livelihood capitalization for the betterment of the economic and social status of the beneficiary families. Funding of the Project was sourced from a donation by Mr. Bob C. Mirani amounting to 500,000 pesos and from PBM general fund.

d. PCSO Charity Fund In 2004, the Organization entered into a Memorandum of Agreement with Philippine Charity Sweepstakes Office (PCSO) to support the Organization's health programs, medical assistance and services. PCSO shall provide for an annual support of 300,000 pesos and shall monitor and evaluate of such fund.