



More fruits of hard work



## About Tulay sa Pag-Unlad, Inc.

We are a gospel-driven, microfinance NGO, whose mission is to provide individuals and communities the opportunities to experience fullness of life through small and micro-enterprise development. We provide the poor with opportunities to lead self-sufficient, responsible and dignified lives, through a broad range of microfinance services for micro and small enterprises.

Our business and social development programs promote entrepreneurship skills enhancement, and address basic needs for healthcare, housing, education, micro-insurance and other non-financial services that would enhance the opportunities of the poor to get out of poverty.

### Our Vision

To see people live with dignity, sufficiency and responsibility, demonstrating this through love and service in their community.

### The Values We Uphold

Consistent with our proclamation as a gospel-driven institution, four core values guide our relationship with all stakeholders, employees and the conduct of our services to clients:

- *Servanthood* Each one working with a servant heart.
- *Stewardship* Each one taking responsibilities as faithful stewards.
- *Integrity* Each one doing what is right despite the cost even when no one is looking.
- *Excellence* Each one working for the glory of God.

### TSPI Mutual Benefit Association, Inc.

Our strong advocacy to provide for a wholistic approach to eradicate poverty resulted to the creation of the TSPI Mutual Benefit Association, Inc. TSPI MBA is the micro-insurance arm of the TSPI Group of Companies. Since 2007, it has supported the microfinance activities of the NGO by extending microinsurance to its members and their immediate families. Risks covered include accident and life, medical reimbursements, loan redemption assistance, disability benefits, and other services at a very affordable premium.





## About Our Theme

In John 15:5, Christ says: "Yes, I am the vine; you are the branches. Those who remain in me, and I in them, will produce much fruit. For apart from me you can do nothing." Our 2010 Annual Report is a humble witness to the grace we receive from Christ who calls us to bring good news to the poor. The voices of our clients and employees are joyful reminders of how TSPI's mission continues to bear fruit for the Kingdom.

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# Board and Management Report

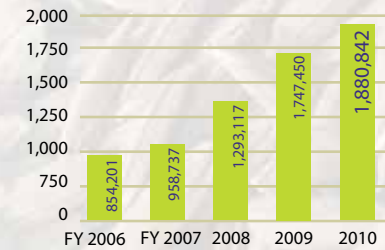
**Eduardo A. Mendoza**  
Executive Director

**Atty. Lamberto L. Meer**  
Chairman

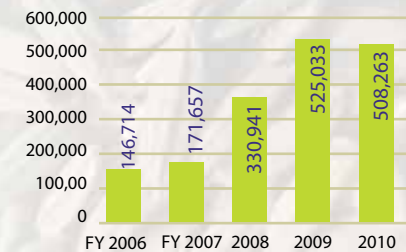
**Rene E. Cristobal**  
President



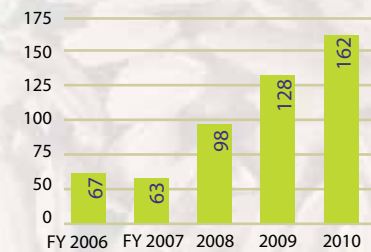
**Total Assets** (in thousand pesos)



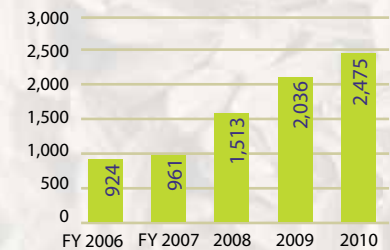
**Outreach**



**Branches**



**Employees**



It has long been our discernment and belief that God has called us for a mission to serve the Filipino poor in a way and with the resources that He would provide for us.

Years ago, the Lord planted in our hearts the desire to provide individuals and communities the opportunities to experience dignity in life, and hope for fullness in life through Christ. Thus, we proceeded full steam ahead to pursue a mission to “bring good news to the poor, and to deliver them out of the bondage of poverty,” and we set out to establish programs and offer services geared towards small and microenterprise development.

This 2010 report is our humble way of thanking the Lord and giving Him honor and praise for His preferential love for the poor. We thank Him for blessing us as an organization, and are humbled that He continues to fulfill “the good work that He has begun in us.”

TSPI continued to reach record levels of performance in 2010, in almost all key indicators, including size of branch, number of personnel, client outreach, and loan portfolio. This was achieved despite difficult conditions that the Philippines was coming from at the onset of the year.

The global financial crisis in 2008 still continued to affect most Philippine companies in 2009. And towards the end of 2009, our country was sent in turmoil by a series of devastating tropical storms that exposed more vividly the many faces of poverty. The feeling at the start of 2010 was that we were called precisely for such a time as this, and we pursued our mission through Christ who promised to strengthen us.

#### “EXPAND YOUR TENT”

Five years ago, when we only had 67 branches and 924 employees, TSPI pursued a strategy of “one town one branch” to saturate Luzon and gain wider coverage and greater outreach. By the end of 2010, TSPI had a total of 162 branches, and a combined (TSPI and MBA) employee workforce of 2,466.

In 2010 alone, we “expanded our tent” by 27% or 33 branches. TSPI began moving into Mindanao as early as November 2009, and in 2010 we opened three more branches in Bukidnon and Cagayan de Oro. Thirty new branches were opened in Luzon: seven in Metro Manila, five in Cavite, 11 in Northern Luzon, and seven in Southern Luzon. With the branch expansion, we naturally grew our workforce by 430 employees, or 17% more from 2,036 in 2009.

#### ENHANCED LOAN OFFERINGS

Client-responsive products/services, like cords of a tent, are vital to achieve the mission. At the core of TSPI’s mission is the granting of loans not only for microenterprises, but also for a family’s general well being and wholeness (which we call “social development loans”). Details of these loan products are found elsewhere in this publication.

While the TSPI Kabuhayan Program (TKP) remains our most popular microenterprise loan product, we continue to gain confidence in managing credit risks and understanding the market needs for other microenterprise loan products which we had started to introduce in the market. One of these is the rice farming loans, or TSPI Palayan Program.

Storms notwithstanding, we continued to offer rice farming loans to our clients in rice-growing areas, specifically in 15 branches in Pangasinan, Tarlac, Nueva Ecija, Isabela, and Camarines Sur. We are learning to manage risks by encouraging better farm management practices and better coordination with Philippine Crop Insurance Corp.

Furthermore, based on the confidence gained from our pilot experience in 2009, we began to scale up a number of social development types of loans to an increasing number of branches. These types of loans give us the opportunity to reach out to our client communities and go beyond just sustaining their livelihoods.

# 27%

Expansion in TSPI’s ‘tent’ with the addition of 33 branches in 2010, bringing the total network to 162 branches.

Specifically, we rolled out to all TSPI branches the loans for Philhealth insurance premium. Likewise, loans for housing and sanitation improvements started to gain popularity in 2010 such that by the end of 2010, 46% of TSPI's branches were already offering this to their clients.

Apart from microlending products, TSPI also bundles microinsurance with all of our microlending products such that all clients who borrow from TSPI are automatically enrolled in the TSPI Mutual Benefit Association, Inc. (MBA), and are covered for natural and accidental death. A separate report of TSPI MBA's offerings and performance for 2010 is found elsewhere in this publication.

Suffice it to say that in the three years since we had established the MBA, we have found this to be a very sustainable operation even though we continue to search for ways to make it more easily understood and accepted by our clients.

#### GOING BEYOND MICROFINANCE

A vital part of TSPI's mission is to bring the good news to the poor. Not only do we give the poor hope for a better life, by improving their livelihood and living situation, we also strive to give them hope that is found in Christ, and in Christ alone.

We offer values formation to all our clients through a weekly dialogue between our Account Officers and clients. This formation dialogue occupies a substantial amount of time during the weekly center meetings which our account officers facilitate.

Closer to home, we create an environment that is conducive to discipleship within our work setting. We conduct weekly prayer devotions and worship, both at the head office and in all the branches, with informal partnerships with local churches and nearby prayer communities.

In a significant move, we formally created a Community Development unit in the last quarter of 2010. It is our plan and desire to truly go beyond microfinance and microenterprise development and to extend, in a wholistic way, community services to all of the communities where we are present.

#### FRUIT OF OUR LABORS

With these products and services, and within the branch infrastructure that we set up, the Lord allowed us to reach out to a total of 163, 763 more new borrowers in 2010. After accounting for clients who had paid up and terminated their loans with us, we ended 2010 with a total of 282,920 borrowers.

We released P4.65 billion in loans in 2010, and by the end of the year, our loan portfolio reached a total of P1.49 billion. This is 5.8% more than the year-ago level, and 35% more than in 2008.

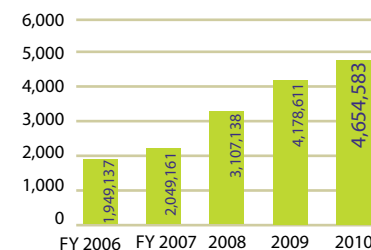
#### BLESSING OF RESOURCES

The Lord continues to bless TSPI with the resources we need to carry on and to sustain the mission. As of the end of 2010, TSPI's assets amounted to P1.88 billion, 79% of which is the outstanding loan portfolio of the company.

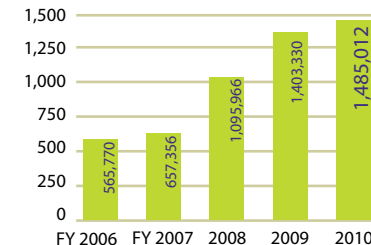
We invested P101.5 million in the construction and fit out of a new head office building, which we inaugurated on October 25, 2010.

These assets were funded by a combination of client savings ("cash buildup", which accounted for 40%), bank borrowings and suppliers credit (30%), and accumulated reserves (30%). We are blessed to have sufficient credit facilities that allow us to expand our lending outreach, as well as a favorable and fruitful relationship with donor partners, particularly WTRC and Opportunity International Australia.

Loans Released (in thousand pesos)



Loan Portfolio (in thousand pesos)



We are affirmed in what we have accomplished. Christ said in John 15:5, "Yes, I am the vine; you are the branches. Those who remain in me, and I in them, will produce much fruit. For apart from me you can do nothing."

#### BEARING FRUIT IN DUE SEASON

We are affirmed in what we have accomplished. Christ said in John 15:5, "Yes, I am the vine; you are the branches. Those who remain in me, and I in them, will produce much fruit. For apart from me you can do nothing."

One of our Nanays, Mrs. Elma M. Gabriel, was awarded 2010 Micro-Entrepreneur of the Year by CitiGroup. Her story, and the amazing stories of several other clients and employees of TSPI, are featured in this report. These stories and thousands of other stories of our beloved clients are joyful reminders of how our mission continues to bear fruit.

The Board of Trustees of TSPI remains hopeful and steadfast in pursuing the mission. We celebrate, not only the big and small victories that our clients experience in their lives, but also the work of all the employees and officers of TSPI.

On this note, we honor the work and accomplishments of Mr. Ruben de Lara who served as TSPI's Executive Director and CEO for 10 years and retired effective December 31, 2010. We salute him for his dedication and for giving his whole heart, mind, and strength to the upliftment of Filipinos out of poverty, and for bringing TSPI out of its difficult years and to its current state of sustainability and strength.


11%

Growth in the total amount  
of loans released in 2010  
versus 2009

In Matthew 5:16, Jesus says, "Your light must shine before others so that people will see the good that you do, and praise your Father in heaven." Indeed, may God be praised for the goodness that He has bestowed upon TSPI, our Board of Trustees, our senior management, our dedicated employees, and especially our beloved clients. We look forward with hope and with thankfulness to the year ahead, trusting that Christ will strengthen us and lead us with a mighty and strong hand.



Atty. Lamberto L. Meer  
Chairman



Rene E. Cristobal  
President



Eduardo A. Mendoza  
Executive Director

# Our Proud History

1981

- TSPI was founded by David Bussau of Maranatha Trust (Australia), Kirk Fowler and Barry Harper of Institute for International Development (IIDI) United States, together with Filipino civic leaders Aurelio Llenado, Romulo Petines, Dr. Ricardo Jumawan, Dr. Eliseo Pajaro and Lyn Baldemor.
- It was registered with the Securities and Exchange Commission on October 20, 1981 as a non-profit development corporation.

1982

- TSPI opened its office at the Conservative Baptist Association of the Philippines (CBAP) Headquarters on February 15, 1982 with Leigh Coleman serving as Acting Administrator. A month later, TSPI moved to Room 308, Anita Building, Quezon Avenue, Quezon City.

1986

- TSPI received funding from USAID and Christoffel-Blinden Mission to help enhance its Entrepreneurship Development Program and to assist enterprises that employ the physically disabled, particularly the blind.
- TSPI started replicating its services in the countryside through the establishment of provincial partners, namely Kabalikat Para sa Maunlad na Buhay, Inc. (KMBI) in Valenzuela City, Taytay sa Kauswagan, Inc. (TSKI) in Iloilo City, Rangtay sa Pagrang-ay, Inc. (RSPI) in Baguio City, Alalay sa Kaunlaran sa Gitnang Luzon, Inc. (ASKI) in Cabanatuan City, Hagdan sa Pag-uswag Foundation, Inc. (HSPFI) in Cagayan de Oro City, and Talete King Panyulung Kapampangan, Inc. (TPKI) in San Fernando, Pampanga.

1996

- TSPI spearheaded the formation of a Coalition of microfinance practitioners and advocates, known as the Philippine Coalition for Microfinance Standards, to craft a set of performance standards that will guide the transformation of non-government organizations into viable and sustainable microfinance institutions.
- TSPI moved to the new Headquarters at 2373 Antipolo St., Guadalupe Nuevo, Makati City.

2000

- TSPI received the "Overall Performance Award" from Opportunity International Network, a global network of microfinance practitioners and support partners, based on repayment rate, client outreach, average loan size, operational sustainability, governance and transformation.

1981



1982 1984



1985



1986



1989



1991



1992



1984

- Eliseo Lademora, Jr. became TSPI's first Executive Director on September 15, 1982.
- The Small and Enterprise Development Program (SEDP) was launched and disbursed loan to its first client, Avelino Marciano.
- TSPI was awarded "Partner of the Year for Job Creation Efficiency and Most Number of Jobs Created" by IIDI and Maranatha Trust.

1985

- The organization transferred to a permanent office in Padilla Building in Ortigas, Pasig, Metro Manila.
- The community-based Small Business Development Program in Valenzuela and Sapang Palay, Bulacan was initiated in cooperation with Philippine Business for Social Progress (PBSP) and with funding from TEAR Fund of the Netherlands.

1989

- The Sakbayan Program (Sasakyan ng Bayan or Transport for the Masses) was launched to enable clients to purchase tricycles as a source of livelihood.

1991

- The six provincial partners (KMBI, TSKI, ASKI, RSPI, HSPFI and TPKI), together with TSPI, formed an umbrella organization called the Alliance of Philippine Partners in Enterprise Development (APPEND).
- A Transformation Program anchored on a wholistic and Bible-based framework was launched.

1992

- The Kabuhayan (Livelihood) Program was launched. TSPI received hands-on training, technical assistance and support from Grameen Bank and Grameen Trust.

2001

- TSPI joined other microfinance institutions in organizing the Microfinance Council of the Philippines (MCPI), a local coalition of microfinance practitioners and support partners.
- An individual lending program called the Association for Social Advancement (ASA) Program was launched.
- TSPI Kabuhayan graduation program (TKP 2) was launched, featuring larger loans for creditworthy clients with growing enterprises.
- TSPI pioneered the release of loan to its clients through the automated teller machines of Landbank of the Philippines and Bank of the Philippine Islands.



2002

- The TSPI Multipurpose Cooperative was founded and registered with the Cooperative Development Authority (CDA) in January 2002.

2004

- TSPI was recognized as one of Grameen Foundation USA's High Growth Partners.
- It received a "Certificate of Achievement for the Most Number of Clients" among Opportunity International Partners in 25 countries.
- It established a Project Partnership Agreement with Opportunity International Australia and received its first grant to support MIS enhancement and branch operations in Baliuag, Bulacan; Noveleta, Cavite and; San Fernando and Balaoan, La Union.

- TSPI received funding from the Consultative Group to Assist the Poor (CGAP) for the conduct of institutional rating by CRISIL, an international rating agency and a partner of the world's largest rating agency Standard & Poors. It was given a rating of 2 on a scale of 1 to 8, reflecting its long track record, superior governance practices and robust systems, processes and control instituted by management.
- TSPI received the "Five Diamond Rating" on transparency from US-based Microfinance Information Exchange (MIX). MIX is composed of 443 microfinance institutions, 68 funders and 113 market facilitators around the world.
- TSPI earned the distinct privilege of being the first microfinance NGO accredited by the Philippine Health Insurance Corporation (PhilHealth) to act as conduit that will link the poor to health insurance benefits.

2008

- TSPI led the advocacy for the passage of the "Micro-enterprise Development Institution (MEDI) Act", which aims to provide microfinance NGOs a legal framework for adopting a wholistic approach to poverty eradication that shall govern NGO-MFIs as social development institutions.
- TSPI was awarded as the "Best NGO" by Pangasinan province.
- It ranked 61<sup>st</sup> in the "Top 100 Microfinance Institutions in Asia" by the Asian Development Bank and the Microfinance Information Exchange.
- TSPI's total loan portfolio reached P1 billion in December 2008.

1996



2000



2001



2002



2004



2005



2005



2007



2009



2010



- TSPI established its 55<sup>th</sup> branch and achieved the 100,000 client outreach.
- TSPI was recognized as an "Organization Advancing the Status of Women" by Soroptimist International Philippines (Metro Manila Southeastern District).
- Mr. Ruben C. de Lara, then TSPI Executive Director, was elected President of MCPI.

2005

- The TSPI Palayan Program was launched to provide farmers access to microcredit, technical assistance and the latest technology in rice farming.

2006

- The Social Housing Program was launched in partnership with Habitat for Humanity to provide clients access to loans for house construction and repair.
- TSPI Mutual Benefit Association (MBA) obtained its license to operate from the Insurance Commission. Through the MBA, TSPI is able to provide its clients and staff better life insurance coverage.
- Groundbreaking of the new Headquarters in Makati City.

2007

- TSPI MBA launched its Life and Mortgage Redemption Insurance for TSPI borrowers and micro-insurance for all poor.
- Housing and Sanitation Loan Program was launched and rolled out to serve clients in Metro Manila and in the provinces.
- Total assets reached P1 billion in October 2007.

2009

- The first water refilling station (WaterHope) and Community Center was opened in Signal Village, Taguig City, offering safe and affordable drinking water for poor households in the area in partnership with Wholistic Transformation Resource Center (WTRC) and TSPI Multipurpose Cooperative.
- TSPI opened the first two branches in Mindanao: Malaybalay and Valencia branch in the province of Bukidnon.
- The Relief and Rehabilitation Program is formed to support 56,000 clients and staff adversely affected by Typhoons Ondoy and Pepeng in Luzon with P17.6 million donations generated from the Board, Management, staff and partners of TSPI.



# Empowering the Poor

TSPI gives the poor the financial tools they need so they can work their way out of poverty. Through our broad range of products and services, the poor gain access to economic opportunities that oftentimes prove elusive.

# TSPI Products and Services



## TSPI Kabuhayan Program (TKP)

Our flagship livelihood assistance program is the TSPI Kabuhayan Program. This provides collateral-free loans to individuals who join other borrowers in groups of 25 to 30 members.

These loans are payable in six months on a weekly basis. Loan payments are guaranteed by the groups where the borrowers belong, to instill discipline and solidarity.

Members are also provided micro-insurance benefits and access to TSPI's other special loan programs.



## TSPI Palayan Program (TPP)

The TSPI Palayan Program offers rice farmers loans on a per hectare basis, providing them much-needed funds for rice production activities as a source of livelihood.

Like the TKP loans, TPP loans are granted to individuals who form themselves into borrower groups. They, in turn, guarantee as a group, the loan payments of their individual members.



## TSPI Maunlad Program (TMP)

Our Maunlad (Progressive) Program provides collateral-based loans to individual TKP members with existing business for two years.

Loans are payable in six to 18 months, with a flexible repayment schedule.



## Micro-Insurance

To help mitigate the adverse effects of disability or death of member(s) of the family, we provide micro-insurance services to our employees, members and their immediate families through the TSPI Mutual Benefit Association, Inc. For an affordable annual premium, the package consists of mandatory benefits:

- term life
- accidental death, dismemberment and disablement (ADD); and
- equity value

For a separate premium payable weekly, and depending on the size of the loans, loan availment benefits include:

- credit life
- term life
- ADD
- medical reimbursement 18 months, with a flexible repayment schedule.

## Other Loan Products

### Housing and Sanitation Loan Program

This program is a facility for housing and/or toilet construction or renovation. Loan terms range from 18 months to five years.

### Health Care Program

In partnership with the Philippine Health Insurance Corporation (PhilHealth), TSPI offers individual loans, payable over six months, as premium payment for one-year health coverage. This gives members and their dependents access to personal health care services, including in-patient hospital care and out-patient medical care, as early as three months after the premium is paid.

### Educational Loan Assistance Program

This program offers loans for any school-related expenses of TSPI clients' children. The amount of loan is determined by education level at maximum of P10, 000.



## Reaping what she sows

Vegetable farmer Elma Gabriel is proud of her big, calloused hands. The multiple and crisscrossing lines not only show proof of hard work, but also speak of her long, arduous journey towards becoming a successful micro-entrepreneur.

Everyday, the mother of nine wakes up at 3 a.m. to cook food for 55 people who work in her 10-hectare farm in Bayambang, Pangasinan. Before the sun is up, she's already hard at work on the field. She goes home to cook lunch and is back to work by 3 p.m. She religiously follows this schedule 24/7, 365 days a year – no holidays, no vacation.

Her hard work has been paying off. In the 1970s when she was planting tobacco, she could barely make ends meet. Today, she harvests by the truckloads. She could even buy a car on a good season, but Nanay Elma is not the type to splurge.

"Let's say I get a van. Eventually, it will rust and I will no longer be able to use it. If I buy another hectare of land, the benefits will be long term. Its value will not depreciate over time," she says. "Make your money work for you. Invest on something that will make more money."

More  
fulfillment in life

For Nanay Elma, TSPI has become more than a lifeline. She treasures the friendly professional relationships she had built with its people. And whenever she's in need of extra capital, TSPI is always there. Twenty-five cycles later, her repayment rate is still a spotless 100%.

This financial savvy, combined with keen business acumen, were the traits that TSPI saw when it approved her application for a P5,000 loan in 2002. A reluctant borrower at first, Nanay Elma started small with a *sari-sari* store.

With renewed drive, she got the confidence to borrow more as she continued to expand her business. No longer content with her mom-and-pop operations, Nanay Elma set her sights farther in 2005 when she ventured into the agricultural business. She bought a 1.5-hectare farmland, which she planted with onion, rice and corn. To boost her capital even more, she sold processed meat products on the side.

Today, her annual sales reach more than P2 million. A testament to her success, she won the 2010 Citi Microentrepreneur of the Year Maunlad Category.

But most prized among her crops are her red onions, which allowed her to acquire more land. "They can be really difficult to farm. You have to take care of them. You have to check everything everyday. You can't let your workers do that for you; you have to do it yourself," she says. She even sings to them and chides them about growing up strong amid pests and abrupt weather changes.

She is grateful for TSPI for giving workshops, which she pays forward by sharing her own experiences to those who are just starting out. She attends other workshops as well, always on the lookout for the next brilliant business idea.

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Nanay Elma shows off the fist-size onions she harvested from her 10-hectare farm in Bayambang, Pangasinan.



For Nanay Elma, TSPI has become more than a lifeline. She treasures the friendly professional relationships she has built with its people. And whenever she's in need of extra capital, TSPI is always there. Twenty-five cycles later, her repayment rate is still a spotless 100%.

Asked when she plans to retire, the bubbly 51-year-old says she will work as long as she can. She rarely takes a break, and now she's even contemplating on putting up a junkshop to occupy her time during the rainy season. She likes doing business because it lets her help other people – be it relatives or neighbors. She also hopes to give her children a stable future.

Right now, Nanay Elma remains grateful for every good harvest. Her blessings come in the form of onions as big as fists sprouting from the ground. "I have never seen them as big as this. They're beautiful!" she says, holding up her precious produce like a hard-earned prize.



## Weaving a fortune from water lily

Inside the home of Adelia Jamco in a resettlement site in Pinagbuhatan, Pasig City, the scent of dry leaves wafts in the air. On the floor, on the roof, and in every corner of the room are bundles upon bundles of water lily leaves in various shapes and forms – newly harvested, dried, flattened, made as bags or as slippers.

From the look of her busy workplace alone, one could already tell a good micro-entrepreneur success story is about to unfold. It did not use to be this way back in 1999 when the relocation site was barely habitable, muddy, smelly and flood-prone. But this did not dampen the spirit of Adelia, who gambled with her fate like many others when she moved to Manila from Iloilo in 1969.

With a P5,000 loan from TSPI, Adelia sold rice and peddled homemade peanut butter. She even went as far as Muñoz Market to sell her products. Her determination paid off years later after attending an extensive six-month livelihood workshop of the City Government of Pasig. Adelia learned how to make hand-woven baskets out of water lily, which thrives in the nearby Pasig River. In line with its initiative to go green, the City promised to buy all the baskets for its Christmas giveaways. Like an astute businessperson, Adelia saw the potential and immediately sought a bigger loan from TSPI.

More  
opportunities to reap



Her micro-enterprise has become a lifeline for her neighbors who offer their services for the extra cash. She delights in the fact that she is able to help out in the community.



Today, she gives jobs to more than 100 people who harvest the water lilies, flatten them, and weave them into baskets and slippers. A basket takes an hour to weave and sells for P50 apiece, the cost of a typical paper bag, only more elaborate, environment-friendly and one-of-a-kind.

Her microenterprise has become a lifeline for her neighbors who offer their services for the extra cash. She delights in the fact that she is able to help out in the community. *“May mga pupunta na lang dito sa bahay, sasabihin sa akin, ‘Pwede magtrabaho? Pambili lang ng almusal o tanghalian (There are those who just come over to my house and ask, ‘Could you give me work? Just to buy breakfast or lunch.),’”* she says.

That the business makes good use of something deemed worthless is also important to her. *“Gusto ko rin ito kasi walang nasasayang. Walang tinatapon. Biruin mo, water lily lang iyan. Kahit saan, meron. Pero nagagawa naming ganito (I like this because nothing is wasted. Nothing is thrown out. It’s just water lily, which is everywhere, but we are able to make something out of it),”* she says as she proudly showed one bag with details that rival that of expensive machine-made containers.

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Nanay Adelia has transformed the back of her house into a drying area for water lily leaves.

Proof of her success is qualifying in the 2010 Citi Microentrepreneur of the Year award. Adelia has also set her sights on expanding her business, including plans to export to Canada. She also plans to invest in apartment buildings, as well as pursue other ventures such as making dishwashing liquids and fabric conditioners.

*“Kung kaya ko pa, bakit ako titigil? Masaya ako. Kumikita akong nasa bahay lang. Lagi akong may ginagawa. Pero ‘pag gusto kong magpahinga, nakakapagpahinga ako (If I can still do it, why stop? I’m happy. I earn while at home. I’m always busy. But when I want to rest, I can because I own my time.),”* the 55-year-old micro-entrepreneur says.

No matter how fulfilled and successful she has become, Adelia still yearns of going back to her roots. She says she dreams of buying a van for a RORO trip back to her hometown in Iloilo – a homecoming that took decades in the making, and one that she so richly deserves.

## Dodging life's curve balls

In one fell swoop, Ma. Isabel D. Paloma, mother of three, saw her fate change.

Her husband, a barangay councilor, was trying to break up a fight when he got shot. Nanay Isabel found him lying unconscious on the ground and rushed him to a nearby hospital.

*"Iyak ako nang iyak. Pumunta ako sa ospital ng walang kapera-pera. Dalawang linggo kami dun (I was crying hard. I brought him to the hospital, without any money. We spent two weeks there)," she says.*

The burden of fending for him and their children fell on her frail shoulders. When some neighbors introduced her to TSPI, she was hesitant. She even refused to borrow as much as P5,000, eventually borrowing only P3,000, with weekly payments of P151. *"Yung P3,000, kaya ko 'yung hulugan (I can manage to repay the P3,000)," she says.*

The seed capital funded her buy and sell business. She would go to Baclaran in the wee hours of the morning to buy cheap merchandise, mostly school uniforms then sell these to neighbors. During her free time, she conducted tutorial lessons to neighborhood kids.

She was successfully making ends meet as the sole breadwinner of the family until a few years later when she started having complications from diabetes. For a year, she was bed-ridden, requiring assistance to bathe, change clothes and essentially do everything else.

More  
resilient in her faith



Like with her children, Nanay Isabel knows the value of investing her time with TSPI. “You know your relationship with them goes beyond financial matters... You know they want you to succeed,” she relates.

Throughout her ordeal, she didn’t forget to pray, one of the many non-financial lessons she learned from TSPI. She says she remembers starting center meetings with a prayer. She remembers feeling “touched” whenever the group prayed for her.

“*Hindi ako religious dati,*” she says. “*Pero nananalangin ako at nadagdagan ang pananalig ko sa TSPI. Kaya nung nagkasakit ako, araw-araw, ang una kong ginagawa, nakapikit pa ako, nananalangin na ako. Sabi ko, ‘Salamat Panginoon at buhay pa ako.’*” (“I did not use to be religious. But now I always pray to God and my faith in TSPI grew stronger. When I got sick, every waking day I would start with a prayer. I would say, ‘Thank you, God, for keeping me alive.’”)

Suddenly, she woke up one morning, feeling rejuvenated. Her hands did not feel clammy, and she felt strong enough to take her husband to Church. Good things started to unravel in her life from then.

Her eldest is now being groomed for a supervisory position in a famous pizza chain. Her only daughter, Sarah, is taking a Communications Arts degree from Collegio de San Juan de Letran in a year.

“*Lahat may potential, wala lang* means (They all have potential, we just don’t have the means),” she says of her three children. Everyday for at least an hour, she made it a point to tutor her kids. Her diligence actually paid off. Sarah gets free tuition and a monthly stipend as an APPEND\* scholar. The talented young lady was recently accepted as an intern for GMA 7, a local TV

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Medals earned from her children’s excellent academic performance adorn the wall of Nanay Isabel’s home. The medals also serve as proof of this proud mother’s diligence in tutoring her kids.

\* One of the first and largest groups of Christian development NGOs in the country that provides microenterprise development.



network.

Like with her children, Nanay Isabel knows the value of investing her time with TSPI. “*Alam mong hindi lang simpleng pinansyal ang relasyon mo sa kanila. Bumibisita sila sa bahay, nangangamusta. Alam mong gusto nilang maging successful ka* (You know your relationship with them goes beyond financial matters. They visit your home to see how you’re doing. You know they want you to succeed.),” she relates.

So even if she is not the Chief of her Center, she tries to pay it forward. “*Tumutulong din akong kumausap tuwing may maliit na hidwaan sa mga miyembro* (I also help intercede whenever there are some quarrels among members),” she says.

She remembers fondly her earlier struggles. Back in the early 1990s, their community in General Mariano Alvarez in Cavite had no electricity and running water, roads were unpaved and muddy, and getting a pail of water took hours. She has overcome life’s curve balls, and has become a stronger person because of it.

“*Itong buhay natin, pagsubok ito, paglalakbay ito. Dapat lang tayong magtiwala* (This life of ours is just a test, a journey. We just need to have faith),” she says.





## Even when the tides turn

In this sun-scorched town of Tayug in southern Pangasinan, a group of farmers has discovered a way to combine work with pleasure: planting.

The six farmers, who each owns one to two hectares of land, used to get financing from fertilizer outlets and neighbors – a venture that is hardly sustainable. They were afraid to borrow from other lending channels, having witnessed the desperation of those who have fallen prey to loan sharks.

# More

confidence in the future

The farmers do not have to be asked for their contributions. They show the same initiative when it comes to their loans, paying as soon as they sell their harvests.

*"Takot sila mangutang kasi kapag hindi ka nakapagbayad, may hihilahin na lang bigla (They are afraid of borrowing because if they fail to pay, it might put their life at risk),"* says Jowena Canusa, the TSPI Agricultural Account Officer in-charge of seven barangays in San Nicolas, including Sitio Cabaruan.

In May 2010, Jowena gave the farmers a new lease on hope when she introduced the TSPI Palayan Program (TPP). Specifically developed for farmers, TPP provides access to a cheaper source of credit to maximize their yield and give them peace of mind through crop insurance. TPP mitigates risks through its linkup with the Philippine Crop Insurance Corporation (PCIC).

*"Hindi lang sadyang pera-pera ang transaksyon,"* says Sonny Soberano, the Center Chief who tills two hectares. *"Nakakatulong din sa samahan namin dahil nagtutulungan kami tuwing may problema. Alam naming may obligasyon kami sa aming mga kasama (It's not just about money. It also strengthens our ties as we help each other out when problems arise. We know we have an obligation to each other)."*

TPP was put to a test when the province was among those hit by typhoon Juan in October 2010. *"Kaunti lang ang inani namin. Pero nakatanggap kami ng insurance sa PCIC dahil sa TPP (We had little harvest. But we still received insurance coverage from PCIC through TPP),"* says Angel Espiritu, who owns a hectare of land.

The benefits do not stop there. TSPI also provides technical assistance to the farmers, with weekly farm visits from account officers like Jowena. She constantly monitors everything – from farms to families. *"Kinakamusta ko yung buhay nila. Kilala ko na lahat ng pamilya ng mga iyan,"* she says. *"Minsan kasi, kailangang tutukan (I also keep track of their personal lives.*

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TSPI also provides technical assistance to farmers, with weekly farm visits from account officers who monitor everything – from their farms to their families.



I know all of their families. Usually, you really need to keep an eye on them.)"

Savings is another component of the program, collected every second Wednesday of the month. The farmers do not have to be asked for their contributions, adds Jowena. They show the same initiative when it comes to their loans, paying as soon as they sell their harvests.

The partnership between TSPI and the farmers has blossomed over the years. Come planting season, farmers only need to fill out purchase order forms, get them signed by their center chief, and bring them to the supplier. This simplified process has made the farmers' lives a lot easier. After planting rice for two seasons, they have enough resources to plant a third crop, such as corn, string beans, onions or okra.

The program's success has attracted more farmers, says Jowena. New members have to undergo a seminar, a group recognition test and credit investigation. These are steps that will guarantee the continuing solidarity in the group.

And while the farmers know too well that the tides may turn and their fortunes may change, their view of the future is now brighter and more predictable, their disposition sunny.





# More strength in unity

## One for all

“*Sama-samang responsibilidad* (shared responsibility)” is the battle cry of the Taguig Grand Council. It sums up the philosophy of the vibrant group, both in their relationship with TSPI and with each other. And judging by their outputs – a slew of projects that have touched countless lives – it is working beautifully.

When the current crop of officers assumed office in 2004, they were faced with coffers that weren’t only empty; they were in the red by P98,000. On their first year, however, they were able to pay it off. How?

“*Sama-samang responsibilidad*,” says Marian Altavano, the Grand Council President and TSPI client since 2003. “It’s a mix of discipline, empowering women, seeking God’s guidance, and a willingness to help. Most of all, *kailangan ng puso* (You need to have the heart for it.)”



The Grand Council, which represents TSPI's 3,000 clients in 10 clusters in Taguig City, collects an annual fee of P20 from members. From this fund, they have launched a scholarship program for deserving children of Grand Council members.

The core of their objectives as a group – a sense of solidarity rather than an individualist mentality – is aligned with and inspired by TSPI's own philosophy. “*Sa iba*, you're on your own,” says Eden Dalumpines, the Grand Council's Secretary and TSPI client since 1999. “*Yung mga taong ayaw sa* grouping, *hindi sila pwede rito* (With others, you're on your own. Those who dislike being in a group will not like it here).”

This is why some of the group's projects are geared towards socializing, which they consider as important in building camaraderie. In 2005, they took a leisurely trip to Lemery, Batangas in busloads. In 2009, their destination was Subic. They also hold Christmas parties every year.

But they always put civic duties ahead of everything else. This includes relief operations for typhoon and fire victims, leadership trainings and livelihood seminars, and a scholarship for 20 grade school pupils. In 2006, they held a mass wedding for 27 pairs, an event that was recognized by the City Government of Taguig. More youth programs, including a child learning center and a medical mission, are in the pipeline.

Aside from shared responsibilities, Nay Eden also credits positive thinking and ethics for the seamless way that the group operates. “How do we do it? We focus on solutions. We don't dwell on problems. We get feedback from members. We're transparent with our transactions. And any concerns that are not resolved in the cluster level are elevated to Grand Council level,” she explains.

The group is quite resourceful, too. To raise funds for their scholars, they started “Edad Ko, Alay Ko” in 2007, where members were encouraged to donate an amount equivalent to their age. Today, four of their original 20 scholars are two years away from finishing grade school, and the group is thinking of extending the support to high school.

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Photo on left shows the officers of the Grand Council: (L-R) Eden Dalumpines, Secretary; Remedios Dy, Treasurer; Marian Altavano, President; Francisca Ompod, Assistant Secretary; and Clemencita Sabado, Deputy.



The results-oriented mentality mirrors TSPI's philosophy of being hands-on. “*Hindi lang sa financing natatapos ang* relationship with clients. *May insurance, may savings*. And they see to it that the business is erected and operating as planned (TSPI's relationship with clients does not end with mere financing. It also extends to insurance and savings.),” says Nay Eden.

She points to Nay Marian for inspiration. “Dati nakatira ako sa ibaba ng opisina ng TSPI, nagluluto (I used to live below TSPI's office, cooking),” shares Nay Marian. “I wanted to have money for business. They asked me, ‘Are you willing to help?’ I said ‘yes.’” Today, she manages Keziah Marketing, a direct selling company for home products.

Nay Marian's story, and that of the members of the Grand Council, mirrors a hundred more. And with “*sama-samang responsibilidad*” as their source of strength, they are never alone.

# Her mirror shines



Marian M. Gutierrez, TSPI Sector Manager Camanava area: "This is the reason I am able to help others improve their lot. I could only do my job well if I know that there's also someone watching over me and my family."

At 35, Marian M. Gutierrez already embodies the famous quote of Mahatma Gandhi: "You must be the change you wish to see in the world."

In her 13 years in the organization, Marian has walked and talked with the poorest of the poor – those who live along the railroad tracks, in multi-story shanties, and around the esteros. She has dealt with cynicism, curses, hopelessness and disappointment. And through it all, she has kept her faith in TSPI because she herself is a walking testament to its missionary work.

Her mother, the former Carmencita Maceda, used to be TSPI Center Chief from 1998 to 2002. With the help of educational loans from TSPI, all her three children were able to finish college, including Marian who earned a BS Biology degree at Far Eastern University. The family also renovated parts of their home through a five-year housing reconstruction loan from TSPI. Marian also enjoys the perks of having a company car, being a sector manager of Camanava area, which comprises Montalban, and parts of Quezon City. When her mother succumbed to breast cancer, TSPI's health card benefit to employees defrayed the cost of medical treatment. TSPI's emergency loan also helped pay for the dialysis treatment of her father for seven years. And in 2006, Marian had her taste of travel when she was sent to India by TSPI for an eight-day training.

"This is the reason I am able to help others improve their lot. I could only do my job well if I know that there's also someone watching over me and my family," she says.

Fresh out of college at 22, she hit the ground running as TSPI Field Credit Assistant assigned to the remotest and highly dense areas in Taguig City. It is through investing her time that she gained deeper insights into the lives of her clients, mostly mothers once economically dependent on their husbands. Marian realized that her work at TSPI is not simply "*trabaho lang, walang*

*personalan*" (just work, not personal) the moment she started being a shoulder to cry on to her clients.

"That's when I realized the difficulty of my mother's job as Center Chief. In her group were mothers who were trying to make ends meet, put food on the table for their children, and also face relationship problems with their husbands," she explains.

She sometimes finds herself between a rock and a hard place. In one of these tight situations, she had to referee an ensuing fight between two clients who share a husband and happen to bump into each other in an area meeting. She also had to deal with clients who misuse or divert the loan to other personal needs.

"I always manage to maintain personal boundaries to avoid these tight situations and sustain a smooth relationship with the clients. In TSPI, we made a vow not to accept even a glass of water from our clients, and we explain this to them so as not to offend," she says.

For Marian, the simple joys come from seeing clients succeed and surmount the odds like herself. "I have a client who only finished grade 3 and started with a P5,000 loan for a small business repacking charcoal in Montalban. She grew her business buying dead trees washed away to sea from the Dumagats. Now, she makes enough money to send all her children to school and even gives employment to her husband," Marian proudly shares.

She discovers that her successful clients share one secret: "*Hindi sila lahat maluho sa buhay* (They do not lead a high-maintenance lifestyle)."

Learning from her clients, Marian also leads, not just by simplicity and sheer hard work, but by letting her mirror shine. "*Walang trabaho ang madali. Kailangan mo muna magtanim bago ka umani. At kapag mahal mo ang trabaho mo, pagpapalain ka* (No work is easy. You have to plant before you reap. And when you love your work, you will be blessed)," she adds.

# Becoming *oragon* in Bicol

Mention Bicol and the images that come to mind are the majestic Mt. Mayon, the pristine beaches of Camarines Sur, and the gentle giant called *butanding*. Behind this natural beauty is the ugly truth that Bicol still ranks as one of the country's poorest regions. Strong typhoons that visit the region at least thrice a year easily turn this patch of heaven into a wasteland.

Living with this frequent devastation, Bicolanos have become "oragon" – Bicol slang for being unafraid of consequences. The uncanny combination of being impoverished yet determined opened up opportunities for TSPI's missionary venture to take root.

"Bicol has the biggest potential for microfinance to grow," says Elmer Santos, TSPI Head of Field Operations for the South East, which covers Bicol and Quezon.

When Elmer started his career in TSPI as an account officer 19 years ago, providing small loans to the poor was solely loan shark territory. Nowadays, he counts 111,000 TSPI borrowers from his area, more than half of which are individuals who borrow anywhere from P500 to P5,000. Others who got wind of the viability of micro-credit institutions have also joined in the fray. "We face a lot of competition now. But what continues to set TSPI apart is the relationship we manage to build over time with our clients," Elmer says.

His nearly two decades of experience in the field have exposed him to the "elements" – in the context of Bicol, this refers to the National People's Army (NPA), the armed wing of the Communist Party of the Philippines, which just marked its 42nd anniversary in the region. "We go straight to the doorstep of the poor," Elmer says, and this oftentimes requires going to Bicol's mountainous areas.

The job of reaching traditionally unserved clients has a steep price. On top of the one-way motorbike ride that costs P150 to P200 is crossing NPA territory, putting every field worker's life on harm's way. Elmer says he himself has already received two death

threats in his 19 years on the field – one came from an NPA "poser" who was unable to pay his loan and did not want to lose face. The second led him to a face-to-face meeting with an NPA rebel who only sought his side on a borrower's complaint and left him unharmed.

"*May mga lugar sa Bicol na mas gusto ng mga mahihirap humingi ng suporta sa NPA* (There are places in Bicol where the poor would rather seek help from the NPA)," he explains.

Despite the hazards from the job, Elmer and his co-field workers at TSPI remain undaunted. Working in Bicol where the odds are higher for their clients to succeed has also made them just as *oragon*.

In late 2006, when Typhoon Reming left more than 500,000 homeless and more than 200 dead on the path of raging mudflow and boulders from Mt. Mayon, Bicolanos, already used to these nightmares, emerged from their worst. When the calamity struck, as much as 80% were unable to pay their loans to TSPI. Barely three weeks later, these clients were already recovering their investment. Elmer proudly points out that TSPI's delinquency rate in the region has remained low despite the devastation.

"Our work is actually a ministry. We try to serve our clients' needs, not just the economic aspect, but more their spiritual needs. We're not after the money, but in their transformation," he stresses.

For this to happen demands a lot on TSPI's "barefoot bankers" to the poor. "This is a job that a fresh graduate from a university would find difficult to handle. You won't be able to appreciate your value in society until you have given your time to get to know your clients and their situations in life," Elmer says. "You must also give yourself enough time to be transformed."



Elmer Santos, TSPI Head of Field Operations for the South East: "We go straight to the doorstep of the poor."



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# Report of Independent Auditors

The Board of Trustees  
TSPI Development Corporation  
2370 Antipolo St., Guadalupe Nuevo  
Makati City

## Report on Financial Statements

We have audited the accompanying financial statements of TSPI Development Corporation (a nonstock, nonprofit organization), which comprise the statements of assets, liabilities and fund balance as at December 31, 2010 and 2009, and the statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and notes, comprising 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 Standards, 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 auditors' 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 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 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.

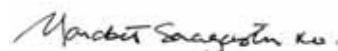
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TSPI Development Corporation as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

## 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 taxes, duties and license fees in Note 25 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 management. 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.



**MANABAT SANAGUSTIN & CO., CPAs**

April 10, 2011

Makati City



## STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

December 31				
		2009	2008	
	Note	(As Restated - Note 5)	(As Restated - Note 5)	
		2010		
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	7	P227,028,074	P204,183,158	P125,838,433
Loans receivable - net	8	1,410,761,715	1,333,208,932	1,041,159,642
Other receivables - net	9	19,711,088	11,147,680	22,804,446
Prepayments and other current assets		3,029,513	3,674,677	329,876
<b>Total Current Assets</b>		<b>1,660,530,390</b>	<b>1,552,214,447</b>	<b>1,190,132,397</b>
<b>Noncurrent Assets</b>				
Property and equipment - net	10	205,431,140	182,203,806	92,165,424
Retirement benefit	18	-	1,679,853	-
Intangible asset	11	1,231,225	1,529,330	1,291,585
Other noncurrent assets	12	13,649,711	9,822,990	9,527,809
<b>Total Noncurrent Assets</b>		<b>220,312,076</b>	<b>195,235,979</b>	<b>102,984,818</b>
		<b>P1,880,842,466</b>	<b>P1,747,450,426</b>	<b>P1,293,117,215</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Current Liabilities</b>				
Collateral savings fund reserve	13	P762,857,686	P641,329,575	P502,047,282
Accounts payable and accrued expenses	14	115,653,809	67,983,041	33,165,919
Due to TSPI Mutual Benefit Association	17	22,383,474	11,792,266	23,753,258
Loans payable - current	15	397,855,859	441,370,514	182,423,516
Funds held in trust	16	8,041,833	6,840,153	3,814,345
<b>Total Current Liabilities</b>		<b>1,306,792,661</b>	<b>1,169,315,549</b>	<b>745,204,320</b>
<b>Noncurrent Liabilities</b>				
Retirement liability	18	1,528,630	-	2,726,135
Loans payable - noncurrent	15	1,500,000	54,087,525	60,157,111
<b>Total Noncurrent Liabilities</b>		<b>3,028,630</b>	<b>54,087,525</b>	<b>62,883,246</b>
<b>Total Liabilities</b>		<b>1,309,821,291</b>	<b>1,223,403,074</b>	<b>808,087,566</b>
<b>Fund Balance</b>				
Accumulated excess of revenue over expenses	10	555,439,978	505,215,995	483,439,685
Revaluation increment on property and equipment		15,581,197	18,831,357	1,589,964
<b>Total Fund Balance</b>		<b>571,021,175</b>	<b>524,047,352</b>	<b>485,029,649</b>
		<b>P1,880,842,466</b>	<b>P1,747,450,426</b>	<b>P1,293,117,215</b>

Notes to the Financial Statements available upon request

## STATEMENTS OF REVENUE AND EXPENSES

For the Years Ended December 31				
		2009	2008	
	Note	(As Restated - Note 5)	(As Restated - Note 5)	
		2010		
<b>REVENUE</b>				
Interest income - net	19	P745,133,577	P616,385,869	
<b>EXPENSES</b>				
Project and operational costs	21	553,592,145	459,585,585	
General and administrative	22	107,563,831	82,447,147	
Impairment losses	8, 9	16,092,456	45,226,845	
Finance charges		33,369,748	21,916,588	
		710,618,180	609,176,165	
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER INCOME</b>		<b>34,515,397</b>	<b>7,209,704</b>	
<b>OTHER INCOME (EXPENSE) - Net</b>				
Grants	20	7,700,563	10,619,566	
Foreign exchange loss - net		(802,208)	(215,347)	
Others - net	23	5,560,071	2,605,151	
		12,458,426	13,009,370	
<b>EXCESS OF REVENUE OVER EXPENSES</b>		<b>P46,973,823</b>	<b>P20,219,074</b>	

Notes to the Financial Statements available upon request

## STATEMENTS OF CHANGES IN FUND BALANCE

For the Years Ended December 31			
		2009	
	Note	(As Restated - Note 5)	
		2010	
<b>ACCUMULATED EXCESS OF REVENUE OVER EXPENSES</b>			
Balance at beginning of period, as previously reported		P500,807,884	P477,343,536
Transition to PFRS	5	4,408,111	6,096,149
Balance at beginning of period, as restated		505,215,995	483,439,685
Excess of revenue over expenses for the period		46,973,823	20,219,074
Transfer from revaluation increment on property and equipment for the equivalent depreciation on appraisal increase	10	3,250,160	1,557,236
Balance at end of period		555,439,978	505,215,995
<b>REVALUATION INCREMENT ON PROPERTY AND EQUIPMENT</b>			
Balance at beginning of period		18,831,357	1,589,964
Revaluation adjustment on re-appraisal		-	18,798,629
Transfer to accumulated excess of revenue over expenses for the equivalent depreciation on appraisal increase	10	(3,250,160)	(1,557,236)
Balance at end of period		15,581,197	18,831,357
		<b>P571,021,175</b>	<b>P524,047,352</b>

Notes to the Financial Statements available upon request

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31			
		2009	
	Note	(As Restated - Note 5)	
		2010	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess of revenue over expenses		P46,973,823	P20,219,074
Adjustments for:			
Impairment losses	8, 9	16,092,456	45,226,845
Depreciation and amortization	10, 11	26,724,744	15,305,303
Retirement expense	18	9,208,383	31,594,012
Gain (loss) from disposal of repossessed property and equipment		287,064	(24,496)
Operating income before working capital changes		99,286,470	112,320,738
Decrease (increase) in:			
Loans receivable		(93,103,877)	(335,010,215)
Other receivables		(9,104,770)	(12,446,175)
Prepayments and other current assets		645,164	(3,344,802)
Increase (decrease) in:			
Collateral savings fund reserve		121,528,111	139,282,293
Accounts payable and accrued expenses		47,670,768	34,817,122
Due to TSPI Mutual Benefit Association		10,591,208	9,876,029
Funds held in trust		1,201,680	3,025,808
Cash provided by (used in) operations		178,714,754	(51,479,202)
Contributions to the retirement fund	18	(6,000,000)	(36,000,000)
Net cash provided by (used in) operating activities		172,714,754	(87,479,202)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment and intangibles	10, 11	(50,362,513)	(89,095,565)
Proceeds from disposal of repossessed property and equipment		421,577	2,337,261
Increase in other noncurrent assets	12	(3,826,721)	(295,181)
Net cash used in investing activities		(53,767,657)	(87,053,485)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availment of loans		503,100,000	456,259,500
Payments of loans		(599,202,181)	(203,382,088)
Net cash provided by (used in) financing activities		(96,102,181)	252,877,412
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>22,844,916</b>	<b>78,344,725</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>204,183,158</b>	<b>125,838,433</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>7</b>	<b>P227,028,074</b>	<b>P204,183,158</b>

Notes to the Financial Statements available upon request

# TSPI MUTUAL BENEFIT ASSOCIATION, INC.

## Board and Management Report

It has now been four full years since we embarked on this venture to offer micro-insurance services to TSPI's clients and their immediate families. And even as we look back at the young life of TSPI Mutual Benefit Association, Inc. (MBA), we can already see God's hands moving, as our clients are learning to accept and appreciate the meaning and value of life insurance. As an organization, we also continue to discover challenges and pray for solutions to promote micro-insurance in more cost effective and customer friendly ways.

The table on page 37 shows the total membership of TSPI MBA growing rapidly from 2007 to 2009. For 2010, Management decided to change marketing strategies. We attempted several different selling strategies including the use of loan officers, inducing clients to bring in one additional client, and even giving incentives to existing microlending clients who would volunteer as "insurance partners" in recruiting additional members into the TSPI MBA and lending programs. The peak in 2009 and the flat growth in 2010 seem to indicate the limits to the effectiveness of the existing sales model.

However, the decrease in membership did not affect the growth in our resources, as assets continue to grow from P81.5 million in 2007 to P412.5 million by the end of December 2010. This financial strength is a blessing and an affirmation from the Lord, whom we believe is preparing us for a good purpose.

As a service institution, we evaluate our performance, not only in financial measures, but also in how well and how fast we deliver services to our clients. Our promise is to pay out 50% of the mandatory benefits within 24 hours from notification of death, and the full benefits be paid within five days from the date of submission of complete documents.

*These stories encourage us to hurdle the difficult challenges of convincing the poor to part with their meager savings to invest in insurance. It is also satisfying to see that the government is taking notice of the value of microinsurance in their efforts to alleviate poverty.*

The charts on page 37 show the total benefits distributed and the total number of paid claims.

For the past four years of operation, we approved and paid 6,182 claims amounting to P92.4 million. As we look at these statistics, we are humbled whenever the beneficiaries of our deceased clients thank us for the benefits they received. More so, when they share how these financial benefits have provided them means to start anew after the loss of their breadwinners. Indeed, we continue to serve the purpose for which we have been organized.

These stories encourage us to hurdle the difficult challenges of convincing the poor to part with their meager savings to invest in insurance. It is also satisfying to see that the government is taking notice of the value of microinsurance in their efforts to alleviate poverty.

On January 29, 2010, the government launched the National Strategy and Regulatory Framework for Micro-insurance. Since then, there have been continuing and growing interest, not only in the microenterprise sector, but also in the formal insurance sector, to create microinsurance products.



The Secretary of Finance, Mr. Cesar V. Purisima, during the 6<sup>th</sup> International Micro-insurance Conference last November 9-11, 2010, emphasized that “the microfinance and micro-insurance initiatives play a big role in reaching out to the poorest of the poor.”

While this may seem like competition to TSPI MBA, we appreciate the fact that more people are exerting effort in educating the poor about the value of insurance. It actually makes our job a lot easier in the long run.

We cling to the Lord in obedience and humble dependence as we move forward to find more ways to serve the poor whom Christ loves in a special way.



MA. LUZ A. PLANAS  
Chairperson



ATTY. CORNELIO C. GISON  
Vice Chairman and Corporate Secretary



EDUARDO A. MENDOZA  
President

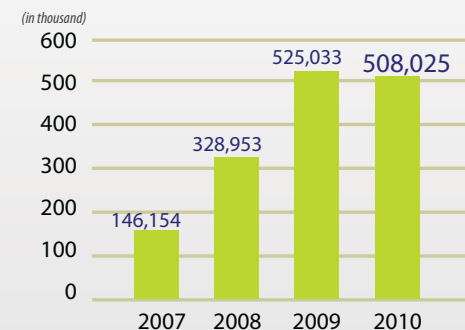


SUSAN P. TRINIDAD  
General Manager

## Total Assets *(in thousand pesos)*



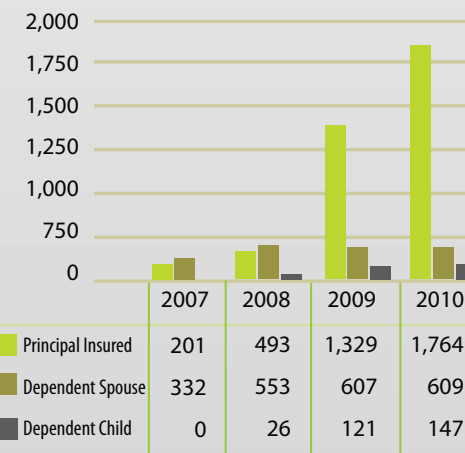
## Membership



## Benefits Distributed *(in thousand pesos)*



## Number of Paid Claims



# TSPI MUTUAL BENEFIT ASSOCIATION, INC.

## Board of Trustees

*(Left to Right)*

MA. LUZ A. PLANAS  
Chairperson

Atty. CORNELIO C. GISON  
Vice Chairman  
and Corporate Secretary

DAVID T. BUSSAU  
Chairman Emeritus

EDUARDO A. MENDOZA  
President

FLORENCIA G. TARRIELA  
Vice President







*(Left to Right)*

RENE E. CRISTOBAL  
Member

VICTOR C. LIBUNAO  
Staff Representative, TSPI

MA. ELIZABETH E. PEROCHO  
Client Partner-Representative,  
Central Sector

ELISA D. MOULIC  
Client Partner-Representative,  
North Sector

SALVACION G. FLAVIER  
Client Partner-Representative,  
South Sector

# TSPI MUTUAL BENEFIT ASSOCIATION, INC.

## Management Team



(Left to Right)

LEANDER A. AGUINALDO  
Head, Operations Unit

EDUARDO A. MENDOZA  
President

SUSAN P. TRINIDAD  
General Manager

ATTY. RICCI C. HORTILLO-TORIO  
Head, Claims, Documentation  
& Communications Unit

NELIA A. NAYVE  
Chief Finance Officer

## Report of Independent Auditors

The Board of Trustees and Members  
TSPI Mutual Benefit Association, Inc.  
Unit A Basement, Padilla Building  
F. Ortigas, Jr. Road, Ortigas Center  
Pasig City

### Report on the Financial Statements

We have audited the accompanying financial statements of TSPI Mutual Benefit Association, Inc. (a nonstock, nonprofit organization), which comprise the statements of assets, liabilities and fund balance as at December 31, 2010 and 2009, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes, comprising 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 Standards, 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 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 auditors' 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 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 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 TSPI Mutual Benefit Association, Inc. as of December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

### 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 taxes, duties and license fees in Note 18 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 management. 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.

MANABAT SANAGUSTIN & CO., CPAs  
April 7, 2011  
Makati City



## STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	Note	2010	2009
<b>ASSETS</b>			
Cash and cash equivalents	6	P129,245,498	P86,654,577
Available-for-sale (AFS) investments	7	206,550,097	140,043,596
Held-to-maturity investments	8, 17	44,235,054	16,654,871
Receivables	9	4,836,517	2,547,075
Due from a related party	10	21,870,139	17,980,793
Property, equipment and computer software- net	11	5,473,026	5,091,363
Other assets	12	253,750	307,692
		<b>P412,464,081</b>	<b>P269,279,967</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Claims payable	13	P9,144,021	P6,819,048
Accrued expenses and other liabilities	14	5,863,126	2,613,913
Aggregate reserves	15	14,611,473	10,225,893
Equity value reserve	16	138,553,106	85,461,653
<b>Total Liabilities</b>		<b>168,171,726</b>	<b>105,120,507</b>
<b>Fund Balance</b>			
Guaranty fund reserve	17	35,084,437	23,820,627
General fund balance		198,128,600	140,029,730
Fair value reserve on AFS investments	7	11,079,318	309,103
<b>Total Fund Balance</b>		<b>244,292,355</b>	<b>164,159,460</b>
		<b>P412,464,081</b>	<b>P269,279,967</b>

Notes to Financial Statements are available upon request.

## STATEMENTS OF COMPREHENSIVE INCOME

	Note	2010	2009
<b>MEMBERSHIP FEES</b>			
	10	P225,276,178	P175,333,789
<b>CLAIMS AND BENEFITS</b>			
Increase in equity value reserve	16	53,381,318	32,031,947
Claims and benefits expense	13	39,725,335	29,500,750
Increase (decrease) in aggregate reserves	15	4,385,580	(1,792,267)
		<b>97,492,233</b>	<b>59,740,430</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries and other employee benefits	10	29,061,552	22,655,288
Marketing and sales	10	24,137,512	20,252,045
Office supplies		5,247,662	4,869,982
Depreciation and amortization	11	3,821,430	2,995,568
Communication, light and water		1,960,532	1,742,647
Planning, meetings and conferences		1,699,445	1,421,730
Incentives		1,314,376	485,756
Professional fees		442,967	417,300
Transportation and travel		382,447	588,177
Advertising and promotion		298,034	19,928
Representation and entertainment		280,355	139,466
Repairs and maintenance		133,370	50,179
Dues and fees		124,402	102,663
Taxes and licenses		31,614	25,069
Rental		-	180,000
Donation		-	3,505,000
Miscellaneous		129,164	89,178
		<b>69,064,862</b>	<b>59,539,976</b>
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>		<b>58,719,083</b>	<b>56,053,383</b>
<b>INTEREST INCOME</b>	6, 7, 8	<b>10,643,597</b>	<b>5,132,886</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>		<b>69,362,680</b>	<b>61,186,269</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Net change in fair value of available-for-sale investments		11,079,318	309,103
Net change in fair value of available-for-sale investments transferred to profit or loss	7	(309,103)	(843,524)
		<b>10,770,215</b>	<b>(534,421)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P80,132,895</b>	<b>P60,651,848</b>

Notes to the Financial Statements available upon request

## STATEMENTS OF CHANGES IN FUND BALANCE

	Note	2010	2009
<b>GUARANTY FUND RESERVE</b>			
Balance at beginning of year	17	P23,820,627	P15,053,938
Transfer from general fund balance		11,263,810	8,766,689
<b>Balance at end of year</b>		<b>35,084,437</b>	<b>23,820,627</b>
<b>FAIR VALUE RESERVE ON AFS INVESTMENT</b>			
Balance at beginning of year	7	309,103	843,524
Other comprehensive income:			
Net change in fair value of available-for-sale investments		10,770,215	(534,421)
<b>Balance at end of year</b>		<b>11,079,318</b>	<b>309,103</b>
<b>GENERAL FUND BALANCE</b>			
Balance at beginning of year		140,029,730	87,610,150
Excess of revenues over expenses		69,362,680	61,186,269
Transfer to guaranty fund		(11,263,810)	(8,766,689)
<b>Balance at end of year</b>		<b>198,128,600</b>	<b>140,029,730</b>
		<b>P244,292,355</b>	<b>P164,159,460</b>

Notes to the Financial Statements available upon request

## STATEMENTS OF CASH FLOWS

	Note	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess of revenues over expenses		P69,362,680	P61,186,269
Adjustments for:			
Increase in equity value reserve	16	53,381,318	31,985,723
Increase (decrease) in aggregate reserves	15	4,385,580	(1,792,267)
Provision for claims incurred but not yet reported	13	1,626,691	277,839
Depreciation and amortization	11	3,821,430	2,995,568
Loss on write-off of property equipment		30,601	-
Interest income		(10,643,597)	(5,132,886)
Operating income before working capital changes		121,964,703	89,520,246
Decrease (increase) in:			
Receivables		(2,289,442)	(602,900)
Other assets		53,942	439,935
Due from a related party		(3,889,346)	(199,739)
Increase in:			
Claims payable		698,282	1,244,519
Accrued expenses and other liabilities		3,249,213	2,105,400
Refund of equity value reserve		(289,865)	-
<b>Net cash provided by operating activities</b>		<b>119,497,487</b>	<b>92,507,461</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		10,602,862	1,189,260
Additions to:			
Available-for-sale investments	7	(87,211,404)	(139,795,908)
Held-to-maturity investments	8	(44,264,329)	-
Property and equipment	11	(4,233,695)	(6,619,816)
Maturity of held-to-maturity investments		16,700,000	-
Proceeds from disposal of available-for-sale investments		31,500,000	63,200,000
<b>Net cash used in investing activities</b>		<b>(76,906,566)</b>	<b>(82,026,464)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>42,590,921</b>	<b>10,480,997</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>86,654,577</b>	<b>76,173,580</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	6	<b>P129,245,498</b>	<b>P86,654,577</b>

Notes to the Financial Statements available upon request

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## 2010 ANNUAL REPORT

*"Yes, I am the vine; you are the branches. Those who remain in me, and I in them, will produce much fruit. For apart from me you can do nothing."*

John 15:5



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