

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Social Enterprise Development Partnerships, Inc. (SEDPI)
Unit 303 Loyola Heights Condo 23
F. Dela Rosa St., Brgy. Loyola Heights,
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Social Enterprise Development Partnerships, Inc. (SEDPI)** which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Social Enterprise Development Partnerships, Inc. (SEDPI)** at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulation No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 and disclosed in Note 16 is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68, as Amended (2011). Such information is the responsibility of the management of **Social Enterprise Development Partnerships, Inc. (SEDPI)**. 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.

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Tax Identification No. 127-388-069

BIR Accreditation No. 07-000572-002-2015

December 1, 2015, valid until December 1, 2018

BOA/PRC Reg. No. 0540

December 1, 2015, valid until December 31, 2018

Quezon City

April 7, 2017

Social Enterprise Development Partnerships, Inc.**STATEMENTS OF FINANCIAL POSITION***(in Philippine Peso)*

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash, <i>Note 5</i>	494,768	724,759
Accounts Receivable, <i>Note 6</i>	14,992,757	12,365,999
Other Current Assets, <i>Note 7</i>	1,398,359	1,457,326
Total Current Assets	16,885,884	14,548,085
Non-Current Assets		
Property and Equipment, <i>Note 8</i>	5,117,841	5,340,313
Other Assets, <i>Note 9</i>	-	171,276
Total Non-Current Assets	5,117,841	5,511,589
TOTAL ASSETS	22,003,725	20,059,674
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable, <i>Note 10</i>	18,423,468	16,761,612
TOTAL LIABILITIES	18,423,468	16,761,612
Stockholders' Equity		
Capital Stock-₱200 par value, <i>Note 12</i>	2,030,600	2,030,600
Authorized – 28,420 shares, Issued-10,153 shares		
Retained Earnings	1,549,657	1,267,462
TOTAL STOCKHOLDERS' EQUITY	3,580,257	3,298,062
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	22,003,725	20,059,674

See accompanying Notes to Financial Statements

Social Enterprise Development Partnerships, Inc.**STATEMENTS OF INCOME***(in Philippine Peso)*

	Years ended December 31	
	2016	2015
REVENUES , <i>Note 13</i>	10,771,144	12,313,925
COST OF SERVICES , <i>Note 14</i>	3,536,794	3,685,779
GROSS PROFIT	7,234,350	8,628,146
OPERATING EXPENSES , <i>Note 15</i>	6,807,551	8,155,484
INCOME FROM OPERATIONS	426,800	472,662
OTHER INCOME / (EXPENSES)	83	17,368
INCOME BEFORE TAX	426,882	490,030
PROVISION FOR INCOME TAX , <i>Note 11</i>	144,687	172,563
NET INCOME	282,195	317,468

See accompanying Notes to Financial Statements

Social Enterprise Development Partnerships, Inc.**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY***(in Philippine Peso)*

	Capital Stock	Retained Earnings	TOTAL EQUITY
Balances at December 31, 2014	374,000	1,943,726	2,317,727
Net Income for the year	-	317,468	317,468
Stock Dividend Declaration	999,600	(999,600)	-
Conversion of Accounts Payable	657,000	-	657,000
Prior Period Adjustment	-	5,868	5,868
Balances at December 31, 2015	2,030,600	1,267,462	3,298,062
Net Income for the year	-	282,195	282,195
Balances at December 31, 2016	2,030,600	1,549,657	3,580,257

See accompanying Notes to Financial Statements

Social Enterprise Development Partnerships, Inc.**STATEMENTS OF CASH FLOWS***(in Philippine Peso)*

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income Before Tax	426,882	490,030
Adjustments for:		
Depreciation, <i>Note 15</i>	282,792	294,344
Income Taxes Paid, <i>Note 11</i>	(144,687)	(172,563)
Prior Period Adjustment		5,868
(Increase)/Decrease in		
Accounts Receivable, <i>Note 6</i>	(2,626,758)	(3,712,787)
Other Current Assets, <i>Note 7</i>	58,967	605,856
Accounts Payable, <i>Note 10</i>	1,661,856	1,044,417
Net cash used in operating activities	(340,948)	(1,444,835)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to Property and Equipment, <i>Note 8</i>	(60,319)	(3,802,185)
(Increase)/Decrease in Other Assets, <i>Note 9</i>	171,276	4,699,018
Net cash used in investing activities	110,957	896,832
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Capital Stock, <i>Note 12</i>	-	657,000
Increase (Decrease) in Loans Payable	-	-
Net cash used in financing activities	-	657,000
INCREASE (DECREASE) IN CASH	(229,992)	108,997
CASH BALANCE, JANUARY 1	724,759	615,762
CASH BALANCE, DECEMBER 31	494,768	724,759

See accompanying Notes to Financial Statements

SOCIAL ENTERPRISE DEVELOPMENT PARTNERSHIPS, INC. (SEDPI)

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. The Company

The **Social Enterprise Development Partnerships, Inc. (SEDPI)** is a domestic stock corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines. It was registered with the Securities and Exchange Commission on July 30, 2004 under SEC Registration No. CS200411733. Its primary purpose is to provide consulting services to cooperative and non-government organizations.

The increase of authorized capital stock of Social Enterprise Development Partnerships, Inc. (SEDPI) from ₱20,000 divided into 100 shares of the par value of ₱200 each to ₱5,684,000 divided into 28,420 shares of the par value ₱200 each was approved by SEC on November 8, 2011 in accordance with the provision of Section 38 of the Corporation Code of the Philippines(Batas Pambansa Blg. 68).

The Company's registered office, which is also its principal place of business, was formerly located at 450 J. Marzan Street, Sampaloc, Manila. On November 14, 2013, the SEC approved the amendment of Article III changing its principal office to Unit 303 Loyola Heights Condo 23 F. Dela Rosa St., Brgy. Loyola Heights, Quezon City.

On December 31, 2015, stock dividends amounting to ₱999,600 were declared by the Board of Directors. Furthermore, they also decided the conversion of "advances to stockholder account" to stocks with an amount of ₱657,000 thereby increasing the total paid up capital to ₱2,030,600 which is equivalent to 10,153 subscribed shares.

The financial statements were approved and authorized for issuance on April 7, 2017.

2. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The financial statements are presented in Philippine peso, which is the Company's functional currency. All amounts are rounded to the nearest Philippine Peso, except when otherwise indicated. They have been prepared under the historical cost basis.

2.2 Statement of Compliance

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

2.3 Accounting Policies

The specific accounting policies followed by the Company are disclosed in the following section.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from dates of acquisitions and that are subject to an insignificant risk of change in value.

Trade Receivables

Trade receivables represent accounts receivables and are measured at invoice price and subsequently measured at face value as reduced by any appropriate allowances for doubtful accounts. The allowance for doubtful accounts are the estimated amount of probable losses arising from non-collection of receivables based on past collection experience and Management's review of the current status of the long-outstanding receivables.

Other Receivables

Other receivables are stated at their face values. These are receivables other than those which arise from the ordinary course of business of the Company. Other receivables consist of advances to employees and advances to suppliers.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, and any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period the costs are incurred. In situations, where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When property and equipment are sold or retired, their cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income and expenses.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The useful lives of the properties are as follows:

	<u>Estimated Useful Life in Years</u>
Building	20
Furniture and fixtures	8
Transportation Equipment	10
Office equipment	3

Asset Impairment

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

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Value-added Tax (VAT)

VAT is equal to 12% of the purchase or selling price of the vatiable goods and services. VAT imposed on purchases is called input VAT while VAT imposed on sales/services is called output VAT. Input VAT and output VAT are presented at net in the statement of financial position. Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Input VAT is generally recoverable through application to output VAT.

Trade and Other Payables

Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are non-interest bearing and are stated at their nominal values.

Accruals, if any, are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions

Trade accounts payable and accrued expenses are recognized in the period which the related money, goods or services are received or when a legally enforceable claim against the Company is established or when the corresponding assets or expenses are recognized. Trade and other payables are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Other Current Liabilities

Other current liabilities represent obligations arising from mandatory requirements of government and other agencies and not just from a mere contractual agreement between related parties.

Loans Payable

Loans payable are long term borrowings availed from bank measured at their fair values and subsequently recognized at amortized costs less settlement payments, if any.

Total Equity

Total equity comprises of contributed capital and cumulative fund.

Share Capital

Share capital is determined using the nominal value of shares that have been issued and fully paid. The costs of acquiring Company's own shares, if any, are shown as a deduction from equity attributable to the company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, and are included in equity attributable to the company's equity holders.

Share Premium

Share premium, if any includes any premiums received on the initial issuing of capital stock. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

The Company has no share premium as of December 31, 2016.

Cumulative Earnings

Cumulative earnings include all current and prior period's results of operation as disclosed in the statement of income.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of the revenue can be measured reliably.

Interest Income

Interest income is recognized as the interest accrues.

Cost and Expense Recognition

Cost of sales

Cost of sales/service is recognized when goods/services are delivered to and accepted by the customers.

General and administrative expenses

General and administrative expenses comprise costs of administering the business and are recognized in the statement of income upon utilization of the service or in the dates they are incurred.

Employee Benefits

Short-term Benefits

The company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, and other non-monetary benefits.

Long-term Benefits

The Company provides retirement benefits to entitled employees as mandated by law.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred income tax assets to be recognized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date. Movements in the deferred income tax assets and liabilities arising from changes in the tax rates are charged or credited to the income for the period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each

balance sheet date and adjusted to reflect the current best estimate. When the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Reporting Period

Post-year-end events up to the date of the auditor's report that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Related Parties

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company and post-employment benefit plans for the benefit of Company's employees are also considered to be related parties.

3. Management's Significant Accounting Judgments and Estimates

3.1 Judgments

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). The Company qualifies as Small and Medium-sized Entity. The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon Management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determination of the Company's functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso.

3.2 Estimates

Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation of useful lives of property and equipment

Useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates. Any reduction in the estimated useful lives of property and equipment would increase the Company's recorded operating expenses and decrease non current assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties which are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

The useful lives of the properties are as follows:

	<u>Estimated Useful</u> <u>Life in Years</u>
Building	20
Furniture and fixtures	8
Transportation Equipment	10
Office equipment	3

There is no change in the estimated useful lives of property and equipment and for the years ended December 31, 2016 and 2015. The carrying amount of the Company's property and equipment amounted to ₱5,117,841 and ₱5,340,313 as of December 31, 2016 and 2015, respectively (see Note 8).

Impairment of Non-financial Assets

The Company assesses the value of property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

Allowance for Doubtful Accounts

The company assesses whether objective evidence of impairment exists for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

Revenue Recognition

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

4. Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risks. It also supports the effective implementation of policies.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

Capital Management Framework

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory Framework

The operations of the Company are also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk.

Credit Risk

The Company's credit risk is primarily attributable to its trade and other receivables. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk. Receivable balances are being monitored on a periodic basis to ensure timely execution of necessary intervention efforts.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of generated funds. Liquidity risk is the risk when the Company will be unable to meet its payment obligations when they fall due. The Company manages this risk through periodic monitoring of cash flows in consideration of future payment due dates and daily collection amounts. The Company also ensures that there are sufficient, available and approved working capital lines that it can draw from anytime.

5. Cash

This account consists of:

	2016	2015
Cash in Bank- BDO	418,983	647,556
Cash in Bank- UCPB	47,845	49,462
Cash in Bank- BPI	27,941	27,741
Total	494,768	724,759

Cash with banks earn interest at the respective bank deposit rates.

The Company reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

6. Accounts Receivable

This account consists of:

	2016	2015
Accounts Receivable (6.1)	11,723,475	8,798,548
Due from Related Parties (6.2)	2,882,280	3,084,126
Advances from Officers & Employees (6.3)	246,670	342,993
Other Receivable	140,332	140,332
Total	14,992,757	12,365,999

6.1 Accounts Receivable pertain to outstanding accounts by various clients and some employees to be paid as agreed upon as follows:

	2016	2015
<i>Accounts Receivable</i>	<i>8,046,451</i>	<i>8,304,846</i>
<i>Receivable from Officers & Employees</i>	<i>3,677,023</i>	<i>493,703</i>
	<i>11,723,475</i>	<i>8,798,548</i>

6.2 Due from related parties composed of advances by the following:

	2016	2015
<i>SEDPI Foundation, Inc.</i>	<i>1,761,917</i>	<i>1,964,551</i>
<i>SEDPI Social Enterprise Ventures, Inc.</i>	<i>147,345</i>	<i>146,557</i>
<i>SEDPI Capital Credit, Inc.</i>	<i>973,018</i>	<i>973,018</i>
Total	2,882,280	3,084,126

6.3 Advances from Officers & Employees comprised of unliquidated advances for certain project activities.

7. Other Current Assets

This account consists of:

	2016	2015
Creditable tax	1,381,386	1,418,955
Input tax	16,974	38,371
Total	1,398,359	1,457,326

8. Property and Equipment

December 31, 2016

	Office Equipment	Furniture and Fixtures	Vehicle	Condomi nium Unit	Land	Total
Cost						
Balances at beginning of year	52,408	58,825	2,827,606	2,000,000	1,757,923	6,696,762
Additions	60,319	-	-	-	-	60,319
Balances at end of year	112,727	58,825	2,827,606	2,000,000	1,757,923	6,757,081

Accumulated Depreciation

Balances at beginning of year	20,692	49,829	1,219,261	66,667	-	1,356,449
Depreciation	21,304	6,314	188,507	66,667	-	282,792
Balances at end of year	41,995	56,144	1,407,768	133,333	-	1,639,240
Net Carrying Values	70,731	2,681	1,419,838	1,866,667	1,757,923	5,117,841

December 31, 2015

	Office Equipment	Furniture and Fixtures	Vehicle	Condomi nium Unit	Land	Total
Cost						
Balances at beginning of year	1,052,325	107,282	2,827,606	-	-	3,987,213
Additions	44,262	-	-	2,000,000	1,757,923	3,802,185
Disposal	(1,044,180)	(48,457)	-	-	-	(1,092,637)
Balances at end of year	52,408	58,825	2,827,606	2,000,000	1,757,923	6,696,762

Accumulated Depreciation

Balances at beginning of year	1,036,768	87,221	1,030,754	-	-	2,154,742
Depreciation	28,104	11,066	188,507	66,667	-	294,344
Disposal	(1,044,180)	(48,457)	-	-	-	(1,092,637)
Balances at end of year	20,692	49,829	1,219,261	66,667	-	1,356,449
Net Carrying Values	31,716	8,996	1,608,346	1,933,333	1,757,923	5,340,313

The net carrying value of the property and equipment is equivalent to its fair value.

Furniture, fixtures and transportation equipments are carried at cost less accumulated depreciation.

Depreciation is computed on a straight line method over the estimated useful life of the assets as follows:

	<u>Estimated Useful Life in Years</u>
Furniture and fixtures	8
Transportation Equipment	10
Office equipment	3

No assets were found impaired. Depreciation were charged to operation.

9. Other Assets

This account consists of:

	<u>2016</u>	<u>2015</u>
Others	-	171,276
Total	-	171,276

10. Accounts Payable and Other Current Liabilities

This account consists of:

	<u>2016</u>	<u>2015</u>
Due to Related Parties	15,717,738	13,181,449
Output VAT	1,093,461	913,214
Accounts Payable	899,848	1,265,412
Other Payables	617,925	675,481
Accrued expenses	80,000	708,987
SSS/HDMF/PHIC Payable	8,147	9,470
Withholding Tax Payable	6,348	7,599
Total	18,423,468	16,761,612

Due to related parties pertains to the advances by SEDPI from the following:

	<u>2016</u>	<u>2015</u>
<i>SEDPI Capital Credit, Inc.</i>	15,067,738	12,531,449
<i>SEDPI Development Finance, Inc.</i>	650,000	650,000
Total	15,717,738	13,181,449

Accounts payable represents the unpaid portion of the company's purchases of goods from its suppliers. They do not earn interest and expected to be settled within a short period of time. It also comprises liabilities for obligations to the government.

Other current liabilities represent statutory liabilities and are measured initially at their nominal values and subsequently being decreased by settlement payments.

Obligations to the government are remitted on the following month after being withheld from various income recipients.

11. Income Taxes

Republic Act (R.A.) No. 9337

On May 24, 2005, Republic Act No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. Among the reforms introduced by the said R.A., which became effective on November 2, 2005 are as follows:

- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
- Increase in Value-Added Tax (VAT) rate from 10% to 12% effective February 1, 2006 as authorized by the Philippine President pursuant to the recommendation of the Secretary of Finance;
- Revised invoicing and reporting requirements for VAT; and
- Expanded scope of transactions subject to VAT.

On October 10, 2007, the BIR issued Revenue Regulations No. 12-2007, which amended the timing of the calculation and payment of MCIT from an annual basis to quarterly basis, i.e. excess MCIT from a previous quarter during the current taxable year may be applied against subsequent quarterly or current annual income tax due, whether MCIT or Regular Corporate Income Tax (RCIT). However, excess MCIT from the previous taxable year/s is not creditable against MCIT due for a subsequent quarter and are only creditable against quarterly and annual RCIT.

The reconciliation of the income tax expense computed at statutory tax rate and the income tax liability for the current period is as follows:

COMPUTATION OF TAXABLE INCOME:

	<u>2016</u>	<u>2015</u>
Gross Income	7,234,350	8,628,146
MCIT Rate	2%	2%
MCIT	144,687	172,563
Ordinary Allowable Itemized Deductions	6,807,551	8,155,484
TAXABLE INCOME	426,800	472,662

<i>At 30% Income tax</i>	128,040	141,799
BASIC INCOME TAX	144,687	172,563
PROVISION FOR INCOME TAX	144,687	172,563
Less: Tax paid 1st-3rd Quarters	-	-
Tax Due	144,687	172,563
Less: Creditable w/tax-previous year	1,262,964	1,041,111
Creditable w/tax-this year	-	394,416
Income tax payable	(1,118,277)	(1,262,964)

Reconciliation of Net Income Per Books Against Taxable Income

	2016	2015
Net Income/(Loss) per books	426,882	490,030
Add: Non-deductible Expenses/Taxable Other Income		
Disallowed Interest Expense	-	-
Penalties and Charges	-	-
Less: Non-taxable income subjected to Final Tax		
Interest Income	(83)	(79)
Other Income		(18,397)
Forex Gain (Loss)		1,108
Net Taxable Income/(Net Loss)	426,800	472,662

12. Capital Stock

Authorized Capital Stock	₱ 5,684,000	28,420 shares
Subscribed Capital Stock	2,030,600	10,153 shares
Amount of Paid In Capital	2,030,600	10,153 shares

On November 8, 2011, the Corporation, by the affirmative vote of the members of its Board of Directors and the affirmative vote of its stockholders owning One Hundred Percent (100%) of the outstanding capital stock of the Corporation, has approved the increase in the authorized capital stock of the corporation from Twenty Thousand Pesos (₱20,000.00) divided into One Hundred (100) shares with par value of Two Hundred Pesos (₱200.00) per share to Five Million Six Hundred Eighty Four Thousand Pesos (₱5,684,000.00) divided into Twenty Eight Thousand Four Hundred Twenty (28,420) shares with par value of Two Hundred Pesos (₱200.00) per share. This is in accordance with the provision of Section 38 of the Corporation Code of the Philippines(Batas Pambansa Blg. 68).

On December 31, 2015, additional 2,973 shares, from 7,180 shares to 10,153 shares, were subscribed and fully paid up through additional capital of ₱1,656,600, broken down as follows:

<i>Stock dividends declared</i>	999,600
<i>Conversion of advances from stockholder to stocks</i>	657,000
Total	1,656,600

13. Revenues

This account consists of:

	2016	2015
Research	6,990,625	3,504,214
Management Services	3,460,152	5,848,392
Training Services	320,367	2,781,319
Other Income	-	180,000
TOTAL	10,771,144	12,313,925

The revenues were received from the following:

	2016	2015
Baba's Foundation Inc (BFI)	120,402	-
British Council	-	379,643
BPI-Globe BanKo	-	1,919,643
Climate Change Commission	803,561	1,874,975
Community Rural Bank of Catmon (CRBC)	-	643,627
Community Rural Bank of Dapitan City, Inc. (CRBDCI)	67,361	-
Department of Agrarian Reform (DAR)	233,529	3,636,357
De La Salle University	-	3,529
Department of Trade & Industry (DTI)	1,674	67,500
Key Discovery Consulting Inc. (KDCI)	-	34,714
National Association of Training Centers for Cooperatives (NATCCO)	-	177,000
Oikocredit	-	228,888
Oxfam	6,522,366	-
People's Alternative Livelihood Foundation of Sorsogon, Inc. (PALFSI)	-	809,598

Progressive Bank Inc (PBI)	-	111,607
Peoples Credit & Finance Corporation (PCFC)	-	190,575
People In Need (PIN)	2,507,574	392,795
Planbank	10,714	-
PTC-CSJ Foundation	8,929	53,571
RAFI Micro-Finance, Inc.	-	850,336
Rural Bank of Liloy (Zamboanga Del Norte), Inc. (RB Liloy)	-	759,566
Savings Banks Foundation for International Cooperation E.V. (SBFIC)	347,857	-
SEDPI Capital Credit Inc (SCCI)	-	180,000
Tulay Sa Pag-unlad, Inc. (TSPI)	49,018	-
Water.Org	89,286	-
Various Individuals	8,875	-
	10,771,144	12,313,925

14. Cost of Services

This account consists of:

	2016	2015
Board and Lodging	1,954,514	1,516,888
Supplies and Materials	538,504	134,038
Transportation and Travel	705,310	1,874,849
Communication	243,469	135,521
Trainings and Seminar Expenses	94,996	24,483
TOTAL	3,536,794	3,685,779

15. Operating Expenses

This account consists of:

	2016	2015
Salaries and Benefits	1,945,918	1,824,466
Staff Development	1,040,027	606,004
Transportation	871,000	1,084,648
Insurance	601,196	561,471
Supplies and Reproduction	462,479	298,365
Professional Fee	341,755	1,059,473
Depreciation Expense	282,792	294,344
Marketing and Advertising	257,059	-
Taxes and Licenses	247,465	305,710

Utilities	216,679	199,805
Repairs and Maintenance	196,104	250,550
SSS,PHIC, HDMF & Other Contributions	140,687	82,988
Dues and Other Fees	120,634	74,143
Medical Assistance	32,246	158,312
Miscellaneous	21,593	43,585
Communication	15,917	121,412
Donation	8,000	500,000
Meetings and Conferences	6,000	107,221
Bad Debts	-	582,988
TOTAL	6,807,551	8,155,484

Operating expenses are recognized in the statement of income upon utilization of the service or on the date they are incurred.

16. Information required by Bureau of Internal Revenue's Revenue Regulation (RR) 15-2010.

In compliance with the requirements set forth by Revenue Regulation No. 15-2010 hereunder are the information on taxes, duties, and licenses during the taxable year 2016.

16.1 Output Tax

The Company's output VAT amounted to ₱1,093,873 and ₱821,491 as of December 31, 2016 and 2015, respectively. On the other hand, deferred VAT amounted to ₱24,991 and ₱679,213 as of December 31, 2016 and 2015, respectively.

16.2 Input Tax

The Company's input VAT are part of the domestic purchases/payments for services lodged on cost of sales and operating expenses, computed as follows:

		2016		2015
Balance, January 1	₱	38,371	₱	1,022,071
Adjustment		-		(1,022,071)
Domestic purchases/payments for services lodged on cost of sales and operating expenses		423,698		426,180
VAT remittance		(445,095)		(387,809)
Balance, December 31	₱	16,974	₱	38,371

16.3 Withholding taxes

The amount of withholding taxes is as follows:

	<u>2016</u>	2015
Tax on compensation	35,973	36,619
Expanded withholding tax	11,556	96,724
Total	47,529	133,343

16.4 Other Taxes and Licenses

The local and national taxes lodged under “Taxes and Licenses” in the statements of income for the year ended December 31, 2016 includes the following:

	<u>2016</u>	2015
Business Permit	138,281	38,491
Transfer of Property	49,244	51,530
Final Taxes	43,714	199,256
Real Property Tax	9,353	15,718
LTO Registration	5,958	-
BIR Registration & Other Fees	915	715
Total	247,465	305,710

16.5 Landed Cost, Customs’ Duties and Tariff Fees

The Company did not have any importation in 2016 that would require for the payment of customs duties and tariff fees.

16.6 Excise Tax

The Company did not have any transaction in 2016 which is subject to excise tax.

16.7 Documentary Stamp Tax

The Company did not have any transaction in 2016 which are subject to documentary stamp tax.

16.8 Tax Assessment

The Company has no final deficiency tax assessments, whether protested or not.

16.9 Tax Cases

As of December 31, 2016 the company has no pending tax court cases nor has it received any tax assessment notices from the BIR.

17. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Presented below is the summary of the related party transactions for the year 2016, to wit:

17.1 Advances made by the following related parties:

<i>SEDPI Foundation, Inc.</i>	<i>1,761,917</i>
<i>SEDPI Social Enterprise Ventures, Inc.</i>	<i>147,345</i>
<i>SEDPI Capital Credit, Inc.</i>	<i>973,018</i>
<i>Total</i>	<i>2,882,280</i>

17.2 Advances received from the following related parties:

<i>SEDPI Capital Credit, Inc.</i>	<i>15,067,738</i>
<i>SEDPI Development Finance, Inc.</i>	<i>650,000</i>
<i>Total</i>	<i>15,717,738</i>

18. Comparative Information

Certain comparative figures have been reclassified to conform to the current year's presentation.