

Social Enterprise Development Partnerships, Inc.

Financial Statements
and
Auditors' Report

For the years ended December 31, 2007 and 2006

**SOCIAL ENTERPRISE DEVELOPMENT
PARTNERSHIPS, INC. (SEDPI)**

Financial Statements

December 31, 2007 and 2006

and

Independent Auditors' Report



BIR AN# 07-003261-1-2006
BOA Accreditation No. 0540

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS

Social Enterprise Development Partnerships, Inc. (SEDPI)

450 J. Marzan Street, Sampaloc, Manila

We have audited the accompanying financial statements of **Social Enterprise Development Partnerships, Inc. (SEDPI)**, which comprise the balance sheet as at December 31, 2007 and 2006, and the statements of income and expenses, statements of changes in stockholders' equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Philippines. This responsibility includes: designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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 financial statements are free from material misstatements.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers 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 the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Social Enterprise Development Partnerships, Inc. (SEDPI)** as of December 31, 2007 and 2006 and its financial performances and its cash flows for the years then ended in accordance with accounting principles generally accepted in the Philippines.

MELICOR BRIONES VILLAREAL & CO.


F. A. BRIONES
Partner
CPA Certificate No. 78901
Tax Identification No. 128-261-118
PTR No.9979951, Jan. 30, 2008
Quezon City, Philippines

April 23, 2008

SOCIAL ENTERPRISE DEVELOPMENT PARTNERSHIPS, INC.**BALANCE SHEETS**

	December 31	
	2007	2006
ASSETS		
Current Assets		
Cash and Cash Equivalents	P 296,867	P 393,184
Advances and Other Receivables	372,660	209,743
Other Current Assets	32,308	-
Total Current Assets	701,836	602,927
Non-Current Assets		
Properties and Equipment, Net	1,321,156	1,454,454
Other Assets	171,276	332,523
Total Non-Current Assets	1,492,432	1,786,977
TOTAL ASSETS	P 2,194,267	P 2,389,904
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accrued expenses and other payables	P 1,441,881	P 285,836
Provision for Income Tax	37,399	12,770
Total Current Liabilities	1,479,279	298,607
Long Term Liabilities		
Loans Payable	587,695	2,033,460
TOTAL LIABILITIES	2,066,975	2,332,066
Stockholders' Equity		
Capital Stock	20,000	20,000
Retained Earnings	107,293	37,838
	127,293	57,838
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,194,267	2,389,904

See accompanying notes to financial statements

Social Enterprise Development Partnership, Inc.**INCOME STATEMENTS**

	Years ended December 31	
	2007	2006
REVENUE		
Management Services	P 2,316,236	P 1,541,002
Training Fee	1,804,650	
	4,120,886	1,541,002
COST OF SERVICES	2,448,734	1,246,922
GROSS PROFIT	1,672,152	294,080
OPERATING EXPENSES	1,565,298	279,410
NET INCOME FROM OPERATIONS	106,854	14,670
OTHER INCOME / EXPENSES		21,817
NET INCOME BEFORE INCOME TAXES	106,854	36,487
PROVISION FOR INCOME TAX	37,399	12,770
NET INCOME AFTER TAX	P 69,455	P 23,716

See accompanying notes to financial statements

Social Enterprise Development Partnership, Inc.**STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income After Tax	P 69,455	P 23,716
Adjustments for:		
Depreciation	325,113	-
(Increase)/Decrease in advances and receivables	(162,917)	394,476
(Increase)/Decrease in other current assets	(32,308)	-
(Increase) in other receivables		
Increase/(Decrease) in accounts payable	1,180,673	190,087
Net cash used in operating activities	1,380,015	608,279
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to furniture, fixtures and equipment	(191,814)	156,464
(Increase)/Decrease in Other Assets	161,247	100,352
Net cash used in investing activities	(30,567)	256,816
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Stockholders' Equity	-	
Increase (Decrease) in Loans Payable	(1,445,764)	(80,000)
Net cash used in financing activities	(1,445,764)	(80,000)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(96,316)	271,463
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	393,184	121,721
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	P 296,867	P 393,184

See accompanying notes to financial statements

Social Enterprise Development Partnership, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital Stock	Retained Earnings	TOTAL EQUITY
Balances at December 31, 2005	P 20,000	P 14,121	P 34,121
Net Income for the year	-	23,716	23,716
Balances at December 31, 2006	20,000	37,838	57,838
Net Income for the year		69,455	69,455
Balances at December 31, 2007	P 20,000	P 107,293	P 127,293

See accompanying notes to financial statements

SOCIAL ENTERPRISE DEVELOPMENT PARTNERSHIPS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. The Organization

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, and its principal office address is at 450 J. Marzan Street, Sampaloc, Manila.

Its primary purpose is to provide consulting services to cooperative and non-government organizations.

2. Summary of Significant Accounting Policies

Basis of financial statements preparation

The accompanying financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in the Philippines. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except for the adoption of new accounting standards.

Adoption of new and revised standards

The Accounting Standards Council (ASC) approved the issuance of new and revised accounting standards that are based on the revised International Accounting Standards (IAS) and the new International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The new standards are effective for annual periods beginning on or after January 1, 2005, although earlier application is encouraged. The ASC renamed the Standards that it issues to correspond better with the issuances of the IASB. These new standards have been renamed Philippine Accounting Standards (PAS) to correspond to the adopted IAS while Philippines Financial Reporting Standards (PFRS) to correspond to the adopted IFRS. Previously, standards issued by the ASC were designated as Statements of Financial Accounting Standards (SFAS). The following are the Standards that are applicable to the Company

- PAS 1, *Presentation of Financial Statements*, provides a framework within which an entity assesses how to present fairly the effects of transactions and other events. It provides the base criteria for classifying liabilities as current and non-current; prohibits the presentation of income from operating activities and extraordinary items

as separate line items in the statements of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments management has made in the process of applying the entity's accounting policies.

- PAS 2, *Inventories*, which prescribes the accounting treatment for inventories to provide guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value and provide guidance on the cost formulas that, are used to assign costs to inventories.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, which prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.
- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
- PAS 21, *The effect of Changes in Foreign Exchange Rates*, prohibits the capitalization of foreign exchange losses. It also requires company to determine its functional currency and measure its results and financial position in that currency. Translation procedures are specified when the presentation currency used for reporting differs from entity's functional currency. The Company has determined that its functional currency is the Philippine peso, which is also the Company's reporting currency.
- PAS 32, *Financial Instruments: Disclosures and Presentation*, which states the objectives to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance, and cash flows
- PAS 38, *Intangible Assets*, which establishes the criteria for the recognition and measurement of intangible assets. Intangible assets that are recognized should be amortized equally over 20 years.
- PAS 39, *Financial Instruments: Recognition and Measurement*, which defines financial instrument as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
- PAS 40, *Investment Property*, which prescribes the measurement in a lessee's financial statements of investment property held under a finance lease and with the measurement in a lessor's financial statements of investment property leased out under an operating lease. The Company believes that the adoption of PAS 40 will have no impact on its financial statements because it has no investment property.

The following principal accounting policies have been applied:

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is computed using the straight-line method over the estimated useful lives of the properties. Costs of minor repairs and maintenance are charged to operations as incurred. Renewals and betterments which improve the original assessed standard of performance of the property are capitalized to the appropriate property account. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Impairment of Assets

Property and equipment and other long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The excess shall be recognized as impairment loss in the statements of operations, or as revaluation decrease in case of revalued assets. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is possible, for the cash-generating unit to which the asset belongs. Impairment losses recognized in prior years are reversed when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded as income, except for revalued assets, which is credited to revaluation surplus in the stockholder's equity section of the balance sheets to the extent previously recognized as expense in the statements of operations.

3. Property and Equipment

December 31, 2007

	Office Equipment	Furniture and Fixtures	Vehicle	Total
Cost				
Balances at beginning of year	311,303	11,505	1,131,646	1,454,454
Additions	191,814	-	-	191,814
Balances at end of year	503,118	11,505	1,131,646	1,646,269
Accumulated Depreciation				
Balances at beginning of year	-	-	-	-
Depreciation	155,137	6,516	163,460	325,113
Balances at end of year	155,137	6,516	163,460	325,113
Net Book Values	347,981	4,989	968,186	1,321,156

December 31, 2006

	Office Equipment	Furniture and Fixtures	Vehicle	Total
Cost				
Balances at beginning of year	154,839	11,505	1,131,646	1,297,991
Additions	156,464	-	-	156,464
Balances at end of year	311,303	11,505	1,131,646	1,454,454
Accumulated Depreciation				
Balances at beginning of year	-	-	-	-
Depreciation	-	-	-	-
Balances at end of year	-	-	-	-
Net Book Values	311,303	11,505	1,131,646	1,454,454

4. COST OF SERVICES

	2007	2006
Board and Lodging	₱ 682,492	₱ 171,199
Meetings and Consultations	166,283	391,685
Supplies and Materials	146,059	63,329
Transportation and Travel	748,777	323,056
Communication	97,948	55,093
Printing and Reproduction		18,342
Trainings and Seminars	551,613	224,218
Fees and Charges	55,563	-
Total	₱ 2,448,734	₱ 1,246,922

5. OPERATING COST

	2007	2006
Salaries	₱ 90,499	₱ 107,725
Supplies and Reproduction	107,150	
Donation	106,589	36,632
Transportation	43,289	
Repairs and Maintenance	70,058	27,007
Insurance	100,657	
Bank Charges and Other Fees	125,447	15,711
Utilities	45,046	19,606
Depreciation Expense	325,113	
Professional Fee	65,000	25,000
Meetings and Representation	169,025	
Communication	19,173	
Taxes and Licenses	66,538	
Interest Expense	66,667	
Staff Development	134,591	
Miscellaneous	30,457	47,729
Total	₱ 1,565,298	₱ 279,410