



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, 2008 and 2007, 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, 2008 and 2007 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.



C.V. MENDOZA

Partner

CPA Certificate No. 74327

Tax Identification No. 127-388-069

PTR No. 1298607, January 28, 2009, Quezon City Philippines

BOA Accreditation No. 0540

BIR Accreditation No. 07-004197-1-2007

June 22, 2009

SOCIAL ENTERPRISE DEVELOPMENT PARTNERSHIP, INC.**Balance Sheets**

	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash and Cash Equivalents	₱265,595	₱296,867
Advances and Other Receivables	508,125	372,660
Other Current Assets	168,507	32,308
Total Current Assets	942,227	701,836
Non-Current Assets		
Properties and Equipment, Net	1,189,544	1,321,156
Other Assets	171,276	171,276
Total Non-Current Assets	1,360,820	1,492,432
TOTAL ASSETS	₱2,303,047	₱2,194,267
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities	₱ 1,612,824	₱ 1,479,279
Long Term Liabilities	561,079	587,695
TOTAL LIABILITIES	2,173,903	2,066,975
Stockholders' Equity		
Capital Stock	20,000	20,000
Retained Earnings	109,143	107,293
	129,143	127,293
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱ 2,303,047	₱2,194,267

See accompanying notes to financial statements

SOCIAL ENTERPRISE DEVELOPMENT PARTNERSHIP, INC.
Income Statements

	Years ended December 31	
	2008	2007
REVENUE		
Management Services	₱2,760,834	₱2,316,236
Training Fee	3,364,307	1,804,650
	6,125,141	4,120,886
COST OF SERVICES	4,101,223	2,448,734
GROSS PROFIT	2,023,918	1,672,152
OPERATING EXPENSES	1,981,589	1,565,298
NET INCOME FROM OPERATIONS	42,329	106,854
OTHER INCOME / EXPENSES	0	0
NET INCOME BEFORE INCOME TAXES	42,329	106,854
PROVISION FOR INCOME TAX	40,478	37,399
NET INCOME AFTER TAX	₱1,851	₱69,455

See accompanying notes to financial statements

SOCIAL ENTERPRISE DEVELOPMENT PARTNERSHIP, INC.
Statements of Cash Flows

	Years Ended December 31	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Income Before Tax	₱ 42,329	₱106,854
Adjustments for:		
Depreciation	197,089	325,113
(Increase)/Decrease in advances and receivables	(135,465)	(162,917)
(Increase)/Decrease in other current assets	(136,198)	(32,308)
Increase/(Decrease) in accounts payable	133,545	1,143,274
Net cash used in operating activities	101,300	1,380,015
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to furniture, fixtures and equipment	(65,478)	(191,814)
(Increase)/Decrease in Other Assets	-	161,247
Net cash used in investing activities	(65,478)	(30,567)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Stockholders' Equity	(40,478)	-
Increase (Decrease) in Loans Payable	(26,616)	(1,445,764)
Net cash used in financing activities	(67,094)	(1,445,764)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(31,272)	(96,316)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	296,867	393,184
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	₱ 265,595	₱ 296,867

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, 2006	₱20,000	₱ 37,838	₱ 57,838
Net Income for the year		69,455	69,455
Balances at December 31, 2007	20,000	107,293	127,293
Net Income for the year		1,851	1,851
Balances at December 31, 2008	₱20,000	₱ 109,143	₱129,143

SOCIAL ENTERPRISE DEVELOPMENT PARTNERSHIPS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 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, 2008

	Office Equipment	Furniture and Fixtures	Vehicle	Total
Cost				
Balances at beginning of year	₱503,118	₱11,505	₱1,131,646	₱1,646,269
Additions	65,478			65,478
Balances at end of year	568,596	11,505	1,131,646	1,711,747
Accumulated Depreciation				
Balances at beginning of year	155,137	6,516	163,460	325,113
Depreciation	119,208	2,439	75,443	197,089
Balances at end of year	274,345	8,955	238,903	522,202
Net Book Values	₱ 294,251	₱ 2,550	₱ 892,743	₱ 1,189,544

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

4. COST OF SERVICES

	2008	2007
Board and Lodging	₱ 679,786	₱ 682,492
Meetings and Consultations	257,704	166,283
Supplies and Materials	76,123	146,059
Transportation and Travel	2,193,349	748,777
Communication	51,950	97,948
Printing and Reproduction		
Trainings and Seminars	760,838	551,613
Fees and Charges	81,475	55,563
Total	₱ 4,101,223	₱ 2,448,734

5. OPERATING COST

	2008	2007
Salaries	₱ 245,224	₱ 90,499
Supplies and Reproduction	71,438	107,150
Donation		106,589
Transportation	119,221	43,289
Repairs and Maintenance	245,732	70,058
Insurance	164,208	100,657
Bank Charges and Other Fees	38,032	125,447
Utilities	113,395	45,046
Depreciation Expense	197,089	325,113
Professional Fee	142,500	65,000
Meetings and Representation	32,485	169,025
Communication	109,751	19,173
Taxes and Licenses	20,313	66,538
Interest Expense		66,667
Staff Development	300,653	134,591
Marketing and Advertising	181,547	
Miscellaneous		30,457
Total	₱ 1,981,589	₱ 1,565,298

6. OTHER MATTER

In its meeting held on November 18, 2008, the Board of Directors ratified the resolution for an increase in capitalization from twenty thousand pesos (₱20,000) to one million and twenty thousand pesos (₱1,020,000) by converting the accounts payable to Director Mariel Vincent

Rapisura worth one million pesos (₱1,000,000) to equity in favor of Director Mariel Vincent A. Rapisura.