

ASA Philippines Foundation Inc.

Audited Financial Statements
For The Five Months Ended December 31, 2004



13 APR 2005

Mariano, Chumpong & Associates



ASA Philippines Foundation Inc.

Unit 506, Prestige Tower, Emerald Avenue, Ortigas Center, Pasig City-1605, Philippines
Phone: (632) 687 7558; Fax: (632) 632 7844

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ASA PHILIPPINES FOUNDATION INC.** is responsible for all information and representations contained in the financial statements for the year ended December 31, 2004. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration on materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The President and the Treasurer review the financial statements before such statements are approved and submitted to the Board of Trustees.

MARIANO, CHUNPENG & ASSOCIATES, the independent auditors appointed by the Board of Trustees, have examined the financial statements of the company in accordance with generally accepted auditing standards and have expressed its opinion on the fairness of presentation upon completion of such examination, in its report to Board of Trustees.

KAMRUL H. TARAFDER
President

VICTORIA A. DEE
Treasurer



13 APR 2005



Mariano, Chunpeng & Associates

143 Ma. Clara St., Between 6th & 7th Avenue
Grace Park, Kalookan City

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

THE BOARD OF TRUSTEES ASA PHILIPPINES FOUNDATION INC.

Unit 506 Prestige Tower, Emerald Ave.
Ortigas Center, Pasig City

We have audited the accompanying Statement of Assets, Liabilities and Fund Balances of **ASA PHILIPPINES FOUNDATION INC.** (a nonstock, not-for-profit organization) as of December 31, 2004, and the related Statement of Support, Income and Expenditures, Changes in Fund Balances and Cash Flows for the five months then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **ASA PHILIPPINES FOUNDATION INC.** as of December 31, 2004, and the results of its operation and its cash flows for the five months then ended in conformity with accounting principles generally accepted in the Philippines.


ALFREDO F. MARIANO

CPA Certificate No. 60712

BOA Accreditation No. 0277

SEC Accreditation (Individual) No. 0187-A

SEC Accreditation (Firm) No. 0037-F

Tax Identification No. 100-147-569

BIR Accreditation No. 07-001505-1-2002

PTR No. 0026026; 01/05/05; Valenzuela City

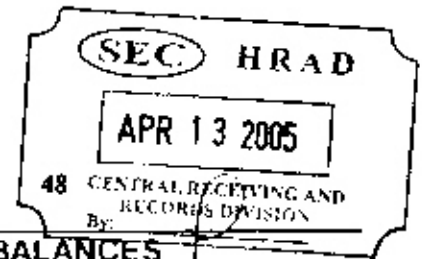
Caloocan City

April 8, 2005



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ASA Philippines Foundation Inc.
 (A Nonstock, Not-for-Profit Organization)



STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES

December 31
 2004

ASSETS

Current Assets

Cash and Cash Equivalents	(note 3)	₱	5,149,900.14
Loans Receivable - Net	(note 4)		3,896,748.00
Other Current Assets	(note 5)		54,640.00
Total Current Assets			₱ 9,101,288.14

Non-Current Assets

Property and Equipment - Net	(note 6)	₱	761,053.92
			₱ 9,862,342.06

LIABILITIES AND FUND BALANCES

Current Liabilities

Due to Members and Staff	(note 7)	₱	912,142.00
Other Current Liabilities			27,762.00
			₱ 939,904.00

Fund Balance

TOTAL LIABILITIES AND FUND BALANCES			₱ 9,862,342.06
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See accompanying Notes to Financial Statements

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ASA Philippines Foundation Inc.

(A Nonstock, Not-for-Profit Organization)

**STATEMENT OF SUPPORT, INCOME AND EXPENDITURES
FOR THE FIVE MONTHS ENDED DECEMBER 31, 2004**

SUPPORT

Grants	(notes 2 & 9)	₱	10,000,000.00
Service Fees	(note 2)		106,978.00
Admission Fees	(note 2)		151,800.00
Total Support		₱	10,258,778.00

OTHER INCOME - NET 92,725.35

₳ 10,351,503.35

EXPENDITURES

Project Costs	(note 11)	₱	94,257.00
General and Administrative	(note 12)		1,334,808.29
			1,429,065.29
Excess of Support and Income over Expenditures		₱	8,922,438.06

See accompanying Notes to Financial Statements.



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ASA Philippines Foundation Inc.
(A Nonstock, Not-for-Profit Organization)

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FIVE MONTHS ENDED DECEMBER 31, 2004

Fund Balance at Beginning of Year	-
<u>Excess of Support and Income over Expenditures</u>	<u>8,922,438.06</u>
<u>Balance at End of Year</u>	<u>8,922,438.06</u>

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ASA Philippines Foundation Inc.
(A Nonstock, Not-for-Profit Organization)

STATEMENT OF CASH FLOWS

FOR THE FIVE MONTHS ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of Support and Income over Expenditures ₱ 8,922,438.06

Adjustments For:

Depreciation 56,599.83

Operating Income before Working Capital Changes ₱ 8,979,037.89

Decrease (Increase) in:

Loans Receivable (3,896,748.00)

Other Current Assets (54,640.00)

Increase (Decrease) in:

Due to Members and Staff 912,142.00

Other Current Liabilities 27,762.00

Net Cash provided by (used in) Operating Activities ₱ 5,967,553.89

CASH FLOW FROM INVESTING ACTIVITIES

Acquisition of Property and Equipment ₱ (817,653.75)

Net Cash provided by (used in) Investing Activities ₱ (817,653.75)

NET INCREASE (DECREASE) IN CASH ₱ 5,149,900.14

CASH AT BEGINNING OF YEAR -

CASH AT END OF YEAR ₱ 5,149,900.14

See accompanying Notes to Financial Statements.

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ASA Philippines Foundation Inc.
(A Nonstock, Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

1. General Information

ASA PHILIPPINES FOUNDATION INC., (the "Foundation") a non-stock, non-profit corporation, was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 9, 2004 and with the objectives to (a) provide efficient and affordable financial services to the poor for their income generating activities (b) build an effective and efficient microfinance institution for sustainable delivery of microfinance services to the entrepreneurial poor, and (c) to facilitate the convergence and provision of other social services for the poor.

Pursuant to Section 30(e) of the National Internal Revenue Code (NIRC) or the Tax Reform Act of 1997, the Foundation is exempt from income and other internal revenue taxes as the Foundation is exclusively organized and operated for charitable purposes and no part of its assets, net earnings or income inures to the benefit of its members, contributors and or of any private individuals. However, the Bureau of Internal Revenue (BIR) has yet to issue a Certificate of Exemption as the requirement for the issuance of such exemption have yet to be completed.

The registered office address of the Foundation is at Unit 506, Prestige Tower, Emerald Avenue, Ortigas Center, Pasig City. The number of employees of the Foundation was 23 as of December 31, 2004.

The accompanying financial statements of the Foundation were authorized for issue by the Association's President and Treasurer on April 8, 2005.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Preparation

The accompanying financial statements are prepared in accordance with the accounting principles of fund accounting and in conformity with accounting principles generally accepted in the Philippines using the historical cost basis.

Use of Estimates

The preparation of the financial statements in accordance with the generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any changes in estimates will be reflected in the financial statements as they become reasonably determinable.

The accounting policies have been consistently applied by the Foundation, except for the adoption of new accounting standards as stated below and in the next page.

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Adoption of New Accounting Standards

In 2004, the Foundation adopted the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS) issued by the Accounting Standards Council (ASC) which became effective on January 1, 2004, that are relevant to the Foundation:

SFAS17/IAS 17 Leases, prescribes the accounting policies and disclosures to apply to finance and operating leases. Finance leases are those that transfer substantially all risks and rewards of ownership to the lessee. As of December 31, 2004, the Foundation has existing leases covering certain office premises which are presently accounted for as operating lease. A Lessee is required to record operating lease as an expense on a straight line basis unless another systematic basis is representative of the pattern of the user's benefit. Based on the initial evaluation of the Foundation, such leases will not qualify as finance leases under SFAS17/IAS 17. The Foundation believes that its adoption of SFAS 17/IAS 17 will not have material effects to the financial statements.

New Accounting Standards Effective Subsequent to 2004

The Accounting Standards Council (ASC) approved the issuance of new and revised accounting standard which are based on revised International Accounting Standards (IASs) and new International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). The new standards are effective for annual periods beginning on or after January 1, 2005.

The ASC has re-named the Standards that it issues to correspond better with the issuances of the IASB. The Philippine Accounting Standards (PASs) correspond to adopted IASs while Philippine Financial Reporting Standards (PFRSs) corresponds to adopted IFRSs. Standards issued by the ASC were designated as Statements of Financial Accounting Standards (SFASs). Following is a list of the new and revised Standards:

PAS 19/IAS 19 (Supersede SFAS 24), *Employee Benefits*. The objective of IAS 19 (Revised 1998) is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an enterprise in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognized in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

The Foundation will adopt the foregoing accounting standards when they become effective in 2005. The Foundation has not yet determined the financial statement impact of the adoption of the foregoing standards.

Cash and Cash Equivalents

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

Loans Receivables

Loans receivable represents interest bearing loan assistance to qualified beneficiaries in the different communities where the Foundation operates. This account is stated at outstanding principal balance reduced by allowance for loan losses.

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Allowance for loan losses is provided and maintained at a level considered adequate to cover potential losses in respect of certain outstanding loan accounts. The level of allowance is estimated based on the foundation's evaluation of the collectibility of loans and prior loans experience. An evaluation of the receivables, designed to identify potential charges to the allowance for loan losses, is performed on a regular and continuous basis.

Property and Equipment

Property and Equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of an asset comprises its purchase price, including taxes and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance are normally charged to operations in the period in which 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The average estimated useful lives of these assets are as follows:

	<u>Years</u>
Transportation Equipment	5
Office Equipment	3
Furnitures and Fixtures	3
Leasehold Improvements	3
<i>(lease term whichever is shorter)</i>	

The useful life of amortization and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are sold or otherwise disposed of, their cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts and any resulting gain or loss is included in the statements of revenues and expenses for the year.

The Foundation, although has just started, the carrying value of property and equipment are, likewise reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses, if any, are recognized in the statements of revenue and expenses.



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Provisions and Contingencies

Provisions are recognized when: (a) the Foundation has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits are probable.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Foundation and the revenue can be reliably measured. Revenues are recognized as follows:

- (a) Grants - grants received for a specific purpose shall be initially recognized as a liability to the donors, otherwise, these grants received are recorded in the books as income upon receipts. Unutilized grants are shown as Funds Held-in Trust under Accounts Payable and Accrued Expenses account in the statement of assets, liabilities and fund balance.
- (b) Service fees - fees from loans granted to members are recognized upon collection
- (c) Admission fees - each member will have to pay a one time Php 100.00 as non-refundable membership fee before formal enrolment as a member of the program, which is recorded upon collection.
- (d) Interest income - interest income from bank deposits are recognized upon receipt

Operating Lease

The Company is a party to an operating lease as a lessee. Rental payments made under this arrangement is charged against current operations over the period of the lease.

3. Cash and Cash Equivalents

This account consists of the following:

	2004
Cash on Hand	P 3,097 00
Cash in Banks	5,146,803 14
	P 5,149,900 14

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Cash in banks earn interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirement of the Company, and earn interest at the prevailing short-term deposit rates.

4. Loans Receivable

This account consists of the following:

	2004
Loans Receivable	₱ 3,990,828.00
Less: Allowance for Loan Losses	94,080.00
Loans Receivable - Net	₱ 3,896,748.00

Loans granted to members are partially secured by the Capital Build Up (CBU) and Locked In Capital Build-Up (LCBU) Program (see Note 7).

5. Other Current Assets

This account consists of the following:

	2004
Rental Deposits:	
Camarin Branch	₱ 5,000.00
San Joaquin, Pasig Branch	13,400.00
Sampaloc Branch	7,240.00
Paranaque Branch	14,000.00
Cubao Branch	15,000.00
	₱ 54,640.00

6. Property and Equipment

This account consists of the following:

	Furnitures & Fixtures	Leasehold Improvement	Vehicles & Equipment	2004 TOTAL
Cost				
At January 1	159,630.75	3,023.00	655,000.00	817,653.75
Additions	-	-	-	-
At December 31	<u>159,630.75</u>	<u>3,023.00</u>	<u>655,000.00</u>	<u>817,653.75</u>
Accumulated Depreciation				
At January 1	-	-	-	-
Depreciation for the Yr	42,660.16	3,023.00	10,916.67	56,599.83
At December 31	<u>42,660.16</u>	<u>3,023.00</u>	<u>10,916.67</u>	<u>56,599.83</u>
Net Book Value at December 31	<u>116,970.59</u>	<u>-</u>	<u>644,083.33</u>	<u>761,053.92</u>



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7. Due to Members and Staff

This account consists of the following:

	2004
Members' Capital Build-Up (CBU)	465,912.00
Members' Locked In Capital Build-Up (LCBU)	85,620.00
Loan Redemption Fund (LRF)	47,110.00
Staffs' Cash Bond	313,500.00
	912,142.00

CBU serves as revolving fund for Foundation members to smoothen consumption needs and provide cover for emergency situations. CBU also lessens the risk of the lending part of the program by providing a standby fund in cases of repayment problems. A compulsory CBU are deposited weekly at Php 50 and earns interest.

LCBU deposit is compulsory for all group members and is fixed at Php 10.00 every week and non-withdrawable before every fifth year. In case of death of a member, the accumulated LCBU amount will be given back to the nominated beneficiary together with the LCBU benefits.

Members may withdraw their CBU and LCBU contributions upon termination of their membership from the Foundation, provided any outstanding loan balance will have to be paid in full either in cash or as an offsetting of CBU and LCBU transactions.

The borrower whose loan application has been approved should pay 1% of the principal amount in cash as LRF (Loan Redemption Fund), to cover the loan in case of death.

All staffs of the Foundation are required to post a cash bond. The cash bond is a refundable, interest bearing deposit and would earn equal to the interest on CBU of the group members. It is withdrawable upon separation of services from the Foundation.

8. Fund Balance

This account represents the accumulated excess of revenues over expenses for the current period.

9. Grants

The utilization of the following grant-in-aid received, in pursuance of the Securities and Exchange Commission (SEC) Memorandum Circular No. 1, series of 2004, were as follows:

	ADF	BSA	TOTAL
Grants	8,000,000.00	2,000,000.00	10,000,000.00
Component Activities:			
Actual Expenditures			
Loanable Funds	2,704,000.00	2,000,000.00	4,704,000.00
Administration	771,083.00		771,083.00
Overhead	507,125.46		507,125.46
Capital Outlay	560,000.00		560,000.00
Total Expenditures	4,542,208.46	2,000,000.00	6,542,208.46
Balance, December 31, 2004	3,457,791.54		3,457,791.54



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2004

On June 18, 2004, a Contribution Agreement was signed by the Foundation and Assisi Development Foundation (ADF), wherein the Foundation is a recipient of a grant to empower and develop underprivileged families through microfinance. Likewise, on November 9, 2004, the Foundation was provided with a loanable fund for its microfinance project by the Benigno S. Aquino, Jr. Foundation (BSAF).

10. Other Revenues

This account consists of the following:

	2004
Interest from Bank Deposits - net of tax	52,119.35
Technical Assistance	40,606.00
	<u>92,725.35</u>

11. Project Cost

This account consists of the following:

	2004
Provision for Loan Losses	94,080.00
Interest on Loans	177.00
	<u>94,257.00</u>

12. General and Administrative Expenses

This account consists of the following:

	2004
Salaries, Wages and Employee Benefits	771,083.00
Rentals	109,300.00
Light & Water	2,462.00
Fuel & Lubricants	18,663.00
Travel & Transportation	50,427.13
Repairs & Maintenance	1,566.00
Security & Janitorial	2,500.00
Postage & Telephone	330.00
Office Supplies	142,781.25
Representation	8,635.00
Bank Charges	1,190.00
Licenses, Insurance & Professional Fees	6,283.00
Depreciation	58,599.83
Miscellaneous	162,988.08
	<u>1,334,808.29</u>

13. Lease Commitments

The Foundation leases its branch offices from third parties covering various periods, renewable upon mutual agreements.

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ASA PHILIPPINES FOUNDATION INC.

SCHEDULES OF TAXES AND LICENSES

KINDS OF TAX	DATE PAID	OR #	AMOUNT
Business Permit	9/2/2004	263004	5,203.00
Processing Fee	8/18/2004	261977	30.00
Zenith Insurance Corporation	8/31/2004	1924169	1,050.00
TOTAL FEES			6,283.00



12/15/2005