

ASA Philippines Foundation Inc.

Audited Financial Statements
For the Year Ended December 31, 2006



Mariano, Chunpong & Associates



Mariano, Chunpeng & Associates

143 Maria Clara Street
Bet 6th & 7th Ave., G.P. Kal, City
Telefax: 323-9437; 244-0833

Suite 1105, State Centre Bldg.
333 Juan Luna St., Bdo., Manila
Tel. Nos. 309-4331/2; 242-7982

BOA / PRC Reg. No. 0277
SEC Accreditation No. 0037-F
BIR Accredited Tax Practitioners

Statements Required by Section 8-A, Revenue Regulations No. V - 1

THE MEMBERS AND BOARD OF TRUSTEES

ASA Philippines Foundation Inc.

Unit 509 Prestige Tower.

Emerald Avenue, Ortigas Center, Pasig City

None of the partners of the Firm has any financial interest in the Foundation or any family relationship with its president, manager, or principal trustee.

The required information regarding taxes is shown in schedule of taxes and licenses.

MARIANO CHUNPENG & ASSOCIATES

By: 
ALFREDO F. MARIANO
Partner
CPA Certificate No. 60712
SEC Accreditation (Individual) No. 0187-A
SEC Accreditation (Firm) No. 0037-F
Tax Identification No. 100-147-569
BIR Accreditation No. 07-001505-1-2005
CDA Accreditation No. MMR 04-002
PTR No. 583876; 01/04/07; Valenzuela City

March 6, 2007





ASA Philippines Foundation Inc.

Unit 509, Prestige Tower, F. Ortigas Jr. st., Ortigas Center, Pasig City-1605, Philippines
Telefax: (632) 687 7558

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, 2006**. 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

EDWARD S. GO
Chairman

SUBSCRIBED AND SWORN TO before me this MAR 16 2007 day of March, 2007, at Bacoor, Cavite, Philippines. Affiant exhibited to me their Community Tax Certificate No. 05834970 issued at C. E. IMAY on 11/8/07 and CTC No. 05480683 issued at TAGUIG on 3/11/07

ARMANDO M. AREDES
Notary Public in **CITY**
Unit December 31, 2007
Roll of Attorneys No. 50707
IBP Lifetime COLLECTION SECTION

Doc. No. 387
Page No. 28
Book No. 2
Series of 2007



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INDEPENDENT AUDITORS' REPORT

THE MEMBERS AND BOARD OF TRUSTEES

ASA Philippines Foundation Inc.

Unit 509 Prestige Tower,

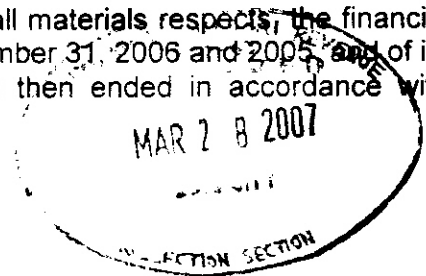
Emerald Avenue, Ortigas Center, Pasig City

We have audited the accompanying financial statements of **ASA Philippines Foundation Inc. (a nonstock, non-profit organization)**, which comprise the statements of financial position as at December 31, 2006 and 2005, and the statements of activities, statements of changes in net assets and statements of cash flows for the years then ended.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles 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 misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

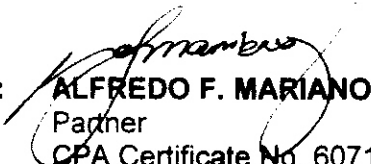
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all materials respects, the financial position of **ASA Philippines Foundation Inc.** as of December 31, 2006 and 2005, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

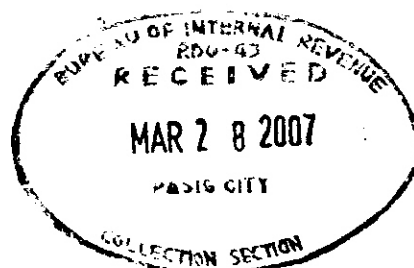


Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 15 to the financial statements the resulting amount of transitional liability or asset will be adjusted against fund balance upon the adoption of the Philippines Accounting Standard (PAS) 19 in relation to the implementation of Republic Act (RA) 7641.

MARIANO CHUNPENG & ASSOCIATES

By: 
ALFREDO F. MARIANO
Partner
CPA Certificate No. 60712
SEC Accreditation (Individual) No. 0187-A
SEC Accreditation (Firm) No. 0037-F
Tax Identification No. 100-147-569
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March 6, 2007



ASA Philippines Foundation Inc.

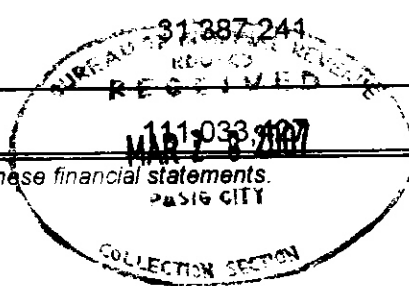
(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF FINANCIAL POSITION

(All Amounts in Philippine Pesos)

		December 31	
	Note	2006	2005
ASSETS			
Current Assets			
Cash	5	12,028,114 ✓	10,954,587
Loans Receivable - net	6	93,769,465 ✓	25,901,379
Other Current Assets	7	3,311,421	641,567
Total Current Assets		109,109,000	37,497,533
Non-Current Assets			
Property and Equipment - net	8	1,924,427 ✓	1,436,248
		111,033,427	38,933,781
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Due to Members and Staff	9	63,735,640 ✓	16,046,440
Accrued Expenses & Other		626,278	211,414
Current Portion of Loans Payable	10	2,905,443 ✓	1,850,465
Total Current Liabilities		67,267,361	18,108,319
Non-Current Liabilities			
Loans Payable	10	12,378,825 ✓	2,784,268
Total Liabilities		79,646,186	20,892,587
Fund Balance		31,387,241	18,041,194
		111,033,427	38,933,781

The Notes on pages 1 to 10 are an integral part of these financial statements.



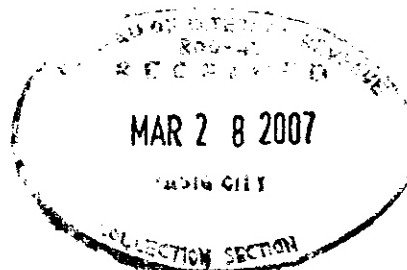
ASA Philippines Foundation Inc.
 (A Nonstock, Not-for-Profit Organization)

STATEMENTS OF ACTIVITIES

(All Amounts in Philippine Pesos)

	Note	Year Ended December 31	
		2006	2005
SUPPORT AND INCOME			
Support			
Grants	11	13,326,200	11,385,000
Service Fees	2	37,080,634	9,492,592
Admission Fees	2	3,986,200	1,460,700
Total Support		54,393,034	22,338,292
Other Income - net	12	327,575	154,011
		54,720,609	22,492,303
EXPENDITURES			
Project Cost	13	36,927,061	11,554,562
General and Administrative Expenses	14	4,447,501	1,818,985
		41,374,562	13,373,547
Excess of Support and Income over Expenditures		13,346,047	9,118,756

The Notes on pages 1 to 10 are an integral part of these financial statements.



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

STATEMENTS OF CHANGES IN FUND BALANCES

(All Amounts in Philippine Pesos)

	December 31	
	2006	2005
GRANTS AND CONTRIBUTIONS		
Beginning Balances at January 1	21,425,000	10,040,000
Grants and Contributions during the year	13,326,200	11,385,000
Ending Balances at December 31	34,751,200	21,425,000
RESULTS OF OPERATIONS		
Beginning Balances at January 1	(3,383,806)	(1,117,562)
Excess of Income over Expenditures	19,847	(2,266,244)
Ending Balances at December 31	(3,363,959)	(3,383,806)
Total Fund Balance, December 31, 2006	31,387,241	18,041,194

The Notes on pages 1 to 10 are an integral part of these financial statements.



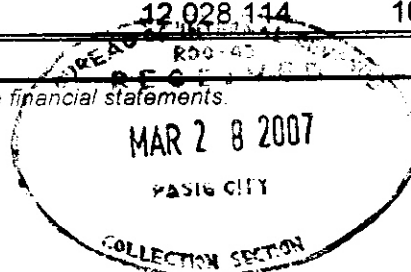
ASA Philippines Foundation Inc.
(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS

(All Amounts in Philippine Pesos)

	Year Ended December 31	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From :		
Grants	13,326,200	11,385,000
Service Fees	37,080,634	9,492,592
Admission Fees	3,986,200	1,460,700
Capital Build-up (CBU)	34,432,900	11,510,340
Locked in Capital Build-up (LCBU)	6,282,000	2,129,420
Loan Redemption Fund (LRF)	2,930,570	814,240
Other Income	315,542	154,011
Cash Payments for :		
Project Cost & Gen. & Administrative Exp.	(32,179,902)	(10,968,484)
Loan to Members	(74,301,873)	(23,741,971)
Net Cash Provided (Used) in Operating Activities	(8,127,729)	2,235,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property & Equipment	(1,448,279)	(1,065,894)
Net Cash Provided (Used) in Investing Activities	(1,448,279)	(1,065,894)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from Serviam	2,500,000	-
Loan from ADF	5,000,000	-
Loan from PCFC	5,000,000	5,000,000
Payment of Loan	(1,850,465)	(365,267)
Net Cash Provided (Used) in Investing Activities	10,649,535	4,634,733
NET INCREASE (DECREASE) IN CASH	1,073,527	5,804,686
CASH AT BEGINNING OF YEAR	10,954,587	5,149,900
CASH AT END OF YEAR	12,028,114	10,954,587

The Notes on pages 1 to 10 are an integral part of these financial statements.



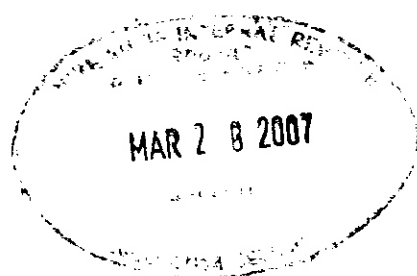
ASA Philippines Foundation Inc.
(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS

(All Amounts in Philippine Pesos)

	Year Ended December 31	
	2006	2005
RECONCILIATION OF EXCESS OF SUPPORT AND INCOME OVER EXPENDITURES TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and Contributions	13,326,200	11,385,000
Excess of Support and Income Over Expenditures	19,847	(2,266,245)
Adjustments to Reconcile :		
Depreciation	960,100	390,700
Decrease (Increase) in:		
Loans Receivable	(67,868,086)	(22,004,631)
Other current assets	(2,669,854)	(586,927)
Increase (Decrease) in:		
Due to Members and Staff	47,689,200	15,134,298
Other current liabilities	414,864	183,652
Net Cash Provided (Used) in Operating Activities	(8,127,729)	2,235,847

The Notes on pages 1 to 10 are an integral part of these financial statements.



ASA Philippines Foundation Inc.
(A Nonstock, Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS

Note 1 - Status of Operations

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 with Registration Certificate No. CN2004-09459, 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.

The ASA Program

1. This program provides loans mostly to qualified low-income women engaged in small scale enterprises. The loans are guaranteed by at least two co-makers. The ASA loan cycle is twenty-three weeks.
2. It also provides financial assistance to its clients in case of death as part of the social development.
3. Business development services for the client to improve efficiency in enterprise management.

The Foundation with its office located at Unit 509, Prestige Tower, Emerald Avenue, Ortigas Center, Pasig City has 201 regular employees as of December 31, 2006.

The financial statements of the Foundation for the years ended December 31, 2006 and 2005 were approved and authorized for issue by the Foundation's President and the Board of Trustees on March 6, 2007.

Note 2 - Summary of Significant Accounting Policies

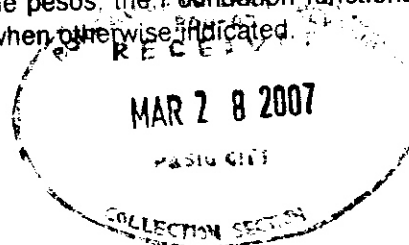
The following summary explains the significant accounting policies which have been adopted in the preparation of the financial statements.

Basis of Financial Statement Preparation

The accompanying financial statements of the Foundation have been prepared in compliance with accounting principles generally accepted in the Philippines (Philippine GAAP), as set forth in Philippine Financial Reporting Standards (PFRS).

The financial statements have been prepared on the historical cost basis. The measurement bases are more fully described in the accounting policies below.

The financial statements are presented in Philippine pesos, the Foundation functional currency, and all values represent absolute amounts except when otherwise indicated.



Note 3 - Change in Accounting Policies

In 2004, the FRSC issued a series of new accounting standards that were adopted from International Accounting Standards (IASs), revised IASs and new International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). The new FRSC accounting standards became effective in the Philippines for financial statements covering periods beginning on or after January 1, 2005.

Also, to correspond better with the issuances of the IASB, the FRSC renamed the Standards it issues as PFRSs (previously referred to as Statements of Financial Accounting Standards or SFASs). PFRSs consist of :

- a. PFRSs - corresponding to International Financial Reporting Standards;
- b. PASs - corresponding to IASs; and
- c. Interpretation to existing standards - representing interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee, of the IASB which are adopted by the FRSC.

Accordingly, in 2005, the Foundation adopted the following Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) which are relevant to its operations:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*;
- PAS 1, *Presentation of Financial Statements*;
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*;
- PAS 16, *Property, Plant and Equipment*;
- PAS 17, *Leases*;
- PAS 21, *The Effects of Changes in Foreign Exchange Rates*;
- PAS 24, *Related Party Disclosures*;
- PAS 32, *Financial Instruments: Disclosure and Presentation*;
- PAS 36, *Impairment of Assets*; and
- PAS 39, *Financial Instruments: Recognition and Measurement*.

The adoption of the above new and revised standards did not have a material effect on the financial position, results of operations and cash flows of the Foundation. Additional disclosures required by the standards, however, were included in the financial statements, where applicable.

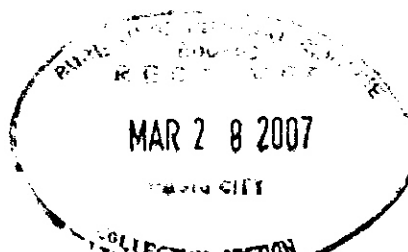
In 2006, the following new standards, amendments and interpretations to existing standards became effective. Management has opted not to adopt any of the new standards, amendments and interpretations.

Amendments to PAS 19, *Employee Benefits - Actuarial Gains & Losses*

Amendments to PAS 39, *Financial Instruments: Recognition and Measurements*

Standards Effective Subsequent to 2006

The Accounting Standards Council has also approved the following amendments and new standards which will become effective after December 31, 2006. The revised disclosures provided by these standards and amendments will be included in the financial statements when these are adopted subsequent to December 31, 2006.



PFRS 7, Financial Instruments - Disclosures (effective January 1, 2007), which applies to all risks arising from all financial instruments, except those instruments exempted under PFRS 7. While PFRS 7 applies to all entities, the extent of disclosures required depends on the extent of the entity's use of financial instruments and its exposure to risk.

Amendment to PAS 1: Capital Disclosures (effective January 12, 2007), which add requirements to disclose an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements.

Cash

Cash includes cash on hand, savings and demand deposits which are subject to insignificant risks of changes 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.

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.

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities except for financial instruments measured at fair value through excess of funds over expenditures.

Financial instruments are classified as liabilities and/or fund balance in accordance with the substance of the contractual arrangement. Interest, gains and losses relating to a financial instruments or a component that is a financial liability, are reported as expense or support/income. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net bases or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities are further classified as either financial asset or financial liability at fair value through excess of funds over expenses, loans and receivables, held-to-maturity investments if any, and as appropriate. The Foundation determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and Receivables

Any non-derivative financial asset with fixed or determinable payments (including loan assets, trade receivables, investments in debt instruments and deposits held in banks) that are not quoted in an active market. They arise when the Foundation provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date which are classified as non-current assets.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and impairment loss, if any.

MAR 28 2007
COLLECTION SECTION

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable cost of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Foundation. Costs of day-to-day servicing of an asset are recognized as expenses in the period in which they are incurred.

Depreciation is computed using the straight-line method based on the following estimated useful lives.

	<u>Number of Years</u>
Transportation & Equipment	5
Office Furniture & Equipment	3

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 an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in current operations.

Asset Impairment

The carrying amounts of the Foundation's non-current assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in the statements of revenues and expenses whenever the carrying amount of an asset exceeds its recoverable amount.

Grants

Grants received from various funding agencies with donor-imposed condition are recognized as revenues upon receipt of the fund.

Leases

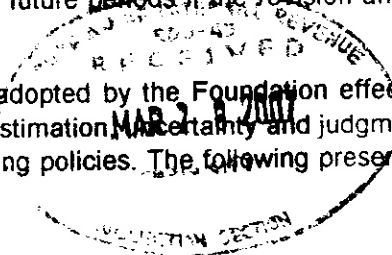
Operating lease payments are recognized as an expense in the statements of activities on a straight-line basis over the lease term.

Note 4 - Management's Use of Estimates

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the amounts reported in the financial statements. The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such 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.

PAS 1, *Presentation of Financial Statements*, which was adopted by the Foundation effective January 1, 2005, requires disclosure about key sources of estimation uncertainty and judgments management has made in the process of applying accounting policies. The following presents a summary of these estimates and judgments:



Estimated allowance for loan losses

The Foundation maintains allowances for loan losses at a level considered adequate to provide for probable uncollected receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Foundation's relationship with the clients, the client's payment behavior and known market factors. The Foundation reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis.

As of December 31, 2006 and 2005, allowances for loan losses amounted to P 7,582,230.00 and P 1,672,490.00, respectively (see Note 6).

Estimated useful lives of property and equipment

The Foundation reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation expenses and decrease non-current assets. (see Note 8 for the related balances)

Asset Impairment

The Foundation assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Foundation considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell 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 future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful lives. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

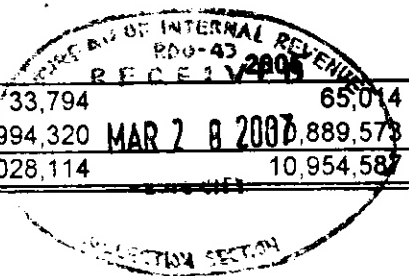
In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Foundation is required to make estimates and assumptions that can materially affect the financial statements.

As of December 31, 2006 and 2005, there is no indication of impairment on the Foundation's property and equipment.

Note 5 - Cash

This account consists of the following:

	2006	2005
Cash on hand	33,794	65,014
Cash in banks	11,994,320	8,889,573
	12,028,114	10,954,587



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 Foundation, and earn interest at the prevailing short-term deposit rates.

Note 6 - Loans Receivable

This account consists of the following:

	2006	2005
Loans receivable	101,351,695	27,573,869
Less: Allowance for loan losses	7,582,230	1,672,490
Loans receivable - net	93,769,465	25,901,379

Loans granted to members are partially secured by the Capital Build Up (CBU) and Locked In Capital Build-Up (LCBU) Program (see Note 9).

The number of active borrowers is 28,848 and 9,954 as of December 31, 2006 and 2005 respectively.

Portfolio at risk as of December 31, 2006 amounted to P 713,780 which is 0.61% of the total portfolio while in the year 2005, the amount of portfolio at risk is P 224,000 which represents 0.71% of the total amount.

Note 7 - Other Current Assets

This account consists of the following:

	2006	2005
Staff Loan	392,000	154,518
Advances to Staff	6,300	210,242
Rental Deposits	538,300	245,140
Other Receivables	212,178	31,667
Motorcycle and Bicycle Advance	2,162,643	-
	3,311,421	641,567

Note 8 - Property and Equipment

This account consists of the following:

Cost	Office	Transportation	Total	
	Furniture & Equipment	Equipment	2006	2005
At January 1	923,224	960,324	1,883,548	817,654
Additions	1,358,530	59,548	1,418,078	1,065,894
At December 31	2,281,754	1,019,872	3,301,626	1,883,548
Accumulated Depreciation				
At January 1	266,383	180,917	447,300	56,600
Adjustments	-	(30,201)	(30,201)	-
Depreciation	753,500	206,600	960,100	390,700
At December 31	1,019,883	357,316	1,377,199	447,300
Net Book Value				
At December 31	1,261,871	662,556	1,924,427	1,436,248

Note 9 - Due to Members and Staff

This account consists of the following:

	2006	2005
Capital Build-Up (CBU)	46,409,152	11,976,252
Locked In Capital Build-Up (LCBU)	8,497,040	2,215,040
Loan Redemption Fund (LRF)	3,791,920	861,350
Employees' CBU	1,041,824	143,824
Employees' Benevolent Fund	571,100	55,349
Employees' Cash Bond	2,329,304	794,625
Employees' Service Benefit	1,095,300	-
	63,735,640	16,046,440

CBU serves as revolving fund for Foundation's borrowers 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 is deposited weekly at Php 50 and earns interest;

LCBU deposit is compulsory for all borrowers and is fixed at Php 10 every week and non-withdrawable before the fifth year. In case of death of a client, the accumulated LCBU amount will be given back to the nominated beneficiary together with the LCBU benefits.

Borrowers may withdraw their CBU and LCBU contributions upon termination of their membership, provided any outstanding loan balance will have to be paid in full either in cash or by offsetting against CBU and LCBU.

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.

ASA Philippines Foundation's Staff Benevolent Fund shall be used to promote good health, security, safety, and well-being of the staff by way of financial assistance. This fund is contributed by the Foundation.

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

The staff service benefits pertain to the retirement benefits of the staff. The main purpose is to provide financial security to loyal staff when they leave the Foundation after service of ten (10) years. Its computation is primarily based on one month latest basic salary for every year of service.

Note 10 - Loans Payable

This account consists of loans payable to the following:

	2006	2005
PCFC	7,784,268	4,634,733
Serviam Foundation, Inc.	2,500,000	-
Assisi Development Foundation	5,000,000	-
Less: Current Portion of PCFC Loan	(2,905,448)	(1,850,465)
	12,378,825	2,784,268

COLLECTION SECTION

Loans from People Credit & Finance Corporation (PCFC) represent unsecured loans with interest rates ranging from 3% - 12 %. Interest expense on this loan amounted to P 748,070 for the year ended 2006.

Loan from Serviam Foundation, Inc. represents an interest free financial advance to be used exclusively for extending microfinance services in two sites in Bataan where the Foundation will set up its two branches. The loan shall be returned to Serviam after two and half years to be reckoned from the start of the microfinance operation of the two branches.

75% of the loan from Assisi Development Foundation (ADF) will be utilized to finance the Foundation's loan program, 16% for administrative cost and 9% for overhead expenses.

Note 11 - Grants

The utilization of the grants-in-aid received , in pursuance of the Securities and Exchange Commission (SEC) Memorandum Circular No. 1, series of 2004, is shown below:

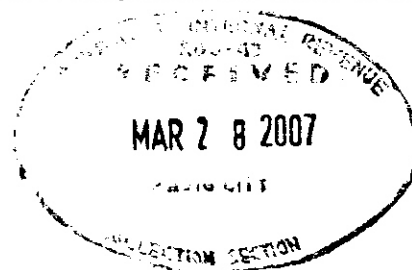
Grants	ADF	BSAF	2006	2005
Previous Year (2004-2005)			-	2,497,792
Current Year (2006)	8,726,200	4,600,000	13,326,200	11,385,000
Total Grants	8,726,200	4,600,000	13,326,200	13,882,792
Component Activities:				
Actual Expenditures				
Loan Funds	8,726,200	4,600,000	13,326,200	10,412,000
Administration				2,082,462
Overhead				1,388,330
Capital Outlay				-
Total Expenditures	8,726,200	4,600,000	13,326,200	13,882,792
Unutilized Grants	-	-	-	-

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 loan fund for its microfinance program by the Benigno S. Aquino, Jr. Foundation (BSAF).

Note 12 - Other Income

This account consists of the following:

	2006	2005
Interest from bank deposits - net of tax	133,113	116,413
Bad Debt Collection	12,033	-
Miscellaneous Income	182,429	37,598
	327,575	154,011



Note 13 - Project Cost

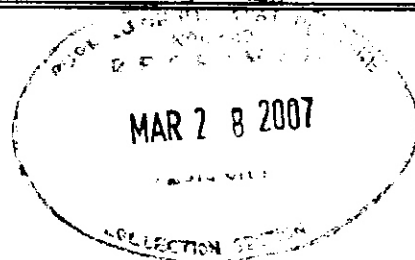
This account consists of the following:

	2006	2005
Interest on CBU and Cashbond	1,063,390 ✓	192,031
LCBU Benefit	92,000 ✓	55,000
PCFC Loan Interest	748,070 ✓	132,500
Salaries, Wages & Other Benefits	17,836,018 ✓	6,091,707
SSS, PHIC & HDMF	1,184,934 ✓	360,888
Office Rental	2,125,100 ✓	869,250
Light & Water	631,023 ✓	161,320
Fuel & Lubricants	7,893 ✓	95,485
Travel & Transportation	2,039,220 ✓	860,042
Repairs & Maintenance	279,400	11,149
Security & Janitorial	754,395	185,665
Postage & Telephone	178,977	81,707
Office Supplies & Reproduction	789,969 ✓	274,336
Entertainment, Amusement & Recreation (EAR)	453,456	98,915
Bank Charges	11,691	440
Licenses, Insurance & Prof Fees	178,169	28,365
Loan Loss Provision	6,445,820 ✓	1,737,340
Depreciation	625,700 ✓	239,600
Staff Benefits	1,095,300 ✓	-
Staff Development & Conference	171,911 ✓	-
Miscellaneous	214,625	78,822
	36,927,061	11,554,562

Note 14 - General and Administrative Expenses

This account consists of the following:

	2006	2005
Salaries & Wages	2,025,529 ✓	830,972
SSS, PHIC & HDMF	103,743 ✓	22,639
Office Rentals	327,677 ✓	60,902
Light & Water	128,354 ✓	151,035
Repairs & Maintenance	56,586	19,883
Security & Janitorial	10,200	15,100
Postage & Telephone	79,075	41,890
Office Supplies	38,917 ✓	183,262
Entertainment, Amusement & Recreation (EAR)	250,430	93,022
Bank Charges	7,580	5,393
Licenses, Insurance & Professional Fee	220,644	199,557
Depreciation	334,400 ✓	151,100
Interest on CBU and Cashbond	54,295 ✓	-
Grant and Donations	282,000	-
Fuel & Lubricants	100,904 ✓	-
Travel & Transportation	263,242 ✓	-
Staff Development & Conference	76,490 ✓	-
Miscellaneous	87,435	44,230
	4,447,501	1,818,985



Note 15 - Staff Benefits

During the year, the Foundation started its accounting policy in providing for estimated retirement benefit to qualified employees required under Republic Act (RA) 7641 by using simple mathematical calculations.

The Foundation has an unfunded, formal non contributory, defined benefit plan covering all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

For the subsequent year and such future periods, the management decided that the determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts rather than by simple mathematical calculations.

Note 16 - Lease Commitments

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

Note 17 - Tax Exempt

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 requirements for the issuance of such exemption have yet to be completed.

