6. FINANCIAL REPORTS and DISCLOSURES

IAS[5] 1 pertains to Framework/Presentation. It includes the basic financial statements or the general-purpose financial statements that an organization should prepare – Balance Sheet, Income Statement, Changes in Equity, Cash Flow Statement, and Disclosures.

The proposed accounting standards for NPOs and this Accounting Guide attempt to attain uniformity in the presentation and interpretation of the financial statements of NPOs. This will also help in properly comparing reports of similar organizations for the purpose of analyzing financial statements.

This Guide focuses on the general-purpose financial statements, as specific purpose financial statements may differ based on the concerns of each individual NPO. The general-purpose financial statements include the following:

a. **Balance Sheet or Statement of Financial Position.** This statement presents the financial position of the organization at a certain date. It may be used as a tool to evaluate the resource controlled, solvency, liquidity and stability of the Organization's financial standing.

   For NPOs, Net Assets is the equivalent of Equity.

   Net Assets is divided into Unrestricted and Restricted. Restrictions may be imposed by the donor or by legal requirements.

   Unrestricted Net Assets represent the resources of an NPO that are not controlled by the donor or limited by legal requirements.

   Restricted Net Assets are those whose use is limited by either a time restriction or a purpose restriction. A time restriction requires that the resources be used during a certain period of time. Sometimes time restrictions specify that the resources cannot be used until after a specific point in time. A purpose restriction, as its name suggests, requires that resources be used for a specific purpose, such as a specific program/project of the organization.

[5] IAS = International Accounting Standards

b. **Statement of Activities or Performance Statement.** This financial statement reports on the sum all support & revenue received and expenses disbursed for a given period. It measures how financial resources were derived and utilized.

Changes in Net Assets. The changes in Net Assets may not be very complicated for NPOs. This may be reflected in the Statement of Financial Position or in the Statement of Activities.

Option 1: In the Statement of Financial Position
under Net Assets

NET ASSETS
Beginning Balance
Add(Deduct): Net Excess(Deficit) for the period
(from the Statement of Activities)

Ending Balance

Option 2: In the Statement of Activities
after Net Excess (Deficit)

NET EXCESS (DEFICIT) FOR THE PERIOD
Add: Net Asset – Beginning
NET ASSET – Ending *(forwarded to the Statement of Financial Position)*

c. **Cash Flow Statement.** The statement of cash flows provides a summary of available cash and its use during the accounting period. It also shows the information about methods of financing activities and use and investment of resources during the period. (This statement can be called "Statement of Receipts and Payments" if the cash basis is allowed and used.)

It classifies cash flows according to whether they stem from operating, investing, or financing activities and provides definitions of each category.

Operating Activities

The Operating Activities reflect all cash transactions that are not classified as either investing or financing activities.

Cash inflows from operating activities include:

- Grants
- Contributions (other than long-term restricted contributions)
- Receipts from the sales of goods or services

Cash outflows for operating activities include:

- Disbursements made for program/project activities
- Disbursements to employees, vendors, and contractors

- Payments of taxes, if any
- Grants made by the organization to other organization, if any

Investing Activities

Investing activities include acquiring and disposing of debt and equity investments, making and collecting loans, and acquiring and disposing of property, plant, and equipment.

Cash inflows from investing activities include:

- Sales of property, plant, and equipment
- Collections on loans

Cash outflows for investing activities include:

- Purchase of property, plant, and equipment
- Disbursements of loans

Financing activities

Financing activities include borrowing money and repaying amounts borrowed, and obtaining and paying for other resources obtained from creditors using long-term credit. This category would also include cash received for contributions from donors that is restricted for long-term purposes for which the restrictions have yet been satisfied and the cash is still being held.

Cash inflows from financing activities include:

- Receipts of contributions from donors that are restricted for long-term purposes
- Interest and dividends restricted for long-term use
- Short-and long-term borrowings

Cash outflows for financing activities include:

- Repayment of short-and long-term debt
- Repayment of capital leases

Methods of Presenting Statement of Cash Flows

Statement of cash flows can be presented using one of two methods: the direct method or the indirect method. The direct method reports actual receipts and disbursements for each item of cash inflows and outflows. The indirect method begins with the result of operating activities reported in the statement activities and then adjusts this amount to convert it to a cash receipts/disbursements basis. Most NPOs use the direct method, while auditors prefer the indirect method.

The sample company, LEAD Foundation, used the Indirect Method (see page 32); while a sample presentation of the Direct Method can be found in page 45.

Non-Cash Activities as Supplementary Information

While the title is Statement of Cash Flows, the statement is required to report non-cash transactions as well. The cash flow statement should include non-cash investing and financing activities either by narrative or by including a schedul, of non-cash transactions as part of the Statement of Cash Flows.

d. Notes to Financial Statements and Supporting Schedules.

Disclosures. The minimum disclosure requirements include the following:

- Nature and purpose of the organization, including the domicile and legal form of the organization
- Description of funds/projects/services
- Number of members of the governing board/body, general assembly/membership and employees and changes during the reporting period.
- Basis of preparation of the financial statements
- Accounting policies to be disclosed will assist users in understanding the way in which transactions and events are reflected in the financial statements
- Major donors/sources of funds and explanation to the restricted assets imposed by the resource providers
- Recipients of material donations given, if any.
- Related party transactions, if any *(discussed separately in 4.8)*
- Explanation to significant impairments of assets
- Liens on assets and other restrictions
- Explanation to main items of the financial statements and their changes .
- Explanation of agency transactions/pass-through accounts/ funds-held-in-trust
- Contingencies, commitments, and other financial disclosure
- Non-adjustment events incurred after balance sheet date
- Non-financial disclosures relevant to the financial statements
- All other necessary disclosure. *Note: the presence or absence of an explanatory note may alter the reader's interpretation of financial information.*

Additional Disclosures for Income-Generating Activities.

- Nature and description of the commercial activities.
- Particulars of income and expenses of the commercial activities.
- For NPOs engaged in microfinance activities: Portfolio Report, Loan Aging and Key Ratio Analysis.

Some Supporting Schedules and Statements Prepared by NPOs include the following:

1. Bank Reconciliation Statement wherein all cash in bank balances are reconciled with the bank records monthly or as the need arises.

2. Daily Cash Position Report which is prepared for cash in bank, cash on hand and petty cash/revolving funds at the end of the day to provide information on receipts and payments as well the amount of cash still available for use the following day.

3. Various Assets and Liabilities Schedules, or listings, to support the balances reflected in the financial statements.

4. Ageing of Receivables and Payables

5. Schedule of Grants Received

Sample Financial Statements & Disclosures

LEAD FOUNDATION, INC.
(a non-stock, non-profit corporation)

STATEMENTS OF FINANCIAL POSITION
December 31, 2004 and 2003

	Notes	2004	2003
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2, 3	xxxxxxxxx	xxxxxxxxx
Receivables, net			
Farm inventories and office supplies	2, 42	xxxxxxxxxxxxx	xxxxxxxxxxxxx
Investments, current portion	2, 6	xxxxxxxx	xxxxxxxx
Prepayments and other current assets	5	xxxxxxxxx	xxxxxxxx
Total current assets		xxxxxxxxxx	xxxxxxxxx
NON-CURRENT ASSETS			
Investments, net of current portion	2, 6	xxxxxxxxx	xxxxxxxxx
Property and equipment, net	2, 7	xxxxxxxx	xxxxxxxx
Other non-current assets	2, 8	xxxxxxx	xxxxxxx
Total non-current assets		xxxxxxxxx	xxxxxxxxx
Total assets		xxxxxxxxx	xxxxxxxxx
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Payables and accrued expenses	2, 9	xxxxxxxxx	xxxxxxxxx
Deferred support, current portion	10	xxxxxxxxx	xxxxxxxxx
Funds held in trust	2	xxxxxxxxx	xxxxxxxxx
Total current liabilities		xxxxxxxxx	xxxxxxxxx
NON-CURRENT LIABILITIES			
Small enterprise fund facility		xxxxxxxxx	xxxxxxxx
Deferred support & income, net of current portion	10	xxxxxxxxx	xxxxxxxx
Total non-current liabilities		xxxxxxxxx	xxxxxxxx
Total liabilities		xxxxxxxxx	xxxxxxxx
NET ASSETS	11		
Unrestricted		xxxxxxxxx	xxxxxxxx
Restricted		xxxxxxxxx	xxxxxxxx
Total net assets		xxxxxxxxx	xxxxxxxxx
Total liabilities and net assets		xxxxxxxxx	xxxxxxxxx

(see accompanying notes to financial statements)

LEAD FOUNDATION, INC.
(a non-stock, non-profit corporation)

STATEMENTS OF ACTIVITIES
for the years ended December 31, 2004 and 2003

		2004		2003	
	Notes	Unrestricted	Restricted	Unrestricted	Restricted
REVENUES					
Support	2				
Membership donations		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx
Grants and other contributions		xxxxxxxx	xxxxxxxx	xxxxxxx	xxxxxxxxx
Total support		xxxxxx	xxxxxx	Xxxxxxx	xxxxxxxxx
Income	2	xxxxxxx	-	xxxxxxxx	-
Investment income	2	xxxxxxx	-	xxxxxxxx	-
Income from small enterprise facility trust fund, net	2, 12	xxxxxxx	-	xxxxxxxx	-
Other income, net					
Total income		xxxxxxx	-	xxxxxxxx	-
Total revenues		xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxx
EXPENSES	2				
Program/Project Expenses					
_____ program/project		xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxx
_____ program/project		xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxx
General and administrative expenses	13	xxxxxxxxx	-	xxxxxxxx	-
Fund-raising expenses		xxxxxxxxx	-	xxxxxxxx	-
Other expenses					
Provision for losses on loans receivables		xxxxxxxxx	-	xxxxxxxx	-
Unrealized loss in market value of investments, net	6	-	-	xxxxxxxx	-
Total expenditures		xxxxxxx	xxxxxxxx	xxxxxxx	xxxxxxxxx
Excess of support and income over expenditures for the year		xxxxxxxxxxx	xxxxxxx	xxxxxxxxxx	xxxxxxxx

(see accompanying notes to financial statements)

LEAD FOUNDATION, INC.
(A non-stock, non-profit corporation)

STATEMENTS OF CHANGES IN NET ASSETS
for the years ended December 31, 2004 and 2003

	Note	2004	2003
UNRESTRICTED			
January 1		xxxxxxx	xxxxxxx
Excess of support and income over expenditures for the year		xxxxxxxx	xxxxxxx
Net transfer to restricted		(xxxxxxxx)	(xxxxxxx)
December 31		xxxxxxxx	xxxxxxx
RESTRICTED	11		
January 1		xxxxxxxxx	xxxxxxxxx
Excess of support and income over expenditures for the year		xxxxxxxxx	xxxxxxxxx
Net transfer from unrestricted		xxxxxxxxx	xxxxxxxxx
December 31		xxxxxxxx	xxxxxxxx
Total net assets		xxxxxxxxx	xxxxxxxxx

(See accompanying notes to financial statement)

OTE: **For simplification purposes, this statement can be incorporated in the statement of financial position or in the statement of activities.**

LEAD FOUNDATION, INC.
(A non-stock, non-profit corporation)

STATEMENTS OF CASH FLOWS
for the years ended December 31, 2004 and 2003

	Notes	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of support and income over expenditures			
for the year		xxxxxxxx	xxxxxxxx
Adjustments for:			
Return to donor			
Depreciation and amortization	7	xxxxxxx	xxxxxxx
Provision for possible losses on loans receivable		xxxxxx	xxxxxx
Amortization of unamortized fees and interest		xxxxxxx	xxxxxxx
Unrealized loss in market value of investments		-	xxxxxxx
Unrealized foreign exchange gain		(xxxxxxx)	(xxxxxxx)
Gain on sale of property and equipment		(xxxxxx)	-
Dividend income	12	(xxxxx)	(xxxxx)
Interest income		(xxxxxxxx)	(xxxxxxxx)
Interest expense		xxxxxxx	xxxxxxx
Net cash used before changes in working capital		(xxxxxxxx)	(xxxxxxxx)
Changes in assets and liabilities:			
Receivables		xxxxxxx	(xxxxxx)
Office supplies		xxxxxxx	xxxxxx
Other current assets		(xxxxxxx)	(xxxxxxx)
Payables and accrued expenses		xxxxxxx	(xxxxxxx)
Deferred grant/support			
Interest paid		(xxxxxxx)	(xxxxxxx)
Net cash used in operating activities		(xxxxxxxxx)	(xxxxxxxx)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(xxxxxxxx)	(xxxxxxx)
Proceeds from sale of property and equipment		xxxxxx	-
Increase (decrease) in investments		(xxxxxxxx)	xxxxxxxx
Increase (decrease) in small enterprise facility trust fund		(xxxxxxxx)	xxxxxxxx
Increase in other assets		(xxxxxxx)	(xxxxxx)
Dividend income received		xxxxx	xxxxx
Interest received		xxxxxxxx	xxxxxxxx
Net cash provided by (used in) investing activities		(xxxxxxx)	xxxxxxxx
CASH FLOWS FROM FINANCING ACTIVITY			
Increase (decrease) in deferred revenues		(xxxxxxx)	xxxxxxx
Increase (decrease) in funds held in trust			
EFFECTS OF EXCHANGE RATE CHANGES		xxxxxx	xxxxxx
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(xxxxxxxx)	xxxxxxxx
CASH AND CASH EQUIVALENTS			
January 1		xxxxxxxxx	xxxxxxxxx
December 31	3	xxxxxxxxx	xxxxxxxxx

(See accompanying notes to financial statement)

PC

LEAD FOUNDATION, INC.
(A Non-stock, Non-profit Corporation)

SAMPLE NOTES TO FINANCIAL STATEMENTS
December 31, 2004

(With Comparative Figures for 2003)

1. CORPORATE INFORMATION

LEAD Foundation was founded in 2002 by a group of concerned citizens to ____

The Foundation's activities are funded from donations appropriated by members contributions and grants from local and foreign sources. Other funds are sourced through co-financing and cooperative agreements and brokering.

The registered office of the LEAD Foundation is located at the________________.

The Foundation had ___ and ___ employees as of December 31, 2004 and 2003, respectively.

The financial statements of the Foundation for the year ended December 31, 2004, was authorized for issue by the Foundation's Executive Committee, acting for and in behalf of the Board of Trustees, on _________.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles.

The financial statements have been prepared on a historical cost basis.

The accounting policies have been consistently applied by the Foundation and are consistent with those used in the previous year, except for the adoption of new accounting standards as stated below.

Adoption of New Accounting Standards

In 2004, the Foundation adopted the following International Accounting Standards ("IAS") effective for periods beginning on or after January 1, 2003, that are relevant to the Foundation:

IAS 10	:	Events After the Balance Sheet Date
IAS 37	:	Provisions, Contingent Liabilities and Contingent Assets

The Foundation's adoption of these new accounting standards did not have any material effects on the financial statements, hence, did not result in any adjustments to the financial statements of the current and prior years.

In 2003 and prior years, the Foundation adopted the new pronouncements that became effective in those years.

Impact of New Accounting Standards Effective in 2004

The following new accounting standards will be effective subsequent to calendar year 2004 are applicable to the Foundation:

- IAS 12, *Income Taxes*. This new standard, which becomes effective for periods beginning on or after January 1, 2004, prescribes the accounting treatment for current and future tax consequences of the future recovery or settlement of the carrying amount of assets or liabilities that are recognized in the balance sheet of an entity and transactions and other events of the current period that are recognized in the entity's financial statements. The Foundation will adopt IAS 12 starting January 1, 2005 as required, and is currently evaluating the impact of the adoption of IAS 12 on the Foundation's financial statements.
- IAS 17, *Leases*. This new standard prescribes the accounting policies and disclosures to be applied to finance and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. IAS 17 requires a lessee to recognize finance leases as assets and liabilities in its balance sheet. As of December 31, 2004, the Foundation has existing leases covering certain office premises that are presently accounted for as operating leases. Based on the initial evaluation of the Foundation, such leases will not qualify as finance leases under IAS 17. Hence, the Foundation believes that its adoption of IAS 17, in the year 2005, will not have material effects on the Foundation's financial statements.

New Accounting Standards Effective in 2005

The Foundation adopts the following applicable revised and new accounting standards effective January 1, 2005:

- IAS 1, Presentation of Financial Statement
- IAS 8, Accounting Policies
- IAS 16, Property, Plant and Equipment
- IAS 17, Leases
- IAS 19, Employee Benefits
- IAS 21, The Effects of Changes in Foreign Exchange Rates
- **IAS 36, Impairment of Assets**
- IAS 39, Financial Instruments: Recognition and Measurement

The adoption of the above revised IAS will not result in substantial changes in the Foundation's accounting policies.

International Financial Reporting Standards

IFRS 1 *First time Adoption of International Financial Reporting Standards*

In general, IFRS 1 requires an entity adopting IFRSs for the first time (a first-time adopter) to comply with each IFRS that has come into effect at the reporting date for its first IFRS financial statements. IFRS 1 requires that a first-time adopter prepare an opening IFRS statement of assets, liabilities and head office account at the date of transition to IFRSs (the beginning of the earliest period for which it presents full comparative information under IFRSs in its first IFRS financial statements). IFRS 1 grants limited exemptions from these requirements in specific areas where the cost of complying with them would also likely to exceed the benefits to users of financial statements. IFRS 1 also prohibits retrospective application of IFRSs in some areas, particularly where retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known. Further, IFRS 1 requires disclosures that explain how the transition from previous GAAP to IFRSs affected the entity's reported financial position, activities and cash flows.

The impact of the adoption of the above accounting Standard could not be reasonably estimated as of December 31, 2004.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Receivables

Receivables are stated at net realizable value based on review of all outstanding accounts at balance sheet date. Bad debts are written off in the year they are identified.

Farm inventories and supplies

These are valued at the lower of cost or net realizable value. Cost is determined using specific identification method for farm inventories and first-in, first-out method for supplies. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Growing crops

Costs related to planting materials and growing crops are capitalized and recorded as property and equipment account in the balance sheets and are being amortized over the total estimated useful lives of 15 to 20 years (see Note 7).

Breeders

Costs related to breeders are capitalized and recorded as property and equipment account in the balance sheets and are being amortized over the total estimated useful lives of 15 to 25 years (see Note 7).

Livestock

Costs related to livestock are capitalized and recorded as property and equipment account in the balance sheets and are being amortized over the total estimated useful lives of 10 to 15 years (see Note 7).

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is charged to current operations.

Property and equipment acquired for a project through restricted contributions are recorded as grants expenses. A corollary entry is prepared to recognize it as Foundation's asset with corresponding credit to Restricted Net Asset (Property and Equipment Fund) unless specified that only upon completion shall the ownership of the asset be vested to the Foundation.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	5 years
Building and improvements	25 years
Furniture, fixtures and other equipment	3-10 years
Transportation equipment	5 years
Hatchery facilities and other properties	25 years

Amortization of building improvements is computed based on the estimated useful lives of the assets, or the remaining life of the building, whichever is shorter.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made with respect to those assets.

Investments

Investments are initially recorded at cost at the time of acquisition, which is generally measured by the purchase price of the security, or the fair value of the asset given up or the security received in the exchange and other costs directly related to the acquisition. Subsequent to acquisition, the carrying values of the investments are determined as follows:

- Investment in trust funds – These are carried at the lower of its aggregate cost, including accumulated realized earnings, or market value at balance sheet date. The excess of aggregate cost over market value is accounted for as valuation allowance and is charged to operations. Investments in bonds and other interest-bearing instruments are carried at cost adjusted for discount or premium through periodic amortization charges or credits to income, less any needed provision for permanent impairment in value.
- Investment in shares of stock of a subsidiary company – This is accounted for at cost since the subsidiary company has not been operational since its incorporation on March 30, 1992. The Foundation will shift to equity method of accounting for this investment once the investee company becomes operational.

Impairment of Assets

The carrying values of property and equipment and investments are reviewed for impairment when events or changes in circumstances indicate that their carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property and equipment and investments is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of support, income and expenditures.

If there is any indication at the balance sheet date that an impairment loss recognized for an asset in prior years may no longer exist or may have decreased, the Foundation estimates the recoverable amount of that asset and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Revenue and Expense 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. The following specific recognition criteria must also be met before revenue is recognized:

- Revenue from restricted support is recognized upon fulfillment of the donor-imposed conditions attached to the support and/or to the extent that expenses are incurred. Revenue from unrestricted support is recognized upon receipt of the support and expenses are reported when incurred. Restricted support for which restrictions and conditions have not yet been met, are classified as deferred support. At project completion date, any excess funds in deferred support are to be returned to the donors unless otherwise agreed by both parties to be retained by the Foundation and therefore credited to unrestricted support.
- Investment income, which primarily consists of interest and other income, are recognized as they accrue (taking into account the effective yield on the asset).

Program/Project expenses and other expenses are recognized when incurred.

Pension Costs

The Foundation has a defined benefit pension plan covering all regular full time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method, which utilizes the normal cost, actuarial accrued liability and unfunded actuarial liability concepts. Past service cost and actuarial gains and losses are recognized over the expected remaining working lives of the employees covered by the plan.

Foreign Currency Transactions

The accounting records of the Foundation are maintained in local currency. Foreign currency transactions during the year are translated into local currency at exchange rates which approximate those prevailing on transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into local currency at exchange rates which approximate those prevailing on that date. Exchange gains and losses are charged to current operations.

Borrowing Costs

Borrowing costs relating to small enterprise fund facility are recognized as expenses in the period in which they are incurred.

Provisions

Provisions are recognized when the Foundation has present obligation (whether legal or constructive) as a result of a 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.

3. CASH AND CASH EQUIVALENTS

This account is broken down as follows:

	2004	2003
Restricted		
Cash	XX,XXX,XXX	XX,XXX,XXX
Unrestricted:		
Cash	XX,XXX,XXX	X,XXX,XXX
Short-term placements	-	XX,XXX,XXX
	XX,XXX,XXX	XX,XXX,XXX
	XX,XXX,XXX	XX,XXX,XXX

Restricted cash represents available funds for projects undertaken under grants and support with donor-imposed restrictions.

Cash accounts with the banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have an average maturity of 15 days and effective annual interest rates ranging from 5% to 7% in 2003.

4. RECEIVABLES

This account consists of:

	2004	2003
Accounts/Loans Receivables	x,xxx,xxx	-
Contribution Receivables (from donors)	x,xxx,xxx	x,xxx,xxx
Advances to officers and employees	x,xxx,xxx	x,xxx,xxx
Others	x,xxx,xxx	x,xxx,xxx
	xx,xxx,xxx	x,xxx,xxx
Allowance for doubtful accounts	(x,xxx,xxx)	(x,xxx,xxx)
	xx,xxx,xxx	x,xxx,xxx

5. OTHER CURRENT ASSETS

This account is broken down as follows:

	2004	2003
Input Tax	x,xxx,xxx	x,xxx,xxx
Others	xxx,xxx	xx,xxx
	x,xxx,xxx	x,xxx,xxx

6. INVESTMENTS

The details of this account follows:

	2004	2003
Trustee-managed funds	xxx,xxx,xxx	xxx,xxx,xxx
Time deposit	xx,xxx,xxx	xx,xxx,xxx
Investment in shares of stock of a subsidiary company	x,xxx,xxx	x,xxx,xxx
	xxx,xxx,xxx	xxx,xxx,xxx
Allowance for decline in value	(x,xxx,xxx)	(x,xxx,xxx)
	xxx,xxx,xxx	xxx,xxx,xxx

Trustee-managed funds are composed of investments in securities and other debt instruments administered by certain banks.

Time deposit represents a dollar-denominated placement with a certain bank that will mature in 2024 with an option to put in 2006 and has an effective annual interest rate of 9.5% in 2004 and 2003.

7. PROPERTY AND EQUIPMENT

A reconciliation of the carrying amounts at the beginning and end of 2004 and the gross carrying amounts and the accumulated depreciation and amortization of property and equipment are shown below:

	Land and Improvements	Furniture, Fixtures and Building and Improvements	Hatchery Facilities and Other Equipment	Transportation Equipment	and Other Properties	Construction in Progress	Total
Balance at January 1, 2004 net of accumulated depreciation and amortization	xx,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx,xxx,xxx
Additions	x,xxx,xxx	xx,xxx	x,xxx,xxx	xx,xxx	x,xxx,xxx	x,xxx,xxx	xx,xxx,xxx
Disposals	-	-	(xx,xxx)	-	-	-	(xx,xxx)
Reclassifications	-	-	-	-	x,xxx,xxx	(x,xxx,xxx)	-
Depreciation and amortization charges for the year	(xx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)	(xxx,xxx)	(x,xxx,xxx)	(-)	(x,xxx,xxx)
Balance at December 31,2004, net of accumulated depreciation and amortization	**xx,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**xx,xxx,xxx**
January 1, 2004							
Cost xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx,xxx,xxx	
Accumulated depreciation and amortization	(x,xxx,xxx)	(xx,xxx,xxx)	(xx,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)	-	(xx,xxx,xxx)
Net carrying amount	**xx,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**xx,xxx,xxx**
December 31, 2004							
Cost xx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	xx,xxx,xxx	
Accumulated depreciation and amortization	(x,xxx,xxx)	(xx,xxx,xxx)	(xx,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)	-	(xx,xxx,xxx)
Net carrying amount	**xx,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**x,xxx,xxx**	**xx,xxx,xxx**

Property and equipment which are fully depreciated and are still in use amounted to xx.x million and x.x million in 2004 and 2003, respectively.

In 2004, the Foundation retired furniture, fixtures and other equipment with a total cost of x,xxx,xxx and accumulated depreciation of x,xxx,xxx. The resulting loss on retirement was charged against the Other Income - Net account in the 2004 statement of activities.

Depreciation and amortization charges amounting to x,xxx,xxx and x,xxx,xxx in 2004 and 2003, respectively, were offset against the Other Income - Farm Expenses - Net (see Note 13).

In 2004 and 2003, the Foundation acquired property and equipment amounting to x,xxx,xxx and x,xxx,xxx, respectively, through donations.

8. OTHER NON-CURRENT ASSETS

This account consists of:

	2004	2003
Loans Receivable – net of current portion:		
Unrestricted	**x,xxx,xxx**	x,xxx,xxx
Restricted (see Note 4)	**xx,xxx,xxx**	xx,xxx,xxx
	xx,xxx,xxx	xx,xxx,xxx
Allowance for doubtful accounts	**(xx,xxx,xxx)**	(xx,xxx,xxx)
	xx,xxx,xxx	x,xxx,xxx
Staff training and development and other funds (see Note 10)	**x,xxx,xxx**	x,xxx,xxx
Refundable deposits	**xxx,xxx**	xxx,xxx
Land held for sale	**xxx,xxx**	xxx,xxx
Others	**x,xxx,xxx**	xxx,xxx
	xx,xxx,xxx	x,xxx,xxx

Loans receivables are charged an annual interest ranging from 3% to 18% to cover the administrative costs of servicing the projects.

When loans to project proponents from restricted funds are subsequently collected without the donor-imposed restrictions, the same are recorded as unrestricted grants and other contributions. Reflows of loans without donor-imposed restrictions are generally used to support similar programs for which the original grants to the Foundation were intended.

9. PAYABLES AND ACCRUED EXPENSES

The components of payables and accrued expenses follow:

	2004	2003
Accounts payable	**xx,xxx,xxx**	xx,xxx,xxx
Accrued expenses	**xx,xxx,xxx**	xx,xxx,xxx
Payable to regulatory agencies	**x,xxx,xxx**	x,xxx,xxx
Others	**xxx,xxx**	xxx,xxx
	xx,xxx,xxx	xx,xxx,xxx

10. DEFERRED SUPPORT/RESTRICTED FUND

Deferred support represents support received applicable to succeeding years, certain details of which are on the attached Schedule 1 of donors ranked on the basis of restricted funds received for the year ended December 31, 2004. The funds are to be used only for the specific projects and in compliance with the terms and conditions of the support. Of the total deferred support, xx,xxx,xxx and xx,xxx,xxx had already been appropriated by the Board as of December 31, 2004 and 2003, respectively, and are already committed for release to specific projects.

In general, unused funds at the end of the project are returned to the donors unless otherwise agreed. Certain funds and reflows, therefore, of completed projects may be transferred to unrestricted grants and other contributions upon approval of the Board.

11. DESIGNATED RESTRICTED NET ASSETS

The designated net assets is broken down as follows:

	Reserve for Future Projects	**Reserve for Project Completion**	**Reserve for Training**	**Unpaid Committed Grants**	**Advances to Project Proponents**	**Total**
Balance at beginning of year	-	xxx,xxx,xxx	xx,xxx,xxx	xx,xxx,xxx	x,xxx,xxx	xxx,xxx,xxx
Designations for the year:						
Approved	x,xxx,xxx	-	x,xxx,xxx	xx,xxx,xxx	-	xx,xxx,xxx
Disbursed	-	-	(x,xxx,xxx)	(xx,xxx,xxx)	-	(xx,xxx,xxx)
Collected	-	-	-	-	(xx,xxx)	(xx,xxx)
Closure of savings of completed projects	-	-	-	(xxx,xxx)	-	(xxx,xxx)
Reversal of prior year's appropriations	-	-	-	(xxx,xxx)	-	(xxx,xxx)
Reclassifications	xxx,xxx,xxx	(xxx,xxx,xxx)	(xx,xxx,xxx)	-	-	-
Balance at end of year	xxx,xxx,xxx	-	-	xx,xxx,xxx	x,xxx,xxx	xxx,xxx,xxx

The Board approves designation of reserve for future projects annually. The fund and its earnings can be made available to deserving projects.

In 2004, the reserve for project completion and reserve for training were consolidated into reserve for future projects.

12. OTHER INCOME - NET

The components of this account follow:

	2004	2003
Foreign currency gains	**x,xxx,xxx**	x,xxx,xxx
Rental of facilities - net	**x,xxx,xxx**	x,xxx,xxx
Contracts – net	**x,xxx,xxx**	-
Interest income from banks	**xxx,xxx**	xxx,xxx
Dividend income	**xx,xxx**	xx,xxx
Recoveries on decline in value of investment	-	x,xxx,xxx
Miscellaneous - net	**xxx,xxx**	xxx,xxx
Farm expenses – net	**(x,xxx,xxx)**	(x,xxx,xxx)
	x,xxx,xxx	xx,xxx,xxx

13. GENERAL AND ADMINISTRATIVE EXPENSES

The General and Administrative Expenses of the Foundation are the following:

	2004	2003
Salaries and wages	**x,xxx,xxx**	x,xxx,xxx
Employees welfare	**x,xxx,xxx**	x,xxx,xxx
Transportation and travel	**x,xxx,xxx**	x,xxx,xxx
Light and water	**x,xxx,xxx**	x,xxx,xxx
Security and janitorial	**xxx,xxx**	xxx,xxx
Postage, telephone and cable	**xxx,xxx**	xxx,xxx
Repairs and maintenance	**xxx,xxx**	xxx,xxx
Office supplies	**xxx,xxx**	xxx,xxx
Property insurance	**xxx,xxx**	xxx,xxx
Taxes and licenses	**xxx,xxx**	xxx,xxx
Dues and assessments	**xxx,xxx**	xxx,xxx
Professional fee	**xxx,xxx**	xx,xxx
Miscellaneous	**xx,xxx**	xx,xxx
	xx,xxx,xxx	xx,xxx,xxx

14. RETIREMENT PLAN

The Foundation maintains a trustee-managed and non-contributory retirement plan, which took effect in January 1, ____, covering all of its regular full-time employees. The normal retirement age is 60 with a minimum of 10 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service and late retirement after age 60, both subject to the approval of the Foundation's Board. Normal retirement benefit is an amount equivalent to 150% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service. Total retirement benefit expense shown as part of the Project Expenses and General and Administrative Expenses accounts in the statement of activities, amounted to x.x million and x.x million in 2004 and 2003, respectively.

Based on the latest actuarial valuation report as of March 31, 2004, the fair value of the plan assets exceeds the actuarial present value of retirement benefits, based on the assumed rate of return of 7.9%, by about 0.xx million. Actuarial valuations are made every two years to update the retirement benefit costs and the amount of contributions.

The annual contribution to the retirement plan covers the current service costs and the amortization of the past service cost.

15. TAX EXEMPTION

The Foundation, as a non-stock, non-profit corporation, organized and operated exclusively for research and scientific purposes, is exempt from income tax. However, income derived from its properties, real or personal, or from any of its activities conducted for profit regardless of the disposition made of such income, is subject to tax.

As required by the IAS 12, Accounting for Income Taxes, the Foundation is supposed to recognize deferred income tax assets for the tax effects of temporary differences brought about by net loss carry over, provision for doubtful accounts and probable loan losses and the unrealized foreign exchange gain and/or losses on the Foundation's incidental taxable activities. However, since the Foundation does not expect to be in a taxable position in the future relative to its incidental taxable activities, recognition of the deferred income tax assets in the books has not been made in the accounts for the years ended December 31, 2004 and 2003.

EXAMPLE OF CASH FLOW STATEMENT USING THE DIRECT METHOD

ESP Institute
Statement of Cash Flows
for the fiscal year ended June 30, 2xxx

Cash flows from operating activities:	
Cash received from service recipients	xxxxxxxxx
Cash received from donors	xxxxxxxxx
Cash collected on contributions receivable	xxxxxxxxx
Interest and dividends received	xxxxxxxxx
Interest paid	(xxxxxxxx)
Cash paid to employees and suppliers	(xxxxxxxx)
Donations given	(xxxxxxxx)
Net cash provided by operating activities	xxxxxxxxx
Cash flows from investing activities:	
Purchases of equipment	(xxxxxxxx)
Proceeds from sale of investments	xxxxxxxxx
Investments made	(xxxxxxxx)
Net cash used by investing activities	(xxxxxxxx)
Cash flows from financing activities:	
Proceeds from contributions restricted for:	
Investment in endowment	xxxxxxxxx
Investment in plant	xxxxxxxxx
Investment subject to annuity agreements	xxxxxxxxx
	xxxxxxxxx
Other financing activities:	
Interest and dividends restricted for reinvestment	xxxxxxxxx
Payments on notes payable	(xxxxxxxx)
Payments on long-term debt	(xxxxxxxx)
	(xxxxxxxx)
Net cash used by financing activities	(xxxxxxxx)
Net increase in cash and cash equivalents	xxxxxxxxx
Cash and cash equivalents at beginning of year	xxxxxxxxx
Cash and cash equivalent at end of year	xxxxxxxxx
Reconciliation of change in net assets to net cash provided By operating activities:	
Change in net assets	xxxxxxxxx
Adjustments to reconcile change in net assets to net cash Used by operating activities:	
Depreciation	xxxxxxxxx
Actuarial loss on annuity obligations	xxxxxxxxx
Increase in accounts and interest receivable	(xxxxxxxx)
Decrease in contribution receivable	xxxxxxxxx
Decrease in accounts payable	xxxxxxxxx
Decrease in grants payable	(xxxxxxxx)
Contributions restricted for long-term investment	(xxxxxxxx)
Interest and dividends restricted for long-term investment	(xxxxxxxx)
Net unrealized and realized gains on long-term investment	(xxxxxxxx)
Net cash provided by operating activities	(xxxxxxxx)
Supplemental data for non-cash investing and financing activities:	
Gift of equipment	xxxxxxxxx