

SGV & Co

**CENTER FOR AGRICULTURE AND RURAL
DEVELOPMENT, INC.**

(A NONSTOCK, NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999

SGV & Co

Report of Independent Public Accountants

SyCip Gorres Velayo & Co
A member firm of Arthur Andersen

6760 Ayala Avenue
1226 Makati City
Philippines

Tel 632 891 0307
Fax 632 819 0872

www.sgv.com.ph

The Board of Trustees
Center for Agriculture and Rural Development, Inc.

We have audited the accompanying statements of assets, liabilities and fund balance of Center for Agriculture and Rural Development, Inc. (a nonstock, nonprofit organization) as of December 31, 2000 and 1999 and the related statements of revenues, expenses and changes in fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 assets, liabilities and fund balance of Center for Agriculture and Rural Development, Inc. as of December 31, 2000 and 1999 and its revenues, expenses and changes in fund balance and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Philippines.

SyCip, Gorres, Velayo & Co.

PTR No. 7738102

January 6, 2001

Makati City

April 23, 2001



CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT, INC.
(A Nonstock, Nonprofit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2000	1999
ASSETS		
Current Assets		
Cash	₱46,393,951	₱16,969,022
Loans receivable - net (Note 3)	71,797,960	37,309,735
Other receivables (Note 4)	36,079,724	39,113,144
Other current assets	840,591	350,513
Total Current Assets	155,112,226	93,742,414
Investments in Shares of Stock (Note 5)	12,502,412	11,823,770
Property and Equipment - net (Notes 4 and 6)	34,880,225	23,182,895
	₱202,494,863	₱128,749,079
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and accrued expenses	₱7,793,614	₱4,937,829
Current portion of long-term debt (Note 7)	23,020,129	7,515,350
Total Current Liabilities	30,813,743	12,453,179
Long-Term Debt - net of current portion (Note 7)	45,124,263	40,747,108
Due to Staff and Members	26,843,177	13,094,500
Fund Balance	99,713,680	62,454,292
	₱202,494,863	₱128,749,079

See accompanying Notes to Financial Statements.



CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT, INC.
(A Nonstock, Nonprofit Organization)

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCE**

	Years Ended December 31	
	2000	1999
REVENUES		
Administrative	₱21,662,940	₱11,150,331
Grants	31,864,916	22,506,322
Others - net (Notes 4 and 5)	23,000,840	14,295,426
	76,528,696	47,952,079
EXPENSES		
Salaries, wages and employee benefits (Note 8)	15,447,552	12,275,876
Administrative and others	23,821,756	14,672,822
	39,269,308	26,948,698
EXCESS OF REVENUES OVER EXPENSES	37,259,388	21,003,381
FUND BALANCE AT BEGINNING OF YEAR	62,454,292	41,450,911
FUND BALANCE AT END OF YEAR	₱99,713,680	₱62,454,292

See accompanying Notes to Financial Statements.



CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT, INC.
(A Nonstock, Nonprofit Organization)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	P37,259,388	P21,003,381
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	3,998,236	1,916,797
Provision for probable losses	703,841	761,423
Equity in net earnings of an affiliate	(886,018)	(428,530)
Loss (gain) on disposal/sale of property and equipment	452,085	(378)
Loss on dilution of equity interest	207,376	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Loans receivable	(35,192,066)	(21,783,854)
Other receivables	3,033,420	(4,739,912)
Other current assets	(490,078)	(152,225)
Increase in accounts payable and accrued expenses	2,855,785	4,643,173
Net cash provided by operating activities	11,941,969	1,219,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	(16,147,651)	(11,544,484)
Investments in shares of stock	-	(1,000,000)
Proceeds from sale of property and equipment	-	110,170
Net cash used in investing activities	(16,147,651)	(12,434,314)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from availment of long-term debt	19,881,934	25,599,526
Increase (decrease) in due to staff and members	13,748,677	(3,122,981)
Net cash provided by financing activities	33,630,611	22,476,545
NET INCREASE IN CASH	29,424,929	11,262,106
CASH AT BEGINNING OF YEAR	16,969,022	5,706,916
CASH AT END OF YEAR	P46,393,951	P16,969,022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	P1,534,684	P1,364,596
SUPPLEMENTAL INFORMATION ON NONCASH INVESTING ACTIVITIES		
Assignment of loans receivable and transfer of property and equipment to an affiliate on account	P-	P27,714,808

See accompanying Notes to Financial Statements.



CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT, INC.
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Organization is devoted in undertaking, directly financing and assisting research and development work and/or economic evaluation for the development and improvement of the quality of life of people in underdeveloped and depressed areas.

Being an Organization not organized for profit and since no part of the Organization's net income inures to the benefit of any private individual or member, it falls under Section 30 (e) of the Tax Reform Act of 1997 wherein income from activities in pursuit of the purpose for which the Organization was organized is exempt from income tax. However, income on any of its properties, real or personal, or from any activity conducted for profit, is subject to income tax.

2. Summary of Significant Accounting Policies

Revenue Recognition

Revenue are recognized as follows: (a) grants, upon actual receipt by the Organization; and, (b) administrative income, upon collection.

Investments in Shares of Stock

The Organization carries its 44.59% in 2000 (46.77% in 1999) investments in Card Rural Bank (Card Bank), Inc. at cost, increased or decreased by its equity in net earnings (losses) of an affiliate since date of acquisition and reduced by dividends received.

Other investments are stated at cost.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The cost of repairs and maintenance is charged to income as incurred; significant renewals and improvements are capitalized. When assets are retired as otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Retirement Expense

The Organization's retirement expense is determined using the accrued benefit actuarial cost method. Past service costs are amortized over the expected remaining working lives of employees.



3. Loans Receivable

This account consists of the following loan types granted:

	2000	1999
Micro-enterprise	P36,991,037	P22,091,196
Multipurpose	24,447,300	11,783,655
Housing	10,552,027	4,196,307
Calamity	1,125,000	-
CARD Loan Acceleration Program	147,860	-
	73,263,224	38,071,158
Less allowance for probable losses	1,465,264	761,423
	P71,797,960	P37,309,735

4. Related Party Transactions

In the normal course of business, the Organization had transactions with Card Bank, an affiliate, which consist of assignment of receivables, transfer of property and equipment and lease of properties for certain considerations. Outstanding balance arising from these transactions is subject to interest at 8% per annum. The Organization also extended credit accommodations to its officers and staff for investment in Card Bank.

5. Investments in Shares of Stock

This account consists of:

	2000	1999
At equity:		
Acquisition cost:		
Balance at beginning of year	P5,000,000	P10,000,000
Reduction during the year	-	(5,000,000)
Balance at end of year	5,000,000	5,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	823,770	395,240
Equity in net earnings of an affiliate (net of loss on dilution of equity interest of P207,376 in 2000)	678,642	428,530
Balance at end of year	1,502,412	823,770
	6,502,412	5,823,770
At cost:		
Preferred stocks	5,000,000	5,000,000
Others	1,000,000	1,000,000
	6,000,000	6,000,000
	P12,502,412	P11,823,770

The equity in net earnings of an affiliate, net of loss on dilution of equity interest, is shown as part of "Revenues - others" in the statements of revenues, expenses and changes in fund balance.



6. Property and Equipment

This account consists of:

	2000	1999
Land	P15,297,920	P9,191,311
Building and improvements	14,389,425	8,966,924
Furniture and equipment	6,367,645	3,079,613
Transportation equipment and others	4,152,218	4,194,872
	40,207,208	25,432,720
Less accumulated depreciation	6,382,751	3,449,825
	33,824,457	21,982,895
Construction in progress	1,055,768	1,200,000
	P34,880,225	P23,182,895

7. Long-Term Debt

This account represents interest and non-interest bearing loans obtained from collaborating agencies and are payable in various annual, semi-annual and quarterly installments until year 2007. Interest rates range from 2% to 12%. These loans are collateralized by chattel mortgages and non-negotiable promissory notes.

8. Retirement Expense

The Organization has a funded, contributory defined benefit retirement plan covering all of its employees. Total retirement expense amounted to P904,446 in 2000 and P134,041 in 1999.

As of January 1, 1999, the latest actuarial valuation, the actuarial present value of retirement benefits amounted to P1,293,056. The fair value of plan assets amounted to P1,744,335. The principal actuarial assumptions used to determine retirement benefits were a salary increase of 12% per annum and a return on plan assets of 12% per annum. Actuarial valuations are made at least every two years.

