

HPP EMPLOYEES CREDIT COOPERATIVE

Puerto Galera Room, 6th Floor Intellectual Property Center, McKinley Hill, Taguig City 1634
Tel No. 975-4087 | <http://hppecc.com>

2018 ANNUAL REPORT



5th Annual General Assembly • March 27, 2019

What You Don't See You Don't Spend.
5 years

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Special Messages

Message from the President of the Philippines



MALACAÑAN PALACE
MANILA

MESSAGE

My warmest greetings to **HPP Employees Credit Cooperative (HPPECC)** as it holds its **5th Annual General Assembly**.

As vehicles of community advancement through visible financial programs, cooperatives have enhanced the capacity of our people to achieve socio-economic growth. I thus commend HPPECC for its continuing commitment to promote financial discipline and stability among its members.

This gathering affirms your consistent efforts in fostering the culture of cooperativism and selfless service in the business process outsourcing industry. May this occasion also result in more initiatives and opportunities that will serve the best interest of the entire organization.

Together, let us work steadfastly in promoting equity and inclusivity as we empower our people to lead more productive and meaningful lives.

I wish you a successful event.

A handwritten signature in black ink, appearing to read "Rodrigo Roa Duterte".

RODRIGO ROA DUTERTE

MANILA
March 2019

THE PRESIDENT OF THE PHILIPPINES

Message from Former Senator Mar Roxas, the “Father of the BPO Industry in the Philippines”

MAR ROXAS

My warmest greetings to the HPP Employees Credit Cooperative on your 5th Annual General Assembly!

I have always believed that Filipinos have the talent, skills, and determination to do well not only for themselves, but also for the Philippines. All you have to do is give them the right opportunities, point them to the right direction, and they will do the rest.

The BPO industry is proof of this. More than a million Filipinos are now earning enough to support their families, without having to work abroad. Plus, the money they spend on cab fares, restaurants, travel, subscriptions and others contribute to our economy.


I was very excited when I heard about HPPECC. Providing access to credit to BPO employees is a very good way of ensuring that their gains today would be more permanent. It would also open new doors of opportunities for them that will in turn redound to our economy.

I congratulate the officers, management, and members of HPPECC for all your hard work and accomplishments to date. Keep up the good work! More power and I wish you a meaningful assembly.



|

Message from the CDA-Manila Extension Office



Office of the President of the Philippines
COOPERATIVE DEVELOPMENT AUTHORITY

Manila Extension Office
Lower Ground Floor, EDSA Grand Residences, 75 Corregidor St. corner EDSA, Bogo Sanjay, Barangay Magayjay, Quezon City 1105

http://www.cda.gov.ph | cda.manila@ncc.gov.ph | CDA NCR | Manila



MESSAGE

On behalf of the **Cooperative Development Authority – Manila Extension Office**, I would like extend my heartiest greetings to **HPP Employees Credit Cooperative** on your **5th Annual General Assembly**. Congratulation for your glorious years of success as a cooperative in Metro Manila. You have always been on the top for serving your cooperative members and to the community with your unselfish service

With your cooperatives commitment and sincerity to serve its members specially the community, your Cooperative have proved its worth and have gained a much deserved recognition. The CDA consider it a privilege serving, collaborating and working with your Cooperative. Not only does it provide a platform but also offer service to the growing cooperative membership.

May the leadership and vision of the leaders of your cooperative bring great success. Wishing you success in advocating Cooperativism. Hope your cooperative will participate and will have active role in the nations building. Its time to celebrate!


Congratulation on your special day of achieving a list of appreciations, and many wishes for more great years ahead. Mabuhay ang Kooperatiba!




ATTY. FREDERICK JOE N. ROBLES
Acting Regional Director
Cooperative Development Authority
Manila Extension Office

Excellence, Commitment, Integrity are TEEmwork

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Message from the General Manager



Hooray!

We are now on our 5th year and counting!

Every time I look back, I cannot help but be happy and proud of all our accomplishments the past years. In this annual report, we will review all our achievements in 2018,

For one, we had the courage to go out of our comfort zone and explore new ventures. We entered into food catering to serve the needs of members. We also launched our HPP Vacation Condo in Tagaytay, both as a benefit to members as well as an investment.

In 2018, we were also unafraid to innovate. We've launched our HPP Mobile App, automated the application of Petty Cash and Birthday Loans, and added Online Membership Application, Member Ads and other features in the website, just to name a few. All of these allowed us to do more with less.

Our strong 2018 has also been validated by the awards we received. The CDA-Manila Extension Office recognized HPPECC citing our "good governance and best practices are worth emulating". While the Cooperative Development Office of Taguig awarded us for our "significant increase in Net Worth". Thus, I would like to give my sincere gratitude to all the officers and members of our cooperative as this is all due to your continued patronage and support. Without all your contributions, we will not be where we are today.

I hope you are all as excited as I am in the years ahead.

Dahil sa Coop, kaya mo na!

A handwritten signature in black ink, appearing to read 'Val'.

VAL HILARIO
General Manager

Vision, Mission, and Values

VISION

We are a self-reliant and stable cooperative committed to good governance, integrity, and customer service that effectively responds to the socio-economic needs of our members.

MISSION

- To provide products and services that address members' financial needs.
- To promote financial discipline and stability among its members.
- To grow the investment of our members through prudent management of the cooperative funds.

VALUES

As a cooperative, we will be guided by the following values:

Self-help

Members directly benefit from the actions they take and the decisions they make. The objective is to encourage members to help themselves.

Democracy

Cooperatives are controlled and managed by the members themselves. Thus, members have the right to be heard for the betterment of the organization. It is an organization where all members are treated fairly regardless of the amount of their contribution.

Equality

One member, one vote. This means that every member, regardless of the amount of contribution, is only entitled to one vote.

Equity

Members are rewarded equitably through dividends, patronage refund, and the allocation of capital reserves.

Solidarity

Cooperatives are associations of members capitalizing on their collective strength and shared responsibility.

About the Cooperative

The HPPECC is a credit cooperative of DXC Technology, Hewlett Packard Enterprise and HP Inc. employees in the Philippines. It was registered with the Cooperative Development Authority (Registration No. 9520-16024599) on August 27, 2014 by 20 Hewlett-Packard employees with an initial capitalization of Php64,000.00 and Authorized Capitalization of P1,000,000.00.

In 2016, HPPECC reached 500 members and Authorized Capitalization was increased to P10,000,000.00. By the end of 2018, with Assets growing close to P50,000,000.00 and membership crossing the 1,000 mark, HPPECC is in the process of increasing its Authorized Capitalization to P100,000,000.00.

HPPECC is currently located at the Puerto Galera Room 6F Intellectual Property Center, McKinley Hill, Taguig City with a satellite office at Room 14.1 Two Cyberpod, Centris, EDSA, Quezon City

Agenda of the 5th Annual General Assembly

Theme: “Borderless.”

March 16, 2018

Part 1 – REGISTRATION	4:00pm
<ul style="list-style-type: none">• Presentation by Swift Mighty Meaty• Entertainment	
Part 2 – OPENING CEREMONIES	5:00pm
<ul style="list-style-type: none">• Invocation• National Anthem• Acknowledgements, Welcome Addresses, Messages• Presentation of Candidates for 2019 Election• Raffle	
Part 3 – GA PROPER	5:30pm
<ul style="list-style-type: none">• Call to Order• Proof of Due Notice & Determination of Quorum• Conduct of Proceedings• Approval of the Agenda• Reading and Approval of the 2018 GA Minutes• Confirmation of Board Resolutions for FY2018• Raffle• Chairman's Report• Committee Reports	
<ul style="list-style-type: none">• Break/Raffle	6:30pm
<ul style="list-style-type: none">• 2018 Audited Financial Statements• Proposed Amendments to the Articles and Bylaws	
<ul style="list-style-type: none">• Raffle	7:30pm
<ul style="list-style-type: none">• Election Results• Oath of Office of Newly Elected Officers• New Business/Open Forum	
<ul style="list-style-type: none">• Major Raffle	8:30pm
<ul style="list-style-type: none">• Adjournment	

4th Annual General Assembly Minutes

1	MINUTES OF THE MEETING OF THE 4TH ANNUAL GENERAL ASSEMBLY OF THE HPP EMPLOYEES CREDIT COOPERATIVE, HELD ON MARCH 16, 2018, AT TRAINING ROOMS 19-22, 11F INTELLECTUAL PROPERTY CENTER, MCKINLEY HILL, TAGUIG CITY
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3	MINUTE TAKER: ATTY. EUGENE TEVES
4	
5	
6	PART I REGISTRATION
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8	• Registration started at 3:00 PM.
9	
10	PART II OPENING ACTIVITIES
11	
12	A. Invocation
13	Led by Dir. Jody Salas
14	
15	B. National Anthem
16	Led by Dir. Jody Salas
17	
18	C. Cooperative Pledge
19	Led by Dir. Jody Salas
20	
21	D. Presentation of Candidates for the 2018 Election
22	Election Committee Member Julius Abarro presented the candidates for following positions:
23	a. Board of Directors (3 seats) – 4 candidates (Aleth delas Armas, Maximilian de Leon, Myra Mancilla, Mike Nicolas)
24	b. Audit Committee (3 seats) – 3 candidates (Blessie Simeon, Denise Sison, Reinee Ty)
25	c. Election Committee (3 seats – 4 candidates (Nic Baligod, Betxii dela Cruz, Eugenio Frias, Neil Inigo)
26	
27	E. Acknowledgements and Welcome Address
28	a. GM Val Hilario presented and recognized the members of the Board of Directors present in the General Assembly.
29	b. Past Chairman and General Manager Val Hilario read his message which was published as part of the 2017 Annual Report, mentioning that the 4 th Annual General Assembly is aptly themed “Limitless” given the limitless possibilities for HPPECC based on its performance the past 4 years. He also recognized the 20 founding members who started HPPECC.
30	c. GM Val Hilario read the message of Philippine Vice President Leni Robredo who emphasized the key role cooperatives play in nation building as well as wished HPPECC a fruitful assembly.
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32	
33	
34	
35	
36	F. Raffle for Early Birds
37	Syma Drone #1 – Winner: Ryan Pelayo

5TH ANNUAL GENERAL ASSEMBLY

38	PART III GA PROPER
39	
40	A. Call to Order
41	Chairman of the Board Mike Nicolas, acting as the assembly's presiding officer, called the meeting to
42	order at 4:29PM. In the absence of the Secretary, the Chair appointed Dir. Eugene Teves as the Acting
43	Secretary of the proceedings.
44	
45	B. Proof of Notice of General Assembly and Determination of Quorum
46	The Chairman inquired from the Acting Secretary, if the members of HPPECC were duly notified on
47	the holding of the 4 th Annual General Assembly. Dir. Eugene Teves confirmed that due notice was sent
48	to all members one (1) month before the General Assembly and thus requirement has been
49	complied. He further certified that based on record, 27.39% of members entitled to vote are present
50	as of 4:00PM, which is above the 25% required by the Bylaws. As such, the Secretary confirmed that
51	a quorum was present. With that, the Chair formally opened the Assembly meeting at 4:29PM.
52	
53	C. Conduct of the Proceedings
54	To ensure an orderly general assembly, the Chairman reminded anyone who wishes to speak to ask to
55	be recognized before making any statement. The Chair also mentioned that anyone can make a
56	motion but it has to be seconded before it is considered for discussion by the general assembly.
57	
58	D. Review and Approval of the Agenda
59	The Chairman presented the order of the Agenda. Member Aaron Ace Torres Aznar (Coop ID 01146)
60	moved to approve the agenda as presented which was seconded by Member Jun Mariano (Coop ID
61	00818).
62	
63	There were no objections, the Agenda of the 2018 Annual General Assembly was approved. The Chair
64	asked that this be recorded as follows:
65	
66	GA Resolution No. 2018-01
67	
68	BE IT RESOLVED, AS IT IS HEREBY RESOLVED , that the Agenda of the 4 th Annual General Assembly
69	Meeting of the HPP Employees Credit Cooperative as presented,
70	
71	BE, AS IT IS HEREBY, APPROVED.
72	
73	E. Reading and Approval of the Minutes of the 3rd Annual General Assembly held on March 14, 2017
74	at 11F Intellectual Property Center, McKinley Hill, Taguig City
75	GM Val Hilario mentioned that to save time, copies of the minutes were distributed in advance for
76	everyone to review ahead of time instead of having the Secretary read the minutes during the
77	meeting proper. The floor was then opened for any comments on the minutes.
	There being no comments, Member Bunny Junsay (Coop ID 00085) moved for the approval of the
	Minutes of the 3 rd Annual General Assembly which was seconded by Member Joseph Balana (Coop ID
	00545).
	There being no objections, the Chair asked that this be recorded as follows:

GA Resolution No. 2018-02

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Minutes of the 3rd Annual General Assembly Meeting of the HPP Employees Credit Cooperative, held on March 14, 2017 at 11F Intellectual Property Center, McKinley Hill, Taguig City, as presented,

BE, AS IT IS HEREBY, APPROVED.

F. Review and Confirmation of Board Resolutions for 2017-2018

Dir. Eugene Teves presented and read the Board Resolutions for 2017-2018, as follows:

Date	BR No.	Description
01/11/2017	2017-01	Resolved to adjust salary of Janet Abrigo.
01/27/2017	2017-02	NOW, THEREFORE, BE IT RESOLVED, that this cooperative declares the following distribution of the net surplus for Fiscal Year 2016: <ul style="list-style-type: none"> A. 50% for General Reserve Fund B. 10% for Education and Training Fund C. 3% for Optional Fund D. 3% for Community Development Fund E. 34% for Surplus Available for Distribution and is further allocated as follows: <ul style="list-style-type: none"> a. 80% for Interest on Share Capital b. 20% for Patronage Refund
01/27/2017	2017-03	RESOLVED, that the HPPECC will provide allowance for probable losses for past due Loans Receivables as of December 31, 2016, as follows: P21,154.71
01/27/2017	2017-04	RESOLVED, that a separate Savings Account with Bank of the Philippine Islands, McKinley Hill Branch, be opened exclusive for the Reserve Fund; RESOLVED FURTHER, that the amount of P1,133,740.63 representing the total Reserve Fund of the cooperative as of December 31, 2016, be deposited to the said bank account;
01/27/2017	2017-05	RESOLVED, that the Secretary of this cooperative be authorized and directed to sign the 2016 Audited Financial Statements in lieu the General Manager;
04/27/2017	2017-06	NOW THEREFORE BE IT RESOLVED AS IT IS HEREBY RESOLVED, that the following were elected to their respective positions and will serve for a period of two (2) years or until such time that their replacements have been named:

5TH ANNUAL GENERAL ASSEMBLY

118				Val Hilario – elected as Chairman
119				Mike Nicolas – elected as Vice Chairman
120				
121				RESOLVED FURTHER, that the following be appointed to their
122				respective positions for a period of one (1) year or until such time
123				that their replacements have been named:
124				
125				Sherry Rodulfo – appointed as Cooperative Secretary
126				Rick Ocampo – appointed as Cooperative Treasurer
127				
128	08/31/2017	2017-07		NOW THEREFORE BE IT RESOLVED AS IT IS HEREBY RESOLVED, that
129				the current CEFT Fund of the Cooperative amounting to
130				P94,166.31 be split into three (3), as follows:
131				<ul style="list-style-type: none"> • 1/3 to be remitted to NATCCO (National Confederation of Cooperatives)
132				<ul style="list-style-type: none"> • 1/3 to be remitted to COUNTPA (Cooperative Union of Taguig and Pateros)
133				<ul style="list-style-type: none"> • 1/3 to be remitted to a third federation that HPPECC will join
134				
135				
136				
137	10/04/2017	2017-08		Therefore be it RESOLVED, that effective 04 October 2017, Prima
138				Mae Espadon is appointed to the HPPECC Board and will serve
139				for the unexpired term of Val Hilario which is until 31 March 2019
140				or until a successor is elected by the General Assembly;
141				
142				RESOLVED FURTHER, that Directors Mike Nicolas and Johann Molo
143				be elected Chairman and Vice Chairman, respectively, and will
144				serve until 31 March 2018 or until their successors are elected by
145				the Board of Directors;
146	10/04/2017	2017-09		RESOLVED, that members who resigned will be allowed to join 1
147				year from date of resignation from the Cooperative;
148				
149				RESOLVED FURTHER, that a member can only rejoin once. A
150				member who has twice resigned from the Cooperative will not
151				be allowed to rejoin;
152	10/04/2017	2017-10		RESOLVED, that Damayan Claims be charged as Expense
153				instead of collecting P20 per member to fund the Cooperative's
154				Damayan Fund.
155	11/29/2017	2017-11		RESOLVED, that the Cooperative be authorized to purchase a
156				real property described as follows:
157				Project : Avida Serin West Tagaytay

5TH ANNUAL GENERAL ASSEMBLY

158			Address: Barangay Silang Crossing East, Tagaytay City
159			Unit: 2-708
160			Area: 41.02 sqm
161			RESOLVED, FURTHER, that the Cooperative authorizes, Jose Val D
162			Hilario, General Manager of the Cooperative to negotiate with
163			the Avida Land Corp., execute, sign any and deliver on behalf of
164			the Cooperative all contracts, deeds, and other documents
165			necessary to effect the sale/purchase and to claim, collect, or
166			demand the original copy of the title.
167	11/29/2017	2017-12	RESOLVED, that the Cooperative be authorized to purchase a
168			real property described as follows:
169			Project : Avida Serin East Tagaytay
170			Address: Barangay Silang Crossing East, Tagaytay City
171			Unit: 2-1202
172			Area: 25.40 sqm
173			RESOLVED, FURTHER, that the Cooperative authorizes, Jose Val D
174			Hilario, General Manager of the Cooperative to negotiate with
175			the Avida Land Corp., execute, sign any and deliver on behalf of
176			the Cooperative all contracts, deeds, and other documents
177			necessary to effect the sale/purchase and to claim, collect, or
178			demand the original copy of the title.
179			
180	11/19/2017	2017-25	NOW THEREFORE, RESOLVED AS T IS HEREBY RESOLVED, to apply
181			for membership With the COUNTPA and to abide by its bylaws,
182			policies, decision of the General Assembly and participate
183			actively in the program, project, services, pay its membership
184			fees, annual dues, and Cooperative Education and Training
185			Fund (CETF) contribution and assessments as may be required for
186			the benefit and/or welfare of the members.
187	01/18/2018	2018-01	Therefore be it RESOLVED, that a General Manager will be hired
188			to oversee the overall day-to-day business operations of the
189			cooperative and provide general direction, supervision,
190			management and administrative control over of the
191			cooperative;
192			RESOLVED FURTHER, that Jose Val D. Hilario will be hired as
193			General Manager of HPPECC;
194	01/18/2018	2018-02	Resolved to adjust salary of Janet Abrigo.
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197			

5TH ANNUAL GENERAL ASSEMBLY

198		02/08/2018	2018-03	NOW, THEREFORE, BE IT RESOLVED, that this cooperative declares the following distribution of the net surplus for Fiscal Year 2017:
199				
200				A. 50% for General Reserve Fund
201				B. 10% for Education and Training Fund
202				C. 3% for Optional Fund
203				D. 3% for Community Development Fund
204				E. 34% for Surplus Available for Distribution and is further allocated as follows:
205				a. 85% for Interest on Share Capital
206				b. 15% for Patronage Refund
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208		02/08/2018	2018-04	RESOLVED, that the Secretary of this cooperative be authorized and directed to sign the 2017 Audited Financial Statements in lieu the General Manager;
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211				
212				<ul style="list-style-type: none"> Member Juan Corpuz (Coop ID 01203) raised a question on why the patronage refund allocation is a lot smaller than the dividend allocation (i.e. patronage refund allocation of only 15% vs dividend allocation of 85%). He further continued that since we would like to encourage members to borrow from the cooperative, that the patronage refund should be prioritized over dividends. GM Val Hilario replied that the Board determines the dividend and patronage refund rate based on the performance of the cooperative, which should also be within CDA regulations. For example, CDA regulation states that patronage refund rate should not be more than twice the rate of dividend. For 2017, the 85%-15% allocation of dividend and patronage refund actually already translated to a higher rate for patronage refund (i.e. 3.73% rate for patronage refund vs 3.04% rate for dividend).
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222				<ul style="list-style-type: none"> Member Freddie Lou Ann Matutes Gonzales (Coop ID 00713) raised a question on when the purchased condo unit in Tagaytay be available to members. GM Val Hilario answered that upon turnover of the developer and after some minor renovations/furnishings just to make it comfortable for members to stay. The delay encountered was due to some paperwork required by Ayala (developer). Dir. Eugene Teves added that the Cooperative bought 2 condominium units. One is RFO (Ready for Occupancy) while the other is purchased at Pre-selling and is aimed as an investment which the cooperative can sell at a profit later on.
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229				<ul style="list-style-type: none"> Member Emily Banzil Abad (Coop ID 00563) asked if there is a fee/cost if a member will use the condo. Chairman Mike Nicolas answered that yes there is a minimal payment for usage of the condo unit which will be used for its maintenance and upkeep. GM Val Hilario added that housekeeping costs, association dues, utilities, etc. need to be paid by the member staying. Otherwise, any cost associated with its use and upkeep will unfairly be spread among all the members.
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235				After which, Member Margrethe Decena (Coop ID 00179) moved to approve the Board Resolutions for 2017-2018, as presented. Member Mikey Rivera (Coop ID 00059) seconded the motion. There being no objections, the Chair asked that this be recorded as follows:
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237				

GA Resolution No. 2018-03

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the 2017-2018 Board Resolutions, as presented,
BE, AS IT IS HEREBY, APPROVED.

G. Minor Raffle Set 1

Oontz Bluetooth Speaker #1	Pagaddat, Hosea L.
Oontz Bluetooth Speaker #2	Latosa, Lesliean U.
Oontz Bluetooth Speaker #3	Tamayo, Liezel
Syma Drone #2	Fantone, Rey John A.
Syma Drone #3	Ereno, Richard Paul P.
SJ4000 Action Camera #1	Padua, Daniel A.
SJ4000 Action Camera #2	Rodriguez, Rovelyn C.
Huawei Fitness Watch #1	Gaspar, Joel A.
Huawei Fitness Watch #2	Dimarucut, Winnie C.
Huawei Fitness Watch #3	Mangubat, Andre Milo S.
HP Sprocket #1	Balana, Joseph P.
HP Sprocket #2	Cabarle, Johanna A.

H. Chairman's Report

GM Val Hilario presented the financial highlights, as follows:

PARTICULARS	2017	2016	2015	2014
Gross Revenue	3,395,751.17	2,413,385.72	538,827.59	4,400.00
Total Assets	41,683,707.63	20,678,355.49	6,477,227.56	146,550.00
Net Surplus	2,094,419.77	1,883,326.19	343,530.32	(32,206.27)
Cash and Cash Equivalents	7,499,755.23	1,520,322.02	768,741.20	94,050.00
Investment Reserve Fund	8,706,660.10	7,716,328.57	N/A	N/A
Loan Receivables	15,939,920.59	11,297,708.89	5,650,944.71	52,500.00
Share Capital	26,050,987.18	9,000,000.00	5,206,000.00	101,200.00
Loan Releases	25,906,230.82	18,278,213.62	7,979,254.54	52,500.00
Total Loans Granted	1551 Loans	919 Loans	269 Loans	1 Loan
Membership	1024 Members	916 Members	493 Members	36 Members

GM Val Hilario presented the following 2017 Milestones/Projects:

- Released 1,500+ loans amounting to more than P25M
- Damayan Fund Claims Released
- Damayan Fund Claims improvement
- Damayan Fund Claims
- HPPECC moved to Nakpil Room, 3F HPPECC opened ETON
- 3rd Anniversary Celebration
- Acquired 2 condominium units at Avida Serin Tagaytay
- Membership to the Cooperative Union of Taguig and Pateros (COUNTPA)
- Tools for School Program
- HPPECC Wins Gawad Parangal "Moving-Up" Award
- Christmas Gift Gift Checks to all Regular and Associate Members

5TH ANNUAL GENERAL ASSEMBLY

- eKoopbanker Software
- Application filed with CDA to amend HPPECC bylaws:
 - Increase Capitalization to P50M
 - Conversion to Multipurpose Cooperative

GM Val Hilario reviewed the 3-Year Strategic Plan created in 2016. He mentioned that although a lot were met, there were some where we could have done better and will therefore be given more focus in 2018. Most notable among the goals that were missed was the increase in membership. Target was 2000 by end of 2017 but due to company reorganizations, net membership increase in 2017 was minimal (i.e. ~100 members).

GOAL	DESCRIPTION
A	Increase Membership to 2,000 by the end of 2017.
B	Maximize return on investment and increase benefits to members.
C	Accelerate the growth of the coop by expanding its business beyond credit facilities.
D	Partner with various coop organizations to speed up HPPECC maturity.
E	Promote good governance and efficient use of cooperative resources.
F	Contribute to the community where we operate.

GM Val Hilario presented the 2018 Plans, as follows:

- CDA approval of the Proposed Amendments to our Articles and Bylaws
- Conversion to Multipurpose Cooperative
- Change of address to 3F Two World Square
- Increase in Authorized Capitalization to P50M
- Inclusion of DXC and other companies resulting from mergers/acquisitions/divestitures
- Large Cooperative visits
- 4th Anniversary Celebration
- Partnerships with Company initiatives
- Double membership base
- Registration/Compliance with National Privacy Commission
- Start condominium rental business
- Start retail business
- Start member engagement programs
- Review/Update of policies and processes
- Promote Member Education – e.g. financial, entrepreneurial, technical, etc.
- Continue website development

GM Val Hilario presented the 2018 Budget, as follows:

REVENUES	BUDGET
Interest Income from Loans	4,000,000.00
Service Fees	480,000.00
Rental Income	
TOTAL REVENUES	4,480,000.00

5TH ANNUAL GENERAL ASSEMBLY

EXPENSES	BUDGET
Members Benefit Expenses	200,000.00
Salaries, Wages, Allowances and Benefits	650,000.00
General Assembly Meeting	300,000.00
Provision for Probable Losses on Loans	100,000.00
Trainings and Seminars	20,000.00
Transportation	18,000.00
Depreciation*	40,000.00
Communication Expense	24,000.00
Office supplies	24,000.00
Permits and Licenses	20,000.00
Professional Fees	30,000.00
Meetings	36,000.00
SSS, Philhealth, Pag-Ibig Contribution	62,400.00
Insurance	5,000.00
Representation	6,000.00
TOTAL OPERATING EXPENSES	1,335,400.00
NET SURPLUS ON OPERATION	3,144,600.00

I. Committee Reports

GM Val Hilario presented committee reports noting the following:

The Credit Committee saw a growth of 42% vs prior year's numbers in terms of total loans granted. A total of 1,551 loans amounting to P25,906,230.82 were released to members. This was mainly due to the convenience in transacting with HPPECC vs traditional financial institutions as well as the desire of our members to grow our cooperative

Member Esraelita De Paderes (Coop ID 00742) raised a concern regarding Birthday Loan. She has experience difficulty in applying for a Birthday Loan due to the Co-Maker requirement. Dir. Eugene Teves answered that this will be reviewed by the Credit Committee and that we need to strike a balance between granting the privilege and securing the members' equity investment.

The Membership Committee conducted several PMES (Pre-Membership Education Seminars) mostly during New Employee Orientations which resulted to an additional 335 new members for 2017. But given the various company reorganizations, we were only able to attain a modest net increase in membership of around 100 members. The objective in 2018 is to double membership to 2000 through various marketing and recruitment programs.

The Election Committee report was presented by Mr. Julius Abarro. He discussed the accomplishments of the Election Committee particularly during the 2017 Election as well as the conduct of the 2018 HPPECC Election.

J. Intermission number by Dir. Jody Salas and a 15-Minute Break

K. Minor Raffle Set 2

Oontz Bluetooth Speaker #4	Nulud, Roji L.
Oontz Bluetooth Speaker #5	Pastor, Emmanuel John T.
Oontz Bluetooth Speaker #6	Salla, Maria Josefa L.
Syma Drone #4	Zipagan, Michael T.
Syma Drone #5	De Leon, Gladys
SJ4000 Action Camera #3	Villanueva II, Felix George G.
SJ4000 Action Camera #4	Drio Jr. Christopher C.
Huawei Fitness Watch #4	Jiongco, Jonathan A.
Huawei Fitness Watch #5	Santos, Jhunabelle P.
Huawei Fitness Watch #6	Mancilla, Myra P.
HP Sprocket #3	Molo, Johan Hunter B.
HP Sprocket #4	Garcia, Eva M.

L. 2017 Audited Financial Statement

GM Val Hilario presented the 2017 Audited Financial Statements, highlights of which are as follows:

HPP EMPLOYEES CREDIT COOPERATIVE

STATEMENT OF FINANCIAL CONDITION

(Amounts in Philippine Pesos)

		December 31,	
ASSETS	Note	2017	2016
Current Assets			
Cash	7	7,499,755.23	1,520,322.02
Loans and Other Receivables-net	6,8	15,939,920.59	11,297,708.89
Merchandise Inventory		39,480.00	-
Total Current Assets		23,479,155.82	12,818,030.91
Non-Current Assets			
Financial Asset at Cost	6,9	100,333.33	100,000.00
Furnitures, Fixtures and Office Equipment	10	31,128.37	-
Investment Property	11	9,366,430.01	-
Other Non-Current Assets	6,12	8,706,660.10	7,760,324.58
Total Non-Current Assets		18,204,551.81	7,860,324.58
TOTAL ASSETS		41,683,707.63	20,678,355.49

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities			
Deposit Liabilities	6,13	2,558,269.61	2,062,500.21
Accrued Expense and Other Payable	6,14	6,378.82	87,834.88
Other Current Liabilities	6,15	169,216.19	105,600.92
Interest on Share Capital Payable	21	498,471.91	512,264.72
Patronage Refund Payable	21	213,630.82	128,066.18
Total Current Liabilities		3,445,967.34	2,896,266.91
Non-Current Liabilities			
Finance Lease Payable	16	9,326,430.01	-
Other Non-Current Liabilities	6,17	308,955.97	178,027.48
Total Non-Current Liabilities		9,635,385.98	178,027.48
TOTAL LIABILITIES		13,081,353.32	3,074,294.39
Members' Equity			
Members' Capital-Common	6,18	9,000,000.00	9,000,000.00
Members' Capital-Preferred	6,19	997,000.00	997,000.00
Deposits for Share Capital Subscription	6,20	16,053,987.18	6,266,426.04
Total Members' Equity		26,050,987.18	16,263,426.04
Statutory Fund	6,18,21	2,551,367.13	1,340,635.07
TOTAL MEMBERS' EQUITY		28,602,354.31	17,604,061.11
TOTAL LIABILITIES AND MEMBERS' EQUITY		41,683,707.63	20,678,355.49

See Accompanying Notes to Financial Statements

Thereupon, Member Kris Irvin S. Delos Santos (Coop ID 00953) moved to approve the Chairman's Report, Committee Reports, and the 2017 Audited Financial Statements, as presented. The motion was seconded by Margrethe Decena (Coop ID 00179).

There being no objections, the Chair asked that this be recorded as follows:

GA Resolution No. 2018-04

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the 2018 Chairman's Report, 2018 Committee Reports, and 2017 Audited Financial Statements as presented,

BE, AS IT IS HEREBY, APPROVED.

M. Minor Raffle Set 3

Oontz Bluetooth Speaker #6	Salla, Maria Josefa L.
Oontz Bluetooth Speaker #7	Mariano, Ar-Jay Angelo B.
Oontz Bluetooth Speaker #8	Sinson, Elenita T.
Oontz Bluetooth Speaker #9	Legarda, Mary Ann
Oontz Bluetooth Speaker #10	Mariano, Jun Leo D.
Huawei Tablet #1	Camacho, France Marion
Huawei Tablet #2	Medina, Kim Bryan Lambert
Huawei Tablet #3	De Leon, Maximilian M
SJ4000 Action Camera #5	De Claro, Kristine Lorraine
Huawei Fitness Watch #7	Quevedo, Eric Jerico G.
Huawei Fitness Watch #8	Pagaddat, Hosea L.
Huawei Fitness Watch #9	Salas, Jody C.
Huawei Fitness Watch #10	Eclipse, Pedro H.
HP Sprocket #5	Gepty, Henry F.
HP Sprocket #6	Mariano, Ar-Jay Angelo B.

N. Results of the 2018 HPPECC Election

Mr. Julius Abarro of the Election Committee presented the results of the 2018 HPPECC Election. He mentioned that the election was done electronically via the HPPECC website and that there were a total of 436 votes casted translating to a turnout of 52.78% of the total members entitled to vote. He noted that the turnout was above the minimum of 25% required by the bylaws.

Results were as follows:

Board of Directors (3 seats)

Candidate Name	Member ID	Number of Votes	Term
Mike Nicolas	00009	353	2 years
Maximilian M De Leon	00057	252	2 years
Myra Mancilla	00077	211	2 years
Aleth De Las Armas	01256	134	

Audit Committee (3 seats)

Candidate Name	Member ID	Number of Votes	Term
Blessie G. Simeon	00046	347	1 year
Denise Sison	00733	273	1 year
Reinee Ty	00966	249	1 year

Election Committee

Candidate Name	Member ID	Number of Votes	Term
Nicolo Baligod	00045	306	1 year
Neil Inigo	00296	239	1 year
Elizabeth Dela Cruz	00653	277	1 year
Eugenio Frias	01099	119	

After the announcement of the winners, Mr. Julius Abarro administered the Oath of Office to the newly elected officers.

O. New Business / Open Forum

The floor was opened for anything the members wishes to discuss.

- a. Member Rodella M Gayoso (Coop ID 01008) asked “Are there other investment options the Cooperative is looking at?”. Dir. Eugene Teves answered that for now, we invested on 2 condominium units but the Board is looking at other investment opportunities.
- b. Member Rodella M Gayoso (Coop ID 01008) asked “Is the cooperative part of the Financial Wellness program?”. GM Val Hilario answered that we are not since the cooperative is separate and distinct from DXC. The cooperative is a separate legal entity but we do partnership projects with Financial Wellness.
- c. Member Simon F Doroja Jr (Coop ID 00104) asked “Can the co-maker requirement be relaxed/loosen up for some loans?”. Dir Eugene Teves answered that the Credit Committee will review this comment taking into consideration that we need to ensure the risks involved for such actions.
- d. Member Pedro H. Erispe (Coop ID 00987) asked “Is there an offsite/outing for members?”. GM Val Hilario answered that due to the cost involved, there is no plan for such event right now but this can be taken up by the Membership Committee for any alternatives.
- e. Member Esraelita De Paderes (Coop ID 00742) asked “Can the requirements for co-maker be interchanged for Petty Cash Loan and Birthday Loan?”. Dir. Eugene Teves answered that the suggestion is noted and will be reviewed by the Credit Committee.
- f. Member Neil Inigo (Coop ID 00296) asked “Can there be a loan to be provided to address the impact of TRAIN Law?”. GM Hilario answered that this will be difficult to implement as impact of TRAIN Law is different for each member. However, we have existing types of loans that can be used to address the impact of TRAIN Law.

5TH ANNUAL GENERAL ASSEMBLY

478	g. Member Esraelita De Paredes (Coop ID 00742) asked “Can Damayan Fund not be shouldered by
479	the Cooperative but bring back to previous setup which is paid by the members separately?” A
480	motion to vote on the proposal was raised and seconded by the Assembly, as follows:
481	Vote – Damayan Fund of P10,000.00 be charged from the Raffle Fund collected every month
482	from the members.
483	Not in Favor: 3
484	In Favor: Overwhelming Majority
485	GM Val Hilario gave those dissenting members a chance to explain their vote.
486	After the explanations, Member Led Mangubat (Coop ID 00005) moved to recount the votes. This
487	was seconded by Member Rodella M Gayoso (Coop ID 01008) without any objections.
488	Recount – Damayan Fund of P10,000.00 be charged from the Raffle Fund collected every month
489	from the members.
490	Not in Favor: 62
491	In Favor: 60
492	After the recount, the Chair announced a status quo with how Damayan Fund will be handled and
493	that it be recorded as follows:
494	GA Resolution 2018-05
495	
496	BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that a stay in the treatment of the P10,000.00
497	Damayan Fund,
498	
499	BE, AS IT IS HEREBY, APPROVED.
500	h. GM Hilario proposed to change primary email communication from work email to personal emails.
501	He mentioned that this is to avoid any conflict of interest with the company, avoid HPPECC emails
502	going to junk, and to be able to communicate to members who left the company. Member Simon F
503	Doroja Jr (Coop ID 00104) moved to approve the proposal. It was seconded by Member Elizabeth
504	Apostol Dela Cruz (Coop ID 00653).
505	There being no objections, the Chair asked that this be recorded as follows:
506	
507	GA Resolution 2018-06
508	BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the use of personal email as opposed to
509	company email in HPPECC communications as proposed,
510	
511	BE, AS IT IS HEREBY, APPROVED.
512	i. GM Val Hilario proposed a retail business to the general assembly, specifically groceries.
513	Considering the 1,000 members that HPPECC has, if only each member will commit to buying
514	P1,000.00 worth of groceries from HPPECC per month, that will be a big income for the
515	cooperative.
516	Member Freddie Lou Ann Matutes Gonzales (Coop ID 00713) shared that she is ok with the idea
517	as long as this will result to lower price of the grocery items.

5TH ANNUAL GENERAL ASSEMBLY

518		
519		Member Led Mangubat (Coop ID 00005) moved to approve that the Board can look further into
520		the business idea. This was seconded by Member Roji L Nulud (Coop ID 00018) with no objections.
521	j.	Chairman Mike Nicolas brought the concern on P.O. from DXC. That this is a good way for the
522		cooperative to earn however, there should be a proper process to protect the cooperative and to
523		streamline the procedure.
524	k.	Chairman Mike Nicolas asked those who are leaving the company and staying as Associates to link
525		HPPECC up to their new company for HPPECC's possible expansion outside of DEXC/HPE/HPI.
526	l.	Member Jun Leo Dimaguila Mariano (Coop ID 00818) asked to study the possibility of expanding
527		to family members. This was noted by the Board and will be discussed during the planning session.
528		
529	m.	Member Freddie Lou Ann Matutes (Coop ID 00713) suggested to allow family members to have a
530		savings deposit with the cooperative. The suggestion was noted and will be discussed by the
531		Board.
532	n.	Member Majo Lumen Salla (Coop ID 00707) inquired about the need for manager signature for
533		loans. Dir. Eugene Teves replied that it is to somehow protect the cooperative and is more of an
534		"fyi only" to the manager.
535	P. Major Raffle	
536	HP Printer #1	Alviar, Michael Alison
537	HP Printer #1	Avenilla, Jun Jun
538	Sony 32" Internet TV #1	Ismael Lex Bernie E.
539	Sony 32" Internet TV #2	Concepcion Jr, Fernando
540	Sony 40" Internet TV #1	Vuorisalo, Karoline Ann
541	HP Laptop #1	Solomon, Krhistine Anne M.
542	HP Laptop #2	Tolentino, Renaliza P.
543	Apple Watch #1	Martirez, Ma. Criselda A.
544	Trip to Boracay for 2 #1	Paderes Jr. Leonardo
545	Q. Adjournment	
		There being no other matters to discuss, Chairman Mike Nicolas adjourned the 4 th Annual General
		Assembly of the HPP Employees Credit Cooperative at 9:03pm.

Confirmation of Board Resolutions for 2018

BOARD RESOLUTIONS

Date	BR No.	Description
01/18/2018	2018-01	Therefore be it RESOLVED, that a General Manager will be hired to oversee the overall day-to-day business operations of the cooperative and provide general direction, supervision, management and administrative control over of the cooperative; RESOLVED FURTHER, that Jose Val D. Hilario will be hired as General Manager of HPPECC;
01/18/2018	2018-02	Resolved to adjust salary of Janet Abrigo.
02/08/2018	2018-03	NOW, THEREFORE, BE IT RESOLVED, that this cooperative declares the following distribution of the net surplus for Fiscal Year 2017: F. 50% for General Reserve Fund G. 10% for Education and Training Fund H. 3% for Optional Fund I. 3% for Community Development Fund J. 34% for Surplus Available for Distribution and is further allocated as follows: a. 85% for Interest on Share Capital b. 15% for Patronage Refund
02/08/2018	2018-04	RESOLVED, that the Secretary of this cooperative be authorized and directed to sign the 2017 Audited Financial Statements in lieu the General Manager;
03/22/2018	2018-05	RESOLVED, that the Board is approving to hire Ms. Mellicent Montoya as External Auditor to conduct financial audit of HPPECC for 2018 in compliance with CDA regulations;
04/05/2018	2018-07	NOW THEREFORE BE IT RESOLVED AS IT IS HEREBY RESOLVED, that Evangelista M Nicolas be, as he is hereby, appointed as the DPO of the Cooperative and to perform such functions as mandated by law;
06/14/2018	2018-08	NOW THEREFORE BE IT RESOLVED AS IT IS HEREBY RESOLVED, that the Birthday Loan Policy be updated with the following requirements: P10,000 BL – 3 months tenure, 6-month term, 1 co-maker P5,000 BL – 6 months tenure, 3-month term, 0 co-maker P10,000 BL – 9 months tenure, 6-month term, 0 co-maker P15,000 BL – 12 months tenure, 12-month term, 0 co-maker P20,000 BL – 24 months tenure, 12-month term, 0 co-maker

06/14/2018	2018-09	Approval of Online Petty Cash application.
06/14/2018	2018-10	<p>ALLOCATION OF EDUCATION AND TRAINING FUND</p> <p>NOW, THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED, that the current CETF of HPPECC be divided three (3) and remitted as follows:</p> <ul style="list-style-type: none"> a. 1/3 or Fifty Six Thousand Four Hundred Five and 40/100 Pesos (P56,405.40) to be remitted to the National Confederation of Cooperatives (NATCCO) b. 1/3 or Fifty Six Thousand Four Hundred Five and 40/100 Pesos (P56,405.40) to be remitted to the Cooperative Union of Taguig and Pateros (COUNTPA) c. 1/3 or Fifty Six Thousand Four Hundred Five and 40/100 Pesos (P56,405.40) to be remitted to a third federation that HPPECC will join
10/22/2018	2018-11	<p>ORGANIZATIONAL CHANGES</p> <p>Therefore be it RESOLVED, that effective 01 October 2018, Kathryn Salangsang-Garcia is appointed to the HPPECC Board and will serve for the unexpired term of Eugene Teves which is until 31 March 2019 or until a successor is elected by the General Assembly;</p> <p>RESOLVED FURTHER, that Directors Johann Molo and PM Espadon be elected Chairperson and Vice Chairperson, respectively, and will serve until 31 March 2019 or until their successors are elected by the Board of Directors;</p>
11/29/2018	2018-12	<p>CHRISTMAS CASH GIFTS</p> <p>NOW, THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED, that Christmas Cash Gifts be given to all members, both Regular and Associate, as members' benefit;</p> <p>RESOLVED FURTHER, that each member will receive Two Hundred Pesos (P200.00) per year of membership for which tenure will be computed from date of official membership with HPPECC up to 31 December 2018 (rounded to the nearest whole number);</p>

Chairman's Report

FINANCIAL HIGHLIGHTS

Below is the financial condition and result of operations of HPP Employees Credit Cooperative for the year 2018.

PARTICULARS	2018	2017	2016
Gross Revenue	3,903,093.31	3,152,925.41	2,413,385.72
Total Assets	48,559,569.00	41,683,707.63	20,678,355.49
Net Surplus	2,732,581.21	2,094,419.77	1,883,326.19
Cash and Cash Equivalents	5,969,356.43	7,499,755.23	1,520,322.02
Investment Reserve Fund	12,004,755.56	8,706,660.10	7,716,328.57
Loan Receivables	20,579,778.13	15,939,920.59	11,297,708.89
Share Capital	37,120,397.25	26,050,987.18	16,263,426.04
Loan Releases	31,298,392.73	25,906,230.82	18,278,213.62
Total Loans Granted	1967 Loans	1551 Loans	919 Loans
Membership	1077 members	1024 members	916 members

PROFITABILITY

The net surplus for the year 2018 amounted to P2,732,581.21 from Gross Revenue of 3,903,093.31. A 30% increase vs prior year.

LIQUIDITY

Our total cash at the end of 2017 was P17,974,111.99 including the Investment Reserve Fund of P12,004,755.56.

STABILITY

Members' Share Capital jumped to P37,120,397.25 mainly due to members increasing their investments in our Cooperative.

GROWTH

Total Assets grew to P48,559,569.00, a 16% jump vs prior year mainly due to increase in member's equity. Total members at the end of 2018 was at 1077 from 1024 the previous, a modest 5% increase due to the recent Company reorganizations.

2018 MILESTONES/PROJECTS

Following are some of the accomplishments in 2018.

- **Granted close to 2,000 loans amounting to more than P30M** – this has helped hundreds of our members in their financial need.
- **Damayan Benefit Claims** – we were able to provide burial assistance to 15 members who lost a dependent.
- **HPPECC Vacation Home** – we were able to launch our Tagaytay condo where members can relax with their family at a specially discounted rate.
- **Online Membership Application** – to improve recruitment, we converted the paper-based Membership Application Form to online, making it easier for new members to fill-up.
- **Launch of HPP Mobile App** – enables members to view balances of their investments and loans with the cooperative 24x7. More features are being added to the app so watch out!
- **Special Recognition Award** – HPPECC was recognized by the Cooperative Development Authority - Manila Extension Office (CDA-MEO) during the Gawad Parangal Awards held at the Winford Hotel in Manila on Sep 20, 2018. The CDA-MEO has cited HPPECC saying that its "best practices and good governance are worth emulating".
- **Taguig Coop Spirit Award** – HPPECC won and was recognized by the City of Taguig through the Cooperative Development Office for our "Significant Increase in Networth".
- **Christmas Gift** - as a benefit to members, our cooperative was able to give Cash Gifts amounting to P200/year of membership to all Members in Good Standing. And in response to members' feedback to streamline distribution, the Cash Gifts were automatically deposited to each qualified members Coop Savings Account.
- **Online Petty Cash Loan** – to improve services to members, Petty Cash Loan was made available online to make it easier for members to avail. The turnaround time of 3-5 days was also significantly reduced to just 24 hours.
- **Birthday Loan Improvement** – in response to members' feedback during the last General Assembly, the co-maker requirement for Birthday Loan has been removed. The maximum loanable amount was also increased to up to P20,000.00 depending on tenure.
- **Maxicare EReady** – we partnered with Maxicare to allow us to extend this pre-paid health card to our members for emergency cases.

- **Tools for School Program** - we joined the Grand Summer Bazaar For A Cause that was organized by the P&G Account Employee Engagement Team and we were able to generate a total of P8,200.00 for donation to DXC Inspire's Tools For School Program.
- **LEARN Program** – we have launched this program where members can "LEARN to EARN". The idea is to run small business-related or livelihood seminars/workshops that will equip members and/or their families with the skills necessary to start their own business and earn extra income. The first run, "Starting and Managing Your Own Business" and "Franchising for Filipino Entrepreneurs", had been successful. 2 or 3 sessions are planned per year.
- **HPP Café** – we were able to launch our catering business which has been well received and is regularly being patronized by our members.
- **Member Ads** – we have launched a special website where members can post Ads and market their own products and services to other members. The idea is in line with our objective to help members gain financial freedom by providing them with every possible earning opportunity.

3-YEAR STRATEGIC PLAN (2019-2021)

Our 3-Year Strategic Plan was put together by the Board to accelerate the growth of the cooperative.

Goal	Description
A	Increase Membership to 3,000 by the end of 2021.
B	Accelerate the growth of the cooperative by expanding its business beyond credit facilities, maximizing return on investment and increase benefits to members.
C	Partner with various organizations accelerate HPPECC growth.
D	Establish audit and compliance systems and processes.
E	Contribute to the community where we operate.

2019 HIGH-LEVEL PLANS

- CDA approval of the Proposed Amendments to our Articles and Bylaws
 - Conversion to Multipurpose Cooperative
 - Change of address to 11F Intellectual Property Center
 - Increase in Authorized Capitalization to P100M
 - 2-year term for Audit and Election Committees
 - Creation of Honorary Member Category for dependents
 - Inclusion of other IT-BPO companies
- Large Cooperative visits
- Continue Partnerships with Company initiatives
- Double membership base
- Registration/Compliance with National Privacy Commission
- Start retail business
- Establish HPPECC IT Group
- Introduce more Member Benefits
- Continue website/mobile app development

2018 Audited Financial Statements

INDEPENDENT AUDITORS' REPORT

The General Assembly

Thru: The Board of Directors

HPP Employees Credit Cooperative

2F Three World Square Upper McKinley Rd, McKinley Hill, Fort Bonifacio

Taguig City, Taguig, Metro Manila

Opinion

I have audited the financial statements of HPP Employees Credit Cooperative which comprise the Statement of financial condition as at December 31, 2018 and 2017 Statements of operations, cash flow and changes in equity for the years then ended, and notes to the financial statements, including summary of significant accounting policies.

In my opinion, the accompanying financial statement present fairly, in all material respects the financial position of **HPP Employees Credit Cooperative** as at December 31, 2018 and 2017 its financial performance and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) for Small and Medium Sized Entities and with the requirements of R.A. 9520, otherwise known as Philippine Cooperative Code of 2008, taking into consideration Cooperative laws, rules, regulations and principles.

Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSA). My responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of Statements section of my report. I am independent of the cooperative in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines (Philippine Code of Ethics), and I have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going-Concern

Having regard to the future period to which those charged with governance have paid particular attention in assessing going concern, I have planned and performed procedures specifically designed to identify any material matters which could indicate concern about the entity's ability to continue as a going concern. As stated in Note 4, no events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the cooperative's ability to continue as a going concern. Use of going concern basis of accounting is appropriate and no material uncertainty has been identified.

Emphasis of Matter

I draw attention to Note 24 to the financial statements which described the policy adopted by the company of when an entity should adjust its financial statements for events after the reporting period; and the disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting period.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS for Small and Medium Sized Entities and with the requirements of R.A. 9520, otherwise known as Philippine Cooperative Code of 2008, taking into consideration Cooperative laws, rules, regulations and principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the cooperative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the cooperative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the cooperative's financial reporting process.

Auditor's Responsibilities for the audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in

accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 cooperative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the cooperative's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the cooperative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those in charge with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

Report on Other Legal and Regulatory Requirements

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in my audits of the basic financial statements. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mellicent F. Montoya
CPA Certificate No. 61314
Valid Until June 10, 2021
BOA Cert. No. 0605
Issued December 31, 2018 valid until June 10, 2021
CDA Certificate. No. CEA No. 0084
Issued January 24, 2017 valid until January 23, 2020
TAN No. -07-001042-002-2016
Issued April 25, 2016 valid until April 25, 2019
PTR No. BCE5306623 on January 29, 2019, Pasig City

February 20, 2019
Pasig City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **HPP Employees Credit Cooperative** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Cooperative's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Cooperative or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Cooperative's financial reporting process.

Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Mellicent F. Montoya, the independent auditor appointed by the Board of Directors, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

(Sgnd) Johann Hunter B. Molo
Chairman of the Board

(Sgnd) Monina E. Evora
Treasurer

(Sgnd) Jose Val D. Hilario
Manager

February 20, 2019

HPP EMPLOYEES CREDIT COOPERATIVE STATEMENT OF FINANCIAL CONDITION

		December 31	
	Notes	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalent	4.5	5,969,356.43	7,499,755.23
Loans and Receivable-net	4.6	20,579,778.13	15,939,920.59
Other Current Assets		18,372.00	39,480.00
Total Current Assets		26,567,506.56	23,479,155.82
Non-Current Assets			
Financial Assets at Cost	4.7	104,338.89	100,333.33
Investment Property	4.8	9,366,430.01	9,366,430.01
Property and Equipment-net	4.9	516,537.99	31,128.37
Other Non-Current Assets	4.10	12,004,755.56	8,706,660.10
Total Non-Current Assets		21,992,062.45	18,204,551.81
TOTAL ASSETS		48,559,569.01	41,683,707.63
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Deposit Liabilities	4.11	4,338,449.53	2,558,269.61
Accrued Expenses Payable	4.12	1,247.50	6,378.82
Due to Federation/Union	4.13	193,034.45	169,216.19
Interest on Share Capital Payable	4.14.15	836,169.85	605,287.31
Patronage Refund Payable	4.14.15	92,907.76	106,815.41
Total Current Liabilities		5,461,809.09	3,445,967.34
Non-Current Liabilities			
Finance Lease Payable	4.16	1,560,895.69	9,326,430.01
Other Non-Current Liabilities	4.17	336,860.00	308,955.97
Total Non-Current Liabilities		1,897,755.69	9,635,385.98
TOTAL LIABILITIES		7,359,564.78	13,081,353.32
MEMBERS' EQUITY			
Members' Share Capital	4.18	9,997,000.00	9,997,000.00
Deposit for Share Capital Contribution	4.19	27,123,397.25	16,053,987.18
Statutory Funds	4.20	4,079,606.97	2,551,367.13
TOTAL EQUITY		41,200,004.22	28,602,354.31
TOTAL LIABILITIES AND EQUITY		48,559,569.00	41,683,707.63

See Accompanying Notes to Financial Statements

HPP EMPLOYEES CREDIT COOPERATIVE

STATEMENT OF OPERATIONS

(Amounts in Philippine Pesos)

		December 31	
	Notes	2018	2017
REVENUE			
Income from Credit Operations	21	3,803,083.31	3,152,925.41
GROSS REVENUES		3,803,083.31	3,152,925.41
LESS: EXPENSES			
Financing Cost			
Interest Expense on Deposits		17,867.62	13,885.22
General and Administrative Cost			
Salaries and Wages		703,080.37	292,178.89
Members Benefits Expense		678,732.60	426,410.00
General Assembly		288,008.08	230,209.36
Travel and Transportation		88,480.88	60,335.04
Depreciation and Amortization		83,312.98	39,841.92
Communication		88,888.73	26,277.52
Advertising and Promotion		83,384.00	22,000.00
Office Supplies		61,318.87	21,703.00
SSS, ECC, Philhealth and Pag-ibig Contributions		46,348.78	16,242.80
Professional and Consultancy Fees		46,000.00	19,500.00
Meetings and Conferences		36,468.80	16,938.40
Provision for Probable Losses on Loans		22,413.82	93,820.06
Power, Light & Water		7,780.00	
Bank Charges		6,800.00	1,400.00
Representation		3,388.00	4,902.00
Taxes, Fees, and Charges		2,810.00	4,360.00
Insurance Expense		1,670.00	4,427.19
Affiliation Fee		1,000.00	-
Miscellaneous		-	6,900.00
TOTAL EXPENSES		2,133,348.01	1,301,331.40
NET SURPLUS FROM OPERATIONS		1,789,745.30	1,851,594.01
Add: Other Income			
Income /Interest from Deposits/Investments		70,743.47	66,634.16
Membership Fees		87,800.00	67,000.00
Commission		46,320.00	12,601.10
Miscellaneous		778,972.44	96,590.50
Total Other Income		882,836.91	242,825.76
NET SURPLUS FOR DISTRIBUTION		2,732,681.21	2,094,419.77
DISTRIBUTION:			
Reserve Fund	15,20	1,388,280.81	1,047,209.89
Education and Training Fund	15,20	138,828.08	104,720.99
Due to Federation/Union	15,20	138,828.08	104,720.99
Community Development Fund	15,20	81,877.44	62,832.59
Optional Fund	15,20	81,877.44	62,832.59
Interest on Share Capital Payable	15,20	838,188.86	605,287.31
Patronage Refund Payable	15,20	82,807.78	106,815.41
		2,732,681.21	2,094,419.77

See Accompanying Notes to Financial Statements

HPP EMPLOYEES CREDIT COOPERATIVE

STATEMENT OF OPERATIONS

(Amounts in Philippine Pesos)

		December 31	
	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Surplus before distribution		2,732,581.21	2,094,419.77
Adjustment to reconcile net surplus to net cash used in operating activities:			
Depreciation	8	93,312.98	39,841.92
Provision for Probable Losses on Loan	8	22,413.62	93,820.06
Changes in Assets and Liabilities			
Decrease(Increase) In:			
Loans and Receivables	6	(4,639,857.54)	(2,880,902.93)
Other Current Assets		(64,919.28)	(949,125.46)
Other Non-Current Assets	10	(3,298,095.46)	
Inventory		21,108.00	(39,480.00)
Increase(Decrease) In:			
Accrued and Other payables	12	(5,131.32)	(81,456.06)
Other Current Liabilities		-	(81,456.06)
Due to Federation	13	(112,810.80)	
Unearned Interest on Loans		-	(1,855,128.83)
Interest on Share Capital Payable	14.15	(605,287.31)	(512,264.72)
Patronage Refund Payable	14.15	(106,815.41)	(128,066.18)
Non-Current Liabilities	17	-	130,928.49
Net cash used in operating activities		(5,963,501.31)	(4,168,870.00)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)Decrease In:			
Financial Assets at Cost	7	(4,005.56)	(333.33)
Property and Equipment	8	(4,366.07)	(27,830.00)
Investment Property	9	(531,850.86)	(9,366,430.01)
Net cash used in investing activities		(540,222.49)	(9,394,593.34)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Decrease) In:			
Deposit Liabilities	11	1,780,179.92	495,769.40
Finance Lease Payable	16	(7,765,534.32)	9,326,430.01
Other Non-Current Liabilities	17	27,904.03	
Deposits for Share Capital	19	11,069,410.07	9,787,561.14
Statutory Funds	20	(138,634.70)	(66,864.00)
Net cash used in financing activities		4,973,325.00	19,542,896.55
NET INCREASE (DECREASE) IN CASH		(1,530,398.80)	5,979,433.21
CASH AT BEGINNING OF YEAR	5	7,499,755.23	1,520,322.02
CASH AT END OF YEAR		5,969,356.43	7,499,755.23

See Accompanying Notes to Financial Statements

HPP EMPLOYEES CREDIT COOPERATIVE

STATEMENT OF OPERATIONS

(Amounts in Philippine Pesos)

		December 31	
	Notes	2018	2017
MEMBERS' SHARE CAPITAL	4.18		
Authorized 90,000 Common shares at P100.00 par value		9,000,000.00	9,000,000.00
Subscribed and Paid-up Common Shares		9,000,000.00	9,000,000.00
Authorized 10,000 Preferred shares at P100.00 par value		1,000,000.00	1,000,000.00
Subscribed and Paid-up Preferred Shares		987,000.00	10,258,000.00
		9,987,000.00	19,258,000.00
DEPOSIT FOR SHARE CAPITAL SUBSCRIPTION	4.19		
Beginning Balance		16,053,987.18	16,053,987.18
Add(less)		11,088,410.07	
Total Deposit for Share Capital Subscriptions		27,120,397.26	16,053,987.18
TOTAL MEMBERS' EQUITY		37,120,397.26	35,311,987.18
STATUTORY FUNDS			
RESERVE FUND	4.15.20		
Beginning Balance		2,170,373.17	1,123,163.28
Add: Allocation for the year		1,888,280.81	1,047,209.89
Ending Balance		3,638,883.78	2,170,373.17
EDUCATION AND TRAINING FUND	4.15.20		
Beginning Balance		148,437.30	94,166.31
Add: Allocation for the year		138,828.08	104,720.99
Use of Fund		(80,882.70)	(50,450.00)
Ending Balance		204,173.88	148,437.30
COMMUNITY DEVELOPMENT FUND	4.15.20		
Beginning Balance		108,071.33	61,652.74
Add: Allocation for the year		81,877.44	62,832.59
Use of Fund		(67,742.00)	(16,414.00)
Ending Balance		122,206.77	108,071.33
OPTIONAL FUND			
Beginning Balance	4.15.20	124,485.33	61,652.74
Add: Allocation for the year		81,877.44	62,832.59
Use of Fund		-	-
Ending Balance		206,482.77	124,485.33
TOTAL STATUTORY FUNDS		4,078,808.87	2,551,367.13
TOTAL EQUITY		41,200,004.22	37,863,354.31

See Accompanying Notes to Financial Statements

HPECC EMPLOYEES CREDIT COOPERATIVE NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The HPP Employees Credit Cooperative The HPP Employees Credit Cooperative was organized and registered with the Cooperative Development Authority under the the Republic Act 9520 the Philippine Cooperative Code and was issued with a certificate of registration under registration No. 9520-16024599 CIN No. 0105164236 dated February 19, 2014. The Cooperative was formed for the purpose of promoting thrift and savings mobilization in order to create funds; to grant loans for productive and providential and providential purpose to its members; and To be able to improve the social and economic economic way of life of its people through cooperative.

The area of operation of the cooperative is within the officer of Hewlett-Packard Philippines Corporation (HPPC) or Hewlett Packard Asia Pacific (HPAP) and its Principal office is located at 2F Three World Square Upper McKinley, McKinley Hill, Fort Bonifacio Taguig City, Taguig, Metro Manila

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared using the historical cost basis. Financial statements are presented in Philippine Peso, which is the cooperative functional currency. All values represent absolute amounts except when otherwise indicated.

Moreover, the financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) for Small and Medium Sized Entities (SME) issued by the Philippine Financial Reporting Standards Council with the requirements of R.A. 9520, otherwise known as Philippine Cooperative Code of 2008, taking into consideration Cooperative laws, rules, regulations and principles.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, cash funds and other cash items, which are carried at cost; cash in banks and other short term liquid investments with original maturities of three months or less from dates of placement and that are known amounts of cash that are subject to insignificant risk of changes in value.

Loans Receivable

Loans receivable represent receivable derived from lending services with fixed or determinable payments and fixed maturities that are not quoted in an active market.

Loans receivable are subsequently carried at amortized cost using the effective interest method. They are not entered into with the intention of immediate or short-term resale and are not classified as held for trading, designated as AFS financial assets or financial assets at FVPL. Allowance for doubtful accounts is provided if there is objective evidence that the cooperative will be unable to collect the amounts due on a claim according to the original contractual terms or the equivalent value.

Other current assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire through passage of time.

Prepayments are classified in the statements of financial position as current assets when the expenses related to prepayments are expected to be incurred within one year or the cooperative's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of property and equipment comprises of its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

A part of some items of property and equipment may require replacement at regular interval. The entity decides not to add to the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if the replacement part is expected not to provide incremental future benefits to the entity.

The entity derecognises an item of property and equipment on disposal, or when no future economic benefits are expected from its use or disposal. The entity recognises the gain or loss on de-recognition of an item of property and equipment in profit or loss when the item is derecognised. The entity does not classify such gains as revenue. The entity determine the gain or loss arising from de-recognition of an item of property and equipment as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The cooperative assesses as at reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the cooperative makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use or its net selling price and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has

been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investment Property

Investment property are Condominium units acquired and measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure.

The initial cost of a property interest held under a lease and classified as an investment property shall be as prescribed for a finance lease, i.e. the asset shall be recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount shall be recognised as a liability.

Other Non-current assets

Other Non-current assets consists of Other funds and deposits and leasehold improvement net of amortization.

Other funds and deposits are restricted funds set aside for funding of Statutory and other reserves such as Retirement, Members' benefit and other funds. This maybe in the form of time deposit or other securities which maybe convertible to cash when needed.

The cooperative rented an office space and improved the space and is classified as leasehold improvement and is being amortized for three (3) years on a straight line method.

Deposit Liabilities

Deposit liabilities are time deposit with a stipulated maturity and interest rate per certificate of time deposits issued.

Trade Accounts Payable

Trade Accounts payable are amounts payable to suppliers for goods and services rendered to the cooperative. These are initially measured at transaction cost and are subsequently measured at undiscounted amount of cash or other considerations expected to be paid.

Accrued Expenses and other payable

Accrued expenses payable are expenses incurred but not yet paid. These are initially measured at transaction cost and are subsequently measured at undiscounted amount of cash or other considerations expected to be paid.

Other payable include payable for government obligations and contributions such as withholding tax payable for Bureau of Internal revenue (BIR); SSS premium payable for Social Security System (SSS) and HDMF loan payable and premium payable for Home Development Mutual fund (HDMF). These are measured at their transaction cost.

Due to Union/Federation

Due to Union/Federation refers to the accumulated amount set aside to the Union/Federation where the cooperative is a member. This corresponds to the 50% of the total annual allocation for the Education and Training Fund.

Interest on Capital and Patronage Refund Payable

Interest on capital payable refers to the liability of the cooperative to its members for interest on their share capital investments in the cooperative while patronage refund payable is the liability of the cooperative to its members for patronizing the business activities of the cooperative.

Finance Lease Payable

Finance Lease Payable consists of liability of acquiring the condominium payable in 42 monthly installments without interest from the bank.

Other Liabilities

Other liabilities consists of members' benefit and other fund payable to its members, employees, stakeholders, partners and beneficiaries of the cooperative in the performance of its social concerned in the community.

Related party disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the cooperative; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the cooperative that gives them significant influence over the cooperative and close members of the family of any such individual.

The key management personnel of the cooperative and post-employment benefit plans for the benefit of cooperative's employees are also considered to be related parties.

Members' Share Capital

Members' share capital represents the nominal value of shares that have been issued both for common and preferred shareholders.

Deposit for Future Capital Subscription

Deposit for Share Capital Subscription refers to amount paid by the members for capital subscription equivalent to the value of less than one share.

Statutory Reserves

Statutory Funds are mandatory funds established in accordance with R.A. 9520. This includes reserve fund, education and training fund, optional fund and community development fund computed according to the GDA guidelines and the cooperative by-laws.

Reserve Fund

Ten percent (10%) of the net surplus for distribution shall be set aside as Reserve Fund. Reserve fund is created to provide for the stability of the cooperative and to absorb losses, if any, in its business operations.

Education and Training Fund

One percent (1%) of the net surplus shall be set aside for cooperative education and training fund. One half of the amount is used by the cooperative for its own education and training activities while the other half shall be credited to the cooperative education fund of the Union/Federation of which the cooperative is a member.

Optional Fund

Three percent (3%) shall be set aside for the optional fund of the cooperative intended either for land or building and any other necessary fund intended for members' welfare and benefits.

Community Development Fund

This account refers to the fund set aside from the net surplus before distribution which should not be less than three percent (3%) for projects and/or activities that will benefit the community where the cooperative operates.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the cooperative and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Interest Income on Loans - as a rule, cooperative adopt the accrual basis of accounting. However, for credit and other cooperatives, recognition of revenues is on a modified cash basis, i.e., interest income, fines, penalties and surcharges shall be recognized when earned and actually collected. This is so because only interest income, fines, penalties and surcharges on loans receivable that has been realized (i.e., earned and collected) shall be the basis of the income available for distribution to its members through interest on share capital and patronage refund. Also, due to the cash-based income distribution scheme of a cooperative as well as the inherent limitations of small scale country side credit cooperatives, it cannot adopt the effective interest method in recognizing interest income on loans receivable (PAS 18, 39).

Interest Income from Bank deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and are recognized when incurred. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Employee Benefits

Employee benefits represent: (a) short-term employee benefits, which are employee benefits other than termination benefits) that are wholly due within twelve months after the end of the period in which the employees render the related service, and (b) termination benefits, which are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Short-term benefits

Short-term benefits include: (a) short-term wages, salaries and social security contributions;(b)short-term compensated absences (such as paid annual leave and paid sick leave) when the absences are expected to occur within twelve months after the end of the period in which the employees render the related employee service; and (c) non-monetary benefits (such as medical care for current employees). Short-term employee benefits are measured at the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service

Termination benefits

Termination benefits include: by legislation, by contractual or other agreements with employees or their representatives or by a constructive obligation based on business practice; custom or a desire to act equitably, to make payments (or provide other benefits) to employees when it terminates their employment. Termination benefits are measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting date. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer. When termination benefits are due more than twelve months after the end of the reporting period, they shall be measured at their discounted present value.

Post-employment benefits

The cooperative accrues post-employment benefits on the previous Republic Act No. 7641 (RA 7641). The cost of defined retirement benefits including those mandated under RA No. 7641 should be determined using an actuarial accrued benefit valuation method or a projected benefit

valuation method. Both methods require an actuarial valuation that the cooperative has not yet undertaken. The cooperative believes that the difference between the amount accrued and the results of the plan is immaterial.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the lessee.

Financial Instruments

Initial recognition of financial assets and liabilities

A financial asset or a financial liability is recognized only when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement

A financial asset or financial liability is initially measured as follows:

- For services rendered to a member on short-term credit, a receivable is recognized at the transaction price, which is normally the invoice price.
- For goods purchased from a supplier on short-term credit, a payable is recognized at the transaction price, which is normally the invoice price.

Subsequent measurement

At the end of each reporting period, financial asset or financial liability is subsequently measured as follows, without any deduction for transaction costs that may incur on sale or other disposal:

- For services rendered to a member on short-term credit, a receivable is recognized at the undiscounted amount of cash or other consideration expected to be received, net of any impairment or any uncollectible accounts.
- For goods purchased from a supplier on short-term credit, a payable is recognized at the undiscounted amount of cash or other consideration expected to be paid.
- Investments in non-convertible and non-puttable shares that are publicly traded are measured at fair value with changes in fair value recognized in profit or loss.
- Investments in non-convertible and non-puttable shares that are not publicly traded are measured at cost less accumulated impairment.

De-recognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; (b) the cooperative retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or (c) the cooperative has transferred its rights to receive cash flows from the asset and either the entity has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of financial instruments

At the end of each reporting period, a financial asset or financial liability is assessed whether there is an objective evidence of impairment. If there is an objective evidence of impairment, an impairment loss is recognized in profit or loss immediately.

Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the holder of the asset about the following loss events:

- a. significant financial difficulty of the issuer or obligor.
- b. a breach of contract, such as a default or delinquency in interest or principal payments.
- c. the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider.
- d. it has become probable that the debtor will enter bankruptcy or other financial reorganization.
- e. observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.
- f. other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

Provisions and Contingencies

Initial recognition

The cooperative recognize a provision when the cooperative has an obligation at the reporting date as a result of a past event and it is probable that the cooperative will be required to transfer economic benefits in settlement and, lastly, the amount of the obligation can be estimated reliably.

The cooperative measure a provision at the best estimate of the amount required to settle the obligation at the reporting date. The best estimate is the amount an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time.

Subsequent measurement

The cooperative shall charge against a provision only those expenditures for which the provision was originally recognized and review provisions at each reporting date and adjust them to reflect the current best estimate of the amount that would be required to settle the obligation at that reporting date. Any adjustments to the amounts previously recognized shall be recognized in profit or loss unless the provision was originally recognized as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount shall be recognized as finance cost in profit or loss in the period it arises.

Events after the End of the Reporting Period

The cooperative adjusts the amounts recognized in its financial statements, including related disclosures, to reflect adjusting events after the end of the reporting period. Hence, the cooperative shall not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the end of the reporting period.

Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Cooperative and close members of the family of any such individual.

The key management personnel of the Cooperative and post-employment benefit plans for the benefit of Cooperative's employees are also considered to be related parties.

The Cooperative's related parties include the Cooperative's Key Management. The compensation of the key management personnel of the Cooperative pertains to the usual monthly salaries and government mandated bonuses, there are no other special benefits paid to management personnel.

New or Revised Standards, Amendments to Standards and Interpretations

Adopted as of January 1, 2018

A number of new or revised standards, amendments to standards and interpretations are effective as of January 1, 2018 and required to be adopted by the cooperative. While these have been adopted as of January 1, 2018, none of these have a significant impact on the cooperative's financial statements.

To be adopted in the Future

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018. These will be adopted by the cooperative as these become effective. None of these have a significant impact on the cooperative's financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with PFRS for SMEs requires the cooperative to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates

In the application of the cooperative's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

In particular, information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is described below:

Critical Management Judgments in Applying Accounting Policies

In the process of applying the cooperative's accounting policies, the management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Going Concern

The cooperative has no events or conditions to indicate that a material uncertainty exists that may cast a significant doubt on the cooperative's ability to continue as a going concern.

Provisions and Contingencies

Judgment is exercised by the management to distinguish between provisions and contingencies.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) *Estimating the Recoverability of Receivables*

The cooperative evaluates the status of the receivables based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average of the accounts and historical loss experience.

The cooperative estimates the allowance for doubtful accounts related to the receivables if there's any, based on assessment of specific accounts where the cooperative has information that certain customers are unable to meet their financial obligation. In these cases judgment used was based in the best available facts and circumstances including, but not limited to, the length of relationship with the customers and the customers' current credit status based on third party credit reports and known market factors. The cooperative used judgments to record specific reserves for customers against amount due to reduce the expected collectible amounts. These reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amount of timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

b) *Reviewing Residual Values, Useful Lives and Depreciation Method of Property and Equipment*

The residual values, useful lives and depreciation method of the cooperative's property and equipment are reviewed at least annually, and adjusted prospectively, if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the cooperative's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the cooperative considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the cooperative's assets. In addition, the estimation of the useful lives is based on cooperative's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets. The cooperative uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the cooperative expects to consume an asset's future

economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. In both years, Management assessed that there is no indication of significant change from those of previous estimates since the most recent annual reporting period. As of December 31, 2018 and 2017, the net carrying values of the cooperative's property and equipment amounted to Php136,830.39 and Php39,487.40, respectively, as disclosed in Note 9.

c) Asset Impairment

The cooperative performs an impairment review when certain impairment indicators are present. Determining the fair value of prepayments and other current assets, property and equipment and other non-current assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the cooperative to make estimates and assumptions that can materially affect the financial statements. Future events could cause the cooperative to conclude those prepayments and other current assets, property and equipment and other non-current assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the cooperative believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS for SMEs.

For the years ended December 31, 2018 and 2017, Management believes there is no indication of impairment of property and equipment and other non-current assets in both years.

d) Revenue recognition

The cooperative's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

e) Estimating Useful Lives of Property and Equipment

The cooperative estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are analysed in Note 9 (Schedule of Property and Equipment).

Based on the cooperative's assessment as of December 31, 2018 and 2017, there is no change in estimated useful lives of property and equipment during the year and in the prior years. Actual results however may vary due to changes in estimates brought about by changes in factors mentioned above.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Impairment of Non-financial Assets.

Assessing nonfinancial assets for impairment includes considering certain indicators of impairment such as significant changes in asset usage, significant decline in market value, obsolescence or physical damage of an asset. If such indicators are present, and where the carrying amount of the asset exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

No impairment loss was recognized in 2018 and 2017.

6 CASH AND CASH EQUIVALENT

	2018	2017
Cash in Bank - Bank of Phil. Island	3,782,886.20	7,484,755.23
Cash in Bank - BDO	2,171,481.23	
Petty Cash Fund	15,000.00	15,000.00
Total	5,969,368.43	7,499,755.23

Cash in Banks represents total deposits by the cooperative under savings and current accounts that earns prevailing market interest rates.

6 LOANS AND OTHER RECEIVABLES-Net

6.1 Loans Receivable-net	2018	2017
Current	18,468,186.12	13,750,773.62
Past Due	818,182.71	258,771.61
Total Loans	17,076,377.83	14,009,545.23
Less: Allowance for Probable Losses on Loans	114,474.74	114,474.74
	18,980,903.08	13,895,070.49
Other Receivables	3,818,875.04	2,044,850.10
Total	20,678,778.13	15,939,920.59

The Cooperative charged interest rate of 1 -2 % per month for various loan products using the outstanding balance method of computing interest on loans with maturity depending on the types of loans as per Cooperative's loan policy.

Aging Summary:

	2018	2017
Current	18,468,186.12	13,750,773.62
Past due less than 1 year	483,887.87	253,771.61
Past due more than 1year	122,616.04	5,000.00
Total	17,076,377.83	14,009,545.23

7 FINANCIAL ASSETS AT COST

This account represents investment with the The National Association of Training Centers for Cooperatives (NATCCO) in a form of common shares in the amount of P104,338.89 as of December 31, 2018 and P100,333.33 as of December 31, 2017.

8 INVESTMENT PROPERTY

The Cooperative acquired two units of Condominium located at Serin West and East Tagaytay Tower in Tagaytay under Ayala Land Corporation. The Condominium units will be used for subsidized rental to the members as part of their benefits. The condominium units was partially paid in cash and the balance was financed by the bank without interest, payable in 42 months amounting to P46,248.75 per month. Total amount of finance lease and cost of the condominium amounted to P9,326,430.01 . The Investment Property was recorded at cost other charges related to the acquisition which amounted to P9,366,430.01 as of December 31, 2018.

9 PROPERTY AND EQUIPMENT-NET

This account consists of the following:

	December 31, 2017	Additions/ Disposal	December 31, 2018
Condominium Improvements		348,552.20	348,552.20
Condominium -Furniture, Fixtures and Equipment		183,298.66	183,298.66
Office Equipment	52,705.00	4,366.07	67,071.07
Total	52,705.00	536,216.93	688,821.83
Less: Accumulated Depreciation			
Condominium Improvements	-	8,713.81	8,713.81
Condominium -Furniture, Fixtures and Equipment		12,266.56	12,266.56
Office Equipment	21,576.63	29,836.95	61,413.58
Total	21,576.63	50,807.32	72,383.86
Net Book Value	31,128.37	485,409.62	616,637.89

10 OTHER NON-CURRENT ASSET

This account consists of the following:

	2018	2017
Computerization Cost	124,288.89	143,976.34
Other Funds and Deposits	11,880,488.87	8,562,683.76
Total	12,004,766.68	8,706,660.10

The Other Funds and Deposit is the time deposit account with Bank of Philippine Island set aside and to be used for future business activities set by the Board based on its annual strategic and development plan for the cooperative.

11 DEPOSIT LIABILITIES

These accounts consist of the following:

	2018	2017
Savings Deposits	8,827,066.24	2,106,465.44
Time Deposits	711,384.29	451,804.17
Total	4,338,448.63	2,558,269.61

The Cooperative Provides interest rates at 1 % for savings deposits and 2.5 % for time deposits with maturity of 1-12 months.

12 ACCRUED EXPENSES PAYABLE

These accounts consist of the following:

	2018	2017
Withholding Tax Payable-	1,247.60	5,713.32
SSS/ECC /Pag-Ibig Premiums Payables		665.50
Total	1,247.60	6,378.82

13 DUE TO FEDERATION

Due to Unions/Federations is an amount set aside for the education and training fund of APEX organization is 50% of the amount allocated by the cooperative in accordance with the provision of the cooperative's by-laws and the cooperative code. The APEX organization may either be a federation or union of which the cooperative is a member.

14 INTEREST ON SHARE CAPITAL AND PATRONAGE PAYABLE

Interest on capital payable refers to the liability of the cooperative to its members for interest on their share on their share capital investments in the cooperative, while patronage refund payable is the liability of the cooperative to its members for patronizing the business activities of the cooperative.

15 ALLOCATION AND DISTRIBUTION OF NET SURPLUS

The Cooperative's articles and by-laws explicitly provides that its net surplus at the end of the calendar year shall be distributed in the following manner:

a. At least ten (10%) percent shall be set aside as General reserve fund. The general reserve fund is created to provide for the stability of the cooperative and to absorb losses, if any, in its business operation. Provided that in the first 5 years from the year of operation this shall not be less than 50% of the net surplus.

b. Ten (10%) percent of the net surplus shall be set aside for Cooperative education and training fund. One-half of this amount shall be utilized by the Cooperative for its own education and training activities while the other half shall be credited to the cooperative education and training of the Apex organization of which the cooperative is a member.

c. Three (3%) percent of the net surplus is distributed to Optional Fund which shall be utilized for land and building and any other necessary fund.

d. Three (3%) percent of the net surplus is distributed to community development fund which shall be used for the projects that will benefit the community where the cooperative operates.

e. The remaining net surplus is allocated for interest on share capital and patronage refund as determined by the board of directors, under certain conditions.

Net surplus for distribution for the year were allocated as shown below:

	2018	2017
NET SURPLUS FOR DISTRIBUTION	2,732,681.21	2,094,419.77
DISTRIBUTION:		
Reserve Fund	1,388,280.81	1,047,209.89
Education and Training Fund	138,829.08	104,720.99
Due to Union/Federation	138,829.08	104,720.99
Optional Fund	81,877.44	62,832.59
Community Development Fund	81,877.44	62,832.59
Interest on Share Capital Payable	838,168.86	605,287.31
Patronage Refund Payable	82,807.78	106,815.41
	2,732,681.21	2,094,419.77

16 FINANCE LEASE PAYABLE

This accounts represents the amount of obligation to Avida Land Corporation for the acquisition of the two condominium units located at Serin West and East Tagaytay Tower, Tagaytay under finance lease agreement. The amount of amortization for Condominium-1 payable in 42 monthly installment is P48,248.76 per month. Total amount of obligation of the Cooperative amounting to P 1,560,895.69 as of December 31, 2018 and P 9,306,430.00 as of December 31, 2017.

17 OTHER NON-CURRENT LIABILITIES

This accounts consists of the following:

	2018	2017
Members Benefit Funds Payable	338,880.00	308,955.97
Total	338,880.00	308,955.97

The members benefit fund represents the benefits and incentives given to qualified and good standing members of the cooperative at the end of each year.

18 MEMBERS' SHARE CAPITAL

This accounts consists of the following:

	2018	2017
SHARE CAPITAL-COMMON		
Authorized Share Capital 10,000@Php100 par value	8,000,000.00	9,000,000.00
Subscribed and Paid-up Capital-Common	8,000,000.00	9,000,000.00
SHARE CAPITAL-PREFERRED		
Authorized Share Capital 10,000@Php100 par value	1,000,000.00	1,000,000.00
Subscribed and Paid-up Capital-Preferred	887,000.00	997,000.00
TOTAL MEMBERS' SHARE CAPITAL	8,887,000.00	9,997,000.00

The Cooperative filed an amendment with the Cooperative Development Authority for the increase in the authorized share capital from P10,000,000.00 to P50,000,000.00 of its common and preferred shares last October 13, 2018 together with other amendments to its Coop By-Laws. The Management is still in the process of submission of additional requirements with the Cooperative Development Authority for the issuance of Certificate of amendments.

19 DEPOSITS FOR SHARE CAPITAL SUBSCRIPTION

Deposits for share capital refers to amount paid by the members for capital subscription equivalent to the value or less than one share. The total amount of Deposits for share capital subscription is the amount deposited by the member for the increase in amended of authorized share from P10M to P50 M shares. However, the approval is still pending with the Cooperative Development Authority due to submission of additional requirements. These amounts will remain under this account and will be transferred and taken up as additional Share capital of members upon issuance of certificate of amendment from the authority.

20 STATUTORY FUNDS

This account consists of the following:

	2018	2017
Reserve Fund	3,638,883.78	2,170,373.17
Community Development Fund	182,308.77	148,437.30
Education and Training Fund-Local	204,173.88	108,071.33
Optional Fund	208,482.77	124,485.33
Total Statutory Funds	4,078,808.97	2,551,367.13

The Cooperative has not yet set aside an amount for the mandatory reserve fund as per Coop-By Laws for the year ended December 31, 2018 and 2017.

21 INCOME FROM CREDIT OPERATIONS

This account consists of the following:

	2018	2017
Interest Income from Loan	3,487,830.68	2,866,215.87
Processing/Service Fee	334,881.00	248,262.28
Fines and Penalties	100,481.76	38,447.26
Income from Credit Operations	3,908,093.31	3,152,925.41

22 RELATED PARTY DISCLOSURES

The following related party transactions for the year ended December 31, 2018 and 2017.

	2018	2017
Management Staff		
Compensation	282,178.88	200,657.31
Loans Receivable	67,408.60	14,830.95
Share Capital	183,883.40	123,767.52
Time Deposit	282,788.63	255,319.44
Savings Deposits	81,338.14	47,058.54
Board of Directors, Committee and Officers		
Loans Receivables	1,678,767.20	687,495.94
Share Capital	2,638,188.23	1,312,033.15
Time Deposits	120,811.73	None
Savings Deposit	248,703.20	284,551.58

23 EVENTS AFTER REPORTING DATE

The accompanying financial statements were authorized for issue by the Cooperative's Chairman of the Board on February 20, 2019.

24 SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 18-2011 18-2011-15-2010

In addition to the disclosures mandated under PFRS for SME's and such other standards and/or conventions as maybe adopted, companies are required by the BIR to provide the notes to the financial statements, certain supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

All duly registered cooperatives are exempted from taxes as set forth under the Joint Rules and Regulations Implementing Articles 60,61 and 144 of R.A 9520 otherwise known as the "Philippine Cooperative Code of 2008" in relation to R.A 8424 or the National Internal Revenue Code as amended and signed by the Department of Finance (DOF) of Internal Revenue (BIR) and the Cooperative Development Authority on February 5, 2010.

A duly registered cooperative, in some cases, can be held liable to all internal revenue taxes unless otherwise provided by law if after the lapse of the 10-year period from the date of registration, it accumulated reserves and undivided net savings exceeds ten million pesos (Php10,000,000) threshold. This rule, however, applies to cooperatives that have business dealings with non-members.

The Cooperative had remitted the required taxes to Bureau in 2018 and 2017. These taxes were not included in the tax exemption certificate the cooperative had obtained as follows.

	2018	2017
a. Withholding Taxes		
Withholding tax on compensation	12,287.47	24,730.08
Expanded withholding tax	2,260.00	1,950.00
Total	2,260.00	26,680.08
b. All other taxes (Local and National)		
License and permit	2,716.00	2,790.00
BIR Annual Registration Fee	exempt	exempt
Total	2,716.00	2,790.00

5TH ANNUAL GENERAL ASSEMBLY

P.E.S.O.S. FINANCIAL RATING OF HPP EMPLOYEES CREDIT COOPERATIVE AS OF DECEMBER 31, 2018						
P- PORTFOLIO QUALITY (25%)			Standard	Score	Equivalent Points	Highest Points
R1	Portfolio at Risk	Balance of Loans with 1 day missed payment /Total	5% or less	4%	15	15
R2	Delinquency	Loans Outstanding				
	Allowance for Probable Losses	Amt. of allow. For loans a2 months past due/ total outstanding over 12 months past due	100.0%	18.6%	1	5
	on Loans	Amt. of allow. For loans 1-12 months past due/ total outs. Loan with 1-12 months past Due	35%	35%	5	5
					21	25
E- EFFICIENCY (20%)						
R3	Asset Yield	Undivided net surplus/Average Total Assets	At least	6%	4	4
			Inflation rate			
R4	Operational Self-Sufficiency	Interest on loan+Service fee+filling fee+Fines & penalties/ Financing Cost+Admin Cost	120%	183%	4	4
R5	Rate of Return on Members' Share	Int. on Share Capital+ Patronage Refund/Ave. Member's Share	Should be higher than	3%	2	4
			Inflation rate			
R6	Loan Portfolio Profitability	Income from Loans/ Average Total Loans Outstanding	more than	25%	4	4
			20%			
R7	Cost per Peso	Financing Cost+(Admin Cost-Member's Benefit Expense) /Average Total Loans Outstanding	Php.10 per Php 1 loan	0.14	1.5	2
R8	Administrative Efficiency	Administrative Cost/ Average Total Assets	3 to 10%	5%	2	2
					17.5	20
S- STABILITY (30%)						
R9	Solvency	(Asset+allowances)-(total liabilities-(deposit + past due restructured+ loan under litigation)/Deposits+share capital	at least 110%	123%	10	10
R10	Liquidity	Liquid assets-short-term payables/total deposit	not less than	12%	8	10
			15%			
R11	Institutional Capital	Reserves+Allowance from Probable Losses on Loan-Past Due Loans+ Loans under Litigation+Problem Assets/ Total assets	At least 10%	11%	10	10
					28	30
O- OPERATIONS (10%)						
R12	Performance of Membership Growth	Ending Number of Members-Beginning Number of Members/Beginning Number of Members	Inc. to meet the target set in Dev. Plan	98%	5	5
R13	Growth of External Borrowings	Ending External Borrowings-Beg. External Borrowings/ Beginning External Borrowings	Dec. towards Zero	No External Borrowing	5	5
					10	10
S- STRUCTURE OF ASSETS (15%)						
R15	Asset Quality	Non-Earning Assets/Total Assets	5% and below	9%	3	5
R16	Asset Structure	1. Total Deposits/Total Assets	55 to 65%	10%	1	5
		2. Total Loans Receivable/Total Assets	70 to 80%	38%	0	2
		3. Total Members' Share Capital/Total Assets	35 to 45%	82%	0	3
					4	15
TOTAL PESOS POINTS					80.5	100

HPP EMPLOYEES CREDIT COOPERATIVE				
FINANCIAL PERFORMANCE PESOS (INDICATORS)				
RATIOS	COMPUTATION/FORMULA	Standard	Score	Equivalent Points
P-PORTFOLIO QUALITY (25%)				
Portfolio at Risk	$\frac{\text{Balance of loan Outstanding with 1 day missed payments}}{\text{Total Loan Outstanding}}$ $\frac{616,182.71}{17,075,377.83}$	5% or less	4%	15
Allowance for Probable Losses on Loans	$\frac{\text{Amount of allow for loans over 12 months past due}}{\text{Total Outstanding balance of loans over 12 months past due}}$ $\frac{114,474.74}{616,182.71}$	100%	18.6%	1
	$\frac{\text{Amount of allow for loans 1- 12 months past due}}{\text{Total Outstanding balance of loans 1- 12 months past due}}$ $\frac{0.00}{0.00}$	35%	35%	5
E- EFFICIENCY (20%)				
Asset Yield	$\frac{\text{Undivided Net Surplus}}{\text{Average Total Assets}}$ $\frac{2,732,581.21}{45,132,123.50}$	At least Inflation rate	6%	4
Operational Self-Sufficiency	$\frac{\text{Interest on loans+Service Fee+Filing Fees+Fines, penalties, surcharges}}{\text{Financing cost + Administrative Cost}}$ $\frac{3,903,093.31}{2,133,348.01}$	>120%	183%	4
Rate of Return on Member's Share	$\frac{\text{Interest on Share Capital}}{\text{Average Member's Share}}$ $\frac{836,169.85}{31,585,692.22}$	Higher than Inflation Rate	3%	2
Loan Portfolio Profitability	$\frac{\text{Interest Income from Loans + Service fees+Filing Fees +Fines+ Penalties}}{\text{Average Total Loans Outstanding}}$ $\frac{3,903,093.31}{15,542,461.53}$	More than 20%	25%	4
Cost Per Peso Loan	$\frac{\text{Financing Costs +(Admin cost-Members Benefit Expense)}}{\text{Average Total Loans Outstanding}}$ $\frac{2,133,348.01}{15,542,461.53}$	Ph.P0.10 per PhP1.00 loan	0.14	1.5

5TH ANNUAL GENERAL ASSEMBLY

HPP EMPLOYEES CREDIT COOPERATIVE				
FINANCIAL PERFORMANCE PESOS (INDICATORS)				
RATIOS	COMPUTATION/FORMULA	Standard	Score	
Administrative Efficiency	$\frac{\text{Administrative Costs}}{\text{Average Total Assets}}$ $\frac{2,115,490.39}{45,132,123.50}$	3-10%	5%	2
S-STABILITY(30%)				
Solvency	$\frac{(\text{Asset}+\text{Allowance})-(\text{Total Liabilities}-\text{deposit} + \text{past due} + \text{restructured loan} + \text{Loans under litigation})}{\text{Deposits} + \text{Share capital}}$	At least 110%	123%	10
	$\frac{51,127,513.79}{41,458,846.78}$			
Liquidity	$\frac{\text{Liquid Assets}-\text{Short-term Payable}}{\text{Total Deposits}}$ $\frac{507,547.34}{4,338,449.53}$	Not less than 15%	12%	8
Net Institutional Capital	$\frac{(\text{Reserves}+\text{Allowance})-(\text{Past due loan}+ \text{litigation} + \text{problem assets})}{\text{Total Assets}}$ $\frac{5,169,695.14}{48,559,569.00}$	At least 10%	11%	10
O- OPERATIONS (10%)				
Performance of Membership Growth	Actual Increase in the number of members	Target set in the Development Plan	98%	5
	Target Increase in the number of Members			
	$\frac{49}{50}$			
Trend In External Borrowings	Ending External Borrowings-Beginning External Borrowings	Decreasing to Zero	no external borrowings	5
	Beginning Borrowings			
	$\frac{0}{0.00}$			
S-STRUCTURE OF ASSETS(15%)				
Asset Quality	$\frac{\text{Non-Earning Assets}}{\text{Total Assets}}$ $\frac{4,168,785.03}{48,559,569.01}$	Not more Than 5%	9%	3
				0
Asset Structure	$\frac{\text{Total Deposit}}{\text{Total Assets}}$ $\frac{4,338,449.53}{45,132,123.50}$	55 %to 65%	10%	1
	$\frac{\text{Total Loans Receivable}}{\text{Total Assets}}$ $\frac{16,960,903.09}{45,132,123.50}$	70% to 80%	38%	0
	$\frac{\text{Total Member's Share}}{\text{Total Assets}}$ $\frac{37,120,397.25}{45,132,123.50}$	35 % to 45%	82%	0
				80.5

Board of Directors 2018-2019



Val Hilario
Chairman
(Outgoing)



Mike Nicolas
Director



Max de Leon
Director



Jody Salas
Director



PM Espadon
Vice Chairman



Myra Mancilla
Director



Kat Salangsang-Garcia
Director