

HPP EMPLOYEES CREDIT COOPERATIVE

2nd Floor Three World Square, McKinley Hill, Taguig City 1634
Tel No. 513-0081 | <http://hppecc.com>



capitalizing on the Momentum of 2015!

ANNUAL REPORT

CY 2015

2nd Annual General Assembly • March 31, 2016

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TO OUR MEMBERS

Message from the Chairman of the Board

Congratulations to all the members of HPPECC!

“Capitalizing on the Momentum of 2015!” is the theme of this year’s General Assembly. Because in 2015, on our first full year of operation, we increased Membership by more than 1,200%, our Asset by more than 4,300%, and our Capital by almost 5,000%!

The current Board of Directors and Officers of our cooperative are happy to share with you all the accomplishments we were able to do just in our first year of operation. All of which wouldn’t be possible without your collective participation. Which essentially is what a cooperative is all about.

Your officers have lined up more programs and benefits this year and with all your support, I have no doubt that we will be able to realize each and every one of them. This year, we will expand even more. Some of the plans this year include:

1. Business venture – assuming the General Assembly will approve, the plan is to be able to start a business within the year. This will allow us to have other sources of income which eventually will enable us to increase dividends and patronage refund to members as well as further lower interest rates on our loan products.
2. Expansion to ETON – our ETON-based members are increasing. To be able to serve them better, we’re working on having a satellite office in ETON. Although to save on cost, this may initially be just once or twice a week.
3. Vendor partnerships – as we increase our membership base, we will be able to partner with more and more vendors and leverage on our collective strength.

These plans are no easy feat but if we work together as a cooperative, the rewards will be huge for each and every one of us. I am certain that we will be bigger and stronger in 2016. So stay tuned...

Thank you very much!



VAL HILARIO

Chairman of the Board



Vision, Mission, and Values

VISION

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

MISSION

To promote financial discipline and stability by encouraging periodic savings among members. To improve the lives of our members through prudent management of the cooperative funds. To continuously strive for the long-term success of the cooperative.

VALUES

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

1. Self-help

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

2. 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.

3. Equality

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

4. Equity

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

5. Solidarity

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

2ND GENERAL ASSEMBLY

Program

Theme: *Capitalizing on the Momentum of 2015!*

March 31, 2016

Part 1 – Registration

3:30pm

- Personal Finance Strategy by Sun Life

Part 2 – Welcome

4:00pm

- Invocation
- National Anthem
- Welcome Address
- Presentation of Candidates for 2016 Election
- Raffle

Part 3 – GA Proper

4:30pm

- Call to Order
- Proof of Due Notice & Declaration of Quorum
- Reading and Approval of the 2015 GA Minutes and Board Resolution
- Matters for General Assembly Ratification

• Chairman's Report

5:00pm

- Financials
- Projects/Milestones
- 3-Year Strategic Plan
- 2016 Budget

• Break/Raffle

5:20pm

• 2015 Audited Financial Statements

5:30pm

• Committee Reports

6:00pm

• Election Results

- Declaration of Newly Elected Officers
- Administration of Oath for Newly Elected Officers

• New Business

6:30pm

- Proposed Revisions to the Articles and Bylaws
- Hiring of External Auditor for Calendar Year 2016

• Open Forum

• Raffle

• Adjournment

7:00pm

Messages

For I know the plans I have for you, plans to prosper you and not to harm you, plans to give you hope and a future.
- Jeremiah 29:11

**SENATE MAJORITY LEADER ALAN PETER CAYETANO
MESSAGE TO MEMBERS OF THE HPP EMPLOYEES CREDIT COOPERATIVE
ON THEIR 2ND GENERAL ASSEMBLY**

I am extending my warmest greetings to all the members of HPP Employees Credit Cooperative!

Considering that this is just your second General Assembly, what you have accomplished in your first year of operation shows clear proof that with hard work and an honest leadership, everyone can make a difference.

Today, our country remains hounded by problems like high prices of goods, lack of jobs, and low income, which prevent our people from enjoying the fruits of our growing economy. But amidst the challenges that we are facing, our grand plan for the future remains the same. We remain committed to our goal of creating real change for every Filipino family.

We have always believed that developing the country's cooperative sector will help open better growth corridors for ordinary Filipino workers. That is why, in 2013, we launched our PTK (Presyo, Trabaho, Kita/Kaayusan) agenda that aims to provide better livelihood opportunities to marginalized sectors and small cooperatives that do not have enough access to capital to sustain their livelihood.

Our initiatives in the public sector continue to change lives, but we cannot fulfill our goal of achieving inclusive growth by ourselves. Your respectable organizations play a vital role in this journey, as a strong cooperative sector is known to benefit economies all around the world. This is why we encourage you to continue doing your part, capitalize on the momentum that you have gained in the past year. And together, let us all strive to build a more empowered Philippines.

Congratulations on succeeding in your past endeavor! I wish you greater luck in the future ones!



Senator Alan Peter S. Cayetano
SENATE MAJORITY LEADER



Rm. 603, 6F GSIS Complex, Senate of the Philippines, Roxas Blvd, Pasay City





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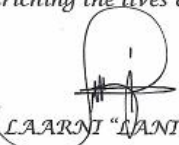


MESSAGE

My warmest greetings to the HPP Employees Credit Cooperative (HPPECC) as you hold your 2nd Annual General Assembly.

We in government are pleased to have a partner in HPPECC in uplifting the lives of our people. I thank you for choosing the City of Taguig as the home of your cooperative. Together with the Cooperative Development Office of Taguig, rest assured that you will have our full support in building a community that promotes inclusive growth and where the cooperative sector is strong.

As we pursue our vision of a loving, caring, peaceful and progressive city, we will continue to count on cooperatives like HPPECC to help us achieve that dream. I hope that we can continue to work together in the years ahead and that this occasion will provide you the encouragement to further pursue our common goal of enriching the lives of our people.


MA. LAARNI "LANI" CAYETANO
City Mayor

MESSAGE



Congratulations to the HPP Employees Credit Cooperative (HPPECC) on your 2nd Annual General Assembly!

The Leadership Team has always been committed in finding ways to secure the welfare and in promoting the overall wellbeing of our employees extending to their families. As a demonstration of this commitment, we have been supportive of the establishment of the Cooperative believing that it can partner with us in achieving that end. True enough, HPPECC has taken huge strides in increasing its membership base and in crafting programs beneficial as well as responsive to the needs of its members.

Let us continue working together focused on the best interest of our employees.

Mabuhay ang HPPECC!

A handwritten signature in blue ink, appearing to read 'Juan', with a large, sweeping flourish extending to the right.

Juan Alfonso D. Suarez
Human Resources Director
Philippines, Indonesia, Thailand, Vietnam & AEC
Hewlett Packard Enterprise

Minutes of the 1st General Assembly

Date: March 30, 2015

Time: 4:00pm – 6:00pm

Venue: Training Room 11, 3F Intellectual Property Center, McKinley Hill, Taguig City

REGISTRATION

Registration for the 1st General Assembly started at 3:30pm.

OPENING CEREMONIES

The invocation was led by Ms. Aloha Cruz followed by the Philippine National Anthem.

The Welcome Address was given by Chairman Val Hilario thanking everyone for coming and pointing out the importance of member engagement in cooperatives.

MAIN AGENDA

The meeting was called to order at 4:30pm noting presence of quorum.

Chairman's Report

- Chairman Val Hilario discussed the early beginnings of HPPECC from when the initiative was first proposed in June 2011 to the early challenges it encountered particularly the linkage to HP Payroll, among others. With management support, the proponents never let up until a possible solution to the payroll issue was found in November 2012 and presented to management in March 2013 where the proponents were finally given the go-signal to process registration with the CDA (Cooperative Development Authority).

The proponents then worked on the various registration legwork and requirements including the mandatory Pre-Membership Education Seminar with financial support from the Coca-Cola Export Employees Cooperative.

Finally, on August 27, 2014, HPP Employees Credit Cooperative was officially registered.

Completing other pre-operation requirements like Barangay Clearance, Mayor's Permit, BIR, etc. immediately followed. On Dec 10, 2014, the very payroll account deduction was successfully executed.

- A Plaque of Appreciation was awarded to the Coca-Cola Export Employees Cooperative in grateful acknowledgement and appreciation of their support and generosity in the formation and early operation of the HPP Employees Credit Cooperative.
- Chairman Val Hilario then informed the membership of the Citrus Software, an accounting software for cooperatives, which HPPECC purchased to ensure the integrity of the coop's financial information.
- Chairman Val Hilario officially launched the coop's website – <http://www.hppecc.com> – which will streamline the process and cater to the various needs of the members online.
- Chairman Val Hilario officially announced the coop's new office location at the 2F Three World Square and the hiring of Janet Abrigo as OJT.

2ND GENERAL ASSEMBLY

Treasurer's Report

- Chairman Val Hilario presented the 2014 Audited Financial Statements were presented to the membership. It was noted that at the end of 2014, HPPECC had a total Asset of PhP151,808.40, Share Capital of PhP101,200.00, and Statutory Funds of (PhP33,206.27). The negative Statutory Funds was due to the cost of registration and permits the cooperative needed to acquire to be able to legally operate.

2015 Election Results

- The Chairman of the Election Committee, Jonathan Cantos, presented the results of the very first HPPECC election after registration and noted that voter turnout was 54% which is way above the 25% required in the Bylaws.
- The election result was then presented as follows:

BOARD OF DIRECTORS	NO. OF VOTES	RANK	TERM
Hilario, Jose Val	74	1	2 years
Teves, Eugene	60	2	2 years
Villalon, Simon	59	3	2 years
Cruz, Aloha	52	4	2 years
Nicolas, Mike	51	5	1 year
Mangubat, Led	50	6	1 year
Gaerlan, Bobby	46	7	1 year
Joaquin, Joseph	28	8	

AUDIT COMMITTEE	NO. OF VOTES	RANK	TERM
Espiritu, Sarah	62	1	1 year
Suerte, Bonnalyn	44	2	1 year
De Guzman, Gege	38	3	1 year

ELECTION COMMITTEE	NO. OF VOTES	RANK	TERM
Dela Cruz, Kookie	69	1	1 year
Calma, Jay	54	2	1 year
Arroyo, Ramil	50	3	1 year

- Election Committee Chairman Jonathan Cantos then administered the Oath of Office to the new officers of the cooperative.

Ratification of Policies

- After motion duly made and seconded, various policies and resolutions were approved by the General Assembly, in particular, the Credit Policy, Membership Policy, Code of Governance and Ethical Standards, Damayan Fund, and the hiring of Ms. Millicent Montoya as External Auditor of HPPECC.

2015 Plans

- Chairman Val Hilario discussed the various plans the cooperative will undertake for 2015 including Credit Card Buster, Christmas Raffle, EPP Partnership with MSI-ECS, Gran Trail Partnership, K-Servico Partnership, and RA9510: Credit Information System Act, among others.

Open Forum

- Chairman Val Hilario opened the floor for anyone who has an item to discuss. A question was raised whether we can include the coop orientation in the NEO. Another one was asked if new hires who are still on probation can become members. Both were answered in the affirmative.

Raffle

- One HP Slate and 10 Coke Solo 12 Pack were raffled off.

Adjournment

- There being no other matters to discuss the 1st Annual General Assembly was moved and seconded to be adjourned at 6:00pm.

Matters for General Assembly Ratification

1. BOARD RESOLUTIONS

DATE	RESOLUTION										
03/30/2015	Resolution approving allocation of Petty Cash Fund amounting to P5,000.00 to be managed by Janet Abrigo.										
05/21/2015	RESOLVED, to open membership of HPP Employees Credit Cooperative to all regular employees of HP Philippines PPS Inc., subject to the approval of the General Assembly										
01/29/2016	RESOLVED, that an Investment Reserve Fund (IRF) be created for the purpose of earmarking funds to build-up the capital needed for future investments that the cooperative may enter into upon approval of the General Assembly										
01/29/2016	RESOLVED FURTHER, that the monthly collection of the Cooperative be allocated as follows beginning January 2016: <ul style="list-style-type: none"> A. 50% will be allocated to cater to member loans B. 20% will be allocated as part of working capital C. 30% will be allocated as INVESTMENT RESERVE FUND 										
01/29/2016	Revisions to the Credit Policy <ul style="list-style-type: none"> 1. Hold share capital of resigned co-makers until his/her corresponding member-borrower has submitted a replacement co-maker. 2. Allow for more than 2 outstanding loans per member but each loan type must be unique and total outstanding balance should not exceed PhP100,000.00. 3. Mandatory HPPECC tenure required as follows: <table border="1" data-bbox="505 1318 922 1518"> <thead> <tr> <th>Loan Amount</th> <th>Tenure</th> </tr> </thead> <tbody> <tr> <td>Up to 25K</td> <td>3 months</td> </tr> <tr> <td>25,001 to 50K</td> <td>6 months</td> </tr> <tr> <td>50,001 to 75K</td> <td>9 months</td> </tr> <tr> <td>75,001 to 100K</td> <td>12 months</td> </tr> </tbody> </table> 	Loan Amount	Tenure	Up to 25K	3 months	25,001 to 50K	6 months	50,001 to 75K	9 months	75,001 to 100K	12 months
Loan Amount	Tenure										
Up to 25K	3 months										
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50,001 to 75K	9 months										
75,001 to 100K	12 months										

Chairman's Report

FINANCIAL HIGHLIGHTS

We are happy to report the financial condition and result of operations of HPP Employees Credit Cooperative for the year 2015.

PARTICULARS	2015	2014
Gross Revenue	538,827.59	4,400.00
Total Assets	6,477,227.56	146,550.00
Net Surplus	343,530.32	(32,206.27)
Cash and Cash Equivalent	768,741.20	94,050.00
Loan Receivables	5,650,944.71	52,500.00
Share Capital	5,206,000.00	101,200.00
Loan Releases	7,979,254.54	52,500.00
Total Loans Granted	269 Loans	1 Loan
Membership	493 members	36 members

PROFITABILITY

The net surplus for the year 2015 amounted to P343,530.32 from Gross Revenue of 538,827.59. These are positive results and are quite remarkable considering that it is the cooperative's first year of operation. The negative Net Surplus in 2014 was mainly due to registration and permit expenses.

LIQUIDITY

Our total cash at the end of 2015 was P768,741.20 which is 700% higher than prior year.

STABILITY

Members' Share Capital jumped to P5,206,000.00 mainly due to the increase in membership and members investing more than the required minimum. With the rapid increase in capitalization, a proposal to the General Assembly will be made to increase HPPECC's Authorized Capitalization to P50,000,000.00.

GROWTH

Total members at the end of 2015 was at 493 or a 1,200% increase vs prior year. Total Assets grew to P6,477,227.56 which was a 4,300% increase vs prior year. Loan Releases skyrocketed to P7,979,254.54 in the year 2015 with a total of 269 loans granted.

2ND GENERAL ASSEMBLY

2015 MILESTONES/PROJECTS

Following are some of the accomplishments in 2015.

- We hired Janet Abrigo as Administrative Assistant and Employee #1 of HPPECC.
- We've completed all government registration requirements, i.e. Barangay Clearance, mayor's Permit, BIR Registration, SSS, etc.
- We've formulated the various policies to guide the coop's operation, e.g. Credit Policy, Membership Policy, Time Deposit Policy, Code of Governance and Ethical Standards, Election Policy, Co-Maker Policy, etc.
- HP Management gave us an office at Grand Canyon Room 2F Three World Square to be able to serve the members better.
- We've added the coop hotline 513-0081.
- We created a Facebook Page to connect with members as well as be able to advertise the cooperative via social media.
- We've implemented the Citrus Software System, an accounting system designed specifically for cooperatives, to ensure the integrity of our financial data as well as help us comply with various statutory requirements.
- We conducted our 1st General Assembly.
- We conducted our first official election which was done electronically.
- We launched our website <http://hppecc.com> to give members and potential members ready access to relevant information about our cooperative, promote our products and programs, and to allow members to download forms, among others.
- We were recognized as an HP Tier 2 Partner.
- We Partnered with Abenson which allowed us to lower interest rates on appliance loans.
- We partnered with Gran Trail which allowed members to acquire bicycles at 0% interest scheme.
- We partnered with HP distributors MSI-ECS and Touchstream Digital Inc. which allowed us to offer certain HP products at zero interest for up to 12 months.
- We partnered with HP on their EPP program to make it easier to members to acquire HP products.
- We received our Certificate of Tax Exemption from the Bureau of Internal Revenue.
- We were able to formulate the 3-Year Plan of the cooperative
- We have submitted to the Cooperative Development Authority amendments to our Bylaws and Articles of Cooperation to increase our Authorized Capitalization to P10,000,000.00 as well as to add HP PPS Philippines Inc. to the membership of the cooperative as a result of the HP separation.
- We have partnered with Financial Wellness to conduct several Pre-Membership Education Seminars to enable their members to take advantage of the cooperative.
- We've released various programs like the Credit Card Buster, EPP Zero Interest Promo, etc.
- We've hired a CDA-accredited external auditor to ensure proper accounting of the coop's funds.
- We've launched the testimonial page <http://hppecc.com/testimonials> on the website where members share their experiences being part of the cooperative.
- We've released our theme song https://youtu.be/EYvgec_WaLc to celebrate our first year.
- In terms of operations, our Asset grew 4,320 % vs end 2014 to P6,477,227.563.2, Capital grew 4,920% vs end 2014 to P5,206,168.35, Membership grew 1,269% to 493 members at the end of 2015, and 269 loans were granted.

These are just some of the accomplishments we were able to do in such a short period. Imagine what we can all do in 2, 3, or 5 years. There's definitely more to come so stay tuned.

2ND GENERAL ASSEMBLY

3-YEAR STRATEGIC PLAN

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

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 cooperative 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.

2016 PLANS

- Target 1,000 members which will allow us to at least double our growth.
- Comply with RA 9510 (Credit Information System Act) ahead of the government mandated schedule to become a possible consultant to other cooperatives on how this complex legal requirement can be implemented.
- Implementation of an Investment Reserve Fund that will allocate 30% of monthly collections for a possible business venture and allow the cooperative to operate beyond just providing credit facilities. This will enable the cooperative to increase Patronage Refund to members without relying solely on member loans. A successful business venture will also make it possible for the cooperative to lower loan interest rates to members.
- Become a member of a Cooperative Federation to gain best practices which will expedite the growth of the cooperative.
- Expansion to ETON is planned for this year to allow us to service our ETON-based members better.
- Increase Authorized Capitalization to P50,000,000.00.
- Continue various vendor partnerships that will benefit the members.
- Partner with HPE/HPI for programs that will benefit both the company and the members.
- Continue to develop the HPPECC website to improve overall member experience.

These are just some of the plans we have for 2016. The officers and staff of HPPECC won't be able to do it alone. The support of every member of the cooperative is needed to bring all of these to fruition and allow for our collective success.

Cooperatives are a perfect example where the "whole is greater than the sum of its parts". Cooperatives help people to work together and harness their individual talents and resources to achieve something no single one of them can achieve if they work individually.

2ND GENERAL ASSEMBLY

2016 BUDGET

Target number of members	1,000
REVENUES	
Interest Income from Loans	1,500,000.00
Service Fees	150,000.00
TOTAL REVENUES	1,650,000.00
Less: OPERATING EXPENSES	
Salaries, Wages, Allowances and Benefits	195,000.00
SSS, Philhealth	15,600.00
Trainings and Seminars	20,000.00
Office supplies	6,000.00
Transportation	6,000.00
Permits and Licenses	20,000.00
Professional Fees	15,000.00
Communication Expense	6,000.00
Representation	6,000.00
General Assembly Meeting	100,000.00
Meetings	24,000.00
Members Benefit Expenses	100,000.00
Depreciation	40,000.00
TOTAL OPERATING EXPENSES	553,600.00
NET SURPLUS ON OPERATION	1,096,400.00

2015 Audited Financial Statements

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

**The Board of Directors and General Assembly
HPP EMPLOYEES CREDIT COOPERATIVE
114 Aguinaldo St. PH1 AFPOVAI, W. Bicutan Taguig City 1630**

I have audited the accompanying statements of financial condition of **HPP Employees Credit Cooperative** for the year ended December 31, 2015, the related statement of operation, equity and cash flows for the period then ended and a summary of significant accounting policies and explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards 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 the Cooperative laws, principles and practices. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility for the Financial Statements

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Philippine Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statement whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of **HPP Employees Credit Cooperative** for the year ended December 31, 2015 and of its financial performance changes in equity and cash flows or the period then ended in accordance with Philippine Financial Reporting Standards 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.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

My audit was conducted for the purpose of forming an opinion on the basic financial statements for the year period. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Note 13 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 information is the responsibility of the management of **HPP Employees Credit Cooperative**. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement for the three months ended taken as a whole.

MELLICENT F. MONTOYA

CPA Certificate No. 61314

Valid Until June 10, 2018

BOA Cert. No. 0605 valid until December 31, 2016

CDA Certificate. No. CEA No. 0084 valid until December 19, 2016

Tax Agent No. AN-07-000047-1-2013 valid until March 25, 2016

PTR No. ME1488009 issued on January 26, 2016

January 29, 2016

Pasig City

2ND GENERAL ASSEMBLY

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the HPP Employees Credit Cooperative is responsible for all information and representations contained in our Financial Statements for the year ended December 31, 2015. These financial statements have been prepared in conformity with Financial Reporting Standards Applicable in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

MELLICENT F. MONTOYA, an independent auditor appointed by the board of directors of the Cooperative has examined the financial statements of the HPP Employees Credit Cooperative in accordance with the Philippine Auditing Standards and Standard Audit System for Cooperative has expressed an opinion in a report shown in the succeeding page on the said financial statements.

(SGND) Jose Val D. Hilario
Chairman of the Board

(SGND) Roderick Ocampo
Treasurer

(SGND) Sherry M. Rodulfo
Board Secretary

January 29, 2016

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

January 29, 2015
Bureau of Internal Revenue

The management of the **HPP Employees Credit Cooperative** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary tax returns, and any all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of **HPP Employees Credit Cooperative** complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, the pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the **HPP Employees Credit Cooperative** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all other taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

(SGND) Jose Val D. Hilario
Chairman of the Board

(SGND) Roderick Ocampo
Treasurer

(SGND) Sherry M. Rodulfo
Board Secretary

2ND GENERAL ASSEMBLY

STATEMENT OF FINANCIAL CONDITION			
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014			
(Amounts in Philippine Pesos)			
	Notes	2015	2014
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	768,741.20	94,050.00
Loans Receivable	6	5,650,944.71	52,500.00
Total Current Assets		6,419,685.91	146,550.00
Non-Current Assets			
Office Equipment-Net		5,200.00	
Other Assets		52,341.65	
Total Non-Current Assets		57,541.65	
TOTAL ASSETS		6,477,227.56	146,550.00
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Deposit Liabilities	7	886,220.37	59,758.77
Trade and Non-Trade Payable	8	22,000.00	16,297.50
Due to Federation	14	2,576.48	
Unearned Income		52,514.79	-
Interest on Share Capital	14	79,355.50	
Patronage Refund Payable	14	34,009.50	
Total Current Liabilities		1,076,676.64	76,056.27
TOTAL LIABILITIES		1,076,676.64	76,056.27
EQUITY			
Share Capital	9	5,206,000.00	101,200.00
Deposits for Share Capital Subscription		168.35	2,500.00
Statutory Funds	10,14	194,382.57	(33,206.27)
Total Equity		5,400,550.92	70,493.73
TOTAL LIABILITIES AND EQUITY		6,477,227.56	146,550.00
See Accompanying Notes to Financial Statements			

2ND GENERAL ASSEMBLY

STATEMENT OF OPERATIONS				
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014				
(Amounts in Philippine Pesos)				
		Notes	2015	2014
REVENUES				
Income from Credit Operations	11		440,480.98	200.00
Other Income	12		98,346.61	4,200.00
TOTAL REVENUES			538,827.59	4,400.00
LESS: EXPENSES				
Financing Cost			1,687.00	
Administrative Cost	13		193,610.27	37,606.27
TOTAL EXPENSES			195,297.27	37,606.27
NET SURPLUS			343,530.32	(33,206.27)
DISTRIBUTED AS FOLLOWS				
Reserve Fund	14		214,706.45	(33,206.27)
Education and Training Fund	14		2,576.48	
Due to Federation/Union	14		2,576.48	
Optional Fund	14		5,152.95	
Community Development Fund	14		5,152.95	
Interest on Share Capital Payable	14		79,355.50	
Patronage Refund Payable	14		34,009.50	
NET SURPLUS AS DISTRIBUTED			343,530.32	(33,206.27)
See Accompanying Notes to Financial Statements				

2ND GENERAL ASSEMBLY

STATEMENT OF CASH FLOWS				
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014				
(Amounts in Philippine Pesos)				
			2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Net surplus before distribution			343,530.32	(33,206.27)
Adjustments to reconcile net surplus to net cash used in operating activities				
Depreciation			13,658.35	
Changes in assets and liabilities				
(Increase) decrease in:				
Loans Receivables			(6,591,622.40)	(57,758.40)
Increase (Decrease) in:				
Trade and Non-Trade Payables			5,702.50	16,297.50
Unearned Income			52,514.79	
Other Assets			(52,341.65)	
Net cash used in operating activities			(6,228,558.09)	(74,667.17)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to Property and Equipment				
Property and Equipment			(18,858.35)	
Net cash provided by investing activities			(18,858.35)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in:				
Members' Share Capital	6		5,104,800.00	101,200.00
Unearned Income			993,177.69	5,258.40
Deposit For Share Capital Subscription			(2,331.65)	2,500.00
Savings Deposit			826,461.60	59,758.77
Net cash provided by financing activities			6,922,107.64	168,717.17
NET INCREASE (DECREASE) IN CASH			674,691.20	94,050.00
CASH AT BEGINNING OF YEAR			94,050.00	-
CASH AT END OF YEAR			768,741.20	94,050.00
See Accompanying Notes to Financial Statements				

2ND GENERAL ASSEMBLY

NOTES TO THE FINANCIAL STATEMENTS FOR CALENDAR YEAR 2015

5 CASH AND CASH EQUIVALENTS

This account consists of:

	2015	2014
Cash in Bank- Savings/Current	763,741.20	94,050.00
Petty Cash Fund	5,000.00	
Total Cash and Cash Equivalents	768,741.20	94,050.00

Cash in banks earn interest at the respective bank deposit rates. The cash in bank savings and current were deposited with local and commercial bank.

6 LOANS RECEIVABLE

This account consists of :

	2015	2014
Current	6,637,344.46	57,758.40
Past Due	12,036.34	
Total Loans Receivable	6,649,380.80	57,758.40
Less: Unearned Interest Income	998,436.09	5,258.40
Total Loans Receivable	5,650,944.71	52,500.00

TYPES OF LOAN FACILITIES:

Total Loans Receivable consists of loan by the Cooperative members under the following types of loan with variable interest rates depending on the amount, classification and terms availed and as prescribed by the coops loan policies as follows:

	2015
Multi-Purpose Loan	2,815,796.64
Petty Cash Loan	86,700.00
Emergency Loan	17,453.00
Birthday Loan	357,371.87
Educational Loan	1,191,267.04
Hospitalization Loan	289,622.29
Employees Purchase Program	45,208.24
Appliance Loan	164,398.72
Wedding Loan	124,818.72
Travel Loan	150,822.62
Housing Equity Loan	347,871.72
Car Equity Loan	454,110.60
Credit Buster Loan	234,916.89
HP EPP Loan	369,022.45
Total	6,649,380.80

The Directors, Officers and Related Interest accounts amounted to P897,087.69 as of December 31, 2015.

AGING SUMMARY:

	2015
-	
Current	6,637,344.46
Past Due from 1-12 months	12,036.34
Past Due more than 12 months	-
Total	6,649,380.80

2ND GENERAL ASSEMBLY

7 DEPOSIT LIABILITIES

This account consists of :

	2015	2014
Savings Deposits	585,095.37	59,758.77
Time Deposits	301,125.00	
Total Deposit Liabilities	886,220.37	59,758.77

8 TRADE AND NON-TRADE PAYABLE

These Accounts consist of the following:

	2015	2014
Accrued Expenses	22,000.00	-
Accounts Payable	-	16,297.50
Total Trade and Non-Trade Payable	22,000.00	16,297.50

9 SHARE CAPITAL

	2015	2014
COMMON SHARE		
Authorized Share Capital 7,680 at Php100 par value	9,000,000.00	768,000.00
Subscribed Share Capital-Common	5,206,000.00	101,200.00
Less: Subscription Receivable	-	-
Paid-up Share Capital -Common	5,206,000.00	101,200.00
PREFERRED SHARE		
Authorized Share Capital 2,560 at Php100 par value	1,000,000.00	256,000.00
Subscribed Share Capital-Preferred	-	-
Less: Subscription Receivable	-	-
Paid-up Share Capital -Preferred	-	-
Total Share Capital	5,206,000.00	101,200.00

The Cooperative has amended its Articles and By-Laws for the increase of its Authorized Share Capital and filed with the Cooperative Development Authority dated December 8, 2015.

10 STATUTORY FUNDS

This account consists of the following:

	2015	2014
Reserve Fund	181,500.18	(33,206.27)
Education and Training Fund	2,576.48	-
Community Development Fund	5,152.95	
Optional Fund	5,152.95	-
Total Statutory Funds	194,382.56	(33,206.27)

2ND GENERAL ASSEMBLY

11 INCOME FROM CREDIT OPERATIONS

This account consists of :

	2015	2014
Income Interest from Loan	382,534.32	
Processing / Service Fee	51,971.80	200.00
Fines and Penalties	5,974.86	
Income from Credit Operations	440,480.98	200.00

12 OTHER INCOME

This account consists of :

Membership Fees	90,800.00	4,200.00
Miscellaneous	7,546.61	4,200.00
Total Other Income	98,346.61	

13 EXPENSES

This account consists of the following:

	2015	2014
Administrative Cost		
Salaries & Wages	80,461.90	
Professional Fees	25,000.00	
Travel & Transportation	17,278.50	
Depreciation	13,658.35	
SSS, Philhealth, Pag-Ibig Premium Contributions	11,540.00	
Taxes , Fees and Charges	10,560.00	17,397.50
Representation	5,882.25	
Office Supplies Expense	5,633.75	4,607.58
Surcharges and Penalties	5,000.00	
Training / Seminars	4,200.00	
General Assembly Expenses	3,567.00	
Communication Expense	2,891.33	
Bank Charges	1,400.00	7,350.00
Miscellaneous	6,537.19	8,251.19
Total Administrative Cost	193,610.27	20,208.77

2ND GENERAL ASSEMBLY

14 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
- b. One (1%) 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 community development 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.

However, the Cooperative followed the net surplus distribution based on Memorandum Circular No.2000-05 issued on September 26, 2000 consistent with the accounting principles of conservatism and the going concern all charges against the Reserve fund shall subsequently be offset by the following modified allocation and distribution of net surplus until such time that the debit balance to the reserve fund account shall balance to the reserve fund account shall have been fully offset as follows:

- a. Reserve Fund- not more than sixty five per centum (65%) of the net surplus.
- b. Cooperative education and Training Fund- not more than five per centum (5%) of the net surplus
- c. Optional Fund-not more than five per centum (5%) of the net surplus
- d. Interest on share capital and patronage refund payable- not less than twenty five per centum (25%) of the net surplus

Net surplus for distribution for the year are shown below:

		2015	2014
NET SURPLUS (DEFICIT) FOR DISTRIBUTION	%	343,530.32	(33,206.27)
DISTRIBUTION:			
Reserve Fund	62.50%	214,706.45	(33,206.27)
Education and Training Fund-Local	0.75%	2,576.48	
Due to Union/Federation	0.75%	2,576.48	
Optional Fund	1.50%	5,152.95	
Community Development Fund	1.50%	5,152.95	
Interest on Share Capital Payable	23%	79,355.50	
Patronage Refund Payable	10%	34,009.50	
NET SURPLUS(DEFICIT) AS DISTRIBUTED		343,530.32	(33,206.27)

15 RELATED PARTY TRANSACTIONS

There were no related party transactions for the year ended December 31, 2015.

16 Supplementary Information Required under Revenue Regulations 19-2011 and 15-2010

The organization is required to include as part of the notes to the financial statements the schedules and information on taxable income and deductions. The Cooperative had remitted the required taxes to Bureau of Internal Revenue in 2015 These taxes were not included in the tax exemption certificate the cooperative had obtained as follows:

	Total amount Paid	Total Amount Remitted
Salaries and Wages	80,461.90	Exempt
Professional Fees	25,000.00	none

All other taxes, Local and National taxes were also paid by cooperative under the Taxes and Licenses lodge under the "General and administrative expenses" account in the statement of financial operation as of December 31, 2015 as follows:

Business Permit/Barangay/Community Tax	1,420.00
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2ND GENERAL ASSEMBLY

P.E.S.O.S. FINANCIAL RATING OF HPP EMPLOYEES CREDIT COOPERATIVE						
AS OF DECEMBER 31, 2015						
P-	PORTFOLIO QUALITY (25%)			Standard	Score	Equivalent Points
R1	Portfolio at Risk	Balance of Loans with 1 day missed payment/Total Loans Outstanding	5% or less	0%	15	
R2	Delinquency Allowance for Probable Losses on Loans	Amt. of allow. For loans 12 months past due/total outstanding over 12 months past due Amt. of allow. For loans 1-12 months past due/total outs. Loan with 1-12 months past Due	100.0%	No Past due	5	
25						
E-	EFFICIENCY (20%)					
R3	Asset Yield	Undivided net surplus/Average Total Assets	At least inflation rate	10%	4	
R4	Operational Self-Sufficiency	Interest on loan+Service fee+filing fee+Fines & penalties/Financing Cost+Admin Cost	100%	226%	4	
R5	Rate of Return on Members' Share	Int. on Share Capital+ Patronage Refund/Ave. Member's Share	Should be higher than inflation rate	2%	4	
R6	Loan Portfolio Profitability	Income from Loans/ Average Total Loans Outstanding	more than 20%	12%	2	
R7	Cost per Peso	Financing Cost+(Admin Cost-Member's Benefit Expense)/Average Total Loans Outstanding	Php. 10 per Php 1. loan	0.06	2	
R8	Administrative Efficiency	Administrative Cost/ Average Total Assets	3 to 10%	6%	2	
18						
S-	STABILITY (30%)					
R9	Solvency	(Asset+allowances)-(total liabilities-(deposit + past due restructured+ loan under litigation)/Deposits+share capital	at least 110%	104%	8	
R10	Liquidity	Liquid assets-short-term payables/total deposit	not less than 15%	84%	10	
R11	Institutional Capital	Reserves+Allowance from Probable Losses on Loan-Past Due Loans+ Loans under Litigation+Problem Assets/ Total assets	At least 10%	3%	4	
22						
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	52%	4	
R13	Growth of External Borrowings	Ending External Borrowings-Beg. External Borrowings/ Beginning External Borrowings	Dec. towards Zero	none	5	
9						
S-	STRUCTURE OF ASSETS (15%)					
R15	Asset Quality	Non-Earning Assets/Total Assets	5% and below	1%	5	
R16	Asset Structure	1. Total Deposits/Total Assets	55 to 65%	17%	0	
		2. Total Loans Receivable/Total Assets	70 to 80%	87%	1	
		3. Total Members' Share Capital/Total Assets	35 to 45%	80%	0	
6						
TOTAL PESOS POINTS					80	

Committee Reports

AUDIT COMMITTEE

The role of the Audit Committee is to continuously monitor the adequacy and effectiveness of the cooperative's management control system as well as to audit the performance of the cooperative. As our cooperative grows so does the task of the Audit Committee.

2015 has been our start-up year and everything was being set up. More work is expected in 2016 as we expand our operations. The Audit Committee will thus be facing more challenges this year in safeguarding our coop's assets. We therefore ask for everyone's support – both the management and members of HPPECC – in our quest for continuous improvement.

Sarah Espiritu
Committee Chairperson

Bonna Suerte
Committee Vice-Chairperson

Gege de Guzman
Committee Member

ELECTION COMMITTEE

The Election Committee is an independent body tasked to promulgate rules and regulations which shall govern the conduct of elections in accordance with the provisions of the by-laws.

Election is done annually as stated in our by-laws. Due to the diverse nature of our member's work hours and work locations, the Election Committee has opted for automated elections to make it easier for members to vote. The success of our cooperative is in the hands of its members and the officers they will elect. We therefore encourage all members to participate in this once-a-year parliamentary exercise of our cooperative and vote for leaders who you think will strengthen our cooperative for the years to come.

For this year's election, as provided for in our by-laws, we will be filling up the following positions:

1. Three (3) Board of Directors
2. Three (3) Audit Committee Members
3. Three (3) Election Committee Members

The other committee members will be appointed by the Board of Directors during its first board meeting after the elections.

Thank you and we thank everyone for participating in this year's election.

Kookie dela Cruz
Committee Chairperson

Jay Calma
Committee Vice-Chairperson

Ramil Arroyo
Committee Member

2ND GENERAL ASSEMBLY

CREDIT COMMITTEE

The Credit Committee is responsible for the overall management of the cooperative's credit business. It reviews and proposes new policies to the board for the benefit of the cooperative and its members. All loan applications pass through the Credit Committee to ensure adherence to the Credit Policy.

In 2015, our membership grew significantly and the demand for loans has thus increased. A prudent review of each loan application is therefore a must to ensure the cooperative's resources are allocated properly and securely.

By balancing the use of share capital, savings deposits, and time deposits, we were able to satisfy demands for loans which in turn increased profits for the cooperative.

Loan Type	2015 Released	Total Loans Granted
BIRTHDAY LOAN	74	738,000.00
PETTY CASH LOAN	68	340,000.00
EDUCATION LOAN	36	1,775,950.00
MULTIPURPOSE LOAN	36	2,601,613.90
HPP EPP 0% PROMO	11	358,090.00
HOSPITALIZATION LOAN	10	501,600.00
EMERGENCY LOAN	6	60,000.00
TRAVEL LOAN	6	220,000.00
CREDIT CARD BUSTER LOAN	6	296,487.64
CAR EQUITY LOAN	4	440,000.00
EPP LOAN (REGULAR)	3	52,833.00
HOUSING EQUITY LOAN	4	319,000.00
APPLIANCE LOAN	3	165,680.00
WEDDING LOAN	2	110,000.00
TOTAL	269	7,979,254.54

We are happy to report that for the year 2015, we have granted a total of 269 loans totaling P7,979,254.54. More importantly, we were able to help a lot of our members in their financial needs. More challenges await in 2016. With all your support, we commit to work even harder for the success of HPPECC!

Dune Akiate
Committee Chairperson

JR Pinon
Committee Vice-Chairperson

Sharon Almazan
Committee Member

SPECIAL PROJECT COMMITTEE

The Special Projects Committee was created as adviser to the Board of Directors in various matters of special interest that will facilitate the growth of the cooperative. Some of the projects undertaken by the committee include:

- Partnership with MPC Online which is an online store to allow members to purchase items like watches, bags, electronics, etc. at discounted prices.
- Time Deposit Policy which allowed members to have a fixed deposit with the cooperative at better than market rates.
- Abenson Partnership which allowed us to lower interest rates on appliance loans.

These are just some of the projects undertaken by the Special Projects Committee the past year. More projects are in line this year for the benefit of the members.

Joseph Joaquin
Committee Chairperson

Aimee Labrador
Committee Vice-Chairperson

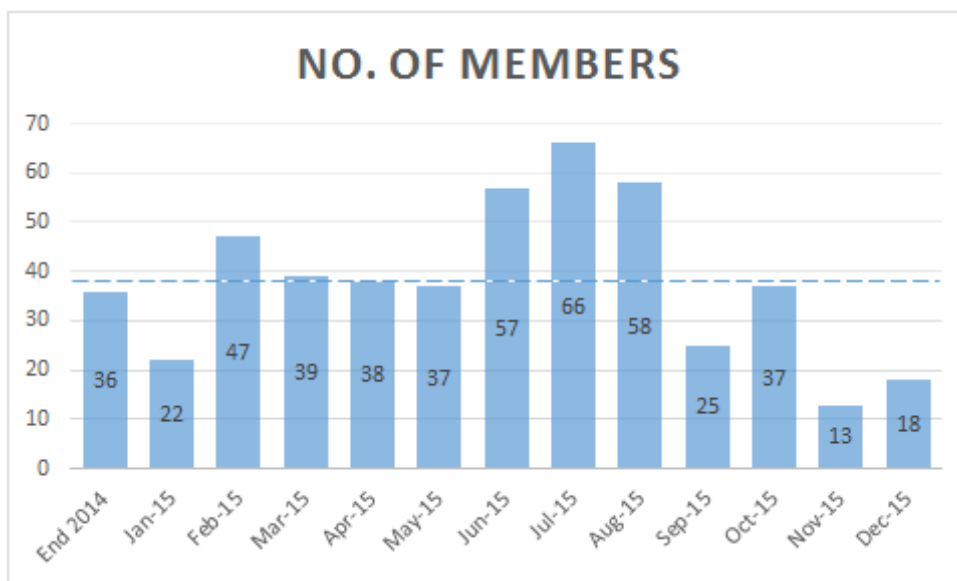
2ND GENERAL ASSEMBLY

MEMBERSHIP COMMITTEE

The primary function of the Membership Committee is to increase membership of the cooperative. The greatest leverage of a cooperative is in the number of its members. Thus, for a start-up cooperative like HPPECC, increasing membership is a top priority.

The Membership Committee, together with the support of our Chairman, Mr. Val Hilario, has conducted several PMES (Pre-Membership Education Seminar) orientations to various team in HPE/HPI. We've also partnered with Financial Wellness to be able to reach more employees and let them know about the existence of a cooperative in HP.

We are pleased to report that in 2015, our membership grew more than 1,200% to 493 members. Our modest target is to grow to 1,000 members by the end of 2016. We are therefore encouraging everyone to help promote our cooperative and invite non-members to join. The more members we have, the bigger our cooperative will be, and the more employees will benefit from being members of the cooperative.



Myra Mancilla
Committee Chairperson

Jonathan Cantos
Committee Vice-Chairperson

Eugenio Revestir
Committee Member (RS)

Francis Lardizabal
Committee Member (ETON)

New Business

1. PROPOSED AMENDMENT TO THE ARTICLES OF COOPERATION AND BY-LAWS

To keep pace with the growth of our cooperative, the following amendments to the Bylaws and Articles of Cooperation is being proposed to the General Assembly:

- 1.1. Increase Authorized Capitalization of HPPECC from TEN MILLION (P10,000,000.00) to FIFTY MILLION (P50,000,000.00). This is to cater to the anticipated increase in membership and members' desire to increase their investment in the cooperative.
- 1.2. Conversion from being a Credit Cooperative to a Multipurpose Cooperative. This will enable HPPECC to engage in business ventures that the General Assembly will approve thereby allowing our cooperative to grow even faster.

2. HIRING OF EXTERNAL AUDITOR FOR CALENDAR YEAR 2016

Proposal to hire the services of the following external auditor for Calendar Year 2016:

Ms. Mellicent F. Montoya
CPA Certificate No. 61314 valid until June 10, 2018
BOA Cert. No. 0605 valid until December 31, 2016
CDA Certificate. No. CEA No. 0084 valid until December 19, 2016
Tax Agent No. AN-07-000047-1-2013 valid until March 25, 2016
PTR No. ME1488009 issued on January 26, 2016

Board of Directors 2015-2016



Val Hilario
Chairman



Simon Villalon
Vice-Chairman



Aloha Cruz
Director



Eugene Teves
Director



Bobby Gaerlan
Director



Mike Nicolas
Director



Led Mangubat
Director