

HPP EMPLOYEES CREDIT COOPERATIVE

Nakpil Room, 3rd Floor Two World Square, McKinley Hill, Taguig City 1634

Tel No. 513-0081 | <http://hppecc.com>



*Sustaining our Growth Through Patronage,
Maintaining our Stability Through Governance*

ANNUAL REPORT

CY 2016

3rd Annual General Assembly • March 14, 2017

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TO OUR MEMBERS

Message from the Chairman of the Board



Greetings to all the members of **HPP Employees Credit Cooperative** as we celebrate our 3rd Annual General Assembly!

The theme for our gathering this year is “**Sustaining our Growth Through Patronage, Maintaining our Stability Through Governance**”.

We've gone a long way since we started the endeavor of putting up a cooperative 3 years ago. In 2016, we sustained the momentum of the previous year and grew our organization, doubling our membership, tripling our Assets, and increasing our net surplus by more than 400%.

These are encouraging results are the outcome of all of your support. This will only inspire your officers and management to work even harder to maintain efficiency and good governance to ensure the continued stability and strength of our cooperative.

We will build on the successes of the past couple of years to further define the future of our cooperative. In 2016, we started to build up capital through what we call Investment Reserve Fund (IRF) the objective of which is to prepare us for when we are ready to become a Multipurpose Cooperative and enter into business. I'm happy to inform you that we ended 2016 with P7.7M in IRF, ready to be used for a business venture.

This year, we will have a transformation. From being just a Credit Cooperative, we will convert HPPECC into a Multipurpose Cooperative, thereby increasing our earnings potential.

I am therefore soliciting your full support in 2017 and the years ahead. Together, we can make the HPP Employees Credit Cooperative one of the biggest cooperatives in the country.

Thank you very much!


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

VAL HILARIO

Chairman of the Board

TO OUR MEMBERS

Messages



Office of the President of the Philippines
COOPERATIVE DEVELOPMENT AUTHORITY

<http://ncr.cda.gov.ph> cda.manilaeo@gmail.com CDA NCR | Manila

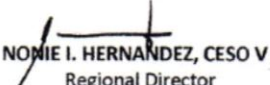
Manila Extension Office
Lower Ground Floor, EDSA Grand Residences, No. 75 Corregidor Street corner EDSA, Brgy. Ramon Magsaysay,
1105 Quezon City, Metro Manila

MESSAGE

It is heart-warming to know that you are now having your 3rd General Assembly.


You come together because you are united in the belief that the cooperative spirit can help forge a better future for your members and the community as well, and **HPP Employees Credit Cooperative** is a powerful tool in the service of this cause. As you are fully aware of these challenges and with desire to uplift the life of every member, I am confident that this cooperative will be more productive and grow stronger in the coming years.

Again, you carry with you the best wishes of **HPP Employees Credit Cooperative**.
Congratulations for a productive and successful General Assembly.



NONIE I. HERNANDEZ, CESO V
Regional Director

Excellence, Commitment, Integrity and TEamwork

Telephone : (02) 332-0019
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TO OUR MEMBERS

MESSAGE

Warmest greetings to all the members of the HPP Employees Credit Cooperative on your 3rd Annual General Assembly.

As you celebrate this event, take a moment to recognize and take pride in all your accomplishments which made a difference in the lives of your members. Your progress and steady growth, both in membership and assets, is remarkable. As you set your goals for next year, reflect on the strategic priorities and innovative programs that will continue to propel you to excellence and further growth.

Once again, congratulations to all the officers and members of your cooperative. I wish you a blessed and productive assembly.

GRACE G. ARCUENO

SEA HR Leader

HP Inc. Philippines

3RD GENERAL ASSEMBLY

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.

3RD GENERAL ASSEMBLY

Agenda of the 3rd Annual General Assembly

Theme: *"Sustaining our Growth Through Patronage, Maintaining our Stability Through Governance"*

March 14, 2017

Part 1 – REGISTRATION	4:30pm
<ul style="list-style-type: none">• Presentation by Sun Life: Habit of Saving• Entertainment	
Part 2 – OPENING CEREMONIES	5:00pm
<ul style="list-style-type: none">• Invocation• National Anthem• Acknowledgements and Welcome Address• Presentation of Candidates for 2017 Election• Inspirational Talk• 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 2016 GA Minutes• Confirmation of Board Resolutions for FY2016• Raffle• Chairman's Report• Committee Reports	
<ul style="list-style-type: none">• Break/Raffle	6:30pm
<ul style="list-style-type: none">• 2016 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	

3RD GENERAL ASSEMBLY

2nd Annual General Assembly Minutes

1 **MINUTES OF THE MEETING OF THE SECOND (2ND) ANNUAL GENERAL ASSEMBLY OF THE HPP**
2 **EMPLOYEES CREDIT COOPERATIVE, HELD ON MARCH 31, 2016, AT TRAINING ROOMS 4-6, 2F THIRD**
3 **WORLD SQUARE, MCKINLEY HILL, TAGUIG CITY**

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5 **PART I REGISTRATION**

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7 **A. Registration started at 3:30pm.**

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9 **B. Vendor Presentation (Sun Life)**

10 Sun Life presented Personal Finance Strategy to educate members on the importance of
11 saving and investing for the future.

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13 **PART II OPENING ACTIVITIES**

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15 **A. Invocation**

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17 **B. National Anthem**

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19 **C. Welcome Address**

20 Chairman Val Hilario acknowledged the presence of the members, thanking them for their
21 continued support to the cooperative. He mentioned that the theme of the 2016 General
22 Assembly is "Capitalizing on the Momentum of 2015!" since just on the first full year of
23 operation, HPPECC membership grew 1200%, Asset grew 4300%, and Capital grew by
24 almost 5000%.

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26 The Chair also congratulatory messages from Senator Alan Peter Cayetano, Mayor Lani
27 Cayetano, and HR Director Alfie Suarez.

28
29 **D. Presentation of Candidates for the 2016 Election**

30 The Election Committee presented the candidates for the following positions:

- 31 a. Board of Directors (3 seats) – 4 candidates (Joseph Joaquin, Francis Lardizabal, Led
32 Mangubat, and Mike Nicolas)
- 33 b. Audit Committee (3 seats) – 4 candidates (Cielo Dayan, Prima Mae Espadon, Myra
34 Mancilla, and Francis Oliman)
- 35 c. Election Committee (3 seats) – Julius Abarro, Nicolo Baligod, Jonathan Cantos, and
36 Amie Ray Miranda)

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38 **E. Raffle**

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40 **PART III GA PROPER**

3RD GENERAL ASSEMBLY

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A. Call to Order

Chairman Val Hilario, acting as the Assembly's presiding officer, called the meeting to order at 4:30pm.

B. Proof of Notice of General Assembly and Determination of Quorum

The Chairman inquired from the Secretary, Sherry Rodulfo, if the members of HPPECC were duly notified on the holding of the 2nd Annual General Assembly. Secretary Sherry Rodulfo replied that due notice was given one (1) week before the General Assembly as required by the Bylaws. She further certified that based on record, 27% of members entitled to vote are present as of 4:00pm, which is above the 25% required by the Bylaws. As such, the Secretary confirmed that a quorum was present. With that, the Chair formally opened the Assembly meeting at 4:32pm.

C. Reading and Approval of the Minutes of the 1st Annual General Assembly held on March 30, 2015 at Training Room 11, 3F Intellectual Property Center, McKinley Hill, Taguig City

Chairman Val Hilario mentioned that to save time, copies of the minutes were distributed in advance for everyone to review ahead of time instead of having the Secretary read the minutes during the meeting proper. The Chair then opened the floor for any comments on the minutes.

There being no comments, Member Ariel Kenneth Ampol moved for the approval of the Minutes of the 1st Annual General Assembly which was seconded by Member Ma. Nancy Pallasigue.

GA Resolution No. 2016-01

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Minutes of the 1st General Assembly Meeting of the HPP Employees Credit Cooperative, held on March 30, 2015 at Training Room 11, 3F Intellectual Property Center, McKinley Hill, Taguig City,

BE, AS IT IS HEREBY, APPROVED.

D. Matters for General Assembly Ratification

Upon motion made by Member Andre Milo S. Mangubat which was duly seconded by Member Emily B. Abad, the General Assembly has approved the 2015-2016 Board Resolutions, as follows:

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

3RD GENERAL ASSEMBLY

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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: 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 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" style="margin-left: 20px;"> <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										
25,001 to 50K	6 months										
50,001 to 75K	9 months										
75,001 to 100K	12 months										

GA Resolution No. 2016-02

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the 2015-2016 Board Resolutions, as presented,

BE, AS IT IS HEREBY, APPROVED.

E. Chairman's Report

The Chairman reported the financial highlights as follows:

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 Equivalents	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

3RD GENERAL ASSEMBLY

- 135 Chairman presented the Milestones/Projects:
- 136 • Hired Employee #1 – Janet Abrigo
 - 137 • HPPECC office at Grand Canyon, 2F 3WS
 - 138 • Completed all government registration requirements
 - 139 • Conducted our 1st Annual General Assembly
 - 140 • Conducted first election
 - 141 • Launch of website – hppecc.com
 - 142 • Launch of Facebook Page
 - 143 • Added coop hotline – 513-0081
 - 144 • Purchase of Citrus Software
 - 145 • Recognized as HP Tier 2 Partner
 - 146 • Various vendor partnerships – MSI-ECS, Touchstream, Abenson, Gran Trail, Infringer, etc.
 - 147 • Certificate of Tax Exemption from BIR
 - 148 • 3-Year Strategic Plan
 - 149 • Increased Authorized Capitalization to P10,000,000.00
 - 150 • Revised Bylaws to include HPPPSPI
 - 151 • Financial Wellness partnership
 - 152 • NEO partnership
 - 153 • Release of various programs like Credit Card Buster, HPP EPP 0% Promo, etc.
 - 154 • Theme some

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157 Chairman presented the 3-year strategic plan:

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.

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168 2016 Plans:

- 169 • Double membership to 1,000 members
 - 170 • Increase Authorized Capitalization to P50,000,000.00
 - 171 • Comply with RA 9510 (Credit Information System Act)
 - 172 • Investment Reserve Fund
 - 173 • Membership to a Cooperative Federation
 - 174 • ETON expansion
 - 175 • Continue with various vendor partnerships
 - 176 • Expand HPE/HPI partnership
 - 177 • Continue website development
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3RD GENERAL ASSEMBLY

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2016 Budget:

EXPENSES	BUDGET
Salaries, Wages, Allowances and Benefits	195,000.00
SSS, Philhealth	15,000.00
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

REVENUES	BUDGET
Interest Income from Loans	1,500,000.00
Service Fees	150,000.00
TOTAL REVENUES	1,650,000.00

Thereupon, Member Reynaldo Pinon Jr. moved for the acceptance of the Chairman's Report as presented, which was seconded by Member Hosea L. Pagaddut.

GA Resolution No. 2016-03

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Chairman's Report, as presented to General Assembly of the HPP Employees Credit Cooperative,

BE, AS IT IS HEREBY, APPROVED.

F. Break/Raffle

G. 2015 Audited Financial Statements

Chairman Val Hilario presented the 2015 Audited Financial Statements, highlights of which

3RD GENERAL ASSEMBLY

are as follows:

ASSET	2015	2014
Current Assets		
Cash and Cash Equivalents	768,741.20	94,050.00
Loans Receivables	5,650,944.71	52,500.00
Total Current Assets	6,419,685.91	146,550.00
Non-Current Assets		
Office Equipment	5,200.00	
Other Assets	52,341.65	
Total Non-Current Assets	57541.65	
TOTAL ASSETS	6,477,227.56	146,550.00
LIABILITIES AND EQUITY		
Current Liabilities		
Deposit Liabilities	886,220.37	59,758.77
Trade and Non-Trade Payable	22,000.00	16,297.50
Due to Federation	2,576.48	
Unearned Income	52,514.79	
Interest on Share Capital	79,355.50	
Patronage Refund Payable	34,009.50	76,056.27
Total Current Liabilities	1,076,676.64	76,056.27
Equity		
Share Capital	5,206,000.00	101,200.00
Deposits for Share Capital Subscription	168.35	2,500.00
Statutory Funds	194,382.57	(33,206.27)
Total Equity	5,400,550.92	70,493.73
TOTAL LIABILITIES AND EQUITY	6,477,277.56	146,550.00

REVENUES	2015	2014
Income from Credit Operations	440,480.98	200.00
Other Income	98,346.61	4,200.00
TOTAL REVENUES	538,827.59	4,400.00
LESS EXPENSES		
Financing Cost	1,687.00	
Administrative Cost	193,610.27	37,606.27
TOTAL EXPENSES	195,297.27	37,606.27
NET SURPLUS	343,530.32	(33,206.27)

NET SURPLUS DISTRIBUTION	2015	2014
Reserve Fund	214,706.45	(33,206.27)
Education and Training Fund	2,576.48	
Due to Federation	2,576.48	

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Optional Fund	5,152.95	
Community Development Fund	5,152.95	
Interest on Share Capital	79,355.50	
Patronage Refund Payable	34,009.50	
NET SURPLUS AS DISTRIBUTED	343,530.32	(33,206.27)

Thereupon, Member Macelle Crehencia moved for the acceptance of the 2015 Audited Financial Statements as presented, duly seconded by Member Paul Vincent Goyagoy.

GA Resolution No. 2016-04

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the HPP Employees Credit Cooperative 2015 Audited Financial Statements as presented,

BE, AS IT IS HEREBY, APPROVED.

H. Committee Reports

Chairman Val Hilario presented the various Committee Reports, as follows:

a. Credit Committee

Chairperson: Eduardo Akiate III
Vice-Chairperson: Reynaldo Pinon Jr.
Member: Sharon Almazan

There were a total of 269 loans granted in 2015 totaling P7,979,254.54. Birthday Loan was the most availed loan while Multipurpose Loan was the highest in terms of total loan amount.

b. Special Projects Committee

Chairperson: Joseph Joaquin
Member: Aimee Labrador

The Special Projects Committee worked on various projects in 2015. Some of them include partnership with MPC Online, creation of the Time Deposit Policy, partnership with Abenson, and the study of HPPECC as a vendor to HPE/HPI.

c. Membership Committee

Chairperson: Myra Mancilla
Vice-Chairperson: Jonathan Cantos
Member (RS): Eugenio Revestir
Member (ETON): Francis Lardizabal

Membership increased by 1,200% from 36 at end of 2014 to 493 by end of 2015. The target is to double membership in 2016 to 1,000. To do this, the plan is to target at least one (1) company-wide orientation per month.

3RD GENERAL ASSEMBLY

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d. **Election Committee**

Chairperson: Sarah Espiritu
Vice-Chairperson: Bonna Suerte
Member: Gege de Guzman

Last year, the Election Committee was able to fill the following positions thru electronic election: Seven (7) Board of Directors, Three (3) Audit Committee Members, and Three (3) Election Committee Members.

This year, as stated in the Bylaws, the following positions will be vacant and will be filled: Three (3) Board Members, Three (3) Audit Committee Members, Three (3) Election Committee Members.

After the presentation of the Committee Reports, Member Margrethe Rae Decena moved to approve the Committee Reports as presented and it was duly seconded by Member Joseph Adrian Roque.

GA Resolution No. 2016-05

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Committee Reports of the HPP Employees Credit Cooperative as presented,

BE, AS IT IS HEREBY, APPROVED.

I. **Election Results**

The Election Committee reported the results of the 2016 HPPECC Election. The election was done electronically via the HPPECC website. There was a total of 191 votes casted which represented a turnout of 35% of the total members entitled to vote which is above the minimum of 25% required in the Bylaws.

Results are as follows:

Board of Directors

Candidate Name	Member ID	Number of Votes	Term
Andre Milo Mangubat	00005	130	2 years
Mike Nicolas	00009	124	2 years
Francis Lardizabal	00040	98	2 years
Joseph Joaquin	00066	60	

Audit Committee

Candidate Name	Member ID	Number of Votes	Term
Myra Mancilla	00077	119	2 years
Marie Cielo Dayan	00501	117	2 years
Prima Mae Espadon	00398	106	2 years
Francis Oliman	00515	58	

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Election Committee

Candidate Name	Member ID	Number of Votes	Term
Nicolo Baligod	00045	123	2 years
Jonathan Cantos	00028	114	2 years
Amie Miranda	00362	106	2 years
Julius Abarro	00361	98	

J. New Business

a. Proposed Amendment to the Articles of Cooperation and By-Laws

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

- i. Increase Authorized Capitalization of HPPECC from TEN MILLION (P10,000,000.00) to FIFTY (P50,000,000.00). This is to cater to the anticipated increase in membership and members' desire to increase their investment in the cooperative.
- ii. 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.

b. Hiring of External Auditor for Calendar Year 2016

Proposal to hire the services of the following external auditor:

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

Thereupon, Member Melchor Mendoza moved to approve the above as proposed, which was duly seconded by Member John Vincent Balingit.

GA Resolution No. 2016-06

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the proposed amendments to the HPP Employees Credit Cooperative Articles of Cooperation and Bylaws and the hiring of external auditor as presented,

BE, AS IT IS HEREBY, APPROVED.

K. Major Raffle

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L. Adjournment

There being no other matters to discuss, Chairman Val Hilario adjourned the 2nd Annual General Assembly of the HPP Employees Credit Cooperative at 6:38pm.

Certified True and Correct:

(SGND) SHERRY RODULFO

Secretary

Attested:

(SGND) JOSE VAL D. HILARIO

Chairman of the Board

3RD GENERAL ASSEMBLY

Confirmation of Board Resolutions for FY2016

1. BOARD RESOLUTIONS

Date	BR No.	Description
1/29/2016	2016-01	Acceptance of new members for month of Jan 2016.
1/29/2016	2016-02	Revision to the Credit Policy - Loans P50k below mandatory 3-month coop tenure - Loans >P50k should have mandatory 6 months tenure - Co-Maker Replacement: Hold share capital of resigned co-makers until they are replaced by the principal borrower.
2/29/2016	2016-03	Revision to the Credit Policy - Total outstanding loans (including new applications) should not exceed P100,000.00. - Coop tenure requirement of 3 months for every P25,000 loan, e.g. 9 months tenure required for P75,000.00 loan.
4/8/2016	2016-04	Approval of HPPECC membership to National Confederation of Cooperatives (NATCCO).
7/8/2016	2016-05	Resolved to upgrade the current accounting software to eKoopbanker from NATCCO.
8/12/2016	2016-06	Approval to budget P40,000.00 for 2nd Anniversary Celebration.
10/21/2016	2016-07	Appointment of Joseph Joaquin as Director as replacement of Aloha Cruz who resigned from the Company and became an Associate Member.
10/21/2016	2016-08	Approval to use BPI Online Transfer for loans and savings withdrawal up to P10,000.00.
11/11/2016	2016-09	Approval to enter into MOA with Net-Head Inc., owned and operated by Associate Member Lito Cabezas, for the hosting and maintenance of the HPPECC website for P500/month which will go to his Share Capital.
11/11/2016	2016-10	Resolved to support the Wellness Culminating Event with a budget of P20,000.00 to be used for raffle prizes.
12/7/2016	2016-11	Appointment of Maximilian de Leon as Director as replacement of Francis Lardizabal who resigned from the Company and became an Associate Member.
12/7/2016	2016-12	Approval of the Member-Get-Member Program.

3RD GENERAL ASSEMBLY

Chairman's Report

FINANCIAL HIGHLIGHTS

Below is the financial condition and result of operations of HPP Employees Credit Cooperative for the year 2016.

PARTICULARS	2016	2015	2014
Gross Revenue	2,413,385.72	538,827.59	4,400.00
Total Assets	20,678,355.49	6,477,227.56	146,550.00
Net Surplus	1,883,326.19	343,530.32	(32,206.27)
Cash and Cash Equivalents	1,520,322.02	768,741.20	94,050.00
Investment Reserve Fund	7,716,328.57	N/A	N/A
Loan Receivables	11,297,708.89	5,650,944.71	52,500.00
Share Capital	9,000,000.00	5,206,000.00	101,200.00
Loan Releases	18,278,213.62	7,979,254.54	52,500.00
Total Loans Granted	919 Loans	269 Loans	1 Loan
Membership	916 members	493 members	36 members

PROFITABILITY

The net surplus for the year 2016 amounted to P1,883,326.19 from Gross Revenue of 2,413,385.72. These are quite remarkable achievement of our cooperative considering where we started in 2014.

LIQUIDITY

Our total cash at the end of 2016 was P9,236,650.59 including the Investment Reserve Fund of P7,716,328.57.

STABILITY

Members' Share Capital jumped to P9,000,000.00 mainly due to the increase in membership and members investing more than the required minimum. With the rapid increase in capitalization, will be increasing our Authorized Capitalization to P50,000,000.00.

GROWTH

Total members at the end of 2016 was at 916 from 493 the previous year which is an 85% increase. Total Assets grew to P20,678,355.49 while Loan Releases amounted to P18,278,213.62.

2016 MILESTONES/PROJECTS

Following are some of the accomplishments in 2016.

- Conducted 2nd Annual General Assembly
- CDA approval of our Amended Articles of Cooperation and Bylaws
 - Change of address to McKinley
 - Increase in Authorized Capitalization to P10M
 - Inclusion of HPPPSPI
- Membership to the National Confederation of Cooperatives
- 2nd Anniversary Celebration
- Introduction of online transfer for selected loans
- 5 Damayan Fund Claims released
- Investment Reserve Fund
- Upgrade of the accounting software to eKoopbanker
- Introduction of Share Capital Loan
- Partnership with Financial Wellness
- Launched Member-Get-Member Program
- Moved to a bigger office
- Had a strong 2016
 - Year-On-Year Asset Growth of more than 200%
 - Net Surplus of P1.9M beating 2016 Budget
 - Net Surplus increased 448% vs prior year

3RD GENERAL ASSEMBLY

3-YEAR STRATEGIC PLAN (2016-2018)

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.

2017 PLANS

- Conducted 2nd Annual General Assembly
- CDA approval of our Amended Articles of Cooperation and Bylaws
- Change of address to McKinley
- Increase in Authorized Capitalization to P10M
- Inclusion of HPPPSPi
- Membership to the National Confederation of Cooperatives
- 2nd Anniversary Celebration
- Introduction of online transfer for selected loans
- 5 Damayan Fund Claims released
- Investment Reserve Fund
- Upgrade of the accounting software to eKoopbanker
- Introduction of Share Capital Loan
- Partnership with Financial Wellness
- Launched Member-Get-Member Program
- Moved to a bigger office
- Had a strong 2016
- Year-On-Year Asset Growth of more than 200%
- Net Surplus of P1.9M beating 2016 Budget
- Net Surplus increased 448% vs prior year

2017 BUDGET

3RD GENERAL ASSEMBLY

REVENUES	BUDGET
Interest Income from Loans	4,000,000.00
Service Fees	300,000.00
TOTAL REVENUES	4,300,000.00

EXPENSES	BUDGET
Salaries, Wages, Allowances and Benefits	325,000.00
SSS, Philhealth	31,200.00
Trainings and Seminars	20,000.00
Office supplies	12,000.00
Transportation	18,000.00
Permits and Licenses	20,000.00
Professional Fees	30,000.00
Communication Expense	24,000.00
Representation	6,000.00
General Assembly Meeting	150,000.00
Meetings	36,000.00
Members Benefit Expenses	100,000.00
Depreciation	40,000.00
TOTAL OPERATING EXPENSES	812,200.00
NET SURPLUS ON OPERATION	3,487,800.00

2016 Audited Financial Statements

REPORT OF INDEPENDENT AUDITOR

The General Assembly
HPP Employees Credit Cooperative
2F Three World Square, Upper McKinley Road,
McKinley Hill, Taguig City, Metro Manila

Opinion

I have audited the financial statement of **HPP Employees Credit Cooperative** which comprise the Statement of Financial Condition as at December 31, 2016 and 2015, Statement of Financial Operation, Cash Flow Statement and Statement of Changes in Equity for the year 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, 2016 and 2015, its financial performance and cash flows for the year 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 6, 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 22 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 authorised 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 assesses 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 charged 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 21 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.

(SGND) Mellicent F. Montoya
CPA Certificate No. 61314
BOA Cert. No. 0605
Issued December 9, 2016; valid until December 31, 2018
CDA Certificate. No. CEA No. 0084
Issued January 24, 2017; valid until February 23, 2020
Tax Agent No. -07-001042-002-2016
Issued April 25, 2016; valid until April 25, 2019
TIN No. 133-704-195-000
PTR 2322164 January 6, 2017 at Pasig City

January 27, 2017
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, 2016 and 2015, 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) Jose Val D. Hilario
Chairman of the Board

(SGND) Roderick S. Ocampo
Treasurer

(SGND) Sherry M. Rodulfo
Board Secretary

January 27, 2017

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Commissioner
Bureau of Internal Revenue
Quezon City

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 then period ended December 31, 2016. 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 period ended December 31, 2016 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 S. Ocampo
Treasurer

(SGND) Sherry M. Rodulfo
Board Secretary

January 27, 2017

Report of Independent Public Accountant To Accompany Income Tax Return

The Board of Directors
HPP Employees Credit Cooperative
2F Three World Square, Upper McKinley Road, McKinley Hill, Taguig City, Metro Manila

I have audited the financial statements of **HPP Employees Credit Cooperative** for the period ended December 31, 2016 on which I have rendered a report on January 27, 2017.

In compliance with Revenue Regulation V-20, I am stating that I have no relation by consanguinity or affinity to any of the Board of Directors and officers of **HPP Employees Credit Cooperative**.

(SGND) Mellicent F. Montoya
CPA Certificate No. 61314
BOA Cert. No. 0605
Issued December 9, 2016; valid until December 31, 2018
CDA Certificate. No. CEA No. 0084
Issued January 24, 2017; valid until February 23, 2020
Tax Agent No. -07-001042-002-2016
Issued April 25, 2016; valid until April 25, 2019
TIN No. 133-704-195-000
PTR 2322164 January 6, 2017 at Pasig City

January 27, 2017
Pasig City

3RD GENERAL ASSEMBLY

HPP EMPLOYEES CREDIT COOPERATIVE STATEMENT OF FINANCIAL CONDITION (Amounts in Philippine Pesos)

ASSETS	Note	December 31,	
		2016	2015
Current Assets			
Cash	7	1,520,322.02	768,741.20
Loans and Other Receivables-net	8	11,297,708.89	5,650,944.71
Total Current Assets		12,818,030.91	6,419,685.91
Non-Current Assets			
Financial Asset at Cost	9	100,000.00	
Property and Equipment-net		-	5,200.00
Other Non-Current Assets	10	7,760,324.58	52,341.65
Total Non-Current Assets		7,860,324.58	57,541.65
TOTAL ASSETS		20,678,355.49	6,477,227.56

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities			
Deposit Liabilities	11	2,062,500.21	886,220.37
Accrued Expenses	12	87,834.88	22,000.00
Other Current Liabilities	13,19	745,931.82	168,456.28
Total Current Liabilities		2,896,266.91	1,076,676.65
Non-Current Liabilities	14	178,027.48	
TOTAL LIABILITIES		3,074,294.39	1,076,676.65
Members' Equity			
Members' Capital-Common	15	9,000,000.00	5,206,000.00
Members' Capital-Preferred	16	997,000.00	
Deposits for Share Capital Subscription	17	6,266,426.04	168.35
Total Members' Equity		16,263,426.04	5,206,168.35
Statutory Fund	18,19	1,340,635.06	194,382.57
TOTAL MEMBERS' EQUITY		17,604,061.10	5,400,550.92
TOTAL LIABILITIES AND MEMBERS' EQUITY		20,678,355.49	6,477,227.56

See Accompanying Notes to Financial Statements

3RD GENERAL ASSEMBLY

HPP EMPLOYEES CREDIT COOPERATIVE
STATEMENT OF FINANCIAL OPERATIONS
(Amounts in Philippine Pesos)

		December 31	
	Notes	2016	2015
REVENUE			
Income Interest from Loan		1,975,056.01	382,534.32
Processing / Service Fee		154,558.38	51,971.80
Fines and Penalties		31,853.69	5,974.86
Income from Credit Operations		2,161,468.08	440,480.98
Add: Other Income			
Membership Fees		93,800.00	90,800.00
Income/ Interest on Deposits/Investments		20,382.93	
Miscellaneous		137,734.71	7,546.61
Total Other Income		251,917.64	98,346.61
GROSS REVENUES		2,413,385.72	538,827.59
LESS : EXPENSES			
Financing Cost			
Interest Expense		4,150.14	1,687.00
Administrative Costs			
Salaries & Wages		200,657.31	80,461.90
Bank Charges		81,400.00	1,400.00
Members Benefit Expense		40,000.00	
Depreciation		30,600.02	13,658.35
Meetings and Conference		29,121.75	
Professional Fees		23,200.00	25,000.00
Provision for Probable Losses on Loans		21,154.71	
Advertising and Promotions		17,416.20	
Representation		16,236.66	5,882.25
SSS, Phil health, Pag-Ibig Premium Contributions		15,110.20	11,540.00
Travel and Transportation		13,274.36	17,278.50
Office Supplies		11,638.25	5,633.75
Taxes, Fees and Charges		7,414.76	10,560.00
Communication		5,322.46	2,891.33
Insurance		4,427.19	
Surcharges and Penalties		3,000.00	5,000.00
General Assembly		2,244.50	3,567.00
Affiliation Fee		2,000.00	
Training / Seminars		991.02	4,200.00
Miscellaneous		700.00	6,537.19
TOTAL EXPENSES		530,059.53	195,297.27
NET SURPLUS FOR DISTRIBUTION		1,883,326.19	343,530.32
DISTRIBUTION:			
Reserve Fund	15	941,663.10	214,706.45
Education and Training Fund	15	94,166.31	2,576.48
Due to Federation/Union	15	94,166.31	2,576.48
Optional Fund	15	56,499.79	5,152.95
Community Development Fund	15	56,499.79	5,152.95
Interest on Capital and Patronage Refund Payable	15	512,264.72	79,355.50
Patronage Refund Payable	15	128,066.18	34,009.50
		1,883,326.19	343,530.32

See Accompanying Notes to Financial Statements

3RD GENERAL ASSEMBLY

HPP EMPLOYEES CREDIT COOPERATIVE

STATEMENT OF CASH FLOWS

(Amounts in Philippine Pesos)

	Note	December 31	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus before distribution		1,883,326.19	343,530.32
Adjustments to reconcile net surplus to net cash used in operating activities			
Depreciation		30,600.02	13,658.35
Provision for Probable Losses on Loans	8	21,154.71	
Changes in assets and liabilities (Increase) decrease in:			
Loans and Receivables-Net	8	(5,667,918.89)	(5,598,444.71)
Other Assets	10	-	(52,341.65)
Other Funds and Deposits		(7,721,382.93)	(52,341.65)
Increase (Decrease) in:			
Accrued Expense		65,834.88	5,702.50
Unearned Income		(53,656.66)	52,514.79
Interest on Share Capital Payable		(79,355.50)	
Patronage Refund Payable		(34,009.50)	
Non-Current Liabilities		178,027.48	
Net cash used in operating activities		(11,377,380.21)	(5,287,722.05)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to Property and Equipment			
Financial Assets at Cost		(100,000.00)	
Property and Equipment		(2,000.00)	(18,858.35)
Net cash provided by investing activities		(102,000.00)	(18,858.35)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in:			
Members' Share Capital	6	4,791,000.00	5,104,800.00
Deposit For Share Capital Subscription		6,266,257.69	(2,331.65)
Deposit Liabilities		1,176,279.84	826,461.60
Statutory Funds		(2,576.50)	
Net cash provided by financing activities		12,230,961.03	5,928,929.95
NET INCREASE (DECREASE) IN CASH		751,580.82	622,349.55
CASH AT BEGINNING OF YEAR		768,741.20	94,050.00
CASH AT END OF YEAR		1,520,322.02	716,399.55

See Accompanying Notes to Financial Statements:

3RD GENERAL ASSEMBLY

HPP EMPLOYEES CREDIT COOPERATIVE
STATEMENT OF CHANGES IN STATUTORY FUND AND EQUITY
(Amounts in Philippine Pesos)

		December 31	
	Note	2016	2015
MEMBERS' SHARE CAPITAL			
Common Share, Authorized 90,000@P100	15	9,000,000.00	9,000,000.00
Subscribed and Paid-Up Beginning		5,206,000.00	101,200.00
Add(Less)		3,794,000.00	5,104,800.00
Total Subscribed and Paid-up End		9,000,000.00	5,206,000.00
Preferred Share, Authorized 10,000@P100	16	1,000,000.00	1,000,000.00
Subscribed and Paid-up-Beginning		-	-
Add(Less)		997,000.00	-
Total Subscribed and Paid-up End		997,000.00	-
TOTAL SHARE CAPITAL		9,997,000.00	5,206,000.00
DEPOSIT FOR SHARE CAPITAL SUBSCRIPTION 17			
Beginning Balance		168.35	2,500.00
Add(Less)		6,266,257.69	(2,331.65)
Ending Balance		6,266,426.04	168.35
MEMBERS' EQUITY			
STATUTORY FUNDS			
RESERVE FUND 18,19			
Beginning Balance		181,500.18	(33,206.27)
Add: Current Allocations		941,663.10	214,706.45
Total		1,123,163.28	181,500.18
Less: Charges		-	-
Ending Balance		1,123,163.28	181,500.18
EDUCATION AND TRAINING FUND			
Beginning Balance	18,19	2,576.48	-
Add: Current Allocations		94,166.31	2,576.48
Total		96,742.79	2,576.48
Less: Charges		2,576.48	-
Ending Balance		94,166.31	2,576.48
COMMUNITY DEVELOPMENT FUND			
Beginning Balance	18,19	5,152.95	-
Add: Current Allocations		56,499.79	5,152.95
Total		61,652.74	5,152.95
Less: Charges		-	-
Ending Balance		61,652.74	5,152.95
OPTIONAL FUND			
Beginning Balance		5,152.95	-
Add: Current Allocations	18,19	56,499.79	5,152.95
Total		61,652.74	5,152.95
Less: Charges		-	-
Ending Balance		61,652.74	5,152.95
TOTAL STATUTORY FUND		1,340,635.06	194,382.56
TOTAL EQUITY		18,727,224.37	5,400,550.91

See Accompanying Notes to Financial Statements

HPP EMPLOYEES CREDIT COOPERATIVE NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND RELATED TAXATION

The HPP Employees Credit Cooperative was organized and registered with the Cooperative Development Authority under the Republic Act 9520 the Philippine Cooperative Code and was issued with a certificate 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 purpose to its members. To be able to improve the social and economic way of life of its people through cooperative.

The area of operation of the cooperative is within the office 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 Road, McKinley Hill, Taguig City, Metro Manila

Organization and Taxation

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 the ten million pesos (Php10,000,000.00) threshold. This rule, however, applies to cooperatives that have business dealings with non-members.

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), Bureau of Internal Revenue (BIR) and the Cooperative Development Authority (CDA) on 5 February 2010.

2. STATUS OF OPERATION

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

3. 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

4. SUMMARY OF CHANGES IN PFRS FOR SMEs

Amendments to Standards Not Yet Adopted

New amendments to standards are effective for annual periods beginning after January 1, 2017 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the cooperative, which becomes mandatory for the cooperative's 2017 financial statements and could change the classification and measurement of assets. The cooperative does not plan to adopt these standards early and the extent of the impact has not yet been determined.

The following amendments that have been published and issued by the International Accounting Standards Board (IASB) FRSC which will become effective for accounting periods beginning on or after January 1, 2017 are not adopted early by the cooperative:

Section 1, *Small and Medium-sized Entities* - The amendment clarify that the types of entities listed are not automatically publicly accountable and addition of clarifying guidance on the use of the standard for SMEs in the parent's separate financial statements.

Section 4, *Statement of Financial Position* - The amendment refers to an addition of a requirement to present investment property measured at cost less accumulated depreciation and impairment separately on the face of the statement of financial position and the removal of the requirement to disclose comparative information for the reconciliation of the opening and closing number of shares outstanding.

Section 5, *Statement of Comprehensive Income and income Statement* - The amendments clarify that the single amount presented for discontinued operations includes any impairment of the discontinued operation in accordance with section 27, and the addition of a requirement that entities shall group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss - based on *Presentation of Items of Other Comprehensive Income*.

Section 6, *Statement of Changes in Equity and* - The amendments clarify the information presented in the statement of changes in equity-based on *Improvements to standards* issued in May 2010.

Section 10, *Accounting Policies, Estimates and Errors* – The amendment refers the initial application of a policy to revalue assets in accordance with Section 17 *Property, Plant and Equipment* is a change in accounting policy to be dealt with as a revaluation in accordance with Section 17. Consequently a change from the cost model to the revaluation model for a class property, plant and equipment shall be accounted for prospectively.

Section 11, *Basic Financial Instruments* - The amendment refers to the addition of an undue cost or effort exemption from the measurement of investments in equity instruments at fair value. Further clarifications made on the following: (a) the interaction of the scope of Section 11 with other sections of the standards for SMEs (b) the application of the criteria for basic financial instruments to simple loan arrangements (c) when an arrangement would constitute a financing transaction, and (d) the guidance on fair value measurement in Section 11 of when the best evidence of fair value may be a price in a binding sale agreement.

Section 21, *Provisions and Contingencies* - Addition of clarifying guidance On the undue cost or effort exemption. Application of undue cost or effort’— as well as a new requirement for entities to disclose their reasoning for using such an exemption.

Section 22, *Liabilities and Equity* - The amendments clarify guidance on classifying financial instruments as equity or a liability. Exemption from the initial requirements for equity instruments issued as part of a business combination, including business combinations of entities or business under common control, and exemption requirements for distributions of non-cash assets ultimately controlled by the same parties before and after the distribution. IFRIC 19 interpretation to provide guidance on debt for equity swaps when the financial liability is negotiated and the debtor extinguishes the liability by issuing equity instruments. Further clarify that income tax relating to distribution to holders of equity instruments and to transaction costs of an equity transaction should be accounted for. Modifications to require that the liability component of a compound financial instrument is accounted for in the same way as a similar stand alone financial liability. Addition of an undue cost or effort exemption from the requirement to measure the liability to pay a non-cash distribution at the fair value of the non-cash assets to be distributed and clarifying guidance on accounting for the settlement of the dividend payable.

Section 27, *Impairment of Assets* - The amendments clarify that section 27 does not apply to assets arising from construction contracts.

Section 28, *Employee Benefits* - The clarification of the application of the accounting requirements to other long-term employee benefits and removal of the requirements to disclose the accounting policy for termination benefits.

Section 29, *Income Tax* - Alignment of the main principles of Section 29 with PAS 12 Income Taxes for the recognition and measurement of deferred income tax, but modified to be consistent with the other requirements in the PFRS for SMEs. Addition of

an undue cost or effort exemption to the requirement to offset income tax assets and liabilities.

Section 33, *Related Party Disclosures* - Alignment of the definition of 'related party' with PAS 24 *Related Party Disclosures*, including incorporation of the amendment to the definition in PAS 24 from Annual Improvements to PFRS 2010-2012 Cycle, issued in December 2013, which include a management entity providing key management personnel services in the definition of a related party.

5. 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 and Other 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. Other receivables consist of advances to employees. Accounts and other receivable are recognized initially at transaction price (normally the invoice price) and subsequently measured at the undiscounted amount of cash or other considerations expected to be received net of impairment.

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 noncurrent 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.

Other Non-current Assets

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

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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.

Other Non Current 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

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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 CDA 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

Ten percent (10%) 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.

Dividend income is recognized when the right to receive a payment is established.

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

The Cooperative recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short term benefits given by the Company to its employees include salaries and wages, social security contributions, short term compensate absences, bonuses and other non-monetary benefits, if any.

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 nonadjusting events after the end of the reporting period.

6. 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.

Estimates and Assumptions

In 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 resources. 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 recognized in the period in which the estimate is revised if

the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents summary of significant estimates and judgments and related impact and associated risks in the Company's 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) 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 noncurrent 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.

b) 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.

c) *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 2016 and 2015.

7. CASH

This account consists of the following;

	2016	2015
Cash in Bank- BPI	1,515,322.02	763,741.20
Petty Cash Fund	5,000.00	5,000.00
Total	1,520,322.02	768,741.20

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8. LOANS AND OTHER RECEIVABLE-Net

This account consists of the following:

	2016	2015
Loans Receivable	13,125,992.43	6,649,380.80
Less: Unearned Interest Income on Loans	1,855,128.83	998,436.09
Allowance for probable losses on loans	21,154.71	
Loans Receivable-Net	11,249,708.89	5,650,944.71
Other Receivable	48,000.00	
Total	11,297,708.89	5,650,944.71

AGING SUMMARY:

	2016	2015
Current	13,055,476.72	6,637,344.46
Past Due from 1-12 months	70,515.71	12,036.34
Past Due more than 12 months	-	-
Total	13,125,992.43	6,649,380.80

9. FINANCIAL ASSETS AT COST

The Cooperative has investment with the NATCCO in a form of common shares in the amount of P100,000.00

10. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2016	2015
Computerization Cost	38,941.65	52,341.65
Other Funds and Deposits	7,721,382.93	
Total	7,760,324.58	52,341.65

The Cooperative has set aside certain amount of fund and deposited under time deposit with Bank of Philippine Island for other future business of the cooperative.

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11. DEPOSIT LIABILITIES

This accounts consists of the following:

	2016	2015
Savings Deposits	1,670,107.67	585,095.37
Time Deposits	392,392.54	301,125.00
Total	2,062,500.21	886,220.37

The Cooperative receives savings and time deposits from its member with interest rate computed quarterly. Under the Coop-By Laws the interest shall not exceed the interest prescribed by the Central Bank of the Philippines.

12. ACCRUED EXPENSES

This account consists of the following:

	2016	2015
Other Accrued Expenses	85,866.79	22,000.00
SSS/PHILHEALTH/PAG-IBIG Contributions Payable	637.20	
Withholding Tax Payable	1,330.89	
Total	87,834.88	22,000.00

13. OTHER CURRENT LIABILITIES

This account consists of the following:

	2016	2015
Due to Federation/Union	96,742.79	2,576.48
Unearned Income	8,858.13	52,514.79
Interest on Capital and Patronage Refund Payable	640,330.90	113,365.00
Total Other Current Liabilities	745,931.82	168,456.27

14. OTHER NON CURRENT LIABILITIES

These accounts consist of the following:

	2016	2015
Members Benefit & Other Funds Payable	163,247.48	-
Damayan Fund Payable	14,780.00	-
Total	178,027.48	-

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15. MEMBERS' SHARE CAPITAL-COMMON

This account consists of the following:

	2016	2015
<u>Authorized Share Capital 90,000 at Php100 par value</u>		
<u>Subscribed and Paid-up</u>	<u>9,000,000.00</u>	<u>5,206,000.00</u>

The Cooperative is in the process of amendment in increasing the authorized common shares as the number of 90,000 shares have already fully subscribed and paid by its members. The increase will be proposed for approval in the annual general assembly as per Coop-by-laws.

16. MEMBERS' SHARE CAPITAL-PREFERRED

This account consists of the following:

The Cooperative is in the process of amendment in increasing the authorized preferred with the number of 9,970 shares have already subscribed and paid by its members. The increase will be proposed for approval in the annual general assembly as per Coop-by-laws.

17. DEPOSIT FOR SHARE 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.

18. STATUTORY FUND

This account consists of the following:

	2016	2015
<u>Reserve Fund</u>	<u>1,123,163.28</u>	<u>181,500.18</u>
<u>Education and Training Fund</u>	<u>94,166.31</u>	<u>2,576.48</u>
<u>Community Development Fund</u>	<u>61,652.74</u>	<u>5,152.95</u>
<u>Optional Fund</u>	<u>61,652.74</u>	<u>5,152.95</u>
<u>Total Statutory Funds</u>	<u>1,340,635.06</u>	<u>194,382.57</u>

The Board of Directors has adopted a board resolution to set up separate account with the Bank of Philippine Island in the amount P1,123,163.28 for the reserve fund in compliance with RA 9520.

19. ALLOCATION AND DISTRIBUTION OF NET SURPLUS

The cooperative articles and by-laws explicitly provide that its net surplus at the end of the fiscal year shall be distributed in the following manner:

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- a. At least ten percent (10%) 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. Provided that in the first 5 years from the year of operation this shall not be less than 50% of the net surplus.
- b. One percent (3%) 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 APEX organization of which the cooperative is a member.
- c. Three percent (3%) of the net surplus is allocated to its optional fund for land and building fund and other necessary funds.
- d. Three percent (3%) of net surplus is allocated for community development fund which shall be used for the projects that will benefit the community where the cooperative operates.
- e. The remaining balance of the net surplus is distributed to the members for interest on share capital and patronage refund. Interest on share capital shall be allocated in proportion to the individual member's average share month, while patronage refund is divided according to individual member's patronage of cooperative services; i.e., volume of loans availed.

The net surplus distribution for the year is shown below:

	2016	2015
NET SURPLUS FOR DISTRIBUTION	1,883,326.19	343,530.32
DISTRIBUTION:		
Reserve Fund	941,663.10	214,706.45
Education and Training Fund-Local	94,166.31	2,576.48
Due to Union/Federation	94,166.31	2,576.48
Optional Fund	56,499.79	5,152.95
Community Development Fund	56,499.79	5,152.95
Interest on Share Capital Payable	512,264.72	113,365.01
Patronage Refund Payable	128,066.18	-
	1,883,326.19	343,530.32

20. TAXES, FEES, AND CHARGES

This account consists of:

	2016	2015
License and Permit	1,665.00	1,420.00
CDA Certificate and Fees	5,749.56	8,640.00
Annual Registration Fee-BIR	-	500.00
Total	7,414.76	10,560.00

21. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 19-2011-15-2010

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 in 2016. These taxes were not included in the tax exemption certificate the cooperative had obtained as follows:

Based on RR No. 19-2011

a. Withholding Taxes

	<u>Amount</u>
Withholding tax on compensation and benefits	11,596.00
Expanded withholding taxes	2,150.00
Total	13,746.00

b. All other taxes (Local and National)

	<u>Amount</u>
License and permit	1,165.00
Annual Registration Fee- BIR	Exempt
Total	1,165.00

As at December 31, 2016, the Cooperative has no pending tax cases with the BIR

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

The accompanying financial statements of the cooperative were authorized for issue by the cooperative's chairman of the Board on January 27, 2017.

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P.E.S.O.S. FINANCIAL RATING OF HPP EMPLOYEES CREDIT COOPERATIVE AS OF DECEMBER 31, 2016					
			Standard	Score	Equivalent Points
P-	PORTFOLIO QUALITY (25%)				
R1	Portfolio at Risk	Balance of Loans with 1 day missed payment /Total Loans Outstanding	5% or less	1%	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 5
					25
E-	EFFICIENCY (20%)				
R3	Asset Yield	Undivided net surplus/Average Total Assets	At least	14%	4
R4	Operational Self-Sufficiency	Interest on loan+Service fee+fining fee+Fines & penalties/ Financing Cost+Admin Cost	100%	408%	4
R5	Rate of Return on Members' Share	Int. on Share Capital+ Patronage Refund/Ave. Member's Share	Should be higher than Inflation rate	7%	4
R6	Loan Portfolio Profitability	Income from Loans/ Average Total Loans Outstanding	more than	22%	4
R7	Cost per Peso	Financing Cost+(Admin Cost-Member's Benefit Expense) /Average Total Loans Outstanding	Php.10 per Php 1.loan	0.05	2
R8	Administrative Efficiency	Administrative Cost/ Average Total Assets	3 to 10%	4%	2
					20
S-	STABILITY (30%)				
R9	Solvency	(Asset+allowances)-(total liabilities-(deposit + past due restructured+ loan under litigation)/Deposits+share capital	at least 110%	108%	8
R10	Liquidity	Liquid assets-short-term payables/total deposit	not less than	162%	15
R11	Institutional Capital	Reserves+Allowance from Probable Losses on Loan-Past Due Loans+ Loans under Litigation+Problem Assets/ Total assets	At least 10%	5%	4
					27
O-	OPERATIONS (10%)				
R12	Performance of Membership Growth	Ending Number of Members-Beginning Number of Members/Begning Number of Members	Inc. to meet the target set In Dev. Plan	47%	3
R13	Growth of External Borrowings	Ending External Borrowings-Beg. External Borrowings/ Beginning External Borrowings	Dec. towards Zero	none	5
					8
S-	STRUCTURE OF ASSETS (15%)				
R15	Asset Quality	Non-Earning Assets/Total Assets	5% and below	0%	5
R16	Asset Structure	1.Total Deposits/Total Assets	55 to 65%	10%	0
		2. Total Loans Receivable/Total Assets	70 to 80%	54%	1
		3. Total Members' Share Capital/Total Assets	35 to 45%	79%	0
					6
TOTAL PESOS POINTS					86

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HPP EMPLOYEES CREDIT COOPERATIVE				
FINANCIAL PERFORMANCE PESOS (INDICATORS)				
RATIOS	COMPUTATION/FORMULA	Standard	Score	Equivalent Pts.
P-PORTFOLIO QUALITY (25%)				
Portfolio at Risk	$\frac{\text{Balance of loan Outstanding with 1 day missed payments}}{\text{Total Loan Outstanding}}$ $\frac{70,515.71}{13,125,992.43}$	5% or less	1%	15
Allowance for Probable Losses on Loans	$\frac{\text{Amount of allow for loans over 12 months past due}}{\text{Total Outstanding balance of loans over 12 months past due}}$ $\frac{0.00}{0.00}$	100%	no past due	5
	$\frac{\text{Amount of allow for loans 1- 12 months past due}}{\text{Total Outstanding balance of loans 1- 12 months past due}}$ $\frac{21,154.71}{70,515.71}$	35%	30%	5
E- EFFICIENCY (20%)				
Asset Yield	$\frac{\text{Undivided Net Surplus}}{\text{Average Total Assets}}$ $\frac{1,883,326.19}{13,577,791.52}$	At least Inflation rate	14%	4
Operational Self-sufficiency	$\frac{\text{Interest on loans+Service Fee+Filing Fees+Fines, penalties, surcharges}}{\text{Financing +Administrative Cost}}$ $\frac{2,161,468.08}{530,059.53}$	>100%	408%	4
Rate of Return on Member's Share	$\frac{\text{Interest on Share Capital}}{\text{Average Member's Share}}$ $\frac{512,264.72}{7,601,500.00}$	Higher than Inflation Rate	7%	4
Loan Portfolio Profitability	$\frac{\text{Interest Income from Loans + Service fees+Filing Fees +Fines+ Penalties}}{\text{Average Total Loans Outstanding}}$ $\frac{2,161,468.08}{9,887,686.62}$	More than 20%	22%	4
Cost Per Peso Loan	$\frac{\text{Financing Costs +(Admin cost-Members Benefit Expense)}}{\text{Average Total Loans Outstanding}}$ $\frac{490,059.53}{9,887,686.62}$	Ph.P0.10 per PhP1.00 loan	0.05	2

3RD GENERAL ASSEMBLY

HPP EMPLOYEES CREDIT COOPERATIVE				
FINANCIAL PERFORMANCE PESOS (INDICATORS)				
RATIOS	COMPUTATION/FORMULA	Standard	Score	Equivalent Pts.
Administrative Efficiency	$\frac{\text{Administrative Costs}}{\text{Average Total Assets}}$ $\frac{525,909.39}{13,577,791.52}$	3-10%	4%	2
S-STABILITY(30%)				
Solvency	$\frac{(\text{Asset}+\text{Allowance})-(\text{Total Liabilities}-\text{deposit} + \text{past due} + \text{restructured loan} + \text{Loans under litigation})}{\text{Deposits} + \text{Share capital}}$ $\frac{19,758,231.73}{18,325,926.25}$	At least 110%	108%	8
Liquidity	$\frac{\text{Liquid Assets}-\text{Short-term Payable}}{\text{Total Deposits}}$ $\frac{1,432,487.14}{886,220.37}$	Not less than 15%	162%	15
Net Institutional Capital	$\frac{(\text{Reserves}+\text{Allowance})-(\text{Past due loan} + \text{litigation} + \text{problem assets})}{\text{Total Assets}}$ $\frac{1,073,802.28}{20,678,355.49}$	At least 10%	5%	4
O- OPERATIONS (10%)				
Performance of Membership Growth	$\frac{\text{Actual Increase in membership}}{\text{target increase in members}}$ $\frac{471}{1000}$	Target set in the Development Plan	47%	3
Trend In External Borrowings	$\frac{\text{Ending External Borrowings}-\text{Beginning External Borrowings}}{\text{Beginning Borrowings}}$ $\frac{\text{Zero}}{\text{Zero}}$	Decreasing to Zero	no external loans	5
S-STRUCTURE OF ASSETS(15%)				
Asset Quality	$\frac{\text{Non-Earning Assets}}{\text{Total Assets}}$ $\frac{91,941.65}{20,678,355.49}$	Not more Than 5%	0%	5
Asset Structure	$\frac{\text{Total Deposit}}{\text{Total Assets}}$ $\frac{2,062,500.21}{20,678,355.49}$	55 % to 65%	10%	0
	$\frac{\text{Total Net Loans Receivable}}{\text{Total Assets}}$ $\frac{11,249,708.89}{20,678,355.49}$	70% to 80%	54%	1
	$\frac{\text{Total Member's Share}}{\text{Total Assets}}$ $\frac{16,263,426.04}{20,678,355.49}$	35 % to 45%	79%	0
TOTAL				86

3RD GENERAL ASSEMBLY

Committee Reports

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 2016, our credit business more than doubled its prior year's numbers. We were able to grant a total of 919 loans

amounting to P18,278,213.62. This was as a result of various factors including the significant increase in our membership base, the convenience of transacting with the coop vs other credit facilities, our low interest rates and patronage refund, as well as members' desire to grow our cooperative.

As our membership continues to increase, so does the demand for different kinds of loans. The Credit Committee, therefore, will continue to play an important role particularly in policy making to make sure our loan products remain relevant for our members.

Loan Type	2015 Released	2015 Total Loan Amount	2016 Released	2016 Total Loan Amount
PETTY CASH LOAN	68	340,000.00	404	2,018,095.00
BIRTHDAY LOAN	74	738,000.00	211	2,088,900.00
HPP EPP 0% PROMO	11	358,090.00	32	406,717.88
MULTIPURPOSE LOAN	36	2,601,613.90	90	4,908,176.38
EDUCATION LOAN	36	1,775,950.00	46	1,998,332.94
HOUSING EQUITY LOAN	4	319,000.00	27	2,223,034.13
CAR EQUITY LOAN	4	440,000.00	30	2,220,018.50
TRAVEL LOAN	6	220,000.00	21	668,890.30
EMERGENCY LOAN	6	60,000.00	22	215,000.00
HOSPITALIZATION LOAN	10	501,600.00	14	607,200.00
APPLIANCE LOAN	3	165,680.00	7	344,023.47
CREDIT CARD BUSTER LOAN	6	296,487.64	10	410,391.86
CO-MAKER LOAN	0	-	2	67,245.36
EPP LOAN (REGULAR)	3	52,833.00	0	-
WEDDING LOAN	2	110,000.00	1	55,000.00
ABENSON LOAN	0	-	2	47,187.80
SHARE CAPITAL LOAN	0	-	0	-
TOTAL	269	7,979,254.54	919	18,278,213.62

JR Pinon
Committee Chairperson

Jay Calma
Committee

Sharon Almazan
Vice-Chairperson Committee Member

3RD GENERAL ASSEMBLY

MEMBERSHIP COMMITTEE

The primary function of the Membership Committee is to increase membership of the cooperative. The strength of any cooperative is in numbers. The more members, the greater the potential of a cooperative. Particularly for a new cooperative like HPPECC, increasing membership is a top priority.



In 2016, the Membership Committee has conducted several PMES (Pre-Membership Education Seminar) orientations to various teams both in our McKinley and ETON offices. We were also able to secure some NEO slots (New Employee Onboarding) with the support of the company. 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 HPE/HPI.

We added a total of 459 new members in 2016 averaging about 40 members a month. The peak of our recruitment happened in August 2016 when we were able to add 80 members. This was as a result of the Anniversary Celebration of HPPECC where we had some snacks for members as well as new applicants.

The target for 2017 is to hit 2,000 members by end of the year. We think we can hit that target by introducing more programs and activities. But the best recruitment program is through referrals of existing members. We are therefore everyone to help us promote our cooperative so that more and more employees can enjoy the benefit of being part of the cooperative.

Gege de Guzman

Committee Chairperson

Francis Oliman

Committee Vice-Chairperson

Eugenio Revestir

Committee Member (RS)

Christienne Ret

Committee Member (ETON)

3RD GENERAL ASSEMBLY

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 of officers is done annually as provided for in the By-Laws of the Cooperative. As our members are shifting 24x7 and working from different locations, the election of HPPECC is done electronically and across multiple days. This is to give members every opportunity to exercise their right to vote and to elect the leaders they want.

Following are the details of the HPPECC 2017 Election:

Schedule:

Notice of Election / Start of COC Filing	February 6, 2017
Deadline of COC Filing	February 24, 2017
Electronic Election	March 1-10, 2017
General Assembly / Election Results	March 14, 2017

Open Positions:

- Four (4) Board of Directors
- Three (3) Audit Committee Members
- 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.

Nicolo Baligod

Committee Chairperson
Member

Amie Ray Hernandez-Miranda

Committee Vice-Chairperson

Jonathan Cantos

Committee

3RD GENERAL ASSEMBLY

Proposed Amendment to the Articles of Cooperation and By-Laws

INCREASING THE AUTHORIZED CAPITAL STOCK OF HPP EMPLOYEES CREDIT COOPERATIVE FROM 10 MILLION PESOS TO 50 MILLION PESOS

WHEREAS, the current authorized capitalization of HPPECC is only Ten Million Pesos (P10,000,000.00) while total Members' Equity based on 2016 Audited Financial Statements is already at Seventeen Million Six Hundred Four Thousand Sixty One and 10/100 Pesos (P17,604,061.10);

WHEREAS, membership base continue to grow and both existing and new members are anticipated to pour in fresh and additional capital;

NOW THEREFORE, FOR AND IN CONSIDERATION OF THE FOREGOING PREMISES, BE IT RESOLVED AS IT IS HEREBY RESOLVED, that the 6th Article of the Articles of Cooperation is hereby amended to increase the authorized capitalization of the HPP Employees Credit Cooperative, to wit:

FROM

ARTICLE X

Capitalization

That That the Authorized Share Capital of this Cooperative is Ten Million (P10,000,000.00), Philippine currency, divided into:

- a) Ninety Thousand (90,000) common shares with a par value of one hundred pesos (P100.00) per share; and
- b) Ten Thousand (10,000) preferred shares with a par value of one hundred pesos (P100.00) per share.

TO

ARTICLE X

Capitalization

That That the Authorized Share Capital of this Cooperative is Fifty Million (P50,000,000.00), Philippine currency, divided into:

- a) Four Hundred Fifty Thousand (450,000) common shares with a par value of one hundred pesos (P100.00) per share; and
- b) Fifty Thousand (50,000) preferred shares with a par value of one hundred pesos (P100.00) per share.

CONVERSION FROM CREDIT COOPERATIVE TO MULTIPURPOSE COOPERATIVE

WHEREAS, the CDA Memorandum Circular No. 2015-07 states that “No cooperative shall be registered as a multipurpose cooperative unless it has been in operation for at least two (2) years;

WHEREAS, HPP Employees Credit Cooperative (HPPECC) is registered with the Cooperative Development Authority (CDA) on August 27, 2014 primarily as a Credit Cooperative;

WHEREAS, members desire to grow HPPECC by engaging into business;

NOW THEREFORE, FOR AND IN CONSIDERATION OF THE FOREGOING PREMISES, BE IT RESOLVED AS IT IS HEREBY RESOLVED, that the HPP Employees Credit Cooperative Articles of Cooperation and By-Laws are hereby amended as follows:

ARTICLES OF COOPERATION

Article II – Types and Purposes

FROM

That the types and purposes for which this cooperative is formed are:

1. To encourage thrift and savings mobilization among the members for capital formation;
2. To create funds in order to grant loans for productive and providential purposes to its members;
3. To promote the cooperative as a way of life for improving the social and economic well-being of the people;
4. To do any related activity for the members self-government, improve social and/or economic well-being under a truly just democratic society;
5. To work with the cooperative movement, non-government and government organizations/entities in the promotion and development of cooperatives and in carrying out government policies.

To undertake other activities for the effective and efficient implementation of the provisions of the Cooperative Code.

TO

That the types and purposes for which this cooperative is formed are:

1. To encourage thrift and savings mobilization among the members for capital formation;
2. To create funds in order to grant loans for productive and providential purposes to its members;

- 3. To put up a convenience store to serve members' needs for consumer goods;**
- 4. To offer other goods and services for the benefit of its members;**
5. To promote the cooperative as a way of life for improving the social and economic well-being of the people;
6. To do any related activity for the members self-government, improve social and/or economic well-being under a truly just democratic society;
7. To work with the cooperative movement, non-government and government organizations/entities in the promotion and development of cooperatives and in carrying out government policies.
8. To undertake other activities for the effective and efficient implementation of the provisions of the Cooperative Code.

BY-LAWS

Article VIII – Operations

FROM

- d. Adopt and implement plans and programs which insures the continued build-up of the cooperative's capital structure with the end view of establishing other needed services for the members and the public;
- e. Formulate and implement studies and/or programs that will address the needs of members.

TO

- d. The cooperative shall endeavor to provide goods and services at competitive price to its members and/or community;**
- e. Adopt and implement plans and programs which insures the continued build-up of the cooperative's capital structure with the end view of establishing other needed services for the members and the public;
- f. Formulate and implement studies and/or programs that will address the needs of members.

3RD GENERAL ASSEMBLY

INCLUDE COMPANIES RESULTING FROM MERGERS, ACQUISITIONS, AND DIVESTITURES AS PART OF THE COMMON BOND OF MEMBERSHIP

WHEREAS, the common bond of membership of HPP Employees Credit Cooperative is currently limited to Hewlett-Packard Philippines Corporation (HPPC), Hewlett Packard AP (Hong Kong) Limited – Philippine Regional Operating Headquarters (HPAP), and HP PPS Philippines Inc (HPPPSPI);

WHEREAS, Hewlett-Packard is in the process of business transformation which may affect members' company of employment;

NOW THEREFORE, FOR AND IN CONSIDERATION OF THE FOREGOING PREMISES, BE IT RESOLVED AS IT IS HEREBY RESOLVED, that the HPP Employees Credit Cooperative Articles of Cooperation and By-Laws are hereby amended as follows:

ARTICLES OF COOPERATION

Article VI – Common Bond of Membership

FROM

1. Regular or Common Shareholder – current employees Hewlett-Packard Philippines Corporation (HPPC), Hewlett-Packard Asia-Pacific (HPAP), and HP PPS Philippines Inc (HPPPSPI) and residing in the Philippines.
2. Associates or Preferred Shareholder – former employees of HPPC, HPAP, and HPPPSPI who did not terminate their membership with HPPECC upon their separation from their respective employers. Associate Members are non-voting members of the Cooperative.

TO

1. Regular or Common Shareholder – current employees Hewlett-Packard Philippines Corporation (HPPC), Hewlett Packard AP (Hong Kong) Limited – Philippine Regional Operating Headquarters (HPAP), and HP PPS Philippines Inc (HPPPSPI), Enterprise Services AP Limited- Philippines, ES GTM is EntServ Philippines, Inc. ROHQ, as well as any company resulting from mergers, acquisitions, or divestitures resulting from the foregoing companies.
2. Associates or Preferred Shareholder – former employees of companies within the common bond of membership who did not terminate their membership with HPPECC upon their separation from their respective employers. Associate Members are non-voting members of the Cooperative.

3RD GENERAL ASSEMBLY

BY-LAWS

Article II Section 2 – Qualifications for Membership

FROM

1. Regular or Common Shareholder – current employees Hewlett-Packard Philippines Corporation (HPPC), Hewlett-Packard Asia-Pacific (HPAP), and HP PPS Philippines Inc (HPPPSPI) and residing in the Philippines.
2. Associates or Preferred Shareholder – former employees of HPPC, HPAP, and HPPPSPI who did not terminate their membership with HPPECC upon their separation from their respective employers. Associate Members are non-voting members of the Cooperative.

TO

1. Regular or Common Shareholder – current employees Hewlett-Packard Philippines Corporation (HPPC), Hewlett Packard AP (Hong Kong) Limited – Philippine Regional Operating Headquarters (HPAP), and HP PPS Philippines Inc (HPPPSPI), Enterprise Services AP Limited- Philippines, ES GTM is EntServ Philippines, Inc. ROHQ, as well as any company resulting from mergers, acquisitions, or divestitures resulting from the foregoing companies.
2. Associates or Preferred Shareholder – former employees of companies within the common bond of membership who did not terminate their membership with HPPECC upon their separation from their respective employers. Associate Members are non-voting members of the Cooperative.

DISTRIBUTION OF NET SURPLUS

WHEREAS, HPP Employees Credit Cooperative would like to ensure adherence to Republic Act 9520 (RA 9520) or the Cooperative Code of 2008 with respect to the distribution of net surplus;

WHEREAS, Articles 85 and 86 of RA 9520 define how cooperative net surplus should be distributed;

NOW THEREFORE, FOR AND IN CONSIDERATION OF THE FOREGOING PREMISES, BE IT RESOLVED AS IT IS HEREBY RESOLVED, that the HPP Employees Credit Cooperative Articles of Cooperation and By-Laws are hereby amended as follows:

BY-LAWS

Article IX - Allocation and Distribution of Net Surplus

FROM

- a. **Reserve Fund.** Ten percent (10%) shall be set aside for Reserve Fund subject to the following rules, provided, that in the first five (5) years of operation after registration, this amount shall not be less than fifty percent (50%) of the net surplus:
- b. **Education and Training Fund.** Ten percent (10%) shall be set aside for Education and Training Fund.
- c. **Community Development Fund.** Three percent (3%) shall be used for projects and activities that will benefit the community where the cooperative operates.
- d. **Optional Fund.** Three percent (3%) shall be set aside for Optional Fund for land and building fund, and any other necessary fund.

TO

- a. **Reserve Fund.** At least ten percent (10%) shall be set aside for Reserve Fund subject to the following rules, provided, that in the first five (5) years of operation after registration, this amount shall not be less than fifty percent (50%) of the net surplus:
- b. **Education and Training Fund.** A maximum of ten percent (10%) shall be set aside for Education and Training Fund.
- c. **Community Development Fund.** At least three percent (3%) shall be used for projects and activities that will benefit the community where the cooperative operates.
- d. **Optional Fund.** A maximum of seven percent (7%) shall be set aside for Optional Fund for land and building fund, and any other necessary fund.

3RD GENERAL ASSEMBLY

Board of Directors 2016-2017



Val Hilario
Chairman



Simon Villalon
Vice Chairman



Joseph Joaquin
Director



Eugene Teves
Director



Max de Leon
Director



Mike Nicolas
Director



Led Mangubat
Director