



KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE

#5 Don Francisco St., Don Enrique Heights, Brgy. Holy Spirit, Quezon City 1127

Telephone Numbers: (632) 931-4335 or 897-3014 / Fax Number: (632) 931-4335

CDA REG. NO.: 9520-1016000000028521

CIN: 16201628521

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of Kabuhayan sa Ganap ng Kasarinlan Credit and Savings Cooperative (Kasagana-Ka or 'K-Coop') (the "Cooperative") is responsible for all information and representations contained in the Annual Income Tax Return as at and for the period from February 5, 2016 (incorporation date) to December 31, 2016.

Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the 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 stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the period from February 5, 2016 (incorporation date) to December 31, 2016 and the accompanying Annual Income Tax Return are in accordance with the books and records of the 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, and 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 (Philippine Financial Reporting Framework for Cooperatives) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Cooperative's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Cooperative has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


Garth Noel P.E. Tolentino
Chairman


Maria Anna D.R. Ignacio
General Manager


Jaime E. Varela
Treasurer



Signed this 29th day of April 2017





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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Members
Kabuhayan sa Ganap ng Kasarinlan
Credit and Savings Cooperative
(Kasagana-Ka or K-Coop)
No. 5 Don Francisco Street, Don Enrique Heights
Brgy. Holy Spirit, Commonwealth
Quezon City-II, Metro Manila

We have audited the accompanying financial statements of Kabuhayan sa Ganap ng Kasarinlan Credit and Savings Cooperative (Kasagana-Ka or K-Coop) as at December 31, 2016 and for the period from February 5, 2016 (registration date) to December 31, 2016, on which we have rendered our report dated April 29, 2017

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the chairman, president, manager or members of the Board of Directors of the Cooperative.

R.G. MANABAT & CO.


DENNIS I. ILAN

Partner

CPA License No. 089564

SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018

Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2014

Issued September 26, 2014; valid until September 25, 2017

PTR No. 5904928MD

Issued January 3, 2017 at Makati City



April 29, 2017
Makati City, Metro Manila

PRC-BOA Registration No. 0003, valid until March 15, 2020
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017



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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Members
Kabuhayan sa Ganap ng Kasarinlan
Credit and Savings Cooperative
(Kasagana-Ka or K-Coop)
No. 5 Don Francisco Street, Don Enrique Heights
Brgy. Holy Spirit, Commonwealth
Quezon City-II, Metro Manila



Report on the Audit of the Financial Statements

We have audited the financial statements of Kabuhayan sa Ganap ng Kasarinlan Credit and Savings Cooperative (Kasagana-Ka or K-Coop) (the "Cooperative"), which comprise the statement of financial condition as at December 31, 2016, and the statement of operations, statement of changes in equity and statement of cash flows for the period from February 5, 2016 (registration date) to December 31, 2016, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative as at December 31, 2016, and its financial performance and its cash flows for the period from February 5, 2016 (registration date) to December 31, 2016, in accordance with Philippine Financial Reporting Framework for Cooperatives (PFRF for Cooperatives).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Cooperative in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRF for Cooperatives, 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.

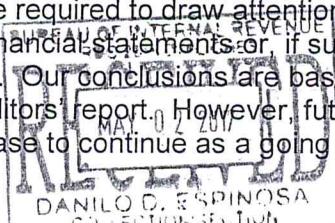
Those charged with governance are responsible for overseeing the Cooperative's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 management.
- Conclude on the appropriateness of management's use of the 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 significant doubt on the Cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.

We communicate with those 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 we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was 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. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

DENNIS I. ILAN

Partner

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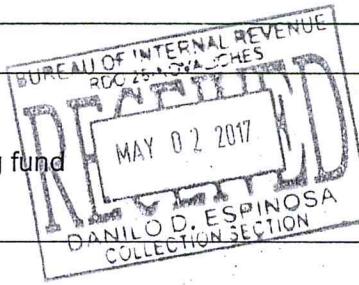
April 29, 2017
Makati City, Metro Manila



**KABUHAYAN SA GANAP NG KASARINLAN
CREDIT AND SAVINGS COOPERATIVE
(KASAGANA-KA OR K-COOP)**
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2016

	<i>Note</i>
ASSETS	
Current Assets	
Cash	6 P23,940,393
Loans and receivables - net	7 208,521,338
Other current assets	825,264
Total Current Assets	233,286,995
Noncurrent Assets	
Property and equipment - net	8 2,911,918
Intangible asset - net	9 62,833
Total Noncurrent Assets	2,974,751
	P236,261,746
LIABILITIES AND EQUITY	
Current Liabilities	
Deposit liabilities	10 P84,654,724
Accounts payable - non trade	11, 19 15,000,000
Accrued expenses	19 1,877,429
Interest on share capital payable	14 590,914
Patronage refund payable	14 1,097,412
Other current liabilities	12 15,487,315
Total Current Liabilities	118,707,794
Noncurrent Liabilities	
Accounts payable - non trade	11, 19 113,469,051
Retirement payable	18 649,437
Total Noncurrent Liabilities	114,118,488
Total Liabilities	232,826,282
Members' Equity	
Subscribed share capital - common	13 1,200,000
Subscription receivable	(900,000)
Total Members' Equity	300,000
Statutory Funds	
Reserve fund	14 2,411,895
Cooperative education and training fund	241,190
Community development fund	144,714
Optional fund	337,665
Total Statutory Funds	3,135,464
Total Equity	3,435,464
	P236,261,746

See Notes to the Financial Statements.



**KABUHAYAN SA GANAP NG KASARINLAN
CREDIT AND SAVINGS COOPERATIVE
(KASAGANA-KA OR K-COOP)**
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM FEBRUARY 5, 2016 TO DECEMBER 31, 2016*

	<i>Note</i>
REVENUE	
Income from Credit Operations	
Interest income	7 ₱10,878,701
Service fees	7 1,545,858
	12,424,559
Other Income	15
Membership fee	614,500
Miscellaneous income	1,184,773
	1,779,273
	14,223,832
COST OF SERVICES	16 7,442,371
FINANCING COST	
Interest expense on deposits	10 295,395
ADMINISTRATIVE COST	17 1,662,276
NET SURPLUS FROM OPERATIONS	₱4,823,790
DISTRIBUTED AS FOLLOWS	14
Reserve fund	₱2,411,895
Cooperative education and training fund	241,190
Community development fund	144,714
Optional fund	337,665
Interest on share capital	590,914
Patronage refund	1,097,412
NET SURPLUS DISTRIBUTED	₱4,823,790

*The Cooperative was registered with the Cooperative Development Authority on February 5, 2016 and started operations on August 18, 2016.

See Notes to the Financial Statements.



KABUHAYAN SA GANAP NG KASARINLAN CREDIT AND SAVINGS COOPERATIVE
(KASAGANA-KA OR K-COOP)

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM FEBRUARY 5, 2016 TO DECEMBER 31, 2016*

	Share Capital (Note 13)	Reserve Funds (Note 14)	Statutory Funds		
			Cooperative Education and Training Fund (Note 14)	Cooperative Development Fund (Note 14)	Operational Fund (Note 14)
Balance at beginning of year					
Receipt from collection of subscription	P300,000	P -	P -	P -	P -
Less: Withdrawal of capital	-	-	-	-	P300,000
	300,000	2,411,895	241,190	144,714	337,665
Allocation of Net Surplus					300,000
Less: Changes					3,135,464
Balance at end of year	P300,000	P2,411,895	P241,190	P144,714	P337,665
					P3,435,464

* The Cooperative was registered with the Cooperative Development Authority on February 5, 2016 and started operations on August 18, 2016.
 See Notes to the Financial Statements.

**KABUHAYAN SA GANAP NG KASARINLAN
CREDIT AND SAVINGS COOPERATIVE
(KASAGANA-KA OR K-COOP)**
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM FEBRUARY 5, 2016 TO DECEMBER 31, 2016*

<i>Note</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus from operations		
Adjustments for:		P4,823,790
Accounts payable - non trade	11	128,469,051
Depreciation and amortization	8, 9	807,776
Provision for impairment losses on loans	7	23,775
Changes in operating assets and liabilities:		
Loans and receivables	7	(208,545,113)
Other current assets		(825,264)
Accrued expenses		1,877,429
Other current liabilities	12	15,483,594
Retirement payable		649,437
Other non-current liabilities		3,721
Net cash used in operating activities		(57,231,804)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	8	(3,717,527)
Acquisition of intangible asset	9	(65,000)
Net cash used in investing activities		(3,782,527)
CASH FLOWS FROM A FINANCING ACTIVITIES		
Additional deposits from members	10	84,654,724
Proceeds from share capital subscription	13	300,000
Net cash generated from financing activities		84,954,724
CASH AT END OF YEAR	6	P23,940,393

*The Cooperative was registered with the Cooperative Development Authority on February 5, 2016 and started operations on August 18, 2016.

See Notes to the Financial Statements.

**KABUHAYAN SA GANAP NG KASARINLAN
CREDIT AND SAVINGS COOPERATIVE
(KASAGANA-KA OR K-COOP)**

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Kabuhayan sa Ganap ng Kasarinlan Credit and Savings Cooperative (Kasagana-Ka or K-Coop) (the "Cooperative") with principal address at No. 5 Don Francisco Street, Don Enrique Heights, Brgy. Holy Spirit, Commonwealth, Quezon City-II, Metro Manila was organized and registered on February 5, 2016 with the Cooperative Development Authority (CDA) with Registration No. 9520-101600000028521 in accordance with Republic Act (R.A.) No. 9520, otherwise known as the Philippine Cooperative Code of 2008. The primary purpose of the Cooperative is to engage in thrift and savings mobilization among the members, particularly women in urban and peri-urban poor communities, to mobilize and generate funds in order to provide credit services, providing its members the means for financial sustainability and social protection, to adhere to and promote the principles and processes of cooperativism, as a way of improving the social and economic well-being of its members and create social infrastructures and networks with viable systems and processes and to do any related activities for the members by way of self-government, improving their social and economic empowerment thereby contributing to the creation of a truly just, gender-equal and democratic society.

In accordance with the R.A. No. 9520, cooperatives are exempted from the payment of all national, city, provincial, municipal or barangay taxes of whatever name and nature, including exemption from custom duties, advance sales or compensating taxes on its importation of machinery, equipment and spare parts which are not available locally as certified by the Department of Trade and Industry. Cooperatives shall enjoy tax exemptions from government taxes or fees imposed under internal revenue laws provided they do not transact with non-members or the general public. Cooperatives, if transacting business with non-members or the general public, may be exempted from tax if their accumulated reserves and undivided net savings do not exceed P10.00 million.

On October 14, 2016, the Cooperative was granted a certificate of tax exemption by the Bureau of Internal Revenue (BIR) stating that as a cooperative transacting with members only, it is entitled to the tax exemptions and incentives provided for under Article 60 of R.A. No. 9520, *Philippine Cooperative Code of 2008*, as implemented by Section 7 of the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of R.A. No. 9520. The said certificate of exemption shall be valid for five (5) years unless sooner revoked by the BIR for violation of any provisions of the Joint Revenue Regulations, the terms and conditions or upon withdrawal of the Certificate of Registration by the CDA. The Cooperative's current certificate of tax exemption is valid until October 14, 2021.

On November 26, 2016, the Board of Trustees (BOT) of Kasagana-Ka Development Center, Inc. (KDCI), a social development agency providing credit and loans, savings, education and training, housing and health mechanism programs to the entrepreneurial urban poor, resolved to amend its primary objective to only perform social programs and to transfer its microfinance operations to the Cooperative.

Consequently, the loans to client beneficiaries, due to client beneficiaries' capital build-up (CBU) and portion of the retirement liability for the three (3) employees from KDCI were transferred to the Cooperative in 2016.

The Cooperative and KDCI have common directors/trustees. Kasagana-Ka Mutual Benefit Association, Inc. (K-MBA) is represented in the general assembly of KDCI. Kasagana-Ka Employee-Employer's Provident Fund Association, Inc. (KPF) is a provident fund for the employees of the Cooperative, KDCI and K-MBA. Collectively as the Kasagana-Ka Synergizing Organizations, the entities are related parties to each other.

The Cooperative started its business operations on August 18, 2016 with 30 branches around National Capital Region.

2. Basis of Preparation

Statement of Compliance

The financial statements were prepared in accordance with the Philippine Financial Reporting Framework for Cooperatives (PFRF for Cooperatives), which became effective for annual reporting periods beginning on or after January 1, 2016, and in adherence to the cooperative laws, issued policies, rules and regulations and cooperative principles and practices whenever applicable.

The financial statements were authorized for issue by the management and Board of Directors (BOD) on April 29, 2017.

Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for retirement benefit liability which is measured at present value of defined benefit obligation.

Functional and Presentation of Currency

Items included in the financial statements of the Cooperative are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Cooperative. The financial statements are presented in Philippine peso which is the Cooperative's functional and presentation currency, and all values are rounded to the nearest peso except when otherwise indicated.

Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 4 to the financial statements.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently in the financial statements.

Financial Instruments

Recognition

The Cooperative recognizes a financial asset or a financial liability on the date when it becomes a party to the contractual provisions of the financial instrument.

The Cooperative classifies its financial assets into: financial assets at FVPL, available-for-sale (AFS) financial assets, held-to-maturity (HTM) investments and loans and receivables. On the other hand, financial liabilities are classified as financial liabilities at FVPL or other liabilities at amortized cost. The category depends on the purpose for which the instruments are acquired and the liabilities are incurred, and whether these are quoted in an active market. Management determines the category of its financial instruments at initial recognition and where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial Assets

Financial assets are recognized in the Cooperative's financial statements when the Cooperative becomes a party to the contractual provisions of the instrument. Transaction costs are included in the initial measurement of all financial assets.

The Cooperative derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Cooperative neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Cooperative recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

As at December 31, 2016, the Cooperative's financial assets include cash, and loans and receivables.

Cash

Cash includes cash on hand and in banks.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in statement of operations.

Loans and receivables are classified as current and non-current or past due accounts. Interest income on these loans are recognized only upon collections.

Loans and receivables are presented in the financial statement at its net realizable value. Allowance for probable losses is estimated based on historical loss experience, current economic conditions and other risk factors obtained during the collection process. Credit review is made periodically by an officer duly delegated with such responsibility.

Allowance for probable losses is maintained at a level considered adequate to provide for potential losses on loans and other resources. The allowance is increased by provision charged to operations and reduced by net write-offs and reversals. The level of allowance is set up at the higher of the amount determined based on management's evaluation of potential losses after consideration of prevailing and anticipated economic conditions.

The Cooperative's policy over its loans and receivables balance requires periodic assessment of its collectability. In accordance with the guidance from the CDA, the Cooperative primarily uses the following loan loss provisioning based on the aging of its receivables.

Past due from	Required Provision as % of the Balance
One (1) to 12 months	35%
More than 12 months	100%

Financial Liabilities

Issued financial instruments are classified as financial liabilities where the substance of the contractual arrangement results in the Cooperative having an obligation either to deliver cash or another financial asset to the holder or lender. These are initially measured at the transaction price, which is the fair value, including transaction costs, if any.

After initial measurement, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate (EIR). The amortization is included as part of interest expense in the statements of operations.

This category includes the Cooperative's deposit liabilities, accounts payable - non trade, accrued expenses, interest on share capital payable, patronage refund payable and other current liabilities (excluding other liabilities) (see Notes 10, 11, 12 and 14).

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, amortization and impairment loss, if any.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period the costs are incurred under the statement of operations. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and impairment loss, if any, are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets which ranges from 3 - 5 years.

Fully depreciated assets are retained in the accounts until they are disposed, and no further charge for depreciation is made in respect to those assets. Any gains or losses arising from the disposal is recognized in the statement of operations.

Accrued Expenses

Accruals, if any, are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees and cooperative members.

Deposit Liabilities

Deposit liabilities represent the members' CBU which are interest-bearing and may be withdrawn by the members anytime or apply against the outstanding loan availed. The members' CBU should be at least 20% of the existing principal loan amount unless the membership with the Cooperative has been terminated.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Cooperative and the amount of revenue can be measured reliably. Revenues from all sources are recognized at the time earned and collected.

Specific revenues are recognized based on the following:

Interest Income

Interest income is recognized as the income is earned and collected.

Service Fees

Service fees are generally recognized when the loan is granted to the borrower.

Membership Fees

Membership fees are recognized when application for membership is approved.

Interest on Bank Deposits

Interest income from bank deposits is recognized on a monthly basis as the interest accrues by reference to the principal outstanding and the EIR applicable, and is presented net of applicable final tax.

Other Revenues

Income from other sources is recognized when earned.

Expense Recognition

Expenses included as part of "Costs of services" and "Administrative cost" in the statement of operations are recognized when decrease in the future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Operating Lease

A lease is classified as an operating lease if it does not substantially transfer to the lessee all the risks and rewards incidental to ownership. The Cooperative, as a lessee, recognizes lease payments under operating leases (excluding costs for services such as insurance and maintenance) as an expense on a straight-line basis over the term of the lease unless either: (a) another systematic basis is representative of the time pattern of the Cooperative's benefit, even if the payments are not on that basis, or (b) the payments to the lessor are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Provisions and Contingencies

A provision is recognized if, as a result of a past event, the Cooperative has a present legal or constructive obligation that can be estimated reliably, and it is probable that a transfer of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Cooperative does not recognize a provision for future operating losses.

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of economic resources is remote. Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Employee Benefits

Short-term Benefits. Short-term employee benefits are employee benefits (other than termination benefits) that are wholly due within 12 months after the end of the period in which the employees render the related service.

Retirement Benefits. The Cooperative has a funded, non-contributory defined benefit retirement plan covering all regular employees and administered by a trustee.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Cooperative, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the retirement liability, which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in the statements of revenues and expenses. The Cooperative determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of operations.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that related to past service or the gain or loss on curtailment is recognized immediately in the statements of operations. The Cooperative recognized gains and losses in the settlement of the defined benefit plan when the settlement occurs.

Accounts Peculiar to Cooperatives

The following accounts are peculiar to the Cooperative due to its nature as well as adherence to Cooperative laws, issued policies, rules and regulations, as well as cooperative principles and practices:

Assets

Other Funds and Deposits. This refers to funds set aside for funding of reserves (Statutory and Other Reserves) established by the Cooperative such as retirement, mutual benefit and other funds. The funds are recorded at cost.

Liabilities

Interest on Share Capital Payable. This refers to liability of the Cooperative to its members for interest on share capital.

Patronage Refund Payable. This refers to the liability of the Cooperative to its members and patrons for patronage refund or return on share capital.

Project Subsidy Fund Payable. This refers to the unused portion of the donation/grant for training, salaries and wages, etc.

Members' Benefit and Other Funds Payable. These are funds for special purposes such as members' welfare and benefits, i.e. loan protection, hospitalization, death, scholarship assistance, etc.

Equity

Donations/Grants. These are amounts received by the Cooperative as awards, subsidies, grants, aids and others. Such shall not be available for distribution as interest on share capital and patronage refund, and shall form part of the equity in the statement of financial condition.

Statutory Funds. These are mandatory funds established/set up in accordance with Articles 86 and 87 of R.A No. 9520 as follows:

Reserve Fund. These are amounts set aside annually for the stability of the Cooperative and to meet net losses, if any, in its operations. It is equivalent to at least 10% of the net surplus. A corresponding fund should be set up either in the form of time deposit with local banks or government securities. Only the amount in excess of the paid up share capital may be used for the expansion and authorized investment of the Cooperative as provided for in its by-laws.

Education and Training Fund. This amount is computed at a maximum of 10% and retained by the Cooperative out of the mandatory allocation as stipulated in the Cooperative's by-laws.

Community Development Fund. This fund is computed at a minimum of three percent (3%) of the Cooperative's net surplus. This is used for projects or activities that will benefit the community where the Cooperative operates.

Optional Fund. This fund is set aside from the net surplus (should not exceed 10%) for future use such as land and building, community developments, etc.

Expenses

General Assembly Meeting. These are expenses incurred in the conduct of regular/special general assembly.

Members' Benefit. These are expenses incurred for the benefit of the members.

Social and Community Service. These are expenses incurred by the Cooperative in its social community involvement including solicitations and donations to charitable institutions.

Income Taxes

R.A. No. 9520 states that a cooperative transacting business only with its members is exempt from all government taxes. However, should the Cooperative exceed the limits as set forth in R.A. No. 9520, it will be subject to income tax of 30%.

Income Recognition

As a rule, cooperatives adopt the accrual basis of accounting. However, for credit and other cooperatives, recognition of revenues is based on a modified accrual basis; i.e., interest income, fines, penalties and surcharges shall be recognized when earned and actually collected. This is because only interest income, fines, penalties and surcharges on loans and receivables that have 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 cooperatives, as well as the inherent limitations of small-scale countryside credit cooperatives, it cannot adopt the effective interest method in recognizing interest income on loans and receivables.

Events After Balance Sheet Date

The Cooperative identifies subsequent events as events that occurred after the balance sheet date but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Cooperative's financial condition at the balance sheet date are reflected in the financial statements. Non-adjusting subsequent events are disclosed in the notes to the financial statements when material.

4. Significant Accounting Estimates and Judgements

Judgments

The preparation of the Cooperative's financial statements in conformity with PFRF for Cooperatives requires management to make estimates and assumptions that affect the amounts reported in the Cooperative's financial statements and accompanying notes. The estimates and assumptions used in the Cooperative's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Cooperative's financial statements. Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Cooperative as Lessee

The Cooperative has entered into various lease agreements as lessee. The Cooperative has determined that the lessor retains all significant risks and rewards of ownership of these properties which are being leased by the Cooperative under operating lease arrangements.

Estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 a summary of the significant estimates and judgments and related impact and associated risks in the Cooperative's financial statements.

Estimating Allowance for Probable Losses

The Cooperative assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

The carrying amount of loans and receivables and the related allowance for probable losses are disclosed in Note 7.

Estimated Useful Lives of Property and Equipment

The Cooperative estimates the useful lives of property, plant and equipment based on the period over which the property and equipment are expected to be available for use. The estimated useful lives of the property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. In addition, the estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The carrying amount of property and equipment is disclosed in Note 8.

Impairment of Non-financial Assets

In accordance with the Cooperative's policy on impairment, the Cooperative assesses at each reporting date whether there is any indication that an asset may be impaired. If any of such indication exists, the Cooperative shall estimate the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Cooperative shall estimate the recoverable amount of the cash-generating unit to which the asset belongs.

As at December 31, 2016, the Cooperative assessed that there is no indication of impairment on its non-financial assets such as property and equipment and intangible assets.

5. Financial Risk Management Objectives and Policies

The Cooperative is exposed to credit, liquidity, and other risks that arise in the normal course of its business. Its risk and control framework includes a focus on minimizing negative effects on the Cooperative's financial performance due to unpredictability of financial markets that drives the risks.

The Cooperative's financial instruments comprise of cash (excluding cash on hand) and loans and receivables - net. The main purpose of these financial instruments is to raise funds for the Cooperative's operations.

The main risks arising from the financial instruments of the Cooperative are credit risk, liquidity risk and interest rate risk. The Cooperative's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects of these risks on the Cooperative's financial performance.

Described below are the information about the Cooperative's exposure to each of these risks, the Cooperative's objectives, policies and processes for measuring and managing risk.

Credit Risk

Credit risk is the risk of financial loss to the Cooperative if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Cooperative's loans and other current receivables.

The Cooperative transacts only with recognized, credit-worthy members. It is the Cooperative's policy that all customers who wish to transact on credit terms are subject to credit verification procedures. In addition, loans and other receivable balances are monitored on an ongoing basis.

The maximum exposure to credit risk at the reporting date follows:

	Note	2016
Cash (excluding cash on hand)	6	P23,507,442
Loans and receivables - net (excluding other receivables)	7	207,755,315
		P231,262,757

As at December 31, 2016, the aging analysis of loans and receivables follows:

	Neither Past due nor Impaired	Past Due and Impaired			Total
		30-365 Days	Above 365 Days		
Cash (excluding cash on hand)	P23,507,442	P -	P -	P23,507,442	
Loans and receivables - gross (excluding other receivables)	207,711,162	67,928	-	207,779,090	
	P231,218,604	P67,928	P -	P231,286,532	

Liquidity Risk

Liquidity risk is the risk that the Cooperative will not be able to meet its financial obligations as they fall due because of an inability to liquidate assets or obtain adequate funding. The Cooperative's exposure to liquidity risk arises primarily from mismatches of the maturities of the financial assets and financial liabilities.

Cooperative monitors and maintains a level of cash deemed adequate by management to finance the Cooperative's operations and mitigate the effects of fluctuations in cash flows.

The following table summarizes the maturity profile of the Cooperative's financial liabilities as at December 31 based on contractual undiscounted payment:

2016	On Demand	Less than 1 Year	More than 1 Year	Total
Deposit liabilities	P84,654,724	P -	P -	P84,654,724
Accounts payable - non trade	-	15,000,000	113,469,051	128,469,051
Accrued expenses	-	1,877,429	-	1,877,429
Interest on share capital payable	-	590,914	-	590,914
Patronage refund payable	-	1,097,412	-	1,097,412
Other current liabilities (excluding other liabilities)	-	12,160,976	-	12,160,976
	P84,654,724	P30,726,731	P113,469,051	P228,850,506

Interest Rate Risk

The Cooperative's policy is to minimize interest rate cash flow risk exposures on long-term financing. Sources of Cooperative's financing, however, are on a short-term basis. The Cooperative's exposure to interest rate risk is not significant considering it doesn't have long-term borrowings.

Capital Management

The Cooperative's equity consists of share capital and statutory funds as shown in the statement of changes in equity. The primary objective of the Cooperative's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Cooperative manages the capital structure and make adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the Cooperative may adjust the amount of net surplus retained as statutory funds taking into consideration of the Cooperative laws, rules, regulations and principles (see Notes 13 and 14).

6. Cash

This account consists of the following:

	2016
Cash on hand	P432,951
Cash in banks	23,507,442
	P23,940,393

Cash on hand consists of petty cash fund, Mutual Benefit Association (MBA) Retirement Fund and Savings Withdrawal Fund (SWF). MBA Retirement Fund and SWF are emergency funds used to finance withdrawal of CB's insurance fund and savings, respectively.

Interest income on bank deposits under other income amounted to P5.57 thousand in 2016.

7. Loans and Receivables

This account consists of the following:

	2016
Loans to Members	
Livelihood and enterprise development	P167,287,869
Education, training and formation	13,110,974
Health and wellness	20,359,615
Security, shelter and safety	6,779,430
Social protection	241,202
Other receivables	766,023
	208,545,113
Allowance for probable losses	(23,775)
	P208,521,338

Loans granted to members are generally on a 15 to 52 week term. These loans earn interest at rates ranging from 0% to 5% depending on the loan product and are collectible on weekly installments. Interest earned on loans to members amounted to P10.88 million, net of rebates equivalent to one percent (1%) of the principal amount of the loan.

The Cooperative charges service fees for every loan released on certain loans products such as: Business and Housing. They also charge service fees to new members and members for renewal of their identification cards. Service fees earned amounted to P1.55 million in 2016.

Other receivables consist of advances to officers, employees and members.

8. Property and Equipment

As at December 31 2016, this account pertains to furniture and fixtures acquired amounting to P3.72 million.

Depreciation expense for the period ended December 31, 2016 amounted to P0.81 million.

9. Intangible Assets

As at December 31 2016, this account pertains to computer software acquired amounting to P65.00 thousand.

Amortization expense for the period ended December 31, 2016 amounted to P2.17 thousand.

10. Deposit Liabilities

As at December 31 2016, this account pertains to the members' CBU amounting to P84.65 million.

The CBU bears an interest of 5% per annum. Interest expense on members' CBU amounted to P0.30 million in 2016.

11. Accounts Payable - Non Trade

This account pertains to the net amount of loan-related receivables from and payable to KDCI to be paid on a 5-year term in relation to the transfer of the microfinance operations as discussed in Note 1 to the financial statements.

12. Other Current Liabilities

This account consists of the following:

	Note	2016
Payable to KDCI	19	P10,790,933
Advances from others		1,301,254
Payable to MBA	19	42,307
KPF payable	19	26,482
Other liabilities		3,326,339
		P15,487,315

Payable to KDCI pertains to payments made on behalf of the Cooperative for office supplies, rent and property and equipment.

Advances from others represent amounts payable to suppliers/partners that the Cooperative has collaborated with in extending some of their loan products.

Payable to MBA represents the insurance premiums and other contributions from members collected on behalf of K-MBA, a nonstock, nonprofit organization that provides affordable insurance products and services to poor women and their families.

Other liabilities include amounts paid by the members for capital subscription equivalent to the additional subscription in excess of authorized capital prior to the application for the increase in authorized share capital.

13. Cooperative Laws, Rules, Regulation and Principles

In addition to the PFRF for Cooperatives discussed in Note 2 to the financial statements, the following cooperative laws, rules, regulations and principles were adopted in the preparation to the financial statements, as applicable:

R.A. 9520 - Philippine Cooperative Code of 2008

On February 17, 2009, the President of the Philippines signed into law R.A. No. 9520. The Code was published in a newspaper of general circulation on March 7, 2009 and took effect 15 days thereafter or March 22, 2009.

Salient Features of R.A. 9520

Paid-up Capital

- Article 14 - Paid-up capital shall not be less than P15,000 (before P2,000) which may increase every five (5) years upon consultation with the cooperative sector and National Economic and Development Authority.

Taxation

- Article 61 - Transactions of members with cooperatives shall not be subject to any taxes and fees, including but not limited to final taxes on members' deposits and documentary tax.

- Cooperatives with accumulated reserves and undivided net savings of more than P10.00 million shall pay the following taxes at full rate:
 - Income Tax - on the amount allocated for interest on capitals, provided that the same tax is not consequently imposed on interest individually received by members; provided further that cooperatives, regardless of classification, are exempt from income tax from the date of registration with the CDA.
 - Value added tax (VAT) on transactions with non-members, provided that cooperatives duly registered with the CDA are exempt from payment of VAT subject to Section 109 subsection L, M and N of the NIRC, as amended.
 - A cooperative with accumulated reserves and undivided net savings of not more than P10.00 million shall be exempt from all national, city, provincial, municipal or barangay taxes and from customs duties, advance sales or compensating taxes on importation or machineries, equipment and spare parts used by them.

Share Capital

- Article 73 - No member of a primary cooperative other than a cooperative itself shall own or hold more than 10% (before 20%) of the share capital.
- Article 76 - The par value of a share may be fixed at any figure not more than P1,000 (before not less than P1).

As at December 31, 2016, the Cooperative has 12,000 subscribed shares at P100 par amounting to P1.20 million, of which P0.30 million had been paid up.

14. Allocation and Distribution of Net Surplus

Article 86 of R.A. No. 9520 provides the guidance on the distribution of net surplus including certain minimum and maximum limits on the percentage of allocation to certain funds.

The Cooperative's by-laws provide that its net surplus at the end of the year shall be allocated in the following manner:

- a. *Reserve Fund.* In the first five (5) years of operation after registration, the amount allocated for reserve fund per year shall not be less than 50% of the net surplus. In the succeeding years, the annual allocation thereof is 10% of the net surplus.
 - i. The reserve fund shall be used for the stability of the Cooperative and to meet net losses in its operations. The general assembly may decrease the amount allocated to the reserve fund when it has already exceeded the authorized share capital. Any sum recovered on items previously charged to the reserve fund shall be credited to such fund.
 - ii. The reserve fund shall not be utilized for investment other than those allowed in R.A. No. 9520. Such sum of the reserve fund in excess of the authorized share capital may be used at any time for any project that would expand the operations of the Cooperative upon the resolution of the general assembly.

- iii. Upon the dissolution of the Cooperative, the reserve fund shall not be distributed among the members. However, the general assembly may resolve:
1. To establish usufructuary fund for the benefit of any federation or union to which the cooperative is affiliated; or
 2. To donate, contribute or otherwise dispose of the amount for the benefit of the community where the cooperative operates. If the member could not decide on the disposition of the reserve fund, the same shall be given to the federation or union to which the cooperative is affiliated.
- b. *Education and Training Fund.* Five Percent (5%) of the net surplus shall be set aside for Education and Training Fund. The fund shall provide for the training, development and similar other activities geared towards the growth of the Cooperative.
- i. Half of the amount allocated to the education and training fund annually under this subsection may be spent by the Cooperative for education and training purposes; while the other half may be remitted to a union or federation chosen by the Cooperative or of which it is a member.
 - ii. Upon the dissolution of the Cooperative, the unexpended balance of the education and training fund pertaining to the co-operative shall be credited to the Cooperative education and training fund of the chosen union or federation.
- c. *Community Development Fund.* Three percent (3%) shall be set aside for projects and activities that will benefit the community where the Cooperative operates.
- d. *Optional Fund.* Seven percent (7%) shall be set aside for optional fund for land and building fund, and such other developmental purposes as may be identified by the Cooperative as approved by the general assembly.

The remaining net surplus shall be made available to the members in the form of interest on share capital not to exceed the normal rate of return on investment and patronage refunds. Provided, that any amount remaining after the allowable interest and the patronage refund have been deducted shall be credited to the reserve fund. The sum allocated for patronage refund shall be made available at the same rate to all patrons of the Cooperative in proportion to their individual patronage, provided that:

- a. The patronage refund of a member with fully paid share capital shall be paid in cash or be credited to such member's account as additional share capital;
- b. The patronage refund of a member with unpaid share capital subscription shall be credited to such member's account as payment for unpaid subscription until the same have been fully paid.

Based on the above provision, the allocation of the net surplus in 2016 are as follows:

	Percentage	Amount
Reserve fund	50	P2,411,895
Patronage refund payable	23	1,097,412
Interest on share capital payable	12	590,914
Optional fund	7	337,665
Cooperative education and training fund	5	241,190
Community development fund	3	144,714
	100	P4,823,790

15. Other Income

This account consists of:

	2016
Membership fees	P614,500
Miscellaneous income	1,184,773
	P1,799,273

Membership fees refer to the amount collected from the Cooperative's member-applicants upon approval of their membership in the Cooperative.

Miscellaneous income includes identification card fees and interest income on bank deposits.

16. Cost of Services

This account consists of:

	Note	2016
Personnel		P3,054,793
Members' benefit		1,600,235
Supplies		1,135,791
Travel and transportation		718,444
Rental		472,716
Communication		191,139
Meeting and conferences		165,587
Power, light and water		57,549
Provision for probable losses on loans receivables	7	23,775
Advertising and promotion		4,902
Repairs and maintenance		1,385
Insurance		1,300
Taxes, fees and license		1,250
Miscellaneous		13,505
		P7,442,371

Personnel includes salaries and wages and employee benefits (i.e. 13th month pay and rice subsidy) of the employees.

Members' benefit refers to expenses incurred in providing for additional members' benefit and social services.

Supplies refers to expenses incurred for various supplies used for service activities such as office and maintenance supplies.

17. Administrative Cost

This account consists of:

	<i>Note</i>	2016
Depreciation and amortization	8, 9	P807,776
Professional fees		413,233
Personnel		326,891
Meetings and conference		64,870
Supplies		28,500
Communication		7,302
Travel and transportation		998
Miscellaneous		12,706
		P1,662,276

Depreciation and amortization refers to amount provided for wear and tear of the furniture and fixtures and amortization of intangible assets, respectively (see note 8 and 9).

Professional fees refers to fees and related expenses incurred for professional services rendered.

Meetings and conference refers to amount incurred for the conduct of attendance to meetings and conferences.

18. Retirement Payable

The Cooperative has not yet set up a formal retirement plan considering they are a newly established cooperative. However, in line with the transfer of KDCI's microfinance operations to the Cooperative, as discussed in Note 1 to the financial statements, employees of KDCI under the said operation are also to be transferred to the Cooperative without modification on their original employment status and agreement with KDCI.

On September 4, 2016, three (3) employees were transferred to the Cooperative. The corresponding retirement liability amounted to P0.65 million as provided by Key Actuarial Intelligence, Inc. in the latest actuarial valuation of KDCI dated April 24, 2017.

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Cooperative's related parties includes key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family member.

The Cooperative has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties.

Details on significant related party transactions of the Cooperative follows:

	Note	Amount	Outstanding Balance		Terms	Conditions
			Due from	Due to		
Accounts payable - non trade						
KDCI	19a	P128,469,051	P -	P128,469,051	Non-Interest bearing	Unsecured; no impairment
Other Current Liabilities						
KDCI	19b	10,790,933	-	10,790,933	Non-Interest bearing	Unsecured; no impairment
	19b	1,432,286	-	1,432,286	Non-Interest bearing	Unsecured; no impairment
K-MBA	19c	42,307	-	42,307	Non-Interest bearing	Unsecured; no impairment
KPF	19d	26,482	-	26,482	Non-Interest bearing	Unsecured; no impairment
Retirement Liability						
KDCI	19e	649,437	-	649,437	Non-Interest bearing	Unsecured; no impairment
Members' Equity						
directors, officer and their related interest (DORI)	19f	75,000	-	-	Non-Interest bearing	Unsecured; no impairment
		P141,485,496	P -	P141,410,496		

a. These are loans to members, net of the members' CBU, transferred to the Cooperative in relation to the transfer of the microfinance operations of KDCI to the Cooperative.

b. These are payments made on behalf of the Cooperative for office supplies, rent and property and equipment.

Also, the Cooperative recognized members' benefit expense in the form of donation to KDCI to recognize the role of the latter in servicing and addressing the social needs of the Cooperative's members.

c. These are cash advances used to cover expenses of its staffs in common activities.

d. These are employee salary deductions to be remitted as the employees' CBU with KPF.

e. These pertain to the retirement liability of the three (3) employees transferred from KDCI.

f. These are the subscription of share capital by the DORI.

20. Commitment and Contingencies

There were no significant commitments and contingencies involving the Cooperative as at December 31, 2016.

21. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 of the BIR

In addition to the disclosures mandated under PFRF for Cooperatives and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the basic financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the basic financial statements which were prepared in accordance with PFRF for Cooperatives.

Being a duly-registered cooperative with the CDA under R.A. No. 9520, the Cooperative enjoys tax exemption under the said act. Among others, it is provided that the cooperatives transacting business with both members and non-members shall not be subjected to tax on their transactions with members. In relation to this, the transactions of members with the Cooperative shall not be subject to any taxes and fees, including not limited to final taxes on members' deposits and documentary tax. Provided, that cooperatives with accumulated reserves and divided net savings of more than P10.00 million shall not be subjected to tax on transactions with members.

Of the information required to be disclosed by RR No. 15-2010, only certain taxes are applicable to the Cooperative. The following are the applicable supplementary tax information required for the taxable year ended December 31, 2016:

A. Withholding Taxes

Tax on compensation and benefits	P53,164
Expanded withholding taxes	18,230

Taxes withheld from various suppliers are recognized as withholding taxes payable under "Accrued expenses" account.

B. All Other Taxes (Local and National)

<i>Other taxes paid during the year recognized under "Taxes, fees and licenses" account under Cost of Services</i>	
License and permit fees	P1,250

C. Tax Assessments and Cases

As at December 31, 2016, the Cooperative has no pending tax court case nor has received tax assessment notices from the BIR.