

**KABUHAYAN SA GANAP NA KASARINLAN  
CREDIT AND SAVINGS COOPERATIVE  
(KASAGANA- KA OR K-COOP)**  
**4th Flr. KMBA Members' Center Bldg. No. 5 Matimpiin St. Pinyahan  
Quezon City, 1100**

**AUDITED FINANCIAL STATEMENTS**  
*December 31, 2021 and 2020*

**Amounts in Philippine Pesos**

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

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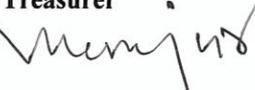
The Management of **KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE (Kasagana-Ka or K-Coop)** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and 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 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 year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE (Kasagana-Ka or K-Coop)**, 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 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. **KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE (Kasagana-Ka or K-Coop)** 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.

  
**MARTINIANA G. MANCIO**  
Chairperson

  
**JAIME E. VARELA**  
Treasurer

  
**MARIA ANNA D.R. IGNACIO**  
General Manager

Signed on March 22, 2022

## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

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The management of **KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE (Kasagana-Ka or K-Coop)** is responsible for all information and representations contained in the financial statements for the year ended December 31, 2021 and 2020. The financial statements have been prepared in conformity with Philippine Financial Reporting Framework for Cooperatives in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

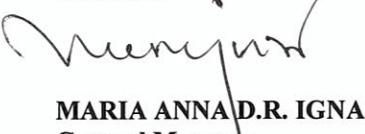
In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the members of the cooperative.

**Ma. Elma Ilagan-Ame**, the independent auditor appointed by the board of Directors for the years 2021 and 2020, has examined the financial statements of the cooperative in accordance with the Philippines Standards on Auditing and the Standard Audit Systems for Cooperatives and has expressed her opinion on the fairness of presentation upon completion of such examination, in her report to the members of the cooperative.

  
**MARTINIANA G. MANCIO**  
Chairperson

  
**JAIME E. VARELA**  
Treasurer

  
**MARIA ANNA D.R. IGNACIO**  
General Manager

Signed on March 22, 2022

# M. I. AME ACCOUNTING OFFICE

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## STATEMENT OF REPRESENTATION

### TO THE COOPERATIVE DEVELOPMENT AUTHORITY:

In connection with my examination of the financial statements of the **KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE (Kasagana-Ka or K-Coop)** covering the period ended December 31, 2021 that are herewith submitted to the Cooperative Development Authority, I hereby represent the following:

1. That said financial statements herewith attached are prepared and presented in conformity with the Philippine Financial Reporting Framework for Cooperatives;
2. That in the conduct of my audit, I adhered to the Philippine Standards on Auditing and the Standard Audit System for Cooperatives (SASC) as required by the Cooperative Development Authority;
3. That I am qualified as provided for in Section 8 of the Code of Professional Ethics for Certified Public Accountants and Article 81 of R.A. No. 9520 (Cooperative Code of the Philippines);
4. That I am fully aware of my responsibility as an independent auditor for the audit report issued and attached to the financial statements and the sanctions to be bestowed on me for my misrepresentations that I may have willingly or unwillingly committed;
5. That I nor any member of my immediate family do not have any direct or indirect financial interest with the cooperative;
6. That I am not an employee nor an officer of a secondary cooperative or tertiary cooperative of which this cooperative is a member;
7. That I am not an employee of the Cooperative Development Authority nor have I engaged an employee of the CDA in the course of audit;
8. That I make representation in my individual capacity;
9. That I am a member of the Cavite Chapter of the PICPA.

It is however, understood that my accountability is based on matter within the normal coverage of an audit conducted in accordance with Philippine Standards on Auditing and the Standard Audit Systems for Cooperatives.



MA. ELMA L. ILAGAN-AME  
CPA No. 79047  
TIN No. 134-550-503-000  
PTR No. CAV5503432, dated January 14, 2022, Trece Martires City, Cavite  
BOA Reg. No. 0195 (Valid until November 10, 2022)  
SEC Accreditation No. 0448-AR-4 (Group C) (May 16, 2019 to May 15, 2022)  
BIR Accreditation No. 09-002142-001-2020 (November 4, 2020 to November 3, 2023)  
CDA Accreditation No. 0001 (November 18, 2019 to November 17, 2022)

22 March 2022

# M. I. AME ACCOUNTING OFFICE

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## STATEMENT REQUIRED BY SECTION 8-A, REVENUE REG. NO. V-20

**THE GENERAL ASSEMBLY AND THE BOARD OF DIRECTORS  
KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE  
(Kasagana-Ka or K-Coop)  
4th Flr. KMBA Members' Center Bldg. No. 5 Matimpiaan St. Pinyahan  
Quezon City, 1100**

In compliance with Section 8-A, Revenue Regulation V-20, I am stating the following:

1. That the taxes paid or accrued by the above taxpayer for the year ended December 31, 2021 are shown in the schedule of taxes and licenses attached to the income tax return.
2. That I am not related by consanguinity or affinity to the Management and Members of the Board of Directors;
3. That I, as the Principal/ Managing Director of M. I. Ame Accounting Office, or my staff, have no financial interest to the Cooperative or any family relationships with its management.



MA. ELMA L. ILAGAN-AME  
CPA No. 79047  
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22 March 2022

# M. I. AME ACCOUNTING OFFICE

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## INDEPENDENT AUDITOR'S REPORT

TO THE GENERAL ASSEMBLY  
THRU THE BOARD OF DIRECTORS  
**KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE**  
(Kasagana-Ka or K-Coop)  
4th Flr. KMBA Members' Center Bldg. No. 5 Matimpiaan St. Pinyahan  
Quezon City, 1100

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE (Kasagana-Ka or K-Coop)**, which comprise the statements of financial condition as at December 31, 2021 and 2020, and the statements of operations, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE (Kasagana-Ka or K-Coop)** as at December 31, 2021 and 2020, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Framework for Cooperatives.

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs) and the Standard Audit System for Cooperatives (SASC). Our responsibilities under those standards are further described in the *Auditor's 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*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the Philippine Financial Reporting Framework 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.

#### Auditor's 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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Cooperative to cease to continue as a going concern.

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 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 on taxes and licenses, taxable revenue and deductible expenses in the related notes to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Those supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, those supplementary information are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



MA. ELMA L. ILAGAN-AME

CPA No. 79047

TIN No. 134-550-503-000

PTR No. CAV5503432, dated January 14, 2022, Trece Martires City, Cavite

BOA Reg. No. 0195 (Valid until November 10, 2022)

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BIR Accreditation No. 09-002142-001-2020 (November 4, 2020 to November 3, 2023)

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22 March 2022

**KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE**  
**4th Flr. KMBA Members' Center Bldg. No. 5 Matimpiin St. Pinyahan Quezon City, 1100**

**STATEMENTS OF FINANCIAL CONDITION**  
**As of December 31, 2021 and 2020**

*(Amounts in Philippine Pesos)*

	Notes	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	19,832,108	17,370,240
Loans and receivables	6	366,515,288	298,155,784
Other current assets	7	8,351,593	4,916,549
<b>Total Current Assets</b>		<b>394,698,989</b>	<b>320,442,573</b>
<b>Non-current Assets</b>			
Property, plant and equipment - net	8	4,295,913	5,802,434
Investments at cost	9	540,000	35,000
Intangible asset - net	10	207,250	446,917
<b>Total Non-Current Assets</b>		<b>5,043,163</b>	<b>6,284,351</b>
<b>TOTAL ASSETS</b>		<b>399,742,151</b>	<b>326,726,924</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Deposit liabilities	11	146,498,494	123,571,947
Accrued expenses		3,005,783	237,673
Accounts payable - non trade	12	10,655,717	141,400
Interest on Share Capital Payable	23	1,780,139	4,140,336
Patronage refund payable	23	3,397,031	7,752,133
Due to Unions/Federations	23	2,002,671	1,939,546
Loans payable - current	22	44,951,955	14,878,397
Other current liabilities	13	15,426,866	19,199,515
<b>Total Current Liabilities</b>		<b>227,718,656</b>	<b>171,860,946</b>
<b>Non-Current Liabilities</b>			
Retirement fund payable	21	-	987,630
Accounts payable - non trade	14	89,823,426	99,823,426
Loans payable - non-current	22	24,741,706	9,238,394
<b>Total Non-Current Liabilities</b>		<b>114,565,132</b>	<b>110,049,450</b>
<b>TOTAL LIABILITIES</b>		<b>342,283,787</b>	<b>281,910,396</b>
<b>EQUITY</b>			
Share Capital	15	11,256,500	7,346,050
Deposits on Share Capital Subscriptions	15	1,460,716	888,455
		<b>12,717,216</b>	<b>8,234,505</b>
Statutory Funds			
Reserve Fund	16	35,060,585	27,798,084
Cooperative Education and Training Fund	16	1,207,917	844,792
Community Development Fund	16	1,552,593	1,216,843
Optional Fund	16	6,920,053	6,722,303
<b>Total Statutory Funds</b>		<b>44,741,148</b>	<b>36,582,023</b>
<b>TOTAL EQUITY</b>		<b>57,458,364</b>	<b>44,816,528</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>399,742,151</b>	<b>326,726,924</b>

*See Accompanying Notes to Financial Statements.*

**KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE**  
**4th Flr. KMBA Members' Center Bldg. No. 5 Matimpiain St. Pinyahan Quezon City, 1100**

**STATEMENTS OF OPERATIONS**  
For the years ended December 31, 2021 and 2020

*(Amounts in Philippine Pesos)*

	Notes	2021	2020
<b>REVENUES FROM CREDIT OPERATIONS</b>			
Interest Income	17	131,211,934	91,073,559
Service Fees	17	22,886,786	13,889,051
<b>Total Revenues from Credit Operations</b>		<b>154,098,720</b>	<b>104,962,610</b>
<b>OTHER INCOME</b>	18	<b>2,940,547</b>	<b>1,687,499</b>
<b>DIRECT COST</b>			
<b>COST OF SERVICES</b>	19	<b>111,628,344</b>	<b>98,257,004</b>
<b>FINANCING COST</b>			
Interest Expense on Loans Payable		2,112,019	1,480,414
Interest Expense on Member's Savings	11	1,382,448	1,826,276
<b>TOTAL DIRECT COST</b>		<b>115,122,811</b>	<b>101,563,694</b>
<b>ADMINISTRATIVE COST</b>	20	<b>27,391,456</b>	<b>25,304,780</b>
<b>TOTAL DIRECT AND ADMINISTRATIVE COST</b>		<b>142,514,267</b>	<b>126,868,474</b>
<b>NET SURPLUS FROM OPERATIONS</b>		<b>14,525,000</b>	<b>(20,218,365)</b>
<b>PROVISION FOR INCOME TAX ON INCOME FROM NON-MEMBERS</b>			
	30	-	-
<b>NET SURPLUS</b>		<b>14,525,000</b>	<b>(20,218,365)</b>
<b>DISTRIBUTED AS FOLLOWS:</b>			
Reserve Fund		7,262,500	(20,218,365)
Optional Fund		1,016,750	-
Cooperative Education and Training Fund		363,125	-
Due to Unions/ Federations		363,125	-
Community Development Fund		435,750	-
Interest on Share Capital		1,779,313	-
Patronage Refund		3,304,438	-
<b>NET SURPLUS AS DISTRIBUTED</b>		<b>14,525,000</b>	<b>(20,218,365)</b>

*See Accompanying Notes to Financial Statements.*



**KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE**  
**4th Flr. KMBA Members' Center Bldg. No. 5 Matimpiaan St. Pinyahan Quezon City, 1100**

**STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2021 and 2020

*(Amounts in Philippine Pesos)*

	Notes	2021	2020
<b>SHARE CAPITAL</b>			
Balance at beginning of year		7,346,050	8,113,950
Add: Receipts from Collection of Subscriptions		3,910,450	-
<b>Total</b>		<b>11,256,500</b>	<b>8,113,950</b>
Less: Adjustments		-	(767,900)
<b>Balance at end of year</b>	<b>15</b>	<b>11,256,500</b>	<b>7,346,050</b>
<b>DEPOSITS ON SHARE CAPITAL SUBSCRIPTION</b>	<b>15</b>	<b>1,460,716</b>	<b>888,455</b>
<b>STATUTORY FUNDS</b>			
<b>Reserve Fund</b>			
Balance at beginning of year		27,798,084	48,016,449
Add: Allocation from Net Surplus		7,262,500	(20,218,365)
<b>Total</b>		<b>35,060,585</b>	<b>27,798,084</b>
Adjustments		-	-
<b>Balance at end of year</b>	<b>16</b>	<b>35,060,585</b>	<b>27,798,084</b>
<b>Cooperative Education and Training Fund</b>			
Balance at beginning of year		844,792	844,792
Add: Allocation from Net Surplus		363,125	-
<b>Total</b>		<b>1,207,917</b>	<b>844,792</b>
Less: Expenditures		-	-
<b>Balance at end of year</b>	<b>16</b>	<b>1,207,917</b>	<b>844,792</b>
<b>Community Development Fund</b>			
Balance at beginning of year		1,216,843	2,285,832
Add: Allocation from Net Surplus		435,750	-
<b>Total</b>		<b>1,652,593</b>	<b>2,285,832</b>
Less: Expenditures		(100,000)	(1,068,989)
<b>Balance at end of year</b>	<b>16</b>	<b>1,552,593</b>	<b>1,216,843</b>
<b>Optional Fund</b>			
Balance at beginning of year		6,722,303	6,722,303
Add: Allocation from Net Surplus		1,016,750	-
<b>Total</b>		<b>7,739,053</b>	<b>6,722,303</b>
Less: Expenditures		(819,000)	-
<b>Balance at end of year</b>	<b>16</b>	<b>6,920,053</b>	<b>6,722,303</b>
<b>TOTAL STATUTORY FUNDS</b>		<b>44,741,148</b>	<b>36,582,023</b>
<b>TOTAL EQUITY</b>		<b>57,458,364</b>	<b>44,816,528</b>

*See Accompanying Notes to Financial Statements.*

**KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE**  
**4th Flr. KMBA Members' Center Bldg. No. 5 Matimpin St. Pinyahan Quezon City, 1100**

**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2021 and 2020

*(Amounts in Philippine Pesos)*

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Surplus before income tax		14,525,000	(20,218,365)
Adjustments to reconcile net surplus to net cash provided by operating activities			
Depreciation	8	2,905,671	3,061,166
Amortization of Intangibles	10	278,667	234,417
Provision for probable losses on loans	6	3,758,944	7,464,474
<i>Operating Income before Working Capital Changes</i>		21,468,282	(9,458,308)
Changes in Assets and Liabilities			
Decrease (Increase) in:			
Loans and Receivables	6	(72,118,448)	24,916,068
Other Current Assets	7	(3,435,044)	(1,351,545)
Increase (Decrease) in:			
Accrued expenses		2,768,110	(3,820,771)
Due to Unions/Federations	23	(300,000)	(211,198)
Retirement payable	21	(987,630)	(5,052,420)
Other current liabilities	13	(3,772,648)	(13,801,052)
Income taxes paid		-	-
Net cash generated from operations		(56,377,378)	(8,779,226)
Net cash provided by (used in) operating activities		(56,377,378)	(8,779,226)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of Property and Equipment	8	(1,459,964)	(1,830,792)
Cash received from disposal of Property and equipment	8	60,815	-
Payments for Investments	9	(505,000)	(5,000)
Payments for Intangibles	10	(39,000)	(203,000)
Net cash provided by (used in) investing activities		(1,943,149)	(2,038,792)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of Interest on Share Capital Payable	23	(4,139,509)	-
Payments of Patronage Refund Payable	23	(7,659,540)	-
Cash paid from ( paid for ) Deposit Liabilities	11	22,926,547	(26,109,032)
Cash paid from ( paid for ) Program Subsidy Payable	12,14	514,317	208,081
Payments for Loans Payable		45,576,869	(7,204,288)
Disbursements of Statutory Funds		(919,000)	(1,068,989)
Cash received for ( paid on withdrawals of ) Share Capital	15	3,910,450	(767,900)
Cash received for ( paid on ) Deposits on Share Capital	15	572,261	(51,325)
Subscriptions			
Net cash provided by (used in) financing activities		60,782,396	(34,993,454)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		2,461,868	(45,811,472)
<b>ADD: CASH AND CASH EQUIVALENTS, JANUARY 1</b>	5	17,370,240	63,181,712
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	5	<b>19,832,108</b>	<b>17,370,240</b>

*See Accompanying Notes to Financial Statements.*

**KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE**  
4th Flr. KMBA Member's Center Bldg. No. 5 Matimpiin St. Pinyahan Quezon City, 1100

**NOTES TO FINANCIAL STATEMENTS**

**As of December 31, 2021**  
*(Amounts in Philippine Pesos)*

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**1. GENERAL INFORMATION**

The **KABUHAYAN SA GANAP NA KASARINLAN CREDIT AND SAVINGS COOPERATIVE (KASAGANA-KA or K-COOP)** with address at 4th Flr. KMBA Members' Center Bldg. No. 5 Matimpiin St. Pinyahan Quezon City, 1100 was organized and registered on February 5, 2016 with the Cooperative Development Authority with Registration No. 9520-1016000000028521 in accordance with Republic Act 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 its 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.

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

On October 18, 2021, 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 the 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 if Registration by the CDA. The Cooperative's current tax exemption is valid until October 19, 2027.

**Vision and Mission**

The Cooperative was organized to improve the quality of life of its members in urban and peri-urban communities through economic and social empowerment using microfinance as a strategy for its members to gain collateral-free credit for self-help activities.

In pursuit of its mission and vision, K- Coop provides the following programs and services:

- Livelihood and Enterprise Development
- Education, Trainong and Formation
- Health and Wellness
- Security, Shelter and Safety
- Social Protection

**Kasagana-ka Synergizing Organizations**

K-Coop is the fourth organization under the Kasagana-ka Synergizing Organizations. It was a spin-off from Kasagana-ka Development Center, Inc. ( KDCI), to clearly separate the social programs from the credit and savings programs and services.

The Kasagana-ka Synergizing Organizations are as follows: (1) Kasagana-ka Development Center, Inc. (KDCI), (2) Kasagana-ka Mutual Benefit Association, Inc. (K-MBA), (3) Kasagana-ka Employee-employer's Provident Fund Association, Inc. (KPF), and (4) Kasagana-ka Coop (K-Coop).

Some Directors of K-Coop have had served as KDCI's Board of 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.

At present, however, the Kasagana-Ka Synergizing Organizations formulated a policy versus double leadership positions. As such, K-Coop directors do not have a seat in the Board of Directors or Board of Trustees of the other Organization members of the Kasagana-Ka Synergizing Organizations. They can serve only after they finish term and not concurrently.

In August 2016, the Board of Trustees of the KDCI resolved to approve the grant of a program subsidy fund of One Hundred Twenty Million Pesos Php 120,000,000 to K-Coop. This program subsidy fund is part of a bundle of assistance for K-Coop, and was created to further KDCI's livelihood assistance and other social programs for the members. It was intended to help the Cooperative build its capital and to be used solely to finance K-Coop's various loan facilities. The fund was granted by KDCI to K-Coop in the form of an endowment. As such, the corpus of the fund shall remain as KDCI's and will revert to it once the fund's purpose has been fulfilled and K-Coop is viable and sustainable.

KDCI and K-Coop recognize that it is through their synergy that their common goal of improving the lives of their target beneficiaries will be attained. It is, therefore, in their mutual interest to ensure each other's sustainability.

K - Coop commits to support the operations of KDCI by providing program grants to cover KDCI expenses on programs designed and implemented for Cooperative members, extend annual donations to KDCI in support of its corporate affairs, and allow KDCI's use of the cooperative structure in engaging client-beneficiaries.

In turn, KDCI commits to develop social programs responsive to the needs of the members of the Cooperative, among others.

The grant of the program subsidy fund are contingent on the satisfactory performance of both parties. The fund may be used by K-Coop for an initial period of 5 years, subject to annual review of its financial performance and viability.

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 from KDCI to the Cooperative in 2016.

In 2017, a total of 257 KDCI employees were transferred from KDCI to the Cooperative.

The financial statements of the cooperative as of December 31, 2021, were authorized for issue by its management and board of directors on March 22, 2022.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

To facilitate the understanding of the financial statements, the more significant accounting policies and practices of the Cooperative are summarized as follows:

### **2.1 Basis of Preparation of Financial Statements**

The Cooperative's financial statements have been prepared on a historical cost basis in accordance with the Philippine Financial Reporting Framework for Cooperatives in the Philippines, taking into consideration Cooperative laws, rules, regulations and principles.

#### **2.1.1 Functional 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.

### **2.2 Statement of Compliance**

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

### **2.3 Accounting Policies Adopted**

#### **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. The Cooperative's financial assets include cash and trade and other receivables.

#### *Cash and Cash Equivalents*

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with original maturities of three months or less and that are subject to an insignificant risk of change in value.

#### *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 profit or loss.

Loans receivable are classified as current and non-current or past due accounts. These are further sub-classified as regular loan receivable and special loan receivable. Interest income on these loans are recognized only upon collections.

Loans receivable are presented in the financial statement at its realizable value. Provision 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.

Past Due	Required Provision as % of the Balance
Current Loan Portfolio	1%
One (1) to 12 months	35%
More than 12 months	100%

#### *Allowance for probable losses*

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.

#### **Financial Assets at Cost**

Financial assets at cost are equity securities which are not quoted in an active market. These consist of non publicly-traded securities, mutual funds and other externally managed funds, and are subsequently measured at cost less impairment.

#### **Financial Assets at Amortized Cost**

Financial assets at amortized cost consist of debt securities which are expected to be realized in more than one year from the reporting period. These are subsequently measured at amortized cost.

#### **Inventories**

Inventories are assets which are held for sale in the ordinary course of the business. They are valued at the lower of cost and net realizable value.

#### **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 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 the 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).

#### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation, amortization and impairment in value.

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. 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 range from 1-5 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 gain resulting from their disposal is included in the statement of operations for the period.

### **Intangible Assets**

Intangibles like computerization costs are carried at cost less accumulated amortization and any impairments in value.

### **Financial Liabilities**

Financial liabilities 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 liabilities.

Financial liabilities are derecognized by the Cooperative when the obligation under the liability is discharged, cancelled, or expired.

### **Accruals**

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 and are the liabilities of the cooperative to its members. These are interest-bearing and may be withdrawn anytime or applied 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.

### **Due to Union/Federation**

Due to Union/Federation is the liability of the cooperative to a federation or union to which the cooperative is a member. In compliance with Section 87 of the Cooperative Code of the Philippines, the cooperative has set aside five percent (5%) of net surplus for Education and Training Fund. One half of this amount shall be utilized by the Cooperative for its own education and training activities while the other half shall be credited to the Cooperative education and training fund of the APEX organization of which the cooperative is a member.

### **Interest on Share Capital Payable**

Interest on Share Capital Payable is the liability of the cooperative to its members for interest on share capital, which can be determined only at the end of every reporting period.

### **Patronage Refund Payable**

Patronage Refund Payable is the liability of the cooperative to its members-patrons for patronage refund, which can be determined only at the end of every accounting period.

The basis for the computation of the interest on share capital is the average share capital while the total interest is used in determining the patronage refund.

### **Statutory Funds**

Statutory Funds are mandated by Sections 86 and 87 of the RA 9520, otherwise known as the Cooperative Code of the Philippines, to be set up by the Cooperative. They are as follows:

#### **a. 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 paid up capital may be used for the expansion and authorized investment of the Cooperative as provided for in its by-laws. For newly formed Cooperatives, the Reserve fund shall be at 50% of its net surplus for the first five years.

#### **b. 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. Half of the amount allocated for the fund annually shall be spent by the cooperative for their own education and training purposes, while the other half may be remitted to a union or federation chosen by the cooperative.

Kasagana-ka Coop allocates 5% of its total net surplus for its Education and Training Fund.

#### **c. Community Development Fund**

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

#### **d. Optional Fund**

This refers to the fund set aside from the net surplus not exceeding 7%. It shall be used for acquisition of land and/or building, machinery and equipment, replacement fund for PPE, members' benefit and other necessary funds.

Please refer to Note 23 for the allocation of the Cooperative's net surplus.

### **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.

To safeguard the interest of the cooperative, revenue recognition is as follows:

Revenues from all sources are recognized at the time earned and collected. Specific revenues are recognized based on the following:

Interest income, penalties and income from other sources - It is recognized as the income is earned and collected.

Service fees - It is recognized when the loans are granted and corresponding charges were deducted from loan proceeds.

Membership fees - It is recognized when application for membership is approved.

Interest on bank deposits- It 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.

#### **Leases**

The Cooperative accounts for its leases as follows:

##### **( a ) Cooperative as Lessee**

Leases which transfer to the cooperative substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statements of financial condition at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the cooperative substantially all the risks and benefit of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of operations on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expense as incurred.

##### **( b ) Cooperative as Lessor**

Leases which do not transfer to the Cooperative substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments is recognized as income in the Statement of Operations on a straight- line basis over the lease term. Associated costs, such as maintenance and insurance, are recorded as income is incurred.

The Cooperative determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and arrangement conveys a right to use the asset.

## **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*

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 compensated absences and non-monetary benefits.

### **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 operations. 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 net defined benefit liability (asset) taking into account any changes in the net defined benefit 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.

## **Events after Balance Sheet Date**

The Company 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 position 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.

## **ACCOUNTS PECULIAR TO COOPERATIVES**

The following accounts are peculiar to a 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 - 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. This is recorded at cost.

### **LIABILITIES**

Interest on Share Capital Payable - refers to liability of the cooperative to its members for interest on share capital, which can be determined only at the end of every fiscal year.

Patronage Refund Payable - is the liability of the cooperative to its members and patrons for patronage refund, which can be determined only at the end of every fiscal year.

Due to Union/Federation (CETF) - is an amount set aside for the education and training fund of an APEX organization, which is 50% of the amount allocated, by the cooperative in accordance with the provision of the cooperative's by-laws and the Cooperative Code. The APEX organization may either be a federation or union of which the cooperative is a member.

Revolving Capital Payable - is the deferred payment of interest on share capital and patronage refund whose payment has been withheld, which should be agreed upon in the General Assembly.

Program Subsidy Fund Payable - unused portion of the donation/grant for training, salaries and wages, etc.

Members' Benefit and Other Funds Payable - are funds for special purposes such as members' welfare and benefits, i.e. loan protection, hospitalization, death, scholarship assistance, etc. including KBGF/Cooperative Guarantee Fund, provision for accidents not taken from net surplus.

### **EQUITY**

Donations/Grants - are amounts received by the cooperative as awards, subsidies, grants, aids and others. This shall not be available for distribution as interest on share capital and patronage refund, and shall form part of the members' equity of the Statement of Financial Condition.

Statutory Funds - are Mandatory funds established/set up in accordance with Articles 86 and 87 of the Cooperative Code. They are as follows:

Reserve Fund - amounts set aside annually for the stability of the cooperative and to meet net losses 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 - an amount retained by the cooperative out of the mandatory allocation as stipulated in the cooperative's by-laws.

Community Development Fund - this is computed at a minimum of 3% of cooperative's net surplus. This is used for projects or activities that will benefit the community where the cooperative operates.

Optional Fund - fund 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 - expenses incurred in the conduct of regular/special general assembly.

Members' Benefit - all expenses incurred for the benefit of the members.

Affiliation Fee - amount incurred to cover membership or registration fees and annual dues to a federation or union.

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

## **OTHER ITEMS**

Project Subsidy - refers to the amount deducted from Project subsidy fund to subsidize project expenses. This shall appear in the statement of operation as a contra account to Subsidized Project Expenses.

Donation and Grant Subsidy - refers to an amount deducted from Donations and Grants account to subsidize depreciation funded by donations and grants.

Optional Fund Subsidy - refers to an amount deducted from Optional Fund to subsidize depreciation funded by Optional Fund and/or community development expense.

Subsidized Project Expenses - refers to a portion of the Project Subsidy Fund expended for training, salaries and wages and other activities subsidized by donations and grants.

## **INCOME TAXES**

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, may be exempted from tax if their accumulated reserves and undivided net surplus do not exceed P10 Million.

## **INCOME RECOGNITION**

As a rule, cooperatives adopt the accrual basis of accounting. However, for credit and other cooperatives, recognition of revenues is on a modified accrual 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 countryside credit cooperatives, it cannot adopt the effective interest method in recognizing interest income on loans receivable.

### **3. MANAGEMENT'S SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

#### **3.1 Judgments**

The preparation of the Cooperative's financial statements in conformity with Philippine Financial Reporting Framework 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 the operating lease agreements.

### **3.2 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.

#### *Estimated Useful Lives of Property, Plant and Equipment*

The Cooperative estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant 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, plant and equipment. In addition, the estimation of the useful lives of property, plant 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.

#### *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.

#### *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.

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 transactions of the Cooperative are recognized on a modified accrual basis.

#### **4. 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.

##### **Credit Risk**

Credit risk refers to the risk of inability to service a debt and the potential loss arising from default of a borrower. 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 basis. In addition, the Cooperative has established policies and procedures regarding its loan portfolio. Status of receivables are being monitored and reviewed on an ongoing basis.

##### **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. The 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. Liquidity position is being monitored and evaluated regularly by the Board through continuously monitoring forecasts and actual cash flows.

##### **Interest Rate Risk**

The primary source of the Cooperative's interest risk relates to cash and cash equivalents. These include savings deposits as well as time deposits in Commercial Banks, as well as Cooperative Banks and Cooperative Federations. The Cooperative's policy is to minimize interest rate cash flow risk exposure 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 as it does not 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 makes 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 Cooperative laws, rules, regulations and principles.

## 5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	Notes	2021	2020
Cash on Hand			
Petty Cash Fund		265,000	250,000
Savings Withdrawal Fund		702,000	702,000
Cash on hand		5,077	5,077
<b>Total Cash on Hand</b>		<b>972,077</b>	<b>957,077</b>
<b>Total Cash in Bank</b>		<b>18,860,031</b>	<b>16,413,162</b>
<b>Total Cash and Cash Equivalents</b>		<b>19,832,108</b>	<b>17,370,240</b>

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 members insurance fund and savings, respectively.

Interest income on bank deposits under other income amounted to P 67 and P 89 thousand in 2021 and 2020, respectively.

## 6. LOANS AND RECEIVABLES

This account consists of the following:

	2021	2020
<b>Loans to Member Beneficiaries</b>		
Livelihood and Enterprise	277,804,088	141,910,151
Education, training and formation	14,795,663	5,510,166
Health and Wellness	10,811,111	28,889,765
Security, shelter and safety	52,431,854	30,610,881
Social Protection	30,900,549	108,174,689
<b>Total Loans to Member Beneficiaries</b>	<b>386,743,266</b>	<b>315,095,653</b>
Less Allowance for Impairment and Probable Losses	21,902,703	19,372,273
<b>Loans Receivable, Net</b>	<b>364,840,563</b>	<b>295,723,380</b>
<b>Other Receivables</b>	<b>1,674,725</b>	<b>2,432,404</b>
<b>Total Loans and Receivables</b>	<b>366,515,288</b>	<b>298,155,784</b>

Breakdown of Loans Receivable is as follows:

	2021	2020
<b>Current</b>	<b>356,363,588</b>	<b>278,071,009</b>
<b>Past due</b>	<b>30,379,678</b>	<b>37,024,644</b>
<b>Restructured</b>		-
<b>In Litigation</b>		-
<b>Total Loans Receivable</b>	<b>386,743,266</b>	<b>315,095,653</b>

Allowance for Probable Losses is computed as follows:

	2021	2020
Beginning Balance	19,372,273	11,907,799
Add (less): Provision for Probable Loss on Loans Receivable	3,758,944	7,464,474
<b>Ending Balance</b>	<b>21,902,703</b>	<b>19,372,273</b>

Loans granted to members are generally on a 15 to 52 week term. These loans earn interest rates ranging from 0% to 5% which are diminishing, depending on the loan product and are collectible on weekly installments. Interest earned on loans to members amounted to P131.2 million, net of rebates. These rebates, given to Officers of the centers, are 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 P22.8 and P13.8 million in 2021 and 2020, respectively.

Other receivables consist of advances to suppliers and advances to employees of the Cooperative, subject to liquidation.

## 7. OTHER CURRENT ASSETS

This account consists of the following:

	Notes	2021	2020
Unused Supplies		82,909	641,450
Rent Deposits		1,546,006	1,236,248
Prepaid Insurance		958,761	531,951
Prepaid Rent		267,245	307,138
Prepaid Expenses		42,534	21,434
Other Deposits		46,471	408,726
Others		5,407,667	1,769,603
<b>Total Other Current Assets</b>		<b>8,351,593</b>	<b>4,916,549</b>

## 8. PROPERTY , PLANT AND EQUIPMENT

	Vehicle	Furniture and Equipment	Total
<b>COST</b>			
At January 1, 2021	4,905,000	10,086,009	14,991,009
Additions	295,550	1,164,414	1,459,964
Adjustments (Disposals)		(106,309)	(106,309)
<b>At December 31,2021</b>	<b>5,200,550</b>	<b>11,144,114</b>	<b>16,344,664</b>
At January 1, 2020	4,695,000	8,723,693	13,418,693
Additions	210,000	1,620,792	1,830,792
Adjustments (Disposals)		(258,476)	(258,476)
<b>At December 31,2020</b>	<b>4,905,000</b>	<b>10,086,009</b>	<b>14,991,009</b>

	<b>Vehicle</b>	<b>Furniture and Equipment</b>	<b>Total</b>
<b>ACCUMULATED DEPRECIATION</b>			
January 1,2021	1,901,617	7,286,958	9,188,575
Depreciation	1,115,097	1,790,574	2,905,671
Adjustments (Disposals)		(45,494)	(45,494)
<b>At December 31,2021</b>	<b>3,016,714</b>	<b>9,032,038</b>	<b>12,048,752</b>
January 1,2020	854,450	5,531,435	6,385,885
Depreciation	1,047,167	2,013,999	3,061,166
Adjustments (Disposals)		(258,476)	(258,476)
<b>At December 31,2020</b>	<b>1,901,617</b>	<b>7,286,958</b>	<b>9,188,575</b>
<b>NET BOOK VALUE, December 31, 2021</b>	<b>2,183,836</b>	<b>2,112,076</b>	<b>4,295,913</b>
<b>NET BOOK VALUE, December 31, 2020</b>	<b>3,003,383</b>	<b>2,799,051</b>	<b>5,802,434</b>

## 9. INVESTMENTS AT COST

This account consists of the following:

	<b>2021</b>	<b>2020</b>
Federation of NCRL- PFCCO	540,000	35,000
<b>Total Investments at Cost</b>	<b>540,000</b>	<b>35,000</b>

## 10. INTANGIBLE ASSETS

	<b>Software and System Test</b>	<b>Total</b>
<b>COST</b>		
At January 1, 2021	824,000	824,000
Additions	39,000	39,000
Adjustments (Disposals)	-	-
<b>At December 31,2021</b>	<b>863,000</b>	<b>863,000</b>
At January 1, 2020	621,000	621,000
Additions	203,000	203,000
Adjustments (Disposals)	-	-
<b>At December 31,2020</b>	<b>824,000</b>	<b>824,000</b>

## ACCUMULATED AMORTIZATION

January 1,2021	377,083	377,083
Amortization	278,667	278,667
Adjustments (Disposals)	-	-
<b>At December 31,2021</b>	<b>655,750</b>	<b>655,750</b>
January 1,2020	142,667	142,667
Amortization	234,417	234,417
Adjustments (Disposals)	-	-
<b>At December 31,2020</b>	<b>377,083</b>	<b>377,083</b>
<b>NET BOOK VALUE, December 31, 2021</b>	<b>207,250</b>	<b>207,250</b>
<b>NET BOOK VALUE, December 31, 2020</b>	<b>446,917</b>	<b>446,917</b>

## **11. DEPOSIT LIABILITIES**

This account consists of the following:

	<b>2021</b>	<b>2020</b>
Savings Deposits	146,498,494	123,571,947
<b>Total Deposit Liabilities</b>	<b>146,498,494</b>	<b>123,571,947</b>

Interest expense for the years 2021 and 2020 amounts to P1.3 and P1.8 million, respectively.

## **12. ACCOUNTS PAYABLE - NON TRADE**

This account consists of the following:

	<b>2021</b>	<b>2020</b>
Program subsidy payable-current	10,655,717	141,400.00
<b>Total Accounts Payable - Non trade</b>	<b>10,655,717</b>	<b>141,400.00</b>

This pertains to the current portion of the net amount of loan-related receivables from and payable to KDCI in relation to the latter's project in enhancing the livelihood of the Cooperative's members. This program subsidy is in relation to the transfer of the microfinance operations as discussed in Note 1 to the financial statements.

In 2021 and 2020, the Board of Directors of K-Coop and KDCI executed a memorandum of agreement recognizing that continuity and sustainability of one is indispensable to the success of the whole, and that consistent with its commitment. The Board approve the return of endowment fund to KDCI in partial amount of P10.0M each year beginning 2022, until the full amount of P99.0M has reverted to KDCI.

## **13. OTHER CURRENT LIABILITIES**

This account consists of the following:

	<b>2021</b>	<b>2020</b>
KPF Payables	5,014,862	3,052,101
Payables to MBA	579	585,474
Advances from Others	6,320,171	1,290,305
Payable to KDCI	820,190	10,874,243
Others	3,271,064	3,397,391
<b>Total Other Current Liabilities</b>	<b>15,426,866</b>	<b>19,199,515</b>

Payable to KDCI pertains to payments made on behalf of the Cooperative for the community's and its members' benefit , which will be administered by KDCI by way of their mutual support to the ideals of the Kasagana-Ka Synergizing Organization.

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.

#### **14. ACCOUNTS PAYABLE - NON TRADE**

This account consists of the following:

	Note	2021	2020
Program Subsidy Payable non-current		89,823,426	99,823,426
<b>Total Accounts Payable - non trade</b>		<b>89,823,426</b>	<b>99,823,426</b>

This represents the total program subsidy or endowment fund provided by KDCI under its livelihood program.

#### **15. SHARE CAPITAL**

This account consists of the following:

	2021	2020
Paid-up share capital-common	11,256,500	7,346,050
<b>Total Share Capital</b>	<b>11,256,500</b>	<b>7,346,050</b>

The Cooperative's by-laws stipulates that each member shall subscribe to at least 4 shares and pay at least 1 share.

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

In 2018, the Cooperative increased its authorized share capital to 400,000 shares at P 100 par value amounting to P40 million.

##### **15.1. Deposits on Share Capital Subscription**

These represent payments of subscriptions by members in excess of the total authorized and subscribed shares, as well as fractional shares.

##### **15.2. Cooperative Laws, Rules, Regulation and Principles**

In addition to the PFRC 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 on March 22, 2009.

###### Salient features of R.A. 9520

###### *Paid-up Capital*

Article 14- Paid up Capital shall not be less than 15,000 (before P2,000) which may increase every five (5) years upon consultation with the cooperative sector and National Economic 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:

*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).

**16. STATUTORY FUNDS**

This account consists of the following:

	<b>2021</b>	<b>2020</b>
Reserve Fund	35,060,585	27,798,084
Educational & Training Fund (Local)	1,207,917	844,792
Optional Fund-Land & Building	6,920,053	6,722,303
Community Development Fund	1,552,593	1,216,843
<b>Total Statutory Funds</b>	<b>44,741,148</b>	<b>36,582,023</b>

**17. REVENUES FROM CREDIT OPERATIONS**

This account consists of the following:

	<b>2021</b>	<b>2020</b>
Interest Income on Loans Receivable		
Livelihood and enterprise development	90,353,588	65,772,112
Education, training and formation	4,958,127	5,326,759
Health and wellness	5,256,219	2,171,562
Security, shelter and safety	12,964,709	10,856,100
Social protection	17,679,291	6,947,025
Service fees- members	22,886,786	13,889,051
Service fees- K-MBA	-	-
<b>Total Revenues from Credit Operations</b>	<b>154,098,720</b>	<b>104,962,610</b>

Interest income is computed net of rebates to members.

## 18. OTHER INCOME

This account consists of the following:

	2021	2020
Membership fees	301,020	99,620
ID Fee	1,675,875	573,030
Closing Fee	869,100	916,100
Interest Income - Bank Deposit	67,362	89,406
Miscellaneous Income	27,190	9,343
<b>Total Other Income</b>	<b>2,940,547</b>	<b>1,687,499</b>

## 19. COST OF SERVICES

This account consists of the following:

	Note	2021	2020
Personnel	21	73,520,757	61,996,877
Members' benefit		5,569,603	6,044,297
Supplies		6,885,748	5,012,280
Travel and transportation		6,706,544	3,667,989
Rental		5,887,574	5,689,751
Communication		2,757,926	2,581,567
Meeting and conferences		2,599,329	2,040,270
Power, light and water		1,351,671	1,145,900
Provision for probable losses on loans receivable		3,758,944	7,464,474
Advertising and promotion		66,808	52,549
Repairs and maintenance		185,182	120,256
Insurance		1,826,171	2,079,667
Taxes , fees and licenses		188,209	167,505
Miscellaneous		323,878	193,622
<b>Total Cost of Services</b>		<b>111,628,344</b>	<b>98,257,004</b>

## 20. ADMINISTRATIVE COST

This account consists of the following:

	Note	2021	2020
Depreciation and amortization		3,184,338	3,295,583
Professional fees		1,037,333	1,754,111
Personnel	21	15,612,574	14,086,862
Meetings and conference		1,721,846	1,626,891
Supplies		1,924,539	2,061,801
Rentals		1,175,213	-
Communication		577,163	626,383
Travel and transportation		629,902	671,888
Repairs and maintenance		640,737	416,956
Power, light and water		271,013	199,098
Insurance		245,410	321,685
Taxes , fees and licenses		9,290	95,230
Miscellaneous		362,097	148,291
<b>Total Administrative Cost</b>		<b>27,391,456</b>	<b>25,304,780</b>

## 21. PERSONNEL COST

This account consists of the following:

2021	Note	Cost of Services	Administrative
Short-term Benefits:			
Salaries & Wages		43,621,443	10,452,866
13th Month		3,599,451	871,369
HDMF (ER) Contributions		874,502	210,103
Medicine Expense		453,680	33,434
PHIC ( ER ) Contributions		669,796	159,040
Rice Subsidy		5,890,520	989,910
SSS ( ER ) Contributions		3,724,070	887,267
Staff Development		667,799	178,404
VL Pay		1,403,535	87,726
<b>Total Short-term Benefits</b>		<b>60,904,797</b>	<b>13,870,120</b>
Retirement	21.1	-	-
<b>TOTAL</b>		<b>60,904,797</b>	<b>13,870,120</b>

## 21.1 Retirement benefits

The amount of retirement benefit obligation recognized in the financial statements are as follows:

	Notes	2021	2020
<b>Statements of Financial Condition Obligation:</b>			
<b>Retirement Fund Payable</b>	-	<b>987,630</b>	
<b>Statements of Operations</b>			
<b>Retirement Costs</b>	-	<b>987,630</b>	

### Retirement Benefits

The Cooperative has set up a non-contributory, tax-qualified retirement plan in 2016. This plan is a continuation of the transferred Plan Assets and Transferred Liability from KDCI to the Cooperative upon the transfer of employees from KDCI to K-Coop.

The Cooperative's latest actuarial valuation was made as of and for the year ending December 31, 2019.

The retirement fund of the Cooperative was set up with PERAA as its fund managers. Fair value of plan assets as of December 31, 2021 amount to Php 11,307,400.

The movements in the present value of the retirement benefit obligation recognized in the statements of financial condition are as follows:

	Note	2021	2020
Beginning Balance, Retirement fund payable		987,630	6,040,050
Opening Balance Adjustment			
Contributions to Plan Assets		(987,630)	(6,040,050)
Transferred Plan Assets, In			
Transferred Liability, In			
Retirement Expense in Statement of Operations			987,630
Actuarial (Gain) Loss in Statement of Operations			
Transfer In			
Transfer Out			
Ending Balance, Retirement fund payable	-	987,630	
Present value of Defined Benefit Obligations		11,307,400	11,032,813
Less: Fair value of Plan Assets		(11,307,400)	(10,045,183)
Deficit ( Surplus)	-	987,630	
Net Defined Benefit Liability	-	987,630	

Movements in the Fair Value of Plan Assets are as follows:

	2021	2020
Fair value of plan assets, beg	10,045,183	5,014,662
Opening Balance Adjustment		1,455
Contributions to Plan Assets	987,630	6,040,050
Interest Income	464,679	499,075
Withdrawals from plan assets due to retirement/death	(190,092)	(1,510,059)
<b>Fair Value of Plan Assets, End</b>	<b>11,307,400</b>	<b>10,045,183</b>

The weighted average assumptions were used to determine pension benefits as of December 31, 2021:

	2021	2020
Salary Projection Rate	2%	2%
Discount Rate	6%	6%
Expected Rate of Return on Assets	2%	2%

#### 20.1.1 Tax Angle

Since the retirement plan is a tax-qualified plan, Company contributions for current service cost are considered 100% tax deductible, while those pertaining to past service (amortization of the transition liability, past service cost and actuarial gains or losses, interest cost, and the expected return on plan assets) are deductible to the extent of 10%, the other 90% being spread equally over the next succeeding nine (9) years.

Further, the income from the Trust Fund from its investments is fully exempt from income tax (Sec. 32 (b) (6) (a) of the Tax Code of 1997).

Ultimately, when the benefits are distributed to the retirees, these benefits are tax-exempt under certain conditions.

**22. LOANS PAYABLE**

This consists of the following:

Loan From	Principal	Interest Rate	Collateral	PN	Date of Maturity	Balance 12/31/2020	Additions/ deductions	Balance 12/31/2021
KMBA	3,000,000	4%	Loans Receivables	1	31/03/2022	-	3,000,000	3,000,000
RestartMe	15,000,000	3%	Loans Receivables	1	06/12/2022	-	15,000,000	15,000,000
SBC	10,000,000	6%	Loans Receivables	2021-20695-1	13/12/2023	-	10,000,000	10,000,000
SBC	10,000,000	2%	Loans Receivables	2021-00001999-1	12/11/2023	-	10,000,000	10,000,000
SBC	14,000,000	6%	Loans Receivables	2021-20667-1	12/11/2023	-	14,000,000	14,000,000
SBC	5,000,000	2%	Loans Receivables	2021-00001782-1	11/06/2023	-	3,750,000	3,750,000
SBC	5,000,000	6%	Loans Receivables	2021-20634-1	11/06/2023	-	3,805,266	3,805,266
PEF	5,000,000	8%	Loans Receivables	1	15/10/2025	5,000,000	-	5,000,000
RestartMe	1,500,000	2%	Loans Receivables	1	31/07/2021	1,500,000	(1,500,000)	-
SBC	10,000,000	2%	Loans Receivables	2020-1340-1	09/06/2022	7,537,281	(4,999,751)	2,537,530
BPI - Avanza	693,600	10%	COR	00000012142714	18/09/2024	547,665	(125,830)	421,834.79
BPI - H100	976,000	11%	COR	00000012034547	01/10/2024	786,184	(174,552)	611,632.69
SBC	5,000,000	2%	Loans Receivables	2019-1135-1	25/11/2021	2,524,937	(2,524,937)	-
SBC	5,000,000	7%	Loans Receivables	2019-20413-1	25/11/2021	2,580,569	(2,580,569)	-
SBC	6,000,000	6%	Loans Receivables	2018-19956-1	17/12/2020	-	-	-
SBC	5,000,000	6%	Loans Receivables	2018-19651-1	22/06/2020	-	-	-
SBC	5,000,000	6%	Loans Receivables	2018-19759-1	08/08/2020	-	-	-
SBC	15,000,000	6%	Loans Receivables	2018-19914-1	21/11/2020	-	-	-
Land Bank	2,800,000	market rate	Loans Receivables	4808-C018-4022-001	22/01/2019	-	-	-
Land Bank	4,200,000	market rate	Loans Receivables	4808-C018-4022-002	25/03/2019	-	-	-
Land Bank	3,000,000	market rate	Loans Receivables	4808-C018-4022-003	22/04/2019	-	-	-
BDO	684,800	9%	COR	501180811951	20/07/2023	390,857	(140,071)	250,786
BDO	1,137,600	9%	COR	501180811952	20/07/2023	649,298	(232,687)	416,611
CARD SME Bank, Inc.	5,000,000	8%	Loans Receivables	0104-4053-00001819	29/10/2021	1,600,000	(1,600,000)	-
HASIK	1,000,000	5%	Loans Receivables	1	31/12/2022	1,000,000	(100,000)	900,000
<b>TOTAL</b>						<b>24,116,791</b>	<b>45,576,869</b>	<b>69,693,660</b>

Loan From	Principal	Interest Rate	Collateral	PN	Date of Maturity	Balance 12/31/2019	Additions/ deductions During the year	Balance 12/31/2020
PEF	5,000,000	8%	Loans Receivables	1	15/10/2025	-	5,000,000	5,000,000
RestartMe	1,500,000	2%	Loans Receivables	1	31/07/2021	-	1,500,000	1,500,000
SBC	10,000,000	2%	Loans Receivables	2020-1340-1	09/06/2022	-	7,537,281	7,537,281
BPI - Avanza	693,600	10%	COR	00000012142714	18/09/2024	661,059	(113,394)	547,665
BPI - H100	976,000	11%	COR	00000012034547	01/10/2024	942,705	(156,520)	786,184
SBC	5,000,000	2%	Loans Receivables	2019-1135-1	25/11/2021	5,000,000	(2,475,063)	2,524,937
SBC	5,000,000	7%	Loans Receivables	2019-20413-1	25/11/2021	5,000,000	(2,419,431)	2,580,569
SBC	6,000,000	6%	Loans Receivables	2018-19956-1	17/12/2020	3,081,918	(3,081,918)	-
SBC	5,000,000	6%	Loans Receivables	2018-19651-1	22/06/2020	1,306,374	(1,306,374)	-
SBC	5,000,000	6%	Loans Receivables	2018-19759-1	08/08/2020	1,945,117	(1,945,117)	-
SBC	15,000,000	6%	Loans Receivables	2018-19914-1	21/11/2020	7,704,794	(7,704,794)	-
Land Bank	2,800,000	market rate	Loans Receivables	4808-C018-4022-001	22/01/2019	-	-	-
Land Bank	4,200,000	market rate	Loans Receivables	4808-C018-4022-002	25/03/2019	-	-	-
Land Bank	3,000,000	market rate	Loans Receivables	4808-C018-4022-003	22/04/2019	-	-	-
BDO	684,800	9%	COR	501180811951	20/07/2023	518,227	(127,370)	390,857
BDO	1,137,600	9%	COR	501180811952	20/07/2023	860,887	(211,588)	649,298
CARD SME Bank, Inc.	5,000,000	8%	Loans Receivables	0104-4053-00001819	29/10/2021	3,300,000	(1,700,000)	1,600,000
HASIK	1,000,000	6%	Loans Receivables	1	31/12/2021	1,000,000	-	1,000,000
<b>TOTAL</b>						<b>31,321,080</b>	<b>(7,204,288)</b>	<b>24,116,791</b>

Loans payable account is presented in the statement of financial position as follows:

	2021	2020
Current (due within one year)	44,951,955	14,878,397
Non-Current (due more than one year)	24,741,706	9,238,394

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## **23. ALLOCATION AND DISTRIBUTION OF NET SURPLUS**

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

a. Reserve Fund - at least ten percent (10%) shall be set aside for the reserve fund. The reserve fund shall be used for the stability of the cooperative and to meet net losses in its operation.

In 2020, Net Loss from Operations was charged to Reserve Fund. In 2021, the Cooperative allocated 50% of its Net Surplus for Reserve Fund, following the RA 9520.

b. Educational and Training Fund - five percent (5%) for the education and training fund . Half of the amount transferred to the education and training fund annually under this subscription may be spent by the cooperative for education and training and other purposes: while the other half shall be credited to the Cooperative education and training fund of the apex organization of which the cooperative is a member.

c. Optional Fund - This is seven percent (7%) of the cooperative's net surplus.

d. Community Development Fund - This is computed at three percent ( 3%) of the cooperative's net surplus.

e. Interest on Share Capital and Patronage Refunds - After deduction of the statutory accounts, any remaining net surplus shall be distributed to the cooperative's members in the form of interest not to exceed the normal rate of return on investments and patronage refunds. Interest on Share Capital shall be allocated in proportion to the individual members' average share monthly, while patronage refund is divided according to their individual patronage; i.e., volume of loans availed.

## 24. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The following are the Company's transactions with related parties:

### a. Salaries of key management personnel

	2021	2020
Short-term benefits	1,106,547	1,839,086
<b>Total</b>	<b>1,106,547</b>	<b>1,839,086</b>

### b. Receivables/ Payables to

These represents equity receivables ( payables) of the Cooperative to its affiliates, as discussed in Note 1:

2021	Note	Amount	Terms
Payables to:			
KDCI	13	820,190	Unsecured, payable on demand
KMBA	13	579	Unsecured, payable on demand
KPF	13	5,014,862	Unsecured, payable on demand
Program Subsidy Payable to KDCI	12,14	89,823,426	Unsecured, payable on demand
<b>TOTAL</b>		<b>95,659,057</b>	

<b>2020</b>	<b>Note</b>	<b>Amount</b>	<b>Terms</b>
Payables to:			
KDCI	<b>13</b>	10,874,243	Unsecured, payable on demand
KMBA	<b>13</b>	585,474	Unsecured, payable on demand
KPF	<b>13</b>	3,052,101	Unsecured, payable on demand
Program Subsidy Payable to KDCI	<b>12,14</b>	99,823,426	Unsecured, payable on demand
<b>TOTAL</b>		<b>114,335,244</b>	

The carrying amounts of these investments reflect the fair values as of balance sheet date.

The relationship of these entities are discussed in Note 1 .

## **25. EVENTS AFTER BALANCE SHEET DATE**

There were no events after December 31, 2021 , that would need further adjustment or disclosure.

## **26. COMMITMENTS AND CONTINGENCIES**

There were no significant commitments and contingencies involving the Cooperative as of Balance Sheet date.

## **27. GOING CONCERN**

There were no going concern issues that have to be disclosed involving the Cooperative as of Balance Sheet date.

## **28. RECLASSIFICATION**

Certain accounts in 2020 were reclassified to conform with the 2021 presentation of the Cooperative's financial statements.

## **29. SUPPLEMENTARY INFORMATION REQUIRED AS PER BIR RR 15-2010**

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 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, 2021.

### **A. OUTPUT VAT**

The Cooperative is exempt from Value Added Tax, by virtue of the implementing rules and regulations of RA 9520, which states that Cooperatives that transact with members only shall be exempt from both income tax and value added tax.

### **B. INPUT VAT**

Because the Cooperative is an entity which transacts with members only, Input Vat paid by the Cooperative forms part of the cost of the goods or service purchased.

### **C. TAXES AND LICENSES**

Details of the Cooperative's Taxes and Licenses , either paid or accrued are as follows:

	<b>2021</b>	<b>2020</b>
Documentary Stamp	5,998	91,926
Taxes and permit fees	158,838	149,610
Others	32,663	21,199
<b>TOTAL TAXES AND LICENSES</b>	<b>197,499</b>	<b>262,735</b>

### **D. WITHHOLDING TAXES**

Details of the Company's withholding taxes , either paid or accrued, are as follows:

	<b>2021</b>	<b>2020</b>
Withholding tax on Compensation and Benefits	410,772	450,446
Expanded Withholding Tax	429,556	514,393
<b>TOTAL</b>	<b>840,328</b>	<b>964,839</b>

**30. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR UNDER RR 19-2011**

***Net sales/Revenues/Receipts/Fees***

Details of the net sales/revenues/receipts/fees earned during the year are as follows:

	<b>2021</b>		
	<b>Exempt</b>	<b>Special Rate</b>	<b>Regular Rate</b>
Revenue	154,098,720	-	-
<b>Total</b>	<b>154,098,720</b>	<b>-</b>	<b>-</b>

***Cost of Service***

Details of the cost of service incurred during the year are as follows:

	<b>2021</b>		
	<b>Exempt</b>	<b>Special Rate</b>	<b>Regular Rate</b>
Personnel	73,520,757	-	-
Members' benefit	5,569,603	-	-
Supplies	6,885,748	-	-
Travel and transportation	6,706,544	-	-
Rental	5,887,574	-	-
Communication	2,757,926	-	-
Meeting and conferences	2,599,329	-	-
Power, light and water	1,351,671	-	-
Provision for probable losses on loans receivable	3,758,944	-	-
Advertising and promotion	66,808	-	-
Repairs and maintenance	185,182	-	-
Insurance	1,826,171	-	-
Taxes , fees and licenses	188,209	-	-
Miscellaneous	323,878	-	-
Interest Expense on Member's Savings	1,382,448	-	-
Interest expense on loans payable	2,112,019	-	-
<b>Total</b>	<b>115,122,811</b>	<b>-</b>	<b>-</b>

***Other Income***

Details of Other Income during the year are as follows:

	<b>2021</b>		
	<b>Exempt</b>	<b>Special Rate</b>	<b>Regular Rate</b>
Membership fees	301,020	-	-
ID Fee	1,675,875	-	-
Closing Fee	869,100	-	-
Interest Income - Bank Deposit	67,362	-	-
Miscellaneous Income	27,190	-	-
<b>Total</b>	<b>2,940,547</b>	<b>-</b>	<b>-</b>

***Itemized deductions***

Details of itemized deductions during the year are as follows:

	<b>2021</b>	<b>Exempt</b>	<b>Special Rate</b>	<b>Regular Rate</b>
Depreciation and amortization		3,184,338	-	-
Professional fees		1,037,333	-	-
Personnel		15,612,574	-	-
Meetings and conference		1,721,846	-	-
Supplies		1,924,539	-	-
Rentals		1,175,213	-	-
Communication		577,163	-	-
Travel and transportation		629,902	-	-
Repairs and maintenance		640,737	-	-
Power, light and water		271,013	-	-
Insurance		245,410	-	-
Taxes , fees and licenses		9,290	-	-
Miscellaneous		362,097	-	-
<b>Total</b>		<b>27,391,456</b>	<b>-</b>	<b>-</b>