

KL Siy & Associates
Outsourceit


To the Members and the Board of Trustees
Kazama Grameen, (KGI) Mutual Benefit Association (KGI-MBA) Inc.
Block 12, Lot 25, Sta. Monica Subd.,
Matain, Subic, Zambales

We have audited the accompanying financial statements for the year ended December 31, 2014, on which we have rendered our report dated April 28, 2015.

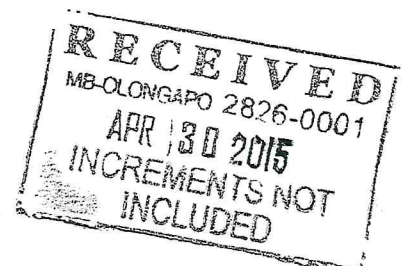
1. In compliance with Revenue Regulation V-20, we are stating that we are not related by consanguinity nor affinity to the president, manager or board member of the Association.
2. In compliance with SRC Rule 68, we are stating that the said Association is a non-stock corporation.

KL SIY & ASSOCIATES
BOA Accreditation No. 0668
Effective until December 31, 2015
SEC Accreditation No. 0293-F
Effective until March 25, 2017
IC Accreditation No. F-2014/002-R
Effective until January 16, 2017

By:


KATHLEEN L. SIY
Managing Partner
CPA Registration No. 45337
BOA Accreditation No. 0668
Effective until December 31, 2015
SEC Accreditation No. 1407-A
Effective until March 25, 2017
BIR Accreditation No. 07-000248-001-2014
Effective until May 14, 2017
IC Accreditation No. SP-2014/002-R
Effective until January 16, 2017
TIN No. 303-141-768-000
PTR No. 395070
Issued on January 12, 2015 Pasig City

April 28, 2015
Ortigas Center, Pasig City



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Trustees
**KAZAMA GRAMEEN, (KGI) Mutual
Benefit Association (KGI-MBA) Inc.**

Block 12, Lot 25, Sta. Monica Subd.,
Matain, Subic, Zambales

We have audited the accompanying financial statements of **KAZAMA GRAMEEN, (KGI) MUTUAL BENEFIT ASSOCIATION (KGI-MBA) INC.**, which comprise the statements of assets, liabilities and fund balance as at December 31, 2014 and 2013, and the statements of receipts and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and 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.

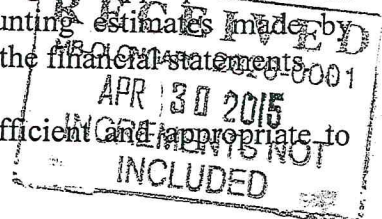
Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Scope

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **KAZAMA GRAMEEN, (KGI) MUTUAL BENEFIT ASSOCIATION (KGI-MBA) INC.** as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulation 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Notes 16.3 of the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements.

In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

KL SIY & ASSOCIATES

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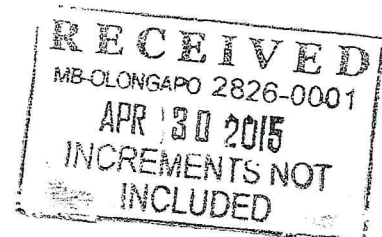
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KAZAMA GRAMEEN, (KGI) MUTUAL BENEFIT ASSOCIATION (KGI-MBA) INC.
(A non-stock and non-profit association)
STATEMENTS OF CHANGES IN FUND BALANCE
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	<u>Appropriated Fund Balance</u>	<u>Unappropriated Fund Balance</u>	<u>Total</u>
Balance at January 1, 2013		-	4,776,461	4,776,461
Appropriation of Guaranty Fund	19	5,000,000	(5,000,000)	-
Appropriation during the year	19	1,705,276		1,705,276
Excess of revenue over expenses		<u>-</u>	<u>7,411,442</u>	<u>7,411,442</u>
Balance at December 31, 2013		<u>6,705,276</u>	<u>7,187,903</u>	<u>13,893,179</u>
Prior Period Adjustment	19.2	<u>-</u>	(<u>1,705,276</u>)	(<u>1,705,276</u>)
Re-stated balance December 31, 2013		<u>6,705,276</u>	<u>5,482,628</u>	<u>12,187,903</u>
Balances at January 1, 2014		<u>6,705,276</u>	<u>5,482,628</u>	<u>12,187,903</u>
Appropriation during the year	19	1,325,270		1,325,270
Excess of revenue over expenses		<u>-</u>	<u>3,849,821</u>	<u>3,849,821</u>
Balances at December 31, 2014		<u>8,030,546</u>	<u>9,332,449</u>	<u>17,362,995</u>

See Notes to Financial Statements.

KAZAMA GRAMEEN, (KGI) MUTUAL BENEFIT ASSOCIATION (KGI-MBA) INC.
(A non-stock and non-profit association)
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2014 AND 2013
(Amounts in Philippines Pesos)

	Notes	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) before tax	P	3,896,310	P 7,438,169
Adjustments for:			
Additional appropriations to guaranty fund	<i>6,15</i>	1,325,270	-
Depreciation expense	<i>8,15</i>	<u>447,660</u>	<u>87,897</u>
Operating income (loss) before working capital changes		5,669,240	7,526,066
Decrease (Increase) in receivables	(<u>3,368,231</u>	(2,462,658)
Decrease (Increase) in other assets	(<u>79,660</u>	57,193
Increase(decrease) in payables		9,323,678	14,884,859
Increase(decrease) in other payables		<u>20,996</u>	<u>1,740,914</u>
Cash generated from operations		11,566,022	21,746,375
Interest income	<i>13</i>	(550,722)	(133,634)
Cash paid for income taxes	<i>16.3</i>	(<u>46,488</u>)	(<u>26,727</u>)
Net Provided by in Operating Activities		<u>10,968,811</u>	<u>21,586,014</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Proceeds (Payments) on Disposal (Acquisition) of Property	<i>8, 13</i>	-	(1,331,346)
Interest received	<i>13</i>	550,722	133,634
Short term investments	<i>6</i>	(<u>6,505,653</u>)	(<u>12,590,384</u>)
Net Cash Provided by Investing Activities		(<u>5,954,931</u>)	(<u>13,788,096</u>)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net advances from related parties	<i>17</i>	<u>-</u>	(<u>1,740,914</u>)
Net Cash Provided by Financing Activities		<u>-</u>	(<u>1,740,914</u>)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5,013,880	6,057,004
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>6,143,165</u>	<u>86,161</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>P 11,157,046</u>	<u>P 6,143,165</u>

See Notes to Financial Statements.

KAZAMA GRAMEEN, (KGI) MUTUAL BENEFIT ASSOCIATION (KGI-MBA) INC.

(A non-stock and non-profit association)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

DECEMBER 31, 2014 AND 2013

(Amounts in Philippine Peso)

	Notes	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>			
Current Assets			
Cash	4	P 11,157,046	P 6,143,165
Receivables	5	6,104,271	2,736,040
Financial Assets at Amortized Cost	6	24,355,550	17,849,896
Prepayments and other current assets	7	<u>255,281</u>	<u>175,620</u>
Total current assets		<u>41,872,147</u>	<u>26,904,722</u>
Non-current Assets			
Deferred Tax Assets		761,635	761,635
Office Furniture and Equipment - Net	8	<u>804,823</u>	<u>1,252,483</u>
Total non-current assets		<u>1,566,458</u>	<u>2,014,118</u>
TOTAL ASSETS		<u>P 43,438,605</u>	<u>P 28,918,840</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Current Liabilities			
Liability on individual equity value	9, 10	P 25,023,813	P 15,590,154
Basic contingent benefit reserve	10	186,515	327,029
Claims Reserves	10	346,100	315,567
Accounts payable and other payables	11	<u>519,182</u>	<u>498,186</u>
Total current liabilities		<u>26,075,610</u>	<u>16,730,936</u>
Total liabilities		<u>26,075,610</u>	<u>16,730,936</u>
Fund Balance			
Appropriated Fund Balance		8,030,546	6,705,276
Unappropriated Fund Balance		<u>9,332,449</u>	<u>5,482,628</u>
Total Fund Balance		<u>17,362,995</u>	<u>12,187,903</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>P 43,438,605</u>	<u>P 28,918,840</u>

See Notes to Financial Statements.

KAZAMA GRAMEEN, (KGI) MUTUAL BENEFIT ASSOCIATION (KGI-MBA) INC.
(A non-stock and non-profit association)
STATEMENTS OF RECEIPTS AND EXPENSES
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	<u>2014</u>	<u>2013</u>
REVENUES			
Members' Contribution	12	P 26,505,400	P 34,105,511
Less: Additional Appropriation on Guaranty fund		1,325,270	-
Additional Appropriation on Guaranty fund (PPA)		<u>-</u>	<u>1,705,276</u>
Net Member's Contribution after Appropriation		P 25,180,130	P 32,400,235
Other Revenues	13	<u>559,971</u>	<u>198,377</u>
TOTAL REVENUES		<u>25,740,101</u>	<u>32,598,612</u>
INSURANCE BENEFIT CLAIMS	14	<u>16,216,296</u>	<u>22,136,483</u>
OPERATING EXPENSES	15	<u>5,627,496</u>	<u>4,729,235</u>
TOTAL BENEFITS, CLAIMS AND EXPENSES		<u>21,843,791</u>	<u>26,865,719</u>
EXCESS OF REVENUES OVER EXPENSES		3,896,310	5,732,894
INCOME TAX (EXPENSE) BENEFIT	16.3	(46,488)	(26,727)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>P 3,849,821</u>	<u>P 5,706,167</u>

See Notes to Financial Statements