

**Kazama Grameen (KGI) Mutual  
Benefit Association (KGI-MBA) Inc.  
(A Nonstock, Not-for-profit Association)**

Financial Statements  
December 31, 2015  
(With Comparative Figures for  
December 31, 2014)

and

Independent Auditors' Report



## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc. (a nonstock, not-for-profit association) which comprise the statement of financial position as at December 31, 2015, and statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year 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 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

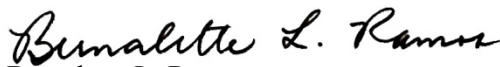
*Other Matter*

The financial statements of Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc. as at and for the year ended December 31, 2014 were audited by other auditors whose report dated April 28, 2015 expressed an unqualified opinion on those statements. The report of the other auditors does not cover the restatements of the financial statements as at and for the year ended December 31, 2014 as discussed in Note 6 to the financial statements.

**Report on the Supplementary Tax Information Required Under Revenue Regulations No. 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 Regulations No. 15-2010 in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc. 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 a whole.

SYCIP GORRES VELAYO & CO.



Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

SEC Accreditation No. 0926-AR-1 (Group A),

April 15, 2013, valid until April 14, 2016

Tax Identification No. 178-486-666

BIR Accreditation No. 08-001998-81-2015,

May 12, 2015, valid until May 11, 2018

PTR No. 5321681, January 4, 2016, Makati City

April 13, 2016



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

**(A Nonstock, Not-for-Profit Association)**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2015**

**(With Comparative Figures for December 31, 2014)**

		<b>December 31</b>	<b>January 1</b>
		2014	2014
		(As restated -	(As restated -
		Note 6)	Note 6)
	<b>2015</b>		
<b>ASSETS</b>			
Cash (Notes 7 and 20)	<b>₱17,822,497</b>	₱11,157,046	₱6,143,165
Short-term investments (Notes 8 and 20)	<b>28,759,119</b>	24,355,550	17,849,896
Loans and receivables (Notes 9, 19 and 20)	<b>6,023,598</b>	6,104,271	2,736,040
Property and equipment - net (Note 10)	<b>456,409</b>	804,823	1,252,483
Prepayments (Note 11)	<b>327,679</b>	255,280	175,620
Total Assets	<b>₱53,389,302</b>	₱42,676,970	₱28,157,204
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Insurance contract liabilities (Note 12)	<b>₱28,111,112</b>	₱23,184,381	₱15,559,775
Accrued expenses and other liabilities (Notes 13 and 20)	<b>3,362,016</b>	2,066,118	943,774
Total Liabilities	<b>31,473,128</b>	25,250,499	16,503,549
<b>Fund Balance</b>			
Appropriated fund balance (Note 20)	<b>9,279,020</b>	8,030,546	6,705,276
Unappropriated fund balance	<b>12,637,154</b>	9,395,925	4,948,379
Total Fund Balance	<b>21,916,174</b>	17,426,471	11,653,655
	<b>₱53,389,302</b>	₱42,676,970	₱28,157,204

*See accompanying Notes to Financial Statements.*



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

**(A Nonstock, Not-for-Profit Association)**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**(With Comparative Figures for December 31, 2014)**

	<b>Years Ended December 31</b>	
		<b>2014</b>
	<b>2015</b>	<b>(As restated - Note 6)</b>
<b>REVENUE</b>		
Gross premiums on insurance contracts (Note 14)	<b>₱24,969,475</b>	₱26,505,400
Surrender charge	<b>2,254,425</b>	1,680,205
Interest income (Note 15)	<b>1,067,219</b>	527,442
Other income	<b>87,261</b>	32,529
	<b>28,378,380</b>	28,745,576
<b>BENEFITS, CLAIMS AND EXPENSES (Note 12)</b>		
Gross change in insurance contract liabilities	<b>4,926,731</b>	7,624,606
Gross insurance contract benefits and claims paid	<b>11,357,759</b>	8,572,823
Insurance benefits and claims	<b>16,284,490</b>	16,197,429
<b>GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)</b>	<b>7,536,243</b>	6,728,843
	<b>23,820,733</b>	22,926,272
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE PROVISION FOR FINAL TAX</b>	<b>4,557,647</b>	5,819,304
<b>PROVISION FOR FINAL TAX (Note 18)</b>	<b>(67,944)</b>	(46,488)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>4,489,703</b>	5,772,816
<b>OTHER COMPREHENSIVE INCOME</b>	<b>—</b>	—
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱4,489,703</b>	₱5,772,816

*See accompanying Notes to Financial Statements.*



**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION  
(KGI-MBA) INC.  
(A Nonstock, Not-for-Profit Association)**

**STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With Comparative Figures for December 31, 2014)**

	<b>Appropriated Fund Balance (Note 20)</b>	<b>Unappropriated Fund Balance (As restated - Note 6)</b>	<b>Total</b>
At January 1, 2015	<b>₱8,030,546</b>	<b>₱9,395,925</b>	<b>₱17,426,471</b>
Excess of revenue over expenses	—	<b>4,489,703</b>	<b>4,489,703</b>
Appropriation during the year	<b>1,248,474</b>	<b>(1,248,474)</b>	—
At December 31, 2015	<b>₱9,279,020</b>	<b>₱12,637,154</b>	<b>₱21,916,174</b>
At January 1, 2014	₱6,705,276	₱4,948,379	₱11,653,655
Excess of revenue over expenses	—	5,772,816	5,772,816
Appropriation during the year	1,325,270	(1,325,270)	—
At December 31, 2014	<b>₱8,030,546</b>	<b>₱9,395,925</b>	<b>₱17,426,471</b>

*See accompanying Notes to Financial Statements.*



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

**(A Nonstock, Not-for-Profit Association)**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**(With Comparative Figures for December 31, 2014)**

	<b>Years Ended December 31</b>	
	<b>2015</b>	<b>2014</b> (As restated - Note 6)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses before provision for final tax	<b>₱4,557,647</b>	<b>₱5,819,304</b>
Adjustments for:		
Provision for probable losses (Note 16)	<b>1,494,497</b>	<b>1,101,348</b>
Depreciation (Notes 10 and 16)	<b>476,659</b>	<b>447,660</b>
Interest income (Notes 7, 8 and 17)	<b>(1,067,219)</b>	<b>(527,442)</b>
Cash generated from operations before changes in working capital	<b>5,461,584</b>	<b>6,840,870</b>
Decrease (increase) in:		
Loans and receivables	<b>54,780</b>	<b>(3,368,231)</b>
Prepayments	<b>(72,399)</b>	<b>(79,660)</b>
Increase (decrease) in:		
Insurance contract liabilities	<b>4,926,731</b>	<b>7,624,606</b>
Accrued expenses and other liabilities	<b>(198,599)</b>	<b>20,996</b>
Net cash generated from operations	<b>10,172,097</b>	<b>11,038,581</b>
Final taxes paid	<b>(67,944)</b>	<b>(46,488)</b>
Net cash flows provided by operating activities	<b>10,104,153</b>	<b>10,992,093</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>1,093,112</b>	<b>527,442</b>
Acquisitions of property and equipment (Note 10)	<b>(128,245)</b>	<b>—</b>
Availments of short-term investments (Note 8)	<b>(28,759,119)</b>	<b>(24,355,550)</b>
Maturities of short-term investments (Note 8)	<b>24,355,550</b>	<b>17,849,896</b>
Net cash flows used in investing activities	<b>(3,438,702)</b>	<b>(5,978,212)</b>
<b>NET INCREASE IN CASH</b>	<b>6,665,451</b>	<b>5,013,881</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>11,157,046</b>	<b>6,143,165</b>
<b>CASH AT END OF YEAR (Note 7)</b>	<b>₱17,822,497</b>	<b>₱11,157,046</b>

*See accompanying Notes to Financial Statements.*

