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**SEDPI SAVINGS AND CREDIT COOPERATIVE**  
**Unit 303 Loyola Heights Condo, 23 F dela Rosa, Street, Quezon City, 1108 Metro Manila**

**Audited Financial Statements**  
**December 31, 2021**

**Philippine Currency**

**Office Address :** 28 Camia St. Mariposa Subd. , Brgy Matiuna, Tayabas, City  
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## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS AND MEMBERS SEDPI SAVINGS AND CREDIT COOPERATIVE**

**Unit 303 Loyola Heights Condo, 23 F dela Rosa, Street, Quezon City, 1108 Metro Manila**

#### **Opinion**

I have audited the financial statements of **SEDPI SAVINGS AND CREDIT COOPERATIVE**, which comprise the statements of financial position as at December 31, 2021, and the statements of operations, statements of changes in members 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **SEDPI SAVINGS AND CREDIT COOPERATIVE** as at December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs) for Cooperative.

#### **Basis for Opinion**

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs) and the Standard Audit System for Cooperatives (SASC). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Cooperative in accordance with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair, presentation of these financial statements in accordance with 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**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Cooperative to cease to continue as a going concern.

I 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 I identify during my audit.

#### **Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and 19-2011**

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and licenses fees in the Notes to Financial Statements is presented for purpose 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. This information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
**ROBERTO V. JACELA**

CPA Registration No. 0080075

October 1988

TIN No. 138-747-885

BIR Accreditation # 09-005961-001-2021 issued January 04, 2021 valid until January 03, 2024

BOA Accreditation # 4995 issued August 28, 2020 valid until May 03, 2023

PTR No. 3389961, January 03, 2022 valid until December 31, 2022, Gumaca, Quezon

CDA Registration-CEA # 0374, issued November 27, 2019 until November 27, 2022

April 14, 2022  
Tayabas City

**ROBERTO V. JACELA, CPA**  
28 Camia St. Mariposa Subd. Brgy. Matiuna, Tayabas City  
Email Add: roberto\_v\_jacelar@yahoo.com ,Mobile # 0995-985-37-59, Tel. # 793-39-17

## STATEMENT OF REPRESENTATION

### TO THE COOPERATIVE DEVELOPMENT AUTHORITY:

In connection with my examination of the financial statements of **SEDPI SAVINGS AND CREDIT COOPERATIVE** covering the period ended December 31, 2021 that 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 financial reporting standards applicable to cooperative in the Philippines;
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 Section 14 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 certificate issued and attached to the financial statements and the sanctions to be bestowed for any misrepresentation 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 officer of secondary cooperative or tertiary cooperative of which cooperative is a member;
7. That I am not employee of the Cooperative Development Authority nor have I engaged an employee of the CDA in the course of audit;
8. That I make this representation in my individual capacity;
9. That I am a member of PICPA QUEZON PROVINCE CHAPTER.

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

  
**ROBERTO V. JACELA**

CPA Registration No. 0080075

October 1988

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Tayabas City

**SEDPI SAVINGS AND CREDIT COOPERATIVE**  
Unit 303 Loyola Heights Condo, 23 F dela Rosa, Street, Quezon City, 1108 Metro Manila

**STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS**


The management of **SEDPI SAVINGS AND CREDIT COOPERATIVE** is responsible for preparation and fair presentation of the financial statements including the schedules attached herein, for the years ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


In preparing 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 to do so.


The Board of Directors is responsible for overseeing the Cooperative's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the general assembly.

**ROBERTO V. JACELA, CPA**, the independent auditor appointed by the general assembly for the years 2021, have audited the financial statements of the cooperative in accordance with the Philippine Standards on Auditing and the Standard Audit System for Cooperatives and in their report to the general assembly, have expressed his opinion on the fairness of presentation upon completion of such audit.

Signature:   
**Edwin M. Salonga**  
Chairman of the Board

Signature:   
**Mariel Vincent A. Rapisura**  
General Manager

Signature:   
**Florence Angelica C. Adviento**  
Treasurer

**SEDPI SAVINGS AND CREDIT COOPERATIVE**  
**Unit 303 Loyola Heights Condo, 23 F dela Rosa, Street, Quezon City, 1108 Metro Manila**

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

The management of **SEDPI SAVINGS AND CREDIT COOPERATIVE** 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 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 **SEDPI SAVINGS AND CREDIT COOPERATIVE** complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, 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) **SEDPI SAVINGS AND CREDIT COOPERATIVE** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

**Signature:** \_\_\_\_\_  
**Edwin M. Salonga**  
**Chairman of the Board**

**Signature:** \_\_\_\_\_  
**Mariel Vincent A. Rapisura**  
**General Manager**

**Signature:** \_\_\_\_\_  
**Florence Angelica C. Adviento**  
**Treasurer**

**SEDPI SAVINGS AND CREDIT COOPERATIVE**  
Unit 303 Loyola Heights Condo, 23 F dela Rosa, Street, Quezon City, 1108 Metro Manila

**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2021**  
**(Amount in Philippine Pesos)**

	Notes	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	2,3	50,000.00
Trade, Non-Trade and Other Receivables	2,4	8,855,721.04
<b>Total Current Assets</b>		<b>8,905,721.04</b>
<b>NON-CURRENT ASSETS</b>		
Investments	2,5	61,923,789.63
Property, Plant and Equipment	2,6	-
<b>Total Non-Current Assets</b>		<b>61,923,789.63</b>
<b>TOTAL ASSETS</b>		<b>70,829,510.67</b>
<b>LIABILITIES AND MEMBERS EQUITY</b>		
<b>LIABILITIES</b>		
Current Liabilities	2,7	64,635,349.87
Other Liabilities	2,8	1,490.00
Due to CETF	2,9	7,144.01
Interest on Share Capital Payable	2,10	30,004.85
Patronage Refund Payable	2,11	12,859.22
<b>Total Liabilities</b>		<b>64,686,847.95</b>
<b>MEMBERS EQUITY</b>		
Paid up Capital Common	2,12	6,049,790.58
Statutory Funds	2,13	92,872.14
<b>Total Members Equity</b>		<b>6,142,662.72</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>70,829,510.67</b>

(See the attached accompanying notes to financial statements.)



## SEDPI SAVINGS AND CREDIT COOPERATIVE

Unit 303 Loyola Heights Condo, 23 F dela Rosa, Street, Quezon City, 1108 Metro Manila

### STATEMENT OF FINANCIAL OPERATION For the Year Ended December 31, 2021 (Amounts in Philippine Pesos)

	Notes	2021
<b>REVENUES</b>		
Income from credit operators	2,14	1,236,200.63
Other Income	2,15	8,000.00
<b>Total Revenues</b>		<b>1,244,200.63</b>
<b>LESS: EXPENSES</b>		
Cost of services	2,16	1,093,730.41
Administrative Cost		7,590.00
<b>Total Expenses</b>		<b>1,101,320.41</b>
<b>NET SURPLUS</b>		<b>142,880.22</b>
<b>DISTRIBUTED AS FOLLOWS:</b>		
<b>Statutory Fund</b>		
Reserve Fund	2,13,17 a	71,440.11
CETF - Local	2,13,17, b	7,144.01
Due to Federation/Union		7,144.01
Optional Fund	2,13,17, c	10,001.62
Community Development Fund	2,13,17, d	4,286.41
<b>Total Statutory Fund</b>		<b>100,016.15</b>
<b>Interest of Share Capital and Patronage Refund Payable</b>		
Interest on Share Capital and Patronage Refund Payable	2,13,17, e	30,004.85 12,859.22
<b>Total Interest on Share Capital/Patronage Refund</b>		<b>42,864.07</b>
<b>NET SURPLUS AS DISTRIBUTED</b>		<b>142,880.22</b>

(See the attached accompanying notes to financial statements.)



# SEDPI SAVINGS AND CREDIT COOPERATIVE

Unit 303 Loyola Heights Condo, 23 F dela Rosa, Street, Quezon City, 1108 Metro Manila

## STATEMENT OF CHANGES IN EQUITY AND STATUTORY FUNDS

For the Year Ended December 31, 2021

(Amount in Philippine Pesos)

	Notes	2021
<b><u>MEMBERS EQUITY</u></b>		
<b>SHARE CAPITAL-COMMON</b>		
Share Capital- January 01,	2,12	6,049,790.58
Add: Additional Capital Build up		-
<b>Total</b>		<b>6,049,790.58</b>
Less: Capital Withdrawal		-
<b>Total Share Capital, end</b>		<b>6,049,790.58</b>
<b><u>STATUTORY FUNDS</u></b>		
<b>GENERAL RESERVE FUND</b>		
General Reserve fund- January 01,	2,13,17	
Add: 50% of Net Surplus from Operation		71,440.11
<b>Total</b>		<b>71,440.11</b>
Less: Charges		
<b>General Reserve Fund- December 31,</b>		<b>71,440.11</b>
<b>EDUCATIONAL AND TRAINING FUND</b>		
CETF- January 01,	2,13,17	
Add: 1/2 of 10% of Net Surplus from Operation		7,144.01
<b>Total</b>		<b>7,144.01</b>
Less: Charges		
<b>Educational and Training-December 31,</b>		<b>7,144.01</b>
<b>OPTIONAL FUND</b>		
Optional Fund- January 01,	2,13,17	
Add: 7% of Net Surplus from Operation		10,001.62
<b>Total</b>		<b>10,001.62</b>
Less: Charges		
<b>Optional Fund- December 31,</b>		<b>10,001.62</b>
<b>COMMUNITY DEVELOPMENT PROGRAM</b>		
<b>Community Development Fund- January 01</b>	2,13,17	
Add: 3% of Net Surplus from Operation		4,286.41
<b>Total</b>		<b>4,286.41</b>
Less: Charges		
<b>Community Development Fund - December 31,</b>		<b>4,286.41</b>
<b>TOTAL STATUTORY FUNDS</b>		<b>92,872.14</b>
<b>TOTAL MEMBERS EQUITY</b>		<b>6,142,662.72</b>

(See the attached accompanying notes to financial statements.)

# SEDPI SAVINGS AND CREDIT COOPERATIVE

Unit 303 Loyola Heights Condo, 23 F dela Rosa, Street, Quezon City, 1108 Metro Manila

## STATEMENT OF CASH FLOWS For the Year Ended December 31, 2021 (Amounts in Philippine Pesos)

	Notes	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Surplus (Loss)		142,880.22
<b>Adjustments to reconcile net surplus to net cash provided by operating activities</b>		
Amortization and Depreciation		
Provision for Probable Losses on Loans		
<b>Change in assets and liabilities</b>		
<b><u>(Increase ) Decrease in:</u></b>		
Trade and Other Receivables	2,4	(8,855,721.04)
<b>Increase (Decrease) in:</b>		
Deposit Liabilities	2,7	64,635,349.87
Trade, Non-trade and Other Payables	2,8	1,490.00
Due to CETF	2,9	
Interest on Share Capital Payable	2,10	
Patronage Refund Payable	2,11	
<b>Net cash from operating activities</b>		<b>55,923,999.05</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b><u>(Increase ) Decrease in:</u></b>		
Investment	2,5	(61,923,789.63)
Property Plant and Equipment	2,6	-
<b>Net cash from investing activities</b>		<b>(61,923,789.63)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b><u>Increase (Decrease) in:</u></b>		
Paid up share capital	2,12	6,049,790.58
Statutory fund	2,13	
<b>Net cash from investing activities</b>		<b>6,049,790.58</b>
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>50,000.00</b>
<b>ADD: CASH BALANCE - January 01,</b>		
<b>CASH BALANCE - December 31,</b>		<b>50,000.00</b>
<b>CASH BREAKDOWN:</b>		
Cash on Hand		
Cash in Bank	2,3	50,000.00
<b>TOTAL</b>	<b>-</b>	<b>50,000.00</b>

(See the attached accompanying notes to financial statements.)

SEDPI SAVINGS AND CREDIT COOPERATIVE

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE # 1. GENERAL INFORMATION**

The **SEDPI SAVINGS AND CREDIT COOPERATIVE** (referred hereinafter as “Cooperative”) was signed as cooperative pursuant to RA 9520 for the purpose of encouraging thrift and granting loans to members for productive, educational and providential purpose, providing goods and services and other requirements of the member, among others.

Under the RA. 9520, the cooperative is exempt from payment of income and sales taxes, provided that a substantial portion of its net income is returned to member in the form of interest and patronage refunds.

The area of operation of this cooperative as stated in the articles shall be within the area of Pasig City with office address located at **Unit 1609 Prestige Tower Condominium, Emerald Ave. Ortigas Center, Brgy. San Antonio, Pasig City, 1605.**

The accompanying financial statements of the cooperative as at **December 31, 2021** were approved and authorized for issue by the Board of Directors **April 2022.**

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

**Basis of Preparation**

The financial statements of the Cooperative have been prepared on a fair value measurement. The financial statements are presented in Philippine pesos, which is the Cooperative’s functional currency. The accompanying financial statements have been prepared on a going-concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

**Statement of Compliance**

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) applicable to the Philippine Cooperatives.

**Accounting Policies Adopted**

The following accounting standards were adopted by the Cooperative:

PAS 1	-	Presentation of Financial Statements
PAS 8	-	Accounting Policies, Change in Accounting Estimates and Errors
PAS 10	-	Events after Balance Sheet Date
PAS 16	-	Property, Plant and Equipment
PAS 24	-	Related Party Transactions
PAS 36	-	Impairment of Assets
PAS 7	-	Cash Flow Statements
PAS 32	-	Financial Instruments

**PAS 1 – Presentation of Financial Statements**

Provides framework of financial statements presentation. It requires more specific balance sheet line items; financial statements must be comparative; and, has a number of new disclosure requirements.

**PAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**

The standard is applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and correction of prior period errors.

**PAS 10 – Events After Balance Sheet Date**

The standard is applied in the accounting for, and disclosure of events after balance sheet date.

**PAS 16 – Property, Plant and Equipment**

PAS 16 provides additional guidance and clarification on recognition and measurement of property, plant and equipment, requires capitalization of the costs of asset in dismantling, removal or restoration; and requires measurement of an item of property and equipment acquired in exchange for a non-monetary asset or a combination of monetary and nonmonetary assets are fair-value, unless the exchange transaction lacks commercial substance. The standard also provides guidelines for derecognition.

**PAS 36 – Impairment of Assets**

This standard applies in accounting for the impairment of assets other than those covered by separate standards.

**PAS 7 – Cash Flow Statements**

Prescribes the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

**PAS 32, 39 – Financial Instruments**

Prescribes the accounting treatment, presentation and disclosure requirements for Financial Instruments.

**Management’s Use of Judgments and Estimates**

The financial statements are prepared in conformity with the above-mentioned accounting principles accepted in the Philippines which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Those estimates and assumptions used in the financial statements are based on management’s evaluation of relevant facts and circumstances as of date of the financial statements. Actual results could differ from such estimates. The key estimates/assumption concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below;

**Estimated Useful Lives**

The useful life of each of the Cooperative’s property or equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the used of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

**Asset Impairment**

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires Cooperative to make estimate and assumptions that can materially affect its statement of assets, liabilities and stockholders’ equity. Future events could cause the Cooperative to conclude that the property and equipment are impaired. Any resulting impairment loss shall be charged to operations.

**Revenues 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.

**Financial Assets**

Financial assets include cash, loans receivables and refundable deposits.

**Cash**

Cash includes cash on hand and in banks.

**Receivables**

Receivables are valued at face value, net of allowance for doubtful accounts and any anticipated adjustments that will reduce the amount to its estimated realizable value. The allowance for doubtful accounts is determined after a study of the estimated collectability of the receivable balances and evaluation of such factors as aging of the accounts, collection expense of the Cooperative in relation to the particular receivable, past and expected loss experiences and identified doubtful accounts.

**Refundable Deposit**

Refundable deposit is measured at its transaction cost. Refundable deposit represents security deposits made to lessor.

**Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation and impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives of the properties.

**Financial Liabilities**

Financial liabilities include Interest on Share Capital and Patronage Refund Payable to the cooperative's members. Interest on Share Capital and Patronage Refund Payable are recognized as financial liabilities based on Cooperative's By-Laws as well as Cooperative laws and regulations. Financial liabilities are derecognized from the balance sheet only when the obligations are extinguished either through discharge or cancellation.

**Impairment of Assets**

The carrying amount of the Cooperative's non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

**Cost and Expenses**

Cost and expenses, not directly attributable to capitalizable assets are recognized and charged to operations as incurred.

**Accounting Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the Philippines requires the Cooperative to make estimates and assumptions that affect the reported amounts on income, expenses, resources, liabilities and disclosure contingent resources and liabilities. Actual results could differ from those estimates.

**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:

**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 accounting period.

**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 accounting period.

**Mutual Benefit and Other Funds Payable** – are funds for special purposed such as members' welfare and benefits, i.e. hospitalization, death, etc.

**Donations** – 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:

- **General Reserve Fund** – amounts are 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.
- **Optional Fund** – fund set aside from the net surplus (should not exceed 7%) for future use such as land and building, community developments, etc.
- **Community Development Fund**- Three percent (3%) shall be set aside for community development fund from cooperative net surplus for funding of various activities that will benefit the community where the cooperative operates

**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.

#### **Financial Statement Presentation**

Presentation of the Financial Statements of a Cooperative in accordance with Cooperative Laws, issued policies, rules and regulations, and cooperative principles and practices, as follows:

- i. Statement of Financial Condition
- ii. Statement of Operations
- iii. Statement of Cash Flows
- iv. Statement of Changes in Equity
  - a. Share Capital
  - b. Deposits for Share Capital Subscription
  - c. Donations and Grants
  - d. Statutory Funds
    - Reserve Fund
    - Cooperative Education and Training Fund
    - Optional Fund
    - Community Development Fund
  - e. Unrealized Gains/Losses
- v. Notes to Financial Statements

#### **Income Taxes**

As a rule, cooperative adopt the accrual basis of accounting. However, for credit and other cooperatives, recognition and 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 shall be the basis of the income available for distribution to its members through interest on share capital and patronage refund. Also, due to the cash-based income distribution scheme of a cooperative as well as the inherent limitations of small-scale country style credit cooperatives, it cannot adopt the effective interest method in recognizing interest income on loans receivable.



<b>3 CASH AND CASH EQUIVALENTS</b>	
This account consists of the following:	
Cash in Bank	50,000.00
<b>Cash and Cash Equivalents-Dec. 31,</b>	<b>50,000.00</b>
<b>4 TRADE, NON-TRADE AND OTHER RECEIVABLES</b>	
This account consists of the following:	
Advances to Subsidiary (Due from SDFI)	6,950,220.28
Advances to Subsidiary (Due from SFI)	58,486.56
Advances to Subsidiary (Due from MVR)	1,626,287.77
Interest income receivable	220,726.43
<b>Trade, Non-Trade and Other Receivables</b>	<b>8,855,721.04</b>
<b>5 INVESTMENTS</b>	
This account consists of the following:	
Investments	61,923,789.63
<b>Total Investments</b>	<b>61,923,789.63</b>
<b>6 PROPERTY, PLANT AND EQUIPMENT</b>	
This account consists of the following:	
Office Equipment	-
Less: Accumulated Depreciation	-
<b>Net Book Value</b>	<b>-</b>
<b>Property Plant and Equipment- Net</b>	<b>-</b>
<b>7 DEPOSIT LIABILITIES</b>	
This accounts consists of withdrawable deposits of members.	
Savings Deposit- Rental	21,170,443.23
Savings Deposit- Share Capital	27,757,692.92
Savings Deposit- Working Capital	15,707,213.72
<b>Total Savings Deposit</b>	<b>64,635,349.87</b>
<b>8 TRADE, NON-TRADE AND OTHER PAYABLES</b>	
This account consists of the following:	
Due to SEDPI	1,490.00
Accrued Expense	-
<b>Trade, Non-Trade and Other Payables</b>	<b>1,490.00</b>
<b>9 Due to CETF (Apex)</b>	
This account refer to accumulated amount set aside to be credited to the Union or Federation where the cooperative is a member. This corresponds to the 50% of the total annual allocation for Educational and Training Fund	
Beginning Balance	-
Add: 5% allocation of Net Surplus	7,144.01
Total	7,144.01
Less: Charges	-
<b>Due to CETF (Apex)</b>	<b>7,144.01</b>
<b>10 INTEREST ON SHARE CAPITAL PAYABLE</b>	
This account consists of the following:	
Beginning Balance	-
Add: 70% allocation of Net Surplus	30,004.85
Total	30,004.85
Less: Charges	-
<b>Interest on Share Capital Payable</b>	<b>30,004.85</b>

<b>11 PATRONAGE REFUND PAYABLE</b>	
This account consists of the following:	
Beginning Balance	-
Add: 30% allocation of Net Surplus	12,859.22
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Total	12,859.22
Less: Charges	-
<b>Patronage Refund Payable</b>	<b>12,859.22</b>
<hr/>	
<b>12 SHARE CAPITAL</b>	
This account consists of the following:	
Paid-Up Share Capital Beg.	6,049,790.58
Add: Capital Build-Up	-
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Total	6,049,790.58
Less: Withdrawal	-
<b>Total Share Capital, End</b>	<b>6,049,790.58</b>
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<b>13 STATUTORY FUNDS</b>	
This account consist of the following:	
Reserved Fund	71,440.11
Education and Training Fund	7,144.01
Optional Fund	10,001.62
Community Development Fund	4,286.41
<hr/>	
<b>Total Statutory Funds</b>	<b>92,872.14</b>
<hr/>	
<b>14 INCOME FROM SERVICE OPERATION</b>	
This account consist of the following:	
Service Fees	-
<b>Less: Cost of Services</b>	-
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<b>Income from Service Operation</b>	-
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<b>15 OTHER INCOME</b>	
This account consist of the following:	
Interest Income from investment	1,236,200.63
Membership Fees	8,000.00
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<b>Total Other Income</b>	<b>1,244,200.63</b>
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<b>16 EXPENSES</b>	
This account consist of the following:	
<b>16.1 Financing Costs</b>	
Interest Expense on Savings Deposit	1,093,730.41
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<b>Total Financing Costs</b>	<b>1,093,730.41</b>
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<b>16.2 General and Administrative Expense</b>	
Office Supplies Expense	5,000.00
Transportation Expense	500.00
Representation Expense	2,090.00
Miscellaneous Expense	-
<hr/>	
<b>Total Administrative Costs</b>	<b>7,590.00</b>
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**17. ALLOCATION AND DISTRIBUTION OF NET SURPLUS**

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

- a. **General Reserve Fund** –fifty percent (50%) shall be set aside for the reserve fund for the first five years of operation. The reserve fund shall be used for the stability of the cooperative and to meet net losses in its operations.
- b. **Education and Training Fund** – ten percent (10%) for the education and training fund. Half of the amount transferred to 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 member.
- c. **Optional Fund** – This is computed at seven percent (7%) of the cooperative's net surplus.
- d. **Community Development Fund**- Three percent (3%) shall be set aside for community development fund from cooperative net surplus for funding of various activities that will benefit the community where the cooperative operates
- e. **Interest on Share Capital and Patronage Refunds** – After deduction of the statutory accounts, any amount remaining of the net surplus shall be distributed to the cooperative's members in the form of interest not to exceed the nominal rate of return on investment and patronage refunds. Interests on Capital share shall be allocated in proportion to the individual members' share, while patronage refund is divided according to their individual patronage.

#### **18. Supplementary Information required under Revenue Regulation 15-2010**

On November 25, 2010, Bureau of Internal Revenue (BIR) issued revenue Regulation (RR 15-2010) which requires certain information on taxes, duties and licenses fees paid or accrued during the taxable year, to be disclosed as part of the notes to financial statements. The cooperative shall exempt from payment of VAT, Percentage Taxes , Income Taxes and other taxes, Requirement under Section 2 Paragraph 1,2,3 and 4 RR15-2010 are therefore not applicable to the Cooperative.

The Cooperative and its members are exempt from documentary stamp tax on loan instruments and other transaction subject there to (Section 10 paragraph B and Section 11) paragraph of the Joint Rules and Regulations implementing Article 60 and 61.

There are no final taxes withheld from interest on deposits of members and interest on capital as there are exempt withheld from interest as provided in (Section 11 Paragraph A of the joint Rules and Regulations of the implementing Articles 60 and 61 of the Cooperative Code of 2008). There are no deficiency tax assessments as of the balance sheet date. Likewise there are no tax cases under preliminary investigation, litigation and prosecution I n courts or bodies outside the BIR.

