

DAVAO BIR EMPLOYEES MULTIPURPOSE COOPERATIVE (DABIREMCO)

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 – GENERAL INFORMATION

The Davao BIR Employees Multipurpose Cooperative (DABIREMCO) was originally registered on September 20, 2001 with the Cooperative Development Authority (CDA) under Registration No. 6917- DVO in accordance with RA 6938, otherwise known as Cooperative Code of the Philippines and started operations on even date. On December 28, 2009, the Cooperative was registered with CDA in accordance with the provisions of RA 9520, otherwise known as Philippine Cooperative Code of 2008, which amended RA 6938. RA 9520 brought a strengthened and more comprehensive law on the promotion and development of Cooperative. It also outlines in greater detail the requirements in professionalizing the management and operation of Cooperatives and provides for a monitoring and evaluation tool for Cooperatives to conduct self-assessment of its managerial, financial and social objectives.

The purposes for which the Cooperative was organized were 1.) to create funds in order to grant loans for productive and providential purposes 2.) to provide goods and services and other requirements 3.) to encourage thrift and savings mobilization for capital formation.

The Cooperative is exempt from the payment of all national, city, provincial, municipal or barangay taxes of whatever name and nature, including exemption from customs duties, advance sales compensation taxes on its importation of machinery, equipment and spare parts which are not available locally as certified by the Department of Trade and Industry. The Cooperative enjoys exemptions from government taxes or fees imposed under internal revenue laws provided that the Cooperative does not transact business with non-members or the general public. The Cooperative, if transacting business with both members or the general public, may be exempt from tax if the accumulated reserves and undivided net savings of the Cooperative does not exceed Ps.10 million, or up to 10 years from date of registration if their accumulated reserves already exceeds Ps.10 million. The Cooperative serves its members and non-members. Consequently, it is exempt from taxes, including income taxes.

The registered office address of the Cooperative is at BIR Building, Bolton Extension, Davao City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

The principal accounting and financial policies 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.

a.) Basis of Preparation and Statement of Compliance

The financial statements of Davao BIR Employees Multipurpose Cooperative (DABIREMCO) have been prepared in accordance with the presentation, recognition and measurement bases specified by the Philippine Financial Reporting Framework for Cooperatives (PFRF for Cooperatives) adopted by the Cooperative Development Authority, which was developed from and are in conformity with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs) issued by the Philippine Financial Reporting Standards Council. Modifications were made on several provisions of the standards taking into considerations cooperative laws, rules, regulations and principles. The Cooperative has early

adopted PFRF for Cooperatives with a date of initial application of January 1, 2014. Additional information required by the Cooperative Development Authority is included where appropriate.

The preparation of financial statements in conformity with the PFRF for Cooperatives requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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.

The financial statements were approved by the Board of Directors and authorized for issue on March 3, 2021.

b.) Adoption of Philippine Financial Reporting Framework for Cooperatives (PFRF for Cooperatives)

The PFRF for Cooperatives, a stand-alone pronouncement, is intended for all types and sizes of Cooperatives duly registered with the Cooperative Development Authority pursuant to RA 9520, otherwise known as the Philippine Cooperative Code of 2008. The CDA has set the effectivity of this standard for local reporting purposes to be on January 1, 2016.

The PFRF for Cooperatives includes the following topics: concepts and pervasive principles; the financial statements presentation (statement of financial condition, statement of operations, statement of changes in equity, statement of cash flows, notes to financial statements) accounting policies, estimates and errors, financial instruments, inventories, investments in associates and in joint ventures and subsidiaries, investment property, property, plant and equipment and intangible assets, allocation and distribution of net surplus, statutory funds, leases, provisions and contingencies, liabilities and equity, donations and grants, borrowing costs, impairment of assets, employee benefits, events after the end of reporting period, related party disclosures and specialized activities.

In applying PFRF for Cooperatives, the Cooperative used January 1, 2014 as its date of transition.

The PFRF for Cooperatives is not mandatory for the Cooperative until January 1, 2016, however, the Cooperative decided to early adopt the PFRF for Cooperatives as its previous financial reporting framework does not differ substantially with the new standard.

c.) Financial instruments

Initial Recognition

A financial asset or a financial liability is recognized in the statement of financial condition when the Cooperative becomes a party to the contractual provisions governing such financial asset or financial liability. Deposits, amounts due from banks and members are recognized when cash is received by the Cooperative or advanced to the members/borrowers. Financial assets and liabilities are initially recognized at fair value plus transaction costs for all instruments not carried at fair value through profit or loss.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification, is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of operations.

Classification of financial instruments

The Cooperative classifies its financial instruments after initial recognition in the following categories: cash, investments in time deposits, loans and receivables, investment in non-marketable equity securities, financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

Cash

Cash are carried in the statement of financial condition at cost. For the purpose of the cash flow statements, cash include cash and other cash items.

Investments in time deposits

Investment in time deposits are short-term deposits with original maturities of more than three months and are subject to insignificant risk of change in value.

Investments in non-marketable equity securities

Investments in non-marketable equity securities refer to investment in unquoted equity securities. It is measured upon initial recognition at the transaction price plus transaction costs that are directly attributable to the acquisition of the equity securities.

Included in these accounts are investments in common stock of cooperatives and federatons.

If there is an objective evidence of an impairment loss on an unquoted equity that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Loans and receivables at amortized cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Cooperative provides money, goods or services directly to members/borrowers.

Loans and receivables are initially recognized at fair value, and measured subsequently at amortized cost using the effective interest rate method.

These are reported in the statement of financial condition as loans and receivables. In case of impairment, the loss is reported as a deduction from the carrying value of the loan and recognized in the statement of operations as provision for financial asset impairment.

The Cooperative assesses at each financial reporting date whether loans and receivables or an individual or group is impaired. A financial asset or a group of loans and receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of loans and receivables with similar credit risk characteristics and that group of loans and receivables is collectively assessed for impairment.

The determination of impairment losses for loans and receivables is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

Objective evidence that loans and receivables are impaired can include default or delinquency by a borrower, restructuring of a loan or advances by the Cooperative on terms that the Cooperative would not otherwise consider, disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults.

The allowance for credit losses is the estimated amount of losses in the Cooperative's loan portfolio. This is maintained at a level considered adequate to provide for potential losses on loans and receivables. The level of allowance is based on the Management's evaluation of potential losses after consideration of prevailing and anticipated economic conditions, collection and credit experience with specific accounts and an evaluation of potential losses based on existing guidelines of the Cooperative Development Authority and the management's judgment as to identifiable losses on specific accounts based on past collection experience, collateral position and account documentation.

The Cooperative provides allowance for credit losses against loans and other risk assets in accordance with the following:

Classification	Allowance
a. 1 to 30 days at risk	0%
b. 31 days to 360 days at risk	35% of outstanding loan balance
c. Over 360 days at risk	100% of outstanding loan balance

The impairment for credit losses is established through provisions charged to operations. Loans are written off against the allowance for credit losses when management believes that the collectability of the principal is remote.

Reversal of impairment loss

If, in subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the

amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the statement of operations.

Financial liabilities at amortized cost

This classification pertains to financial liabilities that are not held for trading or not designated as FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g. payables or accruals and deposit liabilities).

The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest method of amortization.

Included in this category are the Cooperative's deposit liabilities, accounts payable and accrued expenses and other liabilities.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Cooperative after deducting all of its liabilities. Equity instruments issued by the Cooperative are recorded at the proceeds received. Equity instruments are not re-measured after initial recognition. Interest on share capital and patronage refund declaration to the Cooperative's members are recognized as a liability in the Cooperative's financial statements. No gain or loss is recognized in the statement of operations on the purchase, sale, issue or cancellation of the Cooperative's own equity instruments.

Common shares issued by the Cooperative are classified in the members' equity. Holder of common shares have the right to sell back to the Cooperative for cash or another financial asset or is automatically redeemed or repurchased by the Cooperative on the occurrence of an uncertain future events or the death or retirement of the holder. Common shares are available to regular members only, while preferred shares are available to associate members.

Donated capital

Donated capital is assistance by a third party in the form of a transfer of resources to the Cooperative. Donated capital is recognized in equity when the assets are received and measured at the fair value of the asset received.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial condition if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

d.) Property and Equipment

All Cooperative property and equipment are stated at historical cost less subsequent depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Cooperative and the cost of the item can be measured reliably. All

other repairs and maintenance are charged to the statement of operations during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future benefits are expected to arise from the continued use of the asset. Any gains and losses on disposals or retirement of an item of property and equipment are determined as difference between the sales proceeds and the carrying amount of the asset. These are included in the statement of operations. The cost and the related accumulated depreciation and accumulated impairment losses, if any, are removed from the account.

e.) Computerization cost

This refers to acquired computer software license or development of computer programs and other computer software used in operation. This is accounted for under the cost model and capitalized and amortized over their estimated useful lives over period of three (10) years on a straight-line method. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

f.) Impairment of Non-financial Assets

The carrying values of property and equipment and other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the asset is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is charged to operations.

g.) Employee Benefits

a.) *Short-term benefits*

Employee entitlements to salaries and wages, annual vacation, and other benefits are recognized when they are accrued to employees. Annual vacation and other leaves have been calculated on an actual entitlement basis at current rates of pay. Unpaid benefits at the end of the reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

b.) *Termination benefits*

Termination benefits are payable when employment is terminated by the Cooperative before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for those benefits.

h.) Revenue and Expense Recognition

Revenue comprises the fair value of the consideration earned and received in the ordinary course of the Cooperative's operations.

The Cooperative recognizes revenue when a.) the amount of revenue can be reliably measured b.) it is probable that future economic benefits will flow to the Cooperative and c.) specific criteria have been met for each of Cooperative's activities. The Cooperative has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must be met before revenue is recognized:

a.) Interest income from:

Loans. Interest is recognized when earned and collected.

Deposits and investments – Revenue is recognized as the interest accrues and collected.

b.) Service and commission – Fees arising from the administration from loan and servicing of loans are recognized as revenue as the service is provided and collected.

Revenues are recognized when earned and collected.

Expenses are recognized in the statement of operations when incurred.

i.) Events After the End of the Reporting Period

Post year-end events that provide additional information about Cooperative's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

j.) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in current year's presentation.

NOTE 3 – CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Cooperative makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments 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 estimates and assumption that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgment in applying accounting policies

Below is the critical judgment apart from those involving estimations, that Management has made in the process of applying Cooperative's accounting policies and that has the most significant effect on the amounts recognized in the financial statements.

Classification of financial instruments

The Cooperative classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity

instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial condition.

Financial assets not quoted in an active market

The Cooperative classifies financial assets by evaluating, among other things, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value of acquired assets

The Cooperative takes into account the economic conditions prevailing at the time the valuations were made as well as the physical condition of the properties. Properties acquired through foreclosure is measured at the carrying amount of the loan plus booked other related costs in the exchange.

Classification and valuation of acquired properties

The Cooperative classifies its acquired properties as investment property if used in operations, if the assets are expected to be recovered through sale rather than use, as investment properties if intended to be held for capital appreciation or as financial assets.

Cooperative as lessee under operating lease

The Cooperative has entered into commercial property lease and has determined that the lessor retains all the significant risks and rewards of ownership of these properties which are leased on operating lease.

Key sources of estimating uncertainty

Following are the key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation of allowance for credit losses

Allowance for credit losses represents management's estimate for impairment losses inherent in the loan portfolio after consideration of prevailing and anticipated economic conditions and prior loss experience.

The Cooperative observes the criteria and guidelines set by the Cooperative Development Authority. One component of which is the borrower's risk rating which requires an assessment of the creditworthiness of the borrower, focusing on the outlook for loan repayment without considering the type or amount of the facility, or its security arrangements.

Recoverability of specific receivables is evaluated based on the borrower's credit quality based on factors such as the borrower's: a) stability, b) access to financial markets, c) ability to service debt, and d) financial position strength.

The allowance for credit losses is established through provision for impairment losses charged to current operations. Loans are written off against the allowance for credit losses when management believes that the collectability of the principal is unlikely.

Impairment of non-financial assets

The Cooperative assesses at each financial reporting date whether there is an indication that the carrying amount of non-financial assets may be impaired. If any such indications exist, or when annual impairment testing for an asset is required, the Cooperative makes an estimate of the asset's recoverable amount. At the financial reporting date, the Cooperative assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Useful lives of investment property and property and equipment

The Cooperative estimates the useful lives of its investment, property and equipment based on the period over which its assets are expected to be available for use. The estimated useful lives of investment property and property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of investment property and property and equipment would increase recorded operating expenses and decrease non-current assets.

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash consist of:

	December 31	
	2 0 2 0	2 0 1 9
Cash on hand	55,884	75,569
Balances with banks	19,339,708	9,177,005
Change fund	20,100	20,100
Revolving fund	-	83,937
Petty cash fund	1,000	1,000
Total	19,416,692	9,357,611

Cash in banks generally earn interest at rates based on daily bank deposit rates. The Treasury Bills were classified as another line item last year were reclassified as Balances with the banks.

NOTE 5 – LOAN RECEIVABLES

Loans and other receivables is consist of:

	December 31	
	2 0 2 0	2 0 1 9
Loans	14,295,595	18,824,359
Less allowance for probable losses	241,091	189,080
Loans and Other Receivables - Net	14,054,504	18,635,279

NOTE 6 – TRADE AND OTHER RECEIVABLES

Trade and other receivables is consist of:

	December 31	
	2 0 2 0	2 0 1 9
Accounts receivable – Rice	35,365	38,320
Accounts receivable – Insurance	-	132,959
Accounts Receivable- HMO	1,183,091	633,996
Accounts Receivable- Uniform	16,506	64, 242
Accounts Receivable- Sales Canteen	32,753	
Advances to officers/employee	3,500	
Other Receivables	39,358	34,035
Trade and Other Receivables	1,310,573	903,552

NOTE 7- INVENTORY

Inventory is consist of:

	December 31	
	2 0 2 0	2 0 1 9
Unused supplies	132,796	57,034
Unused supplies	132,796	57,034

NOTE 8 – FINANCIAL ASSETS

Financial asset is consist of:

	December 31	
	2 0 2 0	2 0 1 9
Financial Asset – CUDC	8,333	8,333
Financial Asset – CFDC	31,652	29,652
Financial Asset – CISP	1,000,000	400,000
Financial Asset – CHMF	100,000	100,000
Financial Asset – NATCCO	100,000	
Financial Assets	1,239,985	537,985

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment is consist of:

	Property, Plant and Equipment	Furniture and fixture	Equipment - Canteen	Total
<u>December 31,2020</u>				
<u>Cost</u>				
Beginning Balances	-	767,197	88,598	855,795
Net addition and disposal		(112,785)	(15,000)	(127,785)
Ending Balances	-	654,412	73,598	728,010
<u>Accumulated Depreciation</u>				
Beginning Balance	-	415,902	56,107	472,009
Adjustments		(109,290)	(2,802)	(112,092)
Ending Balances	-	306,612	53,305	359,917
Net Book Value	-	347,800	20,293	368,093
<u>December 31,2019</u>				
<u>Cost</u>				
Beginning Balances	565,938	94,027	258,316	918,281
Net addition and disposal	(565,938)	673,170	(169,718)	(62,486)
Ending Balances	-	767,197	88,598	855,795
<u>Accumulated Depreciation</u>				
Beginning Balance	308,501	31,206	42,356	382,063
Adjustments	(308,501)	384,696	13,751	89,946
Ending Balances	-	415,902	56,107	472,009
Net Book Value	-	351,295	32,491	383,786

NOTE 10 – OTHER ASSETS

Other assets consist of:

	December 31	
	2 0 2 0	2 0 1 9
Investment in CLIMBS	13,322	13,381
Retirement Fund- Philams Life	-	103,461
Computerization Cost	84,000	96,000
Website and GAD Database Cost	46,556	52,375
Total	143,878	265,217

NOTE 11 – ACCOUNTS PAYABLE- TRADE

Accounts payable-trade consist of:

	December 31	
	2 0 2 0	2 0 1 9
Accounts payable from purchases	71,422	30,453
Accounts payable from Trade	6,150	
Total	77,572	30,453

NOTE 12 – ACCOUNTS PAYABLE- NON TRADE

Accounts payable- non-trade consist of:

	December 31	
	2 0 2 0	2 0 1 9
Accounts payable- Dayong	76,609	109,870
SSS/PHIC/HDMF premium payable	5,385	7438
SSS loan payable	293	3,363
Accounts payable- withholding tax	1,637	450
TOTAL	83,294	121,121

NOTE 13 – DEPOSIT LIABILITY

Deposit liability consist of:

	December 31	
	2 0 2 0	2 0 1 9
Member's Time Deposit	321,720	321,720
Savings Deposit	7,181,796	5,485,656
Total	7,503,516	5,807,376

NOTE 14 – OTHER CURRENT LIABILITIES

Other current liabilities consist of:

	December 31	
	2 0 2 0	2 0 1 9
Dividend and patronage refund	329,195	295,809
BIR-withholding		551
Stale Check	80,274	
BIR Doc Stamps		11,410
T3X Software	190,000	250,000
1CISP Loan Insurance	101,244	138,227
BIR Uniform I.D		59,400
Total	700,713	755,396

NOTE 15 – SHARE CAPITAL & DEPOSITS FOR FUTURE SHARE SUBSCRIPTION

Share capital consist of:

	2 0 2 0		2 0 1 9	
	Number of Shares	Amount	Number of Shares	Amount
Authorized Share Capital -				
Common Shares - at Ps 500 per share	90,000	Ps. 45,000,000	90,000	Ps. 45,000,000
Preferred Shares- at Ps 500 per share	10,000	5,000,000	10,000	5,000,000
Paid-up Share Capital				
Common Shares		Ps. 22,362,382		Ps. 20,005,616
Preferred Shares		848,870		734,330
Issued Share Capital				
Common Shares - at Ps 500 per share	44,549	Ps. 22,274,500	39,870	Ps. 19,935,000
Preferred Shares- at Ps 500 per share	1,673	836,500	1,415	707,500
Deposit for Future Share Subscription				
Common Shares		Ps. 87,882		Ps. 82,385
Preferred Shares		12,370		12,651

The authorized share capital of the cooperative increased from 40,000 shares consists of 36,000 common shares and 4,000 preferred shares to 100,000 shares consists of 90,000 common shares and 10,000 shares, pursuant to Republic Act No. 9520, otherwise known as Philippine Cooperative Code of 2008.

NOTE 16 – STATUTORY FUNDS

Republic Act No. 9520, otherwise known as Philippine Cooperative Code of 2008, explicitly provides that its net surplus at the end of the fiscal year shall be distributed and allocated in the following manner:

- (a.) At least ten percent (10%) shall be set aside for the reserve fund. The cooperative allocates ten percent (10%) of its net surplus. This fund is created to provide for the stability of the Cooperative and to absorb losses, if any, in its business operations. The General Assembly may decrease the amount allocated to the reserve fund when the fund already exceeds the share capital. Such sum of the reserve fund in excess of the share capital may be used at anytime for any project that would extend the operation of the Cooperative upon resolution of the general assembly. This fund shall not be utilized for investment, other than those allowed. Upon dissolution of the Cooperative, this fund shall not be distributed among the members.
- (b.) An amount for the education and training fund not to exceed ten percent (10%). Half of the amount transferred to this fund may be spent by the Cooperative for the education and training and other purposes; while the other half may be remitted to a union or federation chosen by the Cooperative or of which it is a member.
- (c.) An amount for the community development fund, not less than three percent (3%). The cooperative set aside six percent (6%) of its net surplus. This fund is created to be used for projects or activities that will benefit the community where the cooperative operates.
- (d.) Another seven percent (7%) shall be set aside for optional fund, a land and building and any other necessary fund.
- (e.) The remaining net surplus shall be made available to the members in the form of interest on share capital not to exceed the normal rate of return on investments and patronage refunds. Any amount remaining after the allowable interest and the patronage refund have been deducted shall be credited to the reserve fund.

RA 9520 also provides that net surplus shall not be construed as profit but as an excess of payments made by members for the loans borrowed, or the goods or services availed by them from the Cooperative or the difference of the rightful amount due to the members for their products sold or services rendered to the Cooperative including other inflows of assets resulting from its other operating activities and which shall be deemed to have been returned to them if the same is distributed as prescribed by law.

Statutory funds consist of the following:

	December 31	
	2020	2019
General reserve fund	1,828,886	1,645,147
Education and training fund	235,347	165,127
Optional fund	948,279	819,661
Community development fund	55,121	92,928
Total	3,067,633	2,722,863

NOTE 17 – REVENUE

Service and commission follows:

	December 31	
	2 0 2 0	2 0 1 9
Sales- Softdrinks	144,246	524,562
Sales- Canteen	924,631	1,187,147
Comission income from consignment	466,160	2,040,797
Sales- rice	275,866	767,584
Sales-catering services	-	70,950
Sales- photocopying	755,537	2,173,632
Sales- Unified Load/Rice	120,034	75,629
Interest Income from LoanS	3,005,855	4,006,198
Fines on unpaid loans from Lending Activities	249	4,168
Sales- Coop Viand	345,292	464,963
Service Fees	161,711	318,707
Sales Discount(Prior Year Adjustment)	(1,548)	(453)
Miscellaneous Income	-	-
Total	6,906,145	12,222,284

NOTE 18 – OTHER INCOME

Other income is consists of:

	December 31	
	2 0 2 0	2 0 1 9
HMO Commission	274,769	
Loan Insurance Commission	85,279	
Membership Fee	7,600	
Income/Interest from Investments/Deposits	219,028	
Others	121,437	
Total	708,113	588,400

NOTE 19 – DIRECT COSTS

Direct costs consist of:

	December 31	
	2 0 2 0	2 0 1 9
Purchases- Catering	-	69,820
Purchases- photocopy	275,107	678,390
Purchase- Canteen	550,430	585,991
Purchases-Softdrinks	101,875	321,101
Purchases- Canteen	177,500	97,112
Purchases- Rice	183,900	432,400
Purchases- Load Wallet	20,000	77,506
Purchase-Consignment	381,521	1,925,671
Coop Viand	139,225	205,696
Purchase- Various Condiments	22,827	27,541

Purchase Discount	(638)	(240)
Canteen Supplies	48,564	-
Total	1,900,311	4,420,988

NOTE 20 – OPERATING EXPENSES

Operating expenses consist of:

	December 31	
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Interest expense on deposits	67,611	77,891
General Support	28,373	115,232
Salaries and wages	1,340,621	1,604,082
SSS/PHIC/HDMF Contribution	134,433	146,245
Employees Benefits	180,739	221,513
Miscellaneous Expenses	152,918	205,784
Membes' Benefit Expense	16,500	11,909
Supplies	64,220	205,446
Per Diem	495,400	575,000
General Assembly Expense	84,734	499,436
Meetings and Conferences	94,415	176,170
Communication and Postage	38,163	31,503
Travel and Transportation Expense	17,665	26,231
Computerization Expense	-	3,000
Repairs & Maintenance	53,370	32,653
Depreciation expense	74,993	105,226
Representation Expense	1,606	9,599
Advertising Expense	2,000	
Insurance Expense	23,518	18,018
Power, light and water	113,273	218,550
Professional and consultancy fees	106,000	30,000
Taxes, fees and charges	8,050	5,428
Amortization Expense	17,819	17,819
Probable losses on Loan	52,011	165,523
Total	3,168,432	4,502,258

NOTE 21 – PROFESSIONAL FEES

Ampil, Elises, Ciudadano & Co., CPAs, a registered general professional partnership under SEC registration no. PG200323006 dated October 14, 2003, is income tax exempt, amended as ELISES and CIUDADANO (A Professional Firm of Certified Public Accountants) dated September 17, 2015.

NOTE 22 – SUPPLEMENTARY INFORMATION REQUIRED BY THE REVENUE REGULATION 15-2010

In compliance with the requirements set forth by RR 15-2010 are the information on taxes, duties and license fees paid or accrued.

	December 31	
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Taxes, fees and charges	8,050	5,428
Total	8,050	5,428