

HPP EMPLOYEES MULTI-PURPOSE COOPERATIVE
11 F Intellectual Property Center , Upper McKinley Hill, Fort Bonifacio Taguig City
STATEMENT OF FINANCIAL CONDITION
AS AT DECEMBER 31, 2019 AND 2018
Amounts in Philippine Pesos

	Notes	2019	2018
ASSETS			
Current Assets			
Cash and Cash Equivalent	4,6	3,261,013.20	5,969,356.43
Loans and Receivable-net	4,7	24,659,810.33	20,579,778.13
Inventory		358,967.00	-
Other Current Assets		-	18,372.00
Total Current Assets		28,279,790.53	26,567,506.56
Non-Current Assets			
Financial Assets at Cost	4,8	423,059.04	104,338.89
Financial Assets at Amortized Cost	4,0	17,795,493.20	11,880,466.87
Investment Property	4,10	9,366,430.01	9,366,430.01
Property and Equipment-net	4,11	420,781.43	516,537.99
Other Non-Current Assets	4,12	4,420,772.61	124,288.69
Total Non-Current Assets		32,426,536.29	21,992,062.45
TOTAL ASSETS		60,706,326.82	48,559,569.01
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Deposit Liabilities	4,13	8,558,137.04	4,338,449.53
Accrued Expense and Other Payable	4,14	29,467.18	1,247.50
Due to Federation/Union	4,15	111,949.65	193,034.45
Interest on Share Capital Payable	4,16,17	1,411,174.37	836,169.85
Patronage Refund Payable	4,16,17	249,030.77	92,907.76
Total Current Liabilities		10,359,759.01	5,461,809.09
Non-Current Liabilities			
Finance Lease Payable	4,18	936,537.37	1,560,895.69
Other Non-Current Liabilities	4,19	266,070.00	336,860.00
Total Non-Current Liabilities		1,202,607.37	1,897,755.69
TOTAL LIABILITIES		11,562,366.38	7,359,564.78
MEMBERS' EQUITY			
Members' Share Capital	4,20	43,595,000.00	9,997,000.00
Deposit for Share Capital Contribution	4,21	1,343,486.34	27,123,397.25
Statutory Funds	4,22	4,205,474.10	4,079,606.97
TOTAL EQUITY		49,143,960.44	41,200,004.22
TOTAL LIABILITIES AND EQUITY		60,706,326.82	48,559,569.01

See Accompanying Notes to Financial Statements

HPP EMPLOYEES MULTI-PURPOSE COOPERATIVE**11 F Intellectual Property Center , Upper McKinley Hill, Fort Bonifacio Taguig City****STATEMENTS OF OPERATIONS****FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018****(Amounts in Philippine Peso)**

	Notes	2019	2018
REVENUE			
Income from Credit Operations	4,23	4,569,428.06	3,903,093.31
GROSS REVENUES		4,569,428.06	3,903,093.31
LESS: EXPENSES			
Financing Cost			
Interest Expense on Deposits		27,493.13	17,857.62
General and Administrative Cost			
Salaries and Wages		1,392,435.36	703,090.37
Provision for Probable Losses on Loans		700,000.00	22,413.62
Members Benefits Expense		248,233.75	579,732.50
General Assembly		208,123.70	269,006.08
Trainings/Seminars		190,320.59	-
Depreciation and Amortization		166,018.38	93,312.98
Advertising and Promotion		151,425.83	63,394.00
Travel and Transportation		147,537.91	98,490.68
Communication		81,575.98	86,688.73
Office Supplies		63,429.72	51,319.87
SSS, ECC, Philhealth and Pag-ibig Contributions		51,597.40	45,346.76
Meetings and Conferences		50,055.96	35,458.80
Repairs and Maintenance		27,432.50	-
Employees Benefits		19,349.00	-
Taxes, Fees, and Charges		17,173.24	2,910.00
Professional and Consultancy Fees		16,842.10	45,000.00
Bank Charges		6,030.00	5,600.00
Power, Light & Water		2,920.24	7,760.00
Representation		1,581.00	3,396.00
Insurance Expense		1,568.90	1,570.00
Affiliation Fee		-	1,000.00
TOTAL EXPENSES		3,571,144.69	2,133,348.01
NET SURPLUS FROM OPERATIONS		998,283.37	1,769,745.30
Add: Other Income			
Income /Interest from Deposits/Investments		190,096.29	70,743.47
Membership Fees		91,200.00	67,800.00
Miscellaneous		720,667.50	824,292.44
Total Other Income		1,001,963.79	962,835.91
NET SURPLUS FOR DISTRIBUTION		2,000,247.16	2,732,581.21
DISTRIBUTION:			
Reserve Fund	4,17,22	200,024.72	1,366,290.61
Education and Training Fund	4,17,22	10,001.24	136,629.06
Due to Federation/Union	4,17,22	10,001.24	136,629.06
Community Development Fund	4,17,22	60,007.41	81,977.44
Optional Fund	4,17,22	60,007.41	81,977.44
Interest on Share Capital Payable	4,17,22	1,411,174.37	836,169.85
Patronage Refund Payable	4,17,22	249,030.77	92,907.76
		2,000,247.16	2,732,581.21

See Accompanying Notes to Financial Statements

HPP EMPLOYEES MULTI-PURPOSE COOPERATIVE
11 F Intellectual Property Center , Upper Mckinley Hill, Fort Bonifacio Taguig City
STATEMENTS OF CHANGES IN EQUITY AND STATUTOTY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
MEMBERS' SHARE CAPITAL			
	20		
Authorized 900,000 Common shares at P100.00 par value		90,000,000.00	9,000,000.00
Subscribed and Paid-up Common Shares		42,598,000.00	9,000,000.00
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Authorized 10,000 Preferred shares at P100.00 par value		10,000,000.00	1,000,000.00
Subscribed and Paid-up Preferred Shares		997,000.00	997,000.00
		43,595,000.00	9,997,000.00
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DEPOSIT FOR SHARE CAPITAL SUBSCRIPTION			
	21		
Beginning Balance		27,123,397.25	16,053,987.18
Add(less)		(25,779,910.91)	11,069,410.07
Total Deposit for Share Capital Subscriptions		1,343,486.34	27,123,397.25
TOTAL MEMBERS' SHARE CAPITAL		44,938,486.34	37,120,397.25
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STATUTORY FUNDS			
RESERVE FUND			
	22		
Beginning Balance		3,536,663.78	2,170,373.17
Add: Allocation for the year		200,024.72	1,366,290.61
Ending Balance		3,736,688.50	3,536,663.78
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EDUCATION AND TRAINING FUND			
	22		
Beginning Balance		204,173.66	148,437.30
Add: Allocation for the year		10,001.24	136,629.06
Use of Fund		(204,173.66)	(80,892.70)
Ending Balance		10,001.24	204,173.66
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COMMUNITY DEVELOPMENT FUND			
	22		
Beginning Balance		132,306.77	108,071.33
Add: Allocation for the year		60,007.41	81,977.44
Use of Fund			(57,742.00)
Ending Balance		192,314.18	132,306.77
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OPTIONAL FUND			
	22		
Beginning Balance		206,462.77	124,485.33
Add: Allocation for the year		60,007.41	81,977.44
Use of Fund		-	-
Ending Balance		266,470.18	206,462.77
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TOTAL STATUTORY FUNDS		4,205,474.10	4,079,606.97
TOTAL EQUITY		49,143,960.44	41,200,004.22

See Accompanying Notes to Financial Statements

HPP EMPLOYEES MULTI-PURPOSE COOPERATIVE

11 F Intellectual Property Center , Upper Mckinley Hill, Fort Bonifacio Taguig City

STATEMENTS OF CASH FLOWS

(Amounts in Philippine Peso)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Surplus before distribution		2,000,247.16	2,732,581.21
Adjustment to reconcile net surplus to net cash used in operating activities:			
Depreciation	11	166,018.38	93,312.98
Provision for Probable Losses on Loan	7	700,000.00	22,413.62
Changes in Assets and Liabilities			
Decrease(Increase) in:			
Loans and Receivables	11	(4,779,504.02)	(4,639,857.54)
Other Current Assets		18,372.00	(64,919.28)
Other Non-Current Assets	12	(4,296,483.92)	(3,298,095.46)
Inventory		(358,967.00)	21,108.00
Increase(Decrease) in:			
Accrued and Other payables	14	28,219.68	(5,131.32)
Due to Federation	15	(91,086.04)	(112,810.80)
Interest on Share Capital Payable	16	(836,169.85)	(605,287.31)
Patronage Refund Payable	16	(92,907.76)	(106,815.41)
Non-Current Liabilities	19	(70,790.00)	-
Net cash used in operating activities		(7,613,051.37)	(5,963,501.31)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)Decrease in:			
Financial Assets at Cost	8	(318,720.15)	(4,005.56)
Financial Assets at Amortized Cost	9	(5,915,026.33)	
Property and Equipment	11	-	(4,366.07)
Investment Property	10	-	(531,850.86)
Net cash used in investing activities		(6,233,746.48)	(540,222.49)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Decrease) in:			
Deposit Liabilities	13	4,219,687.51	1,780,179.92
Finance Lease Payable	18	(624,358.32)	(7,765,534.32)
Other Non-Current Liabilities	19	(70,790.00)	27,904.03
Share Capital	20	33,598,000.00	
Deposits for Share Capital	21	(25,779,910.91)	11,069,410.07
Statutory Funds	22	(204,173.66)	(138,634.70)
Net cash used in financing activities		11,138,454.62	4,973,325.00
NET INCREASE (DECREASE) IN CASH		(2,708,343.23)	(1,530,398.80)
CASH AT BEGINNING OF YEAR	6	5,969,356.43	7,499,755.23
CASH AT END OF YEAR		3,261,013.20	5,969,356.43

See Accompanying Notes to Financial Statements

6 CASH AND CASH EQUIVALENT

	2019	2018
Cash n Banks	3,246,013.20	5,954,356.43
Petty Cash Fund	15,000.00	15,000.00
Total	3,261,013.20	5,969,356.43

Cash in Banks represents total deposits by the cooperative under savings and current accounts that earns prevailing market interest rates.

7 LOANS AND OTHER RECEIVABLES-Net

6.1 Loans Receivable-net	2019	2018
Current	23,716,793.80	16,459,195.12
Past Due	1,083,028.32	616,182.71
Total Loans	23,716,793.80	17,075,377.83
Less: Allowance for Probable Losses on Loans	(814,474.74)	(114,474.74)
Total	22,902,319.06	16,960,903.09
6.2 Other Receivables	1,757,491.27	3,618,875.04
Total	24,659,810.33	20,579,778.13

The Cooperative charged interest rate of 1 -2 % per month for various loan products using the outstanding balance method of computing interest on loans with maturity depending on the types of loans as per Cooperative's loan policy.

The other receivables represents collections from HP Inc., Hewlett Packard and DXC Technology for the salary deductions of members loans for remittance to cooperative as of December 31, 2019.

Aging Summary:

	2019	2018
Current	22,633,765.48	16,459,195.12
Past due less than 1 year	631,912.37	493,667.67
Past due more than 1year	451,115.95	122,515.04
Total	23,716,793.80	17,075,377.83

8 FINANCIAL ASSETS AT COST

This account consists of the following:

	2019	2018
Investment with NATCCO	108,459.04	104,338.89
Investment with St. Peter	114,600.00	-
Investment with CISP	100,000.00	-
Investment with Coop Health Management Federation	100,000.00	-
Total	423,059.04	104,338.89

The Financial assets at cost represents investment with cooperative in a form of share capital and shares certificate that do not have a quoted market price in an active market and are recognized at cost.

9 FINANCIAL ASSETS AT AMORTIZED COST

This account represents Investment with BPI Management amounting to P17,795,393.20 and P11,880,466.87 as of December 31, 2019 and 2018 respectively which earns .75% renewable every month depending on the market rate.

10 INVESTMENT PROPERTY

The Cooperative acquired two units of Condominium located at Serin West and East Tagaytay Tower in Tagaytay under Avida Ayala Land Corporation. The Condominium units was used for subsidized rental to the members as part of their benefits. The condominium units was partially paid in cash and the balance was financed by the bank without interest, payable in 42 months amounting to P46,248.76 per month until August 2021. Total amount of finance lease and cost of the condominium amounted to P9,326,430.01. The Investment Property was recorded at cost plus other charges related to the acquisition with total amount of P9,366,430.01 as of December 31, 2019.

11 PROPERTY AND EQUIPMENT-NET

This account consists of the following:

	December 31, 2018	Additions/ Disposal	December 2019
Condominium Improvements	348,552.20	-	348,552.20
Condominium -Furniture, Fixtures and Equipment	183,298.66	-	183,298.66
Office Equipment	57,071.07	-	57,071.07
Total	588,921.93	-	588,921.93
Less: Accumulated Depreciation			
Condominium Improvements	8,713.81	34,826.56	43,540.37
Condominium -Furniture, Fixtures and Equipment	12,256.56	48,988.03	61,244.59
Office Equipment	51,413.58	11,941.96	63,355.54
Total	72,383.95	95,756.55	168,140.50
Net Book Value	516,537.98	95,756.55	420,781.43

12 OTHER NON-CURRENT ASSET

This account consists of the following:

	2019	2018
Computerization Cost	208,656.36	124,288.69
Other Funds and Deposits	4,212,116.25	-
Total	4,420,772.61	124,288.69

The Other funds and deposits were amounts set aside as follows:

Cash in Bank BDO- Reserve Fund	4,007,436.27	-
Cash in Bank UCPB-Optional Fund	204,679.98	-
Total	4,212,116.25	124,288.69

The Other Funds and Deposits are funds set aside as restricted fund for reserve and optional fund in compliance with RA 9520.

13 DEPOSIT LIABILITIES

These accounts consist of the following:

	2019	2018
Savings Deposits	7,923,021.67	3,627,055.24
Time Deposits	635,115.37	711,394.29
Total	8,558,137.04	4,338,449.53

The Cooperative Provides interest rates at 1 % for savings deposits and 2.5 % for time deposits with maturity of 1-12 months.

14 ACCRUED EXPENSE AND OTHER PAYABLE

These accounts consist of the following:

	2019	2018
Withholding Tax Payable-	13,291.75	1,247.50
Credit Life Insurance Premium Payable	11,029.07	
SSS/ECC /Pag-ibig Premiums Payables	5,146.36	
Total	29,467.18	1,247.50

15 DUE TO FEDERATION

Due to Unions/Federations is an amount set aside for the education and training fund of APEX organization is 50% of the amount allocated by the cooperative in accordance with the provision of the cooperative's by-laws and the cooperative code. The APEX organization may either be a federation or union of which the cooperative is a member.

16 INTEREST ON SHARE CAPITAL AND PATRONAGE PAYABLE

Interest on capital payable refers to the liability of the cooperative to its members for interest on their share on their share capital investments in the cooperative, while patronage refund payable is the liability of the cooperative to its members for patronizing the business activities of the cooperative.

17 ALLOCATION AND DISTRIBUTION OF NET SURPLUS

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

- a. At least ten (10%) percent shall be set aside as General reserve fund. The general reserve fund is created to provide for the stability of the cooperative and to absorb losses, if any, in its business operation.
- b. One (1%) percent of the net surplus shall be set aside for Cooperative education and training fund. One-half of this amount shall be utilized by the Cooperative for its own education and training activities while the other half shall be credited to the cooperative education and training of the apex organization of which the cooperative is a member.
- c. Three (3%) percent of the net surplus is distributed to Optional Fund which shall be utilized for land and building fund.
- d. Three percent (3%) of the net surplus is distributed to community development fund which shall be used for the projects that will benefit the community where the cooperative operates.
- e. The remaining net surplus is allocated for Interest on share capital and patronage refund as determined by the board of directors, under certain conditions.

Net surplus for distribution for the year were allocated as shown below:

	2019	2018
NET SURPLUS FOR DISTRIBUTION	2,000,247.16	2,732,581.21
DISTRIBUTION:		
Reserve Fund	200,024.72	1,366,290.61
Education and Training Fund	10,001.24	136,629.06
Due to Union/Federation	10,001.24	136,629.06
Optional Fund	60,007.41	81,977.44
Community Development Fund	60,007.41	81,977.44
Interest on Share Capital Payable	1,411,174.37	836,169.85
Patronage Refund Payable	249,030.77	92,907.76
	2,000,247.16	2,732,581.21

18 FINANCE LEASE PAYABLE

This accounts represents the amount of obligation to Avida Land Corporation for the acquisition of the two condominium units located at Serin West and East Tagaytay Tower, Tagaytay under finance lease agreement. The amount of amortization for Condominium-1 payable in 42 monthly installment is P46,248.76 per month until August 2021. Total amount of obligation of the Cooperative amounting to P 1,560,895.69 as of December 31, 2018 and P 936,537.37 as of December 31, 2019.

19 OTHER NON-CURRENT LIABILITIES

This accounts consists of the following:

	2019	2018
Members Benefit Funds Payable	266,070.00	336,860.00
Total	266,070.00	336,860.00

The members benefit fund represents the benefits and incentives given to qualified and good standing members of the cooperative at the end of each year.

20 MEMBERS' SHARE CAPITAL

This accounts consists of the following:

	2019	2018
SHARE CAPITAL-COMMON		
Authorized Share Capital 900,000@Php100 par value	90,000,000.00	9,000,000.00
Subscribed and Paid-up Capital-Common	42,598,000.00	9,000,000.00
SHARE CAPITAL -PREFERRED		
Authorized Share Capital 100,000@Php100 par value	10,000,000.00	1,000,000.00
Subscribed and Paid-up Capital-Preferred	997,000.00	997,000.00
TOTAL MEMBERS' SHARE CAPITAL	42,598,000.00	9,997,000.00

21 DEPOSITS FOR SHARE CAPITAL SUBSCRIPTION

Deposits for share capital refers to amount paid by the members for capital subscription equivalent to the value or less than one share.

22 STATUTORY FUNDS

This account consists of the following:

	2019	2018
Reserve Fund	3,736,688.50	3,536,663.78
Community Development Fund	192,314.18	132,306.77
Education and Training Fund-Local	10,001.24	204,173.66
Optional Fund	266,470.18	206,462.77
Total Statutory Funds	4,205,474.10	4,079,606.97

The Cooperative has set aside an amount for the reserve fund and optional fund as per Coop-By Laws for the year ended December 31, 2019 see Notes10

23 INCOME FROM CREDIT OPERATIONS

This account consists of the following:

	2019	2018
Interest Income from Loan	4,098,630.09	3,467,930.56
Processing/Service Fee	411,794.80	334,681.00
Fines and Penalties	59,003.17	100,481.75
Income from Credit Operations	4,569,428.06	3,903,093.31

24 RELATED PARTY DISCLOSURES

The following related party transactions for the year ended December 31, 2019 and 2018.

	2019	2018
Management Staff		
Compensation	1,392,435.36	292,178.89
Loans Receivable	671,647.06	57,406.50
Share Capital	205,232.89	163,863.40
Time Deposit	269,441.60	262,798.63
Savings Deposits	79,316.71	81,336.14
Board of Directors, Committee and Officers		
Loans Receivables	2,830,295.36	1,570,757.20
Share Capital	2,950,749.27	2,538,186.23
Time Deposits	100,000.00	120,911.73
Savings Deposit	588,254.38	248,703.20

25 EVENTS AFTER REPORTING DATE

The accompanying financial statements were authorized for issue by the Cooperative's Chairman of the Board on March 2, 2020.

26 SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 19-2011 19-2011-15-2010

In additions to the disclosures mandated under PFRF and such other standards and/or conventions as maybe as maybe adopted, companies are required by the BIR to provide the notes to the financial statements, certain supplementary information may not necessarily be the same with those amounts disclosed in the financial financial statements which were prepared in accordance with PFRS.

All duly registered cooperatives are exempted from taxes as set forth under the **Joint Rules and Regulations Implementing Articles 60,61 and 144 of R.A 9520 otherwise known as the "Philippine Cooperative Code of 2008"** in relation to **R.A 8424 or the National Internal Revenue Code** as amended and signed by the Department of Finance (DOF) of Internal Revenue (BIR) and the Cooperative Development Authority on February 5, 2010.

A duly registered cooperative, in some cases, can be held liable to all internal revenue taxes unless otherwise provided by law if after the lapse of the 10-year period from the date of registration, it accumulated reserves and undivided net savings exceeds ten million pesos (Php10,000,000) threshold. This rule, however, applies to cooperatives that have business dealings with non-members.

The Cooperative was issued with the Certificate of Tax Exemption on July 10, 2015 with validity of five (5) years expiring on July 10, 2020.

The Cooperative is entitled to the following tax exemptions and incentives provided by Article 61 of Republic Act No. 9520, as implemented by Section 8 of the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of RA No. 9520 based on the certificate as follows:

1. Exemption from Income tax on income from CDA-registered operations;
2. Exemption from Value-added tax on CDA-registered sales or transactions;
3. Exemption from other Percentage tax;
4. Exemption from Donor's Tax on donations to duly accredited charitable, reseach and educational institutions, and reinvestment to socio-economic projects within the area of operation of the cooperative;
5. Exemption from Excise tax for which it is directly liable;
6. Exemption from Documentary stamp tax: *Provided, however,* that the other party to the taxable document/transaction who is not exempt shall be the one directly liable for the tax;
7. Exemption from payment of Annual Registration fee of Five hundred pesos (500.00);
8. Exemption from all taxes on transactions with insurance companies and banks, including but not limited to 20% final tax on interest deposits and 7.5% final income tax on interest income derived from a depository bank under the expanded foreign currency deposit system; and

The Cooperative had remitted the required taxes to Bureau in 2019 and 2018. These taxes were not included in the tax exemption certificate the cooperative had obtained as follows.

	2019	2018
a. Withholding Taxes		
Withholding tax on compensation	155,125.97	12,267.47
Expanded withholding tax	842.10	2,250.00
Total		2,250.00
b. All other taxes (Local and National)		
License and permit	2,715.00	2,715.00
BIR Annual Registration Fee	exempt	exempt
Total	2,715.00	2,715.00