



KASAGANA-KA Mutual Benefit Association, Inc.
5th Regular Meeting of the Board of Trustees
5 Matimpiin St. Pinyahan, Quezon City
August 8, 2019 8:30 am

In Attendance:

Board of Trustees:

- | | |
|---------------------------|---------------------------|
| 1. Enriqueta Navaro | -President |
| 2. Alma Gilbaliga | -Vice President |
| 3. Lilibeth Molina | -Treasurer |
| 4. Brenda F. Lumbao | -Secretary |
| 5. Teresita Padel | -Board Member |
| 6. Rita Dela Cruz | -Board Member |
| 7. Jennifer Abao | -Board Member |
| 8. Philip Arnold P. Tuaño | -Independent Board Member |
| 9. Atty. Gettie Sandoval | -Independent Board Member |

Also Present:

Board of Advisers:

- 10. Chona B. Capayas
- 11. Isabel M. Iliw-iliw
- 12. Maria Anna dR. Ignacio

Board Member Emeritus

- 13. Leticia Rodriguez

Management and Staff

- | | |
|--------------------------|------------------|
| 14. Silvida R. Antiquera | -General Manager |
| 15. Evelyn A. Lagmay | -Finance Manager |

Absent:

- | | |
|----------------------------|------------------------|
| 16. Wenifreda F. Rodriguez | -Board Member Emeritus |
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Certified Correct by:


Brenda F. Lumbao
Secretary



ORDER OF BUSINESS

- I. Call to Order
- II. Prayer
- III. Determination of Quorum
- IV. Approval of Proposed Agenda
- V. Reading and Approval of the minutes of the previous meeting
- VI. Business Arising
- VII. Financial Report
 - a. Financial Statement for the month of June 2019
 - b. Investment as of August 7, 2019
- VIII. For Discussion/Approval
 - a. Procurement of Office Partition
 - b. Variation Order – Water Proofing
 - c. Confirmation – KCOOP Loan
 - d. Feasibility Analysis
- IX. Updates
 - a. BPI Bayanihan Fund
 - b. Mutual Security Fund
- X. FYI
 - a. Microinsurance Session with TALAB Ateneo
- XI. Schedule of next board meeting
- XII. Adjournment



DISCUSSION HIGHLIGHTS

I. The meeting started at 8:35 a.m. with a prayer.

II. Quorum and Agenda

Board Secretary Brenda announced the presence of a quorum. President Enriqueta presented the proposed agenda for the day's meeting. It was approved by the Board upon motion by BoT Rita, duly seconded by BoT Alma.

III. Approval of the Minutes of the Meeting

Since the board minutes was provided ahead of the board meeting, President Enriqueta, ask the board if there is any clarification or comments that needs to discuss.

Board Emeritus Leticia raised a concern, though not part of the minutes, about the K-agapay Policy. She asked the Board whether a K-agapay resigning its membership would still receive back its insurance contributions the same way as regular members do. Pres. Enriqueta clarified that same policy to regular members applies to K-agapay members.

With no further questions, BoT Rita moved to approve the minutes of the previous meeting. BoT Teresita seconded the motion.

IV. Financial Report and Investment

A. Financial Statements

FM Eve presented the Statement of Financial Position as of June 30, 2019. The summary of the report is provided below.

Particular	As of June 30, 2019	As of June 30, 2018	Variance	
			Amount	%
Total Assets	P 216,762,993.98	P 200,177,039.36	P 16,585,954.61	8%
Total Liabilities	142,170,909.99	127,632,601.34	14,538,308.65	11%
Total Fund Balance	74,592,083.99	72,544,438.02	2,047,645.97	3%

On the other hand, the summary of the Income Statement as of June 30, 2019 is as follows:

Particular	As of June 30, 2019	For the month of June, 2019	For the month of May, 2019	Variance	
				Amount	%
Gross Revenue	P 26,754,404.89	P 3,990,620.62	P 4,999,159.49	(P 1,008,538)	- 20%
Total Benefit Expense	18,172,276.22	3,102,099.69	3,898,096.09	(795,996)	- 20%



Particular	As of June 30, 2019	For the month of June, 2019	For the month of May, 2019	Variance	
				Amount	%
Total Operating Expense	5,269,601.70	740,142.43	1,173,114.40	(432,972)	- 37%
Total Investment Revenue and Other Income	1,944,135.09	278,581.92	711,192.75	(432,611)	- 61%
Net Surplus (Loss)	5,256,662.06	426,960.42	639,141.75	(212,181)	- 33%

Board Adviser MeAn noticed the composition of the Benefit Expense which are Claims and Collection Fees. FM Eve explained that in the formula and format given by IC, Collection Fees are classified as an item of Benefit Expense. Moreover, she added that these fees are paid to KCOOP and CAPS-R. Board Adviser MeAn suggested that the line item should be changed to "Collection fees of members". She emphasized that "Collection Fee" alone connotes income and might be subjected to tax. She added that specifying members as sources is a precautionary move as it won't expose any of fees to taxes.

Action Point: Change of line item "Collection Fees" to "Collection fees of members".

With no further questions, BoT Teresita moved to accept the financial reports as of June 30, 2019. BoT Alma seconded the motion.

B. Investments as of August 7, 2019

The portfolio mix as of August 7, 2019 is as follows:

Type of Investment	Current Placement
Cash in Bank	P 18,123,473.81
Time Deposit	5,689,927.17
UITF	23,000,000.00
Government Securities	73,162,000.00
Corporate Bonds	13,500,000.00
Mutual Fund	5,000,000.00
Stocks	16,000,000.00
K-COOP Loan	5,000,000.00
Investment Property	56,712,490.58
TOTAL INVESTMENTS	P 216,187,891.56

Board Adviser MeAn requested that a graphical presentation should be reported showing the trends or movements of important accounts every six months. She emphasized that a clear picture should be visualized even just for assets and income (gross and net).

Moreover, Board Adviser MeAn noticed that current placements to time deposits in BDO and Metrobank are low-earning. She expressed that Security Bank offers a higher rate of 3.1% for 30-



day placement compared to 0.75% of the former banks of the same term. FM Eve reviewed the time deposit placements in the banks and saw that the P2,526,720.48 placement in Metrobank was due August 8, 2019. GM Salve suggested that the placement will not roll-over and be placed in Security Bank instead.

The advice and recommendations are well-taken by the Board and BoT Teresita moved to accept the investment mix as of August 7, 2019 and to approve the withdrawal of the Metrobank time deposit and placement of the said sum to Security Bank as time deposit, too. BoT Alma seconded the motion.

**BOARD RESOLUTION NO. 2019-42:
APPROVING THE WITHDRAWAL OF THE METROBANK TIME DEPOSIT AND PLACEMENT TO
SECURITY BANK**

***RESOLVED**, to approve the withdrawal of the time deposit placed in Metrobank amounting to Php2, 526,720.48 and placing the same to Security Bank.*

V. For Discussion/Approval

A. Procurement of Office Partition

KMBA invited three suppliers to present their proposals for the interior layout of KMBA's office highlighting office furniture and fixtures and modular partitions.

Each provider presented slideshows of floor plans, sample photos of furniture and fixtures, and costing. Highlights of the proposals are the following:

Supplier	Grand Total Cost	Discount Offered	Warranty
JECAMS Office Furniture Solution (Ms. Jenny)	Php 226,000.00	20%	1 year
MEIN Interior Concepts (Mr. Rely)	Php 610,000.00 to 730,000.00	40%	5 years
Filcrafters Incorporated (Ms. Eloisa)	Php 305,000.00	30%	1 year

Board Adviser MeAn suggested to the Board to consider factors such as theme, color, and per item costs. She stated further that KMBA should not rely on the grand total costs as some items are already present and are still in good condition. She added that focus should be given to the modular partitions and the arrangement of employees (operations, support, OJTs, etc.).

GM Salve agreed with Board Adviser MeAn and emphasized that furniture in good condition are to be used, thus affecting the contract price. She also added that the lobby should be simple.



After all the presentations, the Board unanimously selected MEIN as their supplier for KMBA's office partition. The Board authorized the management to transact with MEIN Interior Concepts; to finalize the total costs based on items to be procured; and to finalize office floor layout.

BoT Teresita moved to authorize the management to finalize transactions with MEIN Interior Concepts. BoT Lilibeth seconded the motion.

BOARD RESOLUTION NO. 2019-42:

AUTHORIZING THE PROCUREMENT OF OFFICE PARTITION FROM MEIN INTERIOR CONCEPTS

RESOLVED, to authorize management to transact with MEIN Interior Concepts for the office partition

B. Variation Orders

GM Salve reported on the progress of the building construction. She also submitted two variation orders for the Board's approval which would require additional budget for the construction.

The first (Change Order No. 8) proposal by contractor Rodsy Construction & Development Corporation was the application of Boysen Plexibond waterproofing paint for all firewalls to upgrade waterproofing characteristics of the firewall surface with a warranty period of five (5) years from a previously agreed one (1) year guarantee. The additional work costs an amount of **ONE HUNDRED SEVENTY THOUSAND SIXTY ONE & 20/100 (Php 170,061.20) PESOS**, inclusive of VAT and the contractor's profit margin.

BoT Rita moved to approve the change order for Waterproofing Paint as recommended by the management and the additional budget of Php 170,061.20 to cover the said expenses. BoT Lilibeth seconded the motion.

In addition, GM Salve presented Change Order No. 9 for the additional works evaluated by Rodsy Construction & Development Corporation that are not included in the initial arrangement. The following are recommended for approval:

- i. Replacement of original CHB wall in attic with metal louvers with epoxy paint finish.
- ii. Construction of three sets Projector Screen Housing in third floor.
- iii. Supply and installation of aluminum framed awning window for server room in fourth floor.
- iv. Elevator shaft additive works in compliance to elevator supplier (Schindler) requirements.

The additional works cost an amount of **ONE HUNDRED FIVE THOUSAND TWO HUNDRED EIGHTY-FOUR & 16/100 (Php 105,284.16) PESOS**, inclusive of VAT and the contractor's profit margin.



BoT Teresita moved to approve the change order for the additional works as recommended by the management and the additional budget of Php 105,284.16 to cover the said expenses. BoT Jennifer seconded the motion.

BOARD RESOLUTION NO. 2019-43:

APPROVING A SET OF VARIATION ORDERS AND ALLOCATING BUDGET FOR THE PURPOSE

RESOLVED, to approve change order for waterproofing paint with a total cost of Php170, 061.20;

RESOLVED, to approve, further, another set of variation orders consisting of (i) replacement of original CHB wall in attic with metal louvers with epoxy paint finish; (ii) construction of three sets projector screen housing in third floor; (iii) supply and installation of aluminum framed awning window for server room in fourth floor; and (iv) elevator shaft additive works in compliance to elevator supplier (Schindler) requirements, with a total additional cost of Php105, 284.16;

RESOLVED FURTHER, to approve the allocation of additional budget to fund the abovementioned variation orders.

C. Confirmation of K-Coop Loan

The approval of the Php 5,000,000.00 K-Coop loan, which was already granted last July 2, 2019, was confirmed.

D. Feasibility Analysis

Sir Randy presented his Feasibility Analysis for KMBA Members' Resource Center Building and Lot's projected revenue and expenses and corresponding potential sources at its completion.

The development of the building has a land area of 424 sq. meters with agreed selling price of Php16.2M. It has a budget of Php41M for building construction and improvements plus additional Php5M for air conditioner, solar panel, elevator, and office furniture and fixtures. Benefits from the building will be rental in savings for office space and trainings and rental income including parking. Costs of the building will be maintenance expenses, utilities, property tax and income tax from rental income.

Sir Randy enumerated key parameters considered in evaluating the net present value of the property:

Key Parameter	Remarks
Benefit:	
1. Rental income	
▪ 436.9 sqm × 2 floor of the building to be rented out to KSO	▪ Php 350-500 per sqm/month
▪ Parking space rental	▪ Php3,500 /slot/month × 4 slots
▪ Three-30 sqm units	▪ Php 400-600 /sqm/month



Key Parameter	Remarks
<ul style="list-style-type: none"> ▪ Canteen space ▪ Training /conference room 2. Rental savings of 60 sqm of building 3. Savings from rental costs of training 4. Salvage Value of the building 5. Salvage Value of the land	<ul style="list-style-type: none"> ▪ Php 400-600/sqm/month @ 13.17 sqm ▪ Php4,000/day × 2 days per week × 52 weeks ▪ (Php550/sqm/month) ▪ (Php200 a day for 1,000 participant-days per year) ▪ 10% of construction cost after 50 yrs. ▪ Double the purchase cost
Costs: 1. Utilities Expense 2. Maintenance Costs 3. Property Tax Expense 4. Income Tax	<ul style="list-style-type: none"> ▪ Marginal increase at around 4% per year (Php 30,000 per month) ▪ 22% of rental costs and savings per year (Php 80,000 per month) ▪ Php80,000 per year ▪ 30% of rental income
Others: 1. Rental increase 2. Inflation Rate 3. Discount Rate 4. Life of Building	<ul style="list-style-type: none"> ▪ 5-10% every 2 years for KSO, every year for non-KSO ▪ 4% per year ▪ 5% per year ▪ 40 years

With the parameters and proposed rates in the financial model, Independent Board Randy came up with a net present value of Php 12M to Php 62M and with an internal rate of return of 6% to 8%.

With consideration that the lessees are sister organizations, the Board agreed to give the lowest rate as rental revenue amounting to Php350.00 per square meter. In addition to that, KMBA will bill another Php 100.00 as monthly dues for common utilities excluding light and water totaling to Php 450.00 per square meter per month subjected to 5% increase every year for five (5) years, effective January 1,2020. Moreover, after five years, KMBA will review the billing of rent charges and redraft revisions if any.

BoT Lilibeth moved to approve the recommended rate of P450.00, inclusive of monthly dues, per square meter per month with the abovementioned additional clauses effective January 1, 2020. BoT Alma seconded the motion.

In addition to the space exclusively leased to KSO sister organizations, KMBA also presented rates to other parts of the building:

	KSO	Non-KSO
Parking Fee (Ground Floor)	P 2,000.00 / slot / month	
Conference Room (3 rd Floor)		



Conf. Rm. 1	P 5,000.00 / day	P 7,000.00 / day
Conf. Rm. 2	P 3,000.00 / day	P 4,500.00 / day
Conf. Rm. 3	P 1,500.00 / day	P 3,000.00 / day
Kitchen	P 400.00 / sqm / month	

BoT Jennifer moved to approve the recommended rates presented above. BoT Teresita seconded the motion.

Moreover, with the main purpose of binding together the Kasagana-Ka sister organizations in a single building, now the KMBA Members' Resource Center Building, GM Salve proposed a long-term arrangement of 20 years as the minimum year of stay of other KSO-member in the building. GM Salve promised that KMBA will, too, retain the harmonious relationship as a member of Kasagana-Ka Synergizing Organizations.

**BOARD RESOLUTION NO. 2019-43:
APPROVING THE FEASIBILITY STUDY FOR KMBA MEMBERS' RESOURCE BUILDING AND LOT**

RESOLVED, to accept the feasibility study on the projected revenue and expenses of KMBA Members' Resource Center Building and Lot at its completion;

RESOLVED, to approve Php350.00 per square meter per month as KSO's rent for office space exclusive of Php100.00 per square meter per month for monthly dues with 5% annual increase for five (5) years;

RESOLVED FURTHER, to approve rent rates for the parking slots, conference rooms and kitchen to KSO and non-KSO tenants.

VI. For Updates and Information

A. BPI Bayanihan Fund

FM Eve gave an update about its Php15M placement in BPI Bayanihan Fund which has a market value of Php 15,512,424.05 as of June 30, 2019, thus earning an unrealized gain of Php 512,424.05.

B. Mutual Security Fund

As of June 30, 2019, KMBA has placed a total contribution of Php 328,757.00 and has a fair value of Php 341,696.31 thus earning an income of Php 12,939.31.

The network saw this as a low-earning investment and KMBA is considering other platforms if ever the network would pull out of this venture.

C. MicroInsurance Session with TALAB Ateneo

Sir Randy invited the Board to attend the annual sessions of Talakayang Alay sa Bayan (TALAB) in Ateneo de Manila University on October 8, 2019. The session will run approximately two hours. The Board accepted the invitation.




VII. Upcoming Schedule

The next regular meeting will be on September 27, 2019 at 8:30 a.m.


VIII. Adjournment


There being no other matters to discuss, the meeting ended at 12:30 p.m.

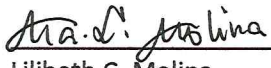
Prepared by:


Brenda F. Lumbao
Board Secretary


Attested by:


Enriqueta V. Navarro
President


Alma D. Gilbaliga
Vice-President

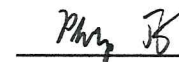

Lilibeth C. Molina
Treasurer

Jenifer L. Abao
Member


Rita G. Dela Cruz
Member


Teresita D. Padel
Member


Atty. Maria Gettie Cleofe C. Sandoval
Independent Member


Philip Arnold P. Tuaño
Independent Member