



**Board Resolution No. 5
Series of 2021**

**IDENTIFYING AND RECLASSIFYING UNMONITORED ACCOUNTS TO RESTRICTED FUND
BALANCE_UNMONITORED ACCOUNTS**

Upon motion, duly seconded, the Board of Trustees, in a meeting held on March 5, 2021, where a quorum is present, adopted the following resolution:

WHEREAS, KMBA Management, in exacting the Association's commitment to good governance which includes fair reporting and transparent disclosure, reported to this Board a financial reporting concern which needed necessary actions to be taken;

WHEREAS, management finding included a difference in the reconciliation of the Book (General Ledger) and the Seriatim Record (Subsidiary Ledger) on particular accounts as follows;

Account Code	Per Book (GL)	Per Seriatim Record (SL)	Difference
Aggregate Reserve Trust Liability (RF)	Php 57,046,145.30	Php 56,765,817.33	Php 280,327.97
Liability on Individual Equity Value	95,607,312.15	84,936,675.12	10,670,637.03
Grand Total	<u>Php 152,653,457.45</u>	<u>Php 141,702,492.45</u>	Php 10,950,965.00

WHEREAS, in the conduct of KMBA Finance's regular reconciliation, same resulting difference was observed;

WHEREAS, resultant as reviewed by the Finance Unit, discrepancies can be traced from the old reporting system of the identified accounts prior to the enhanced policy on the return of equity value with interest to resigning members regardless of the period of membership and prior to the implementation of this Association's use of its internally-developed Management Information System;

WHEREAS, identified discrepancies affect the fair presentation of the records of the Association including the submission of Seriatim to the Insurance Commission where said report forms part of the Annual Statement requirement to the Commission;

WHEREAS, KMBA Management recommended to the Board, the setting aside of the identified amount as "Unmonitored Accounts" due to system constraints and manual limitations in identifying exact source or subsidiary accounts for that purpose;

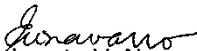
WHEREAS, these "Unmonitored Accounts" are premiums collected from years 2007 to 2016 where the approved old IRR on 2006 provides equity value only for members with at most three years of membership and that said accounts have been inactive for at least three (3) years;

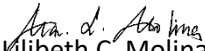
WHEREAS, to suggest effective maintenance of the identified amount, KMBA Management further recommended to reclassify the same to "**Restricted Fund Balance_Unmonitored Accounts**" which can only be used when members, with complete and valid supporting documents, present him/herself to have contractual claim/s on the said restricted account;

NOW THEREFORE, the foregoing premises considered, the Board of Trustees **RESOLVED** to approve the identification of Ten Million Nine Hundred Fifty Thousand Nine Hundred Sixty-Five (Php10,950,965.00) Pesos as Unmonitored Accounts and reclassify the same from Aggregate Reserve Trust Liability RF and Liability on Individual Equity Value to RESTRICTED FUND BALANCE_UNMONITORED ACCOUNTS.


Adopted this 5th of March, 2021 in Quezon City, Philippines by the affirmative vote of the undersigned members representing a majority of the trustees of KMBA, Inc.




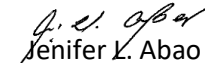

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Attested by:


Jonalyn T. Andres
Board Secretary