



KASAGANA-KA Mutual Benefit Association, Inc.
4th Regular Meeting of the Board of Trustees
Via Tele/Video Conference, Zoom
KMBA Members' Center #5 Matimpiin St. Pinyahan, Quezon City
May 28,2021, 9:00 am

In Attendance:

Board of Trustees:

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| 1. Enriqueta V. Navarro | -President |
| 2. Alma D. Gilbaliga | -Vice President |
| 3. Lilibeth C. Molina | -Treasurer |
| 4. Jonalyn T. Andres | -Board Secretary |
| 5. Teresita D. Padel | -Board Member |
| 6. Rita T. Dela Cruz | -Board Member |
| 7. Jenifer L. Abao | -Board Member |
| 8. Philip Arnold P. Tuaño | -Independent Board Member |
| 9. Atty. Maria Cleofe Gettie C. Sandoval | -Independent Board Member |

Also Present:

Board of Advisers:

10. Chona B. Capayas
11. Isabel M. Iliw-iliw

Board Member Emeritus

12. Leticia T. Rodriguez
13. Wenifreda F. Rodriguez

Management and Staff

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| 14. Silvida R. Antiquera | -General Manager |
| 15. Evelyn A. Lagmay | -Finance Manager |
| 16. Analyn A. Shih | -Executive Assistant |

The following were not able to attend:

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| 17. Maria Anna dR. Ignacio | -Board Adviser |
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ORDER OF BUSINESS

A. Board Agenda

- 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 from the previous meeting
- VII. Financial Report
 - a. Presentation of Audited Financial Statement by External Auditor
- VIII. For Discussion and Approval
 - a. Amendment of By-Laws
 - b. Appointment of an External Auditor
 - c. Creation of Additional Committees
- IX. Updates/Upcoming Schedules
 - a. 15th Annual General Meeting, May 31, 2021
- X. Schedule of next regular/special board meeting
- XI. Adjournment

DISCUSSION HIGHLIGHTS

I. The meeting started at 9:00 a.m. with a prayer.

II. Quorum and Agenda

Board Secretary Jonalyn conducted a roll call and determined the presence of a quorum. Pres. Enriqueta presented the proposed agenda for the day's meeting. Bot Alma moved to approve the proposed agenda duly seconded by BoT Teresita.

III. Reading and Approval of the Minutes of the Meeting

The minutes of the previous Regular Board meeting were provided ahead of the meeting. That considering, BoT Teresita moved for the deferment of reading the minutes, duly seconded by BoT Alma.



The Board, based on their advanced reading, found no clarification or comments on the minutes that needed discussions. BoT Rita moved to approve the minutes of the previous Board meeting, duly seconded by Sir Randy.

IV. Business Arising

There was no business arising from the previous meeting.

V. Financial Report

A. Presentation of Audited Financial Statement by External Auditor

External Auditor Clark Joseph Babor, of BDO Roxas-Cruz-Tagle and Co., presented the 2020 Audited Financial Statements.

Mr. Babor started the report by presenting the observations and findings from the audit and their corresponding recommendations:

Observations	Recommendation
<p>1. <u>Possible Taxability of Premiums Collected.</u> The audit noted that KMBA does not have a certificate of tax exemption although registered as a non-stock not-for-profit organization.</p> <p>According to Sec. 30 of the Tax Code, mere registration with the SEC as a non-stock nonprofit corporation does not automatically entitle an entity to the tax exemption.</p>	<p>The audit recommended that KMBA apply for the tax exemption with the BIR.</p>
<p>2. <u>No Formal Policy for Estimation of Allowance Based on Expected Credit Loss.</u> The audit noted that KMBA does not have formal policy in estimation for allowance for doubtful accounts in accordance with PFRS 9. Although all insurance companies may opt to defer the adoption of PFRS 9 to align with PFRS 17 in 2023, early estimation and preparation for the adoption will help KMBA in assessing the possible impact of the new standard.</p>	<p>The audit recommended the need of KMBA to make assessment using expected credit loss model.</p>
<p>3. <u>Reminder to Prepare for the Adoption of PFRS 17.</u> The new Standard is designed to improve its predecessor PFRS 4 in two major ways:</p> <p style="padding-left: 40px;"><i>a. it makes sure that more transparent, more useful and ultimately, more precise information is provided by the</i></p>	<p>The audit reminded KMBA to prepare and assess the possible impact of the adoption of this standard. If the impact is deemed material, KMBA may hire a professional for an accurate assessment.</p>



<p><i>insurers on the value and profitability of their operations.</i></p> <p>b. <i>it creates a framework that applies the same rules across different nations, different insurance contracts and different industries.</i></p> <p>The standard will have a significant impact to KMBA in a way how it will recognize its revenue. Currently, KMBA recognizes income in all its premiums and cash receipts but in the new standard, it cannot immediately; but should be allocated or amortized using the passage of time or based on the utilization.</p>	
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Next, Mr. Babor presented the Financial Highlights of KMBA for the year 2020. The summary of the Audited Statement of Financial Position is as follows:

Particular	2020	2019	Variance	
			Amount	%
Total Assets	Php 237,971,709	Php 223,582,228	Php 14,389,481	6%
Total Liabilities	154,305,500	148,619,604	5,685,896	4%
Total Fund Balance	83,666,209	74,962,624	8,703,585	12%

On the other hand, the summary of the Audited Income Statement for the year ended December 31, 2020 is as follows:

Particular	2020	2019	Variance Amount
Gross Revenue	Php 41,328,110	Php 53,599,744	Php (12,271,634)
Total Benefit Expense	27,406,669	40,837,546	(13,430,877)
Total Operating Expense	11,011,863	11,331,710	(139,847)
Total Investment Revenue and Other Income	4,784,371	4,858,238	(73,867)
Income Tax Expense	3,481	0	3,481
Net Surplus (Loss)	Php 7,690,468	Php 6,288,726	1,401,742
Other Comprehensive Income	2,749,115	367,239	2,381,876
Total Comprehensive Income	10,439,583	6,655,965	3,783,618

Moreover, Mr. Babor reported, in comparison and in connection with the income statement, that KMBA generated positive net cash provided by its operating activities amounting to Php 9.7M for the year 2020. Php 7M from said cash was used to acquire properties for the building and other non-current assets, computer equipment and intangible assets. Php 5M was generated from the maturity of short-term investment. There was a decrease in the fund balance amounting to Php



1.7M which was shouldered by the balance earned from the previous years. The figures, if added to the beginning balance of cash for 2020 amounting to Php 23.7M, will arrive to the Cash ending balance of 2020 amounting to Php 29.7M.

Furthermore, Mr. Babor discussed some important statutory updates particularly the newly passed Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Law.

Finally, Mr. Babor expressed that internal and external accounting related issues were addressed which brought forth an unqualified opinion to the audit of the financial statements. He assured that controls are appropriately designed and implemented to prevent any possible fraudulent acts and that KMBA complied with the reportorial requirements which are fairly presented based on PFRS as required by the Insurance Commission, Bureau of Internal Revenue and the Securities and Exchange Commission.

With no further questions, BoT Rita moved to accept and approve the Audited Financial Statements for the year 2020. BoT Jenifer duly seconded the motion.

VI. Amendment of By-Laws

GM Salve presented the following proposed amendments of KMBA in its By-Laws:

Current Provision	New Provision
<p>Section 5. Term of Office of Trustees – of the nine (9) Trustees elected by the active members, the first seven (7) Trustees elected with the highest number of votes will serve for a period of three (3) years and the last two (2) elected Trustees will serve for two years. Elections thereafter will only be for positions of Trustees vacated.</p> <p>A Trustee may serve for one three-year term only, after which s/he shall be perpetually barred from serving as member of the Board of Trustees of KMBA.</p> <p>The Independent Trustees will serve for a term of two (2) years and shall have the right to be re-elected for another two (2) year term, after which they shall be considered not eligible for re-election, unless the Trustee has undergone a “cooling-off” period, the Trustee concerned may be re-elected for another period of five (5) consecutive years. After that, the Trustee shall be perpetually barred from re-election as an independent Trustee in the Association</p>	<p>Section 5. Term of Office of Trustees – Of the <u>nine (9)</u> Trustees elected by the Area Coordinators, the first four <u>(4)</u> Trustees elected with the highest number of votes will serve for a period of three (3) years and the last two (2) elected Trustees will serve for two (2) years. <u>Thereafter, Trustees from among the Area Coordinators who are elected to fill vacancies by reason of term expiration shall serve for a term of three (3) years.</u></p> <p>A Trustee may serve for one three-year term only, after which s/he shall be perpetually barred from serving as a member of the Board of Trustees of KMBA.</p> <p><u>The Independent Trustee shall serve for a term of three (3) years. S/he may be re-elected: Provided that s/he may only serve a maximum cumulative tenure of nine (9) years. An Independent Trustee who served the maximum period shall be perpetually barred from re-election as an Independent Trustee in the Association.</u></p>



There being no questions asked, BoT Teresita moved to approve the proposed amendment duly seconded by BoT Rita.

**BOARD RESOLUTION NO. 2021-18:
APPROVING THE AMENDMENTS ON KMBA'S BY-LAWS**

RESOLVED, to approve the proposed amendments on KMBA's By-Laws.

VII. Appointment of External Auditor

Mr. Philip Arnold Tuaño, Chairperson of Audit Committee expressed to the management and board, after careful and reasonable assessment, to re-appoint BDO Roxas-Cruz-Tagle and Co. as the External Auditor of KMBA's 2021 Financial Statement Audit. Not only in the 2020 audit that the firm displayed satisfactory performance to KMBA but also in helping the Association with its queries about compliances with the BIR, SEC and IC. Chairperson Philip added that the contract price for the 2021 FS Audit is Three Hundred Three Thousand and Twenty-Two (Php 303,022.00) Pesos.

The Board found the recommendation sound and necessary. BoT Alma moved to approve the appointment of BDO Roxas-Cruz-Tagle and Co. as the External Auditor of KMBA's 2021 Financial Statement Audit. The motion was duly seconded by BoT Teresita.

**BOARD RESOLUTION NO. 2021-19:
APPOINTING BDO ROXAS-CRUZ-TAGLE AND CO. AS THE EXTERNAL AUDITOR FOR KMBA'S 2021
FINANCIAL STATEMENT AUDIT**

RESOLVED, to appoint BDO Roxas-Cruz-Tagle and Co. as the External Auditor of KMBA's 2021 Financial Statement Audit.

VIII. Creation of Additional Committees

After reviewing past meetings tackling the creation of additional mandated committee, GM Salve upon the recommendation of the board in the previous meeting presented to the Board for approval the final committees that shall be created in the incoming Annual General Meeting. Upon careful assessment, the management recommended the creation of two additional committees: (1) Board Risk Oversight Committee, and (2) Related Party Transaction Committee. The Corporate Governance Committee will be combine to the BROCC since the roles and function are the same.

BoT Jenifer moved to approve the creation of the Board Risk Oversight Committee and Related Party Transaction Committee. The motion was duly seconded by BoT Teresita.

**BOARD RESOLUTION NO. 2021-20:
APPROVING THE CREATION OF ADDITIONAL MANDATED COMMITTEES**

RESOLVED, to approve the creation of Board Risk Oversight Committee and Related Party Transaction Committee.



IX. Updates/Upcoming Events

- A. **15th AGM.** May 31, 2021. GM Salve presented the final program for the incoming 15th AGM. In the morning, there will be a learning session entitled, “Economic Outlook for 2021 and Beyond” with Ser Percival K. Peña-Reyes, PhD. In the afternoon, KMBA will hold its AGM Proper.

IX.


Adjournment

There being no other matters discussed, the meeting ended at 11:22 am.

Prepared by:


Jonalyn T. Andres
Board Secretary

Attested by:


Enriqueta V. Navarro
President