



R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Website home.kpmg/ph  
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING  
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Trustees and Members  
**TSPI Mutual Benefit Association, Inc.**  
3rd Floor, Tulay sa Pag-unlad, Inc. (TSPI) Bldg.  
2363 Antipolo Street, Guadalupe Nuevo  
Makati City

We have audited the accompanying financial statements of TSPI Mutual Benefit Association, Inc. (the Association) as at and for the year ended December 31, 2019, on which we have rendered our report dated June 9, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the Chairman or any members of the Board of Trustees of the Association.

**R.G. MANABAT & CO.**

*Vanessa P. Macamos*

VANESSA P. MACAMOS  
Partner  
CPA License No. 0102309  
IC Accreditation No. 102309-IC, Group A, valid for 5-year audit period (2019 to 2023)  
SEC Accreditation No. 1619-A, Group A, valid until June 30, 2020  
Tax Identification No. 920-961-311  
BIR Accreditation No. 08-001987-38-2019  
Issued September 25, 2019; valid until September 24, 2022  
PTR No. MKT 8116770  
Issued January 2, 2020 at Makati City

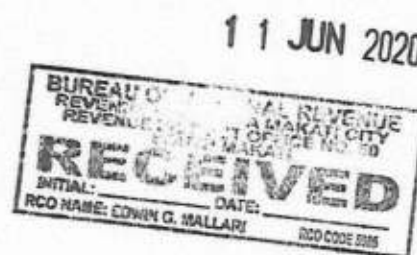
June 9, 2020  
Makati City, Metro Manila



R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Website home.kpmg/ph  
Email ph-inquiry@kpmg.com

## REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members  
**TSPI Mutual Benefit Association, Inc.**  
3<sup>rd</sup> Floor, Tulay sa Pag-unlad, Inc. (TSPI) Bldg.  
2363 Antipolo Street, Guadalupe Nuevo  
Makati City



### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of TSPI Mutual Benefit Association, Inc. (the Association) which comprise the statements of assets, liabilities and fund balance as at December 31, 2019 and 2018, and the statements of comprehensive income (loss), statements of changes in fund balance and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

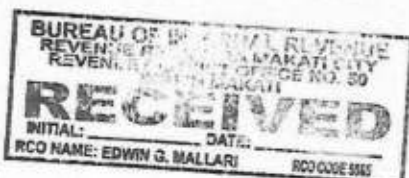
## *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.

11 JUN 2020



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

*Vanessa P. Macamos*

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

IC Accreditation No. 102309-IC, Group A, valid for 5-year audit period (2019 to 2023)

SEC Accreditation No. 1619-A, Group A, valid until June 30, 2020

Tax Identification No. 920-961-311

BIR Accreditation No. 08-001987-38-2019

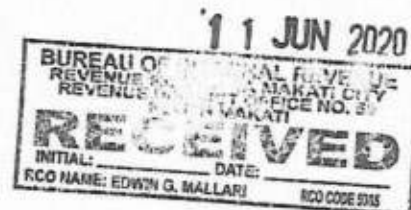
Issued September 25, 2019; valid until September 24, 2022

PTR No. MKT 8116770

Issued January 2, 2020 at Makati City

June 9, 2020

Makati City, Metro Manila





**TSPI MUTUAL BENEFIT ASSOCIATION, INC.**  
**(A Nonstock, Nonprofit Organization)**  
**STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE**

		December 31	
	Note	2019	2018
<b>ASSETS</b>			
Cash and cash equivalents	7, 23	P39,247,294	P13,877,194
Short-term investments	8, 23	3,257,609	3,218,401
Receivables	9, 23	7,740,452	7,512,272
Available-for-sale (AFS) financial assets	10, 23	965,318,350	796,723,700
Held-to-maturity (HTM) investments	11, 18, 23	183,434,094	183,987,885
Property, equipment and computer software - net	12, 23	2,874,614	4,157,244
Investment property - net	13, 23	57,167,029	56,000,000
Retirement asset	20, 23	3,021,352	3,080,023
Other assets	23	607,366	967,344
		<b>P1,262,668,160</b>	<b>P1,069,524,063</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accrued expenses and other liabilities	14, 23	P23,673,113	P30,763,625
Claims payable	15, 23	139,432,485	134,912,396
Aggregate reserves	16, 23	42,706,809	53,536,552
Equity value reserves	17, 23	84,733,721	75,511,008
Due to related party	23, 24	9,457,645	34,770,038
<b>Total Liabilities</b>		<b>300,003,773</b>	<b>329,493,619</b>
<b>Fund Balance</b>			
Guaranty fund reserves	18	128,335,014	117,575,296
General fund balance	19	175,106,730	139,667,553
Funds assigned for members' benefits		449,844,457	420,083,779
Funds assigned for capacity building		201,300,100	188,169,987
Remeasurement (loss) gain on retirement asset	20	(861,015)	190,851
Fair value reserve on AFS financial assets	10	15,589,514	(118,683,175)
Fair value reserve on AFS assets reclassified as HTM investments		(6,650,413)	(6,973,847)
<b>Total Fund Balance</b>		<b>962,664,387</b>	<b>740,030,444</b>
		<b>P1,262,668,160</b>	<b>P1,069,524,063</b>

See Notes to the Financial Statements.

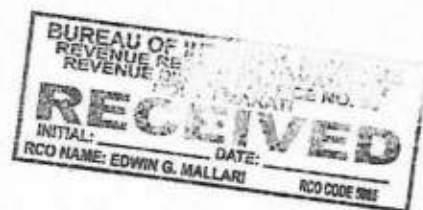


11 JUN 2020

**TSPI MUTUAL BENEFIT ASSOCIATION, INC.**  
**(A Nonstock, Nonprofit Organization)**  
**STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

		Years Ended December 31	
	Note	2019	2018
<b>NET MEMBERS' CONTRIBUTIONS AND PREMIUMS</b>			
Members' contributions and premiums	24	P216,303,687	P262,333,419
Members' contributions and premiums ceded to reinsurers		(204,750)	(263,900)
		216,098,937	262,069,519
<b>CLAIMS, BENEFITS AND OTHER COSTS</b>			
Claims and benefits	15	64,351,124	68,304,718
Increase in equity value reserve	17	30,034,505	35,573,273
Decrease in aggregate reserves	16	(10,829,743)	(1,257,645)
Other direct costs	22	51,150,598	61,702,123
		134,706,484	164,322,469
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries and other employee benefits	21	34,565,322	39,936,840
Depreciation and amortization	12, 13	3,170,334	3,699,046
Planning, meetings and conferences		3,284,178	4,562,091
Repairs and maintenance		2,588,940	3,345,769
Office supplies		1,723,057	2,279,908
Communication, light and water		1,408,986	1,179,844
Professional fees		885,989	1,338,773
Marketing and sales		615,600	-
Transportation and travel		485,595	454,325
Dues and fees		307,977	185,519
Representation and entertainment		84,925	72,780
Taxes and licenses		28,381	112,878
Donation		-	10,000
Miscellaneous		363,111	245,480
		49,512,395	57,423,253
<b>OPERATING INCOME</b>		<b>31,880,058</b>	<b>40,323,797</b>
<b>OTHER INCOME</b>			
Interest income	7, 8, 9, 10, 11	51,132,848	42,727,221
Dividend income	10	536,498	488,723
Gain (loss) on sale of investments	10	25,588	(437,397)
Other expense - net		(150)	(4,046)
Interest expense	17	(478,212)	(398,401)
		51,216,572	42,376,100
<b>NET INCOME</b>		<b>83,096,630</b>	<b>82,699,897</b>

Forward



11 JUN 2020

Years Ended December 31			
	Note	2019	2018
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Item that may be reclassified to profit or loss</b>			
Net change in fair value of reserve on AFS financial assets	10	P134,272,689	(P87,677,359)
<b>Item that will not be reclassified to profit or loss</b>			
Remeasurement (loss) gain on retirement asset	20	(1,051,866)	1,592,441
		<b>133,220,823</b>	<b>(86,084,918)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>P216,317,453</b>	<b>(P3,385,021)</b>

See Notes to the Financial Statements.



11 JUN 2020

**TSPI MUTUAL BENEFIT ASSOCIATION, INC.**  
**(A Nonstock, Nonprofit Organization)**  
**STATEMENTS OF CHANGES IN FUND BALANCE**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Guaranty Fund Reserves (Note 18)	General Fund Balance (Note 19)	Funds Assigned for Members' Benefits	Funds Assigned for Capacity Building	Remeasurement Gain (Loss) of Retirement Asset (Note 20)	Fair Value Reserve on AFS Financial Assets (Note 10)	Fair Value Reserve on AFS assets reclassified as HTM Investments	Total
Balance as at December 31, 2018	P117,575,296	P139,667,553	P420,083,779	P188,169,987	P190,851	(P118,683,175)	(P6,973,847)	P740,030,444
Net income for the year	-	83,096,630	-	-	-	-	-	83,096,630
Other comprehensive income (loss):								
Net change in fair value reserve of available for-sale financial asset	-	-	-	-	-	134,272,689	-	134,272,689
Remeasurement loss on retirement asset	-	-	-	-	(1,051,866)	-	-	(1,051,866)
Total comprehensive income (loss) for the year	-	83,096,630	-	-	(1,051,866)	134,272,689	-	216,317,453
Transfer to guaranty fund	10,759,718	(10,759,718)	-	-	-	-	-	-
Appropriations	-	(44,490,143)	31,143,100	13,347,043	-	-	-	-
Utilization of members' benefits fund	-	-	(1,382,422)	(216,930)	-	-	-	(1,599,352)
Amortization of fair value reserve to be amortized to profit or loss	-	-	-	-	-	-	323,434	323,434
Transfer of forfeited equity value and interest	-	7,592,408	-	-	-	-	-	7,592,408
	10,759,718	(47,657,453)	29,760,678	13,130,113	-	-	323,434	6,316,490
Balance as at December 31, 2019	P128,335,014	P175,106,730	P449,844,457	P201,300,100	(P861,015)	P15,589,514	(P6,650,413)	P962,664,387

Forward



	Guaranty Fund Reserves (Note 18)	General Fund Balance (Note 19)	Funds Assigned for Members' Benefits	Funds Assigned for Capacity Building	Remeasurement Gain (Loss) of Retirement Asset (Note 20)	Fair Value Reserve on Available-for- Sale Financial Assets (Note 10)	Fair Value Reserve on AFS assets reclassified as HTM investments	Total
Balance as at December 31, 2017	P104,458,625	P58,085,811	P421,204,142	P188,169,987	(P1,401,590)	(P31,005,816)	(P7,295,485)	P732,215,674
Net income for the year	-	82,699,897	-	-	-	-	-	82,699,897
Other comprehensive income (loss):								
Net change in fair value reserve of available- for-sale financial assets	-	-	-	-	-	(87,677,359)	-	(87,677,359)
Remeasurement gain on retirement asset	-	-	-	-	1,592,441	-	-	1,592,441
Total comprehensive (loss) income for the year	-	82,699,897	-	-	1,592,441	(87,677,359)	-	(3,385,021)
Transfer to guaranty fund	13,116,671	(13,116,671)	-	-	-	-	-	-
Utilization of members' benefits fund	-	-	(1,120,363)	-	-	-	-	(1,120,363)
Amortization of fair value reserve to be amortized to profit or loss	-	-	-	-	-	-	321,638	321,638
Transfer of forfeited equity value and interest	-	11,998,516	-	-	-	-	-	11,998,516
	13,116,671	(1,118,155)	(1,120,363)	-	-	-	321,638	11,199,791
Balance as at December 31, 2018	P117,575,296	P139,667,553	P420,083,779	P188,169,987	P190,851	(P118,683,175)	(P6,973,847)	P740,030,444

See Notes to the Financial Statements.

**TSPI MUTUAL BENEFIT ASSOCIATION, INC.**  
**(A Nonstock, Nonprofit Organization)**

**STATEMENTS OF CASH FLOWS**

		Years Ended December 31	
	Note	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income		P83,096,630	P82,699,897
Adjustments for:			
Interest income	7, 8, 9, 10, 11	(51,132,848)	(42,727,221)
Increase in equity value reserve	17	30,034,505	35,573,273
Decrease in aggregate reserves	16	(10,829,743)	(1,257,645)
Depreciation and amortization	12, 13	3,170,334	3,699,046
Provision for claims incurred but not yet reported	15	1,699,999	(1,022,059)
Dividend income	10	(536,498)	(488,723)
Interest expense	17	478,212	398,401
Retirement expense	20, 21	159,005	645,662
Loss (gain) on sale of investments		(25,588)	437,397
Loss on sale of assets		144	3,945
Operating income before working capital changes		56,114,152	77,961,973
Decrease (increase) in:			
Receivables		(193,155)	37,287
Short-term investments		(39,208)	(25,876)
Other assets		359,978	168,073
Increase (decrease) in:			
Accrued expenses and other liabilities		(7,439,358)	8,511,328
Claims payable		(10,399,294)	(8,861,269)
Due to related party		(25,312,393)	42,967,793
Cash generated from operations		13,090,722	120,759,309
Interest paid		(129,366)	(2,671,452)
Contribution to retirement plan	20	(1,152,200)	-
Net cash provided by operating activities		11,809,156	118,087,857
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
AFS financial assets	10	(65,455,885)	(142,165,625)
Investment property	13	(1,660,211)	(56,000,000)
Property, equipment and computer software	12	(1,394,666)	(1,988,150)
Proceeds from disposal of AFS financial assets		35,325,886	8,514,978
Interest income received		47,808,674	42,745,315
Dividend received	10	536,498	488,723
Net cash provided by (used in) investing activities		15,160,296	(148,404,759)

Forward

Years Ended December 31			
	Note	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Utilization of client's benefits fund		(P1,382,422)	(P1,120,363)
Utilization of capital building fund		(216,930)	-
Net cash used in financing activities		(1,599,352)	(1,120,363)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		25,370,100	(31,437,265)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
		13,877,194	45,314,459
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
	7	P39,247,294	P13,877,194

See Notes to the Financial Statements.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

The management of **TSPI Mutual Benefit Association, Inc.** (the "Association") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2019**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended **December 31, 2019** and the accompanying Annual Income Tax Return are in accordance with the books and records of the Association, complete and correct in all material respects. Management likewise affirms that:

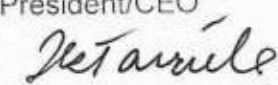
- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- (c) the Association has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
MA. LUZ A. PLANAS

Chairman of the Board

  
ALICE Z. CORDERO

President/CEO

  
FLORENCIA G. TARRIELA

Treasurer

Signed this \_\_\_\_\_



## STATEMENT OF OPINION

I, **Panfilo P dela Paz**, consulting actuary of **TSPI Mutual Benefit Association, Inc. (TSPI MBA Inc.)**, express the opinion that, based on the data supplied to me by **Ms. Alice Z. Cordero, President and CEO** of **TSPI MBA Inc.** the legal policy reserves of the Association as of **31 December 2019** amounting to:

### Liabilities

Aggregate reserves for outstanding contracts	
<i>BLIP aggregate reserves</i>	11,975,898.44
<i>CLIP aggregate reserves</i>	1,663,755.01
<i>MRI aggregate reserves</i>	34,202.65
<i>LPIP aggregate reserves</i>	7,189,240.00
<i>LMIP aggregate reserves</i>	18,271,055.86
<i>GLIP aggregate reserves</i>	3,572,657.44
<b>Total aggregate reserves</b>	<b>42,706,809.40</b>

<i>Equity value of active clients</i>	84,733,721.68
<i>Interest on equity value of active clients</i>	1,607,791.31
<i>Equity value of inactive clients</i>	126,424,645.80
<i>Interest on equity value of inactive clients</i>	6,741,173.84
<b>Total equity value</b>	<b>219,507,332.63</b>

<b>Overall total</b>	<b>262,214,142.02</b>
----------------------	-----------------------

### Claims Reserves

<i>Due and unpaid</i>	999,166.27
<i>In course of settlement</i>	
<i>Resisted/denied</i>	67,500.00
<i>Incurred but not reported</i>	
<i>IBNR</i>	5,200,000.00
<i>Less: reinsurance on IBNR 2018</i>	-
<b>Total claims liability reserves</b>	<b>6,266,666.27</b>

*Add: reinsurance assumed*


-

*Less: reinsurance ceded*

-

<b>Claims Reserves</b>	<b>6,266,666.27</b>
------------------------	---------------------

are adequate and accurate. The calculations of the legal policy reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles.

  
**PANFILO DE LA PAZ, FASP, FSA**  
Consulting Actuary  
AC-20-2019-R  
PTR No. 3941

May 12, 2020