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**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



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REPORT OF INDEPENDENT AUDITORS

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



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.

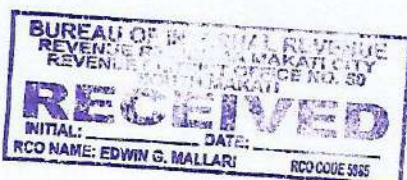
Auditors' Responsibilities for the Audit of the Financial Statements

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.

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- 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

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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
ASSETS			
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
		P1,262,668,160	P1,069,524,063
LIABILITIES AND FUND BALANCE			
Liabilities			
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
Total Liabilities		300,003,773	329,493,619
Fund Balance			
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)
Total Fund Balance		962,664,387	740,030,444
		P1,262,668,160	P1,069,524,063

See Notes to the Financial Statements.

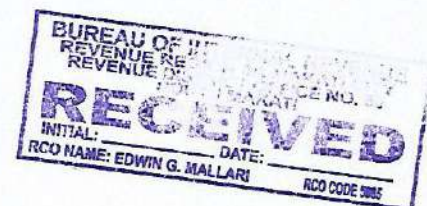


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TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years Ended December 31			
	Note	2019	2018
NET MEMBERS' CONTRIBUTIONS AND PREMIUMS			
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
CLAIMS, BENEFITS AND OTHER COSTS			
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
GENERAL AND ADMINISTRATIVE EXPENSES			
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
OPERATING INCOME		31,880,058	40,323,797
OTHER INCOME			
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
NET INCOME		83,096,630	82,699,897

Forward



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

See Notes to the Financial Statements.



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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	-	7,592,408	-	-	-	-	323,434	323,434
Transfer of forfeited equity value and interest	10,759,718	(47,657,453)	29,760,678	13,130,113	-	-	323,434	7,592,408
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	13,116,671	11,998,516	-	-	-	-	-	11,998,516
	-	(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.