

BIBLIOGRAPHY

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ABSTRACT

This study was conducted to know the operation of BABUDEMPCO particularly its growth in terms of membership, share capital, total assets, liability and net surplus; policies and problems encountered.

The manager of the BABUDEMPCO who was interviewed served as the respondent whose office is located at Bad-ayan, Baculongan Sur, Buguias, Benguet.

Its members had been growing at a rate of 8.46% per annum with a most remarkable increase in 2004 of 34.37%. The members share capital increased at an average rate of 15.15%. Likewise, the total assets increased at 11.92% per annum on the average. For the cooperative's liabilities, it was also constantly increasing from year to year. In terms of net surplus, the cooperative never realized a net loss throughout the past fifteen (15) years although there were periods where it encountered significant decreases.

As to the different policies of the cooperative, all are being strictly followed and implemented except for some like the factors considered in granting loans.

Based on some interviews on some concerned members, there existed some conflicts of interest by some officers and communication gap among members, management staff and members.

To improve more on the performance of the cooperative, it recently introduced projects that would increase income of members and the cooperative like organic farming, more regular and continuous training to both officers, staff and members, a more share capital build-up, the “tutok system” or house to house collection to lessen loan delinquency.



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INTRODUCTION

Historical Background

Success is the product of struggles and trials. Those who persevere succeed. In the Philippines, cooperatives are considered institutions for economic growth and development.

In 1967, in the municipality of Buguias, through the effort of Brother Romualdo Talata, Bad-ayan Credit Union was organized to augment the needs of the farmer-members on financial problems, with thirty-five (35)-starting members. It was organized in accordance with Republic Act No. 2023 and registered with the Cooperative Administrative office on July 10, 1968. Due to lack of management skills and inactive members, the association remained dormant for a period of five (5) years.

In October 1971, Sister Asuncion Puapo and Sister Fe Dao-as of Tuding, Itogon, Benguet came to reorganize the cooperative through a series of membership seminars to refresh the old members regarding the importance of credit union. As a result, on February 1972, they held the first organizational assembly, which was attended by 58 members with a total capital of three thousand five hundred sixty seven (P3, 567.00) pesos and elected Mr. Pacito Salipan as President. In October 15, 1973, the credit union had registered again as required in PD 175. On this period, the Credit union was affiliated with the Benguet Union of Cooperatives, which was directly assisting its members-affiliates through the conduct of free trainings and supervision through the provisions of auditing, bookkeeping, and other management practices. On May 10, 1976, the Credit



Union was registered as a Pre- Cooperative under the Bureau of Cooperative Development and adopted the name Bad-ayan Credit Cooperative Union, Inc.

With the lending operations in 1979, the cooperative was able to expand its services through the opening of a farm input retail outlet. The retail outlet was purposely to augment the resources of the members who are mostly vegetable farmers. Upon its organization, it was then called as Bad-ayan Community Buying Club.

Through the fruitful years of operations, the cooperative was able to acquire a lot and built an office for the cooperative union in 1982. The lending program was separated from that of the Community Buying Club. The cooperative was also affiliated to the Northern Luzon Federation of Cooperatives and Development Center (NORLU CEDEC) in terms of consultancy, auditing and training services.

On November 20, 1988, the cooperative received a Certificate of Merit for becoming one of the few millionaires cooperative in Region I.

By virtue of existing laws, the Bureau of Agricultural Cooperative Development issued a registration to the Bad-ayan Credit Union renaming it to BAD-AYAN BUGUIAS DEVELOPMENT COOPERATIVE, INC. on May 22, 1989.

On July 16, 1990, the Killer earthquake affected Northern Luzon that led to the temporary closures of the major thoroughfares including the ones in Benguet. This situation lasted for six (6) months causing difficulties for members in marketing their products that resulted in the decline of their incomes, non-payment of loans to the cooperative and slowing down of deposit generation. At this crucial stage, the institution banked on its linkage with NORLU CEDEC and availed assistance from the Philippine Business for Social Progress (PBSP) and Land Bank of the Philippines for the



rehabilitation of its operation. The effects of the earthquake were further aggravated with the “Green Tide” issue that affected the farmers’ products resulting in huge losses and non-payment of loans. The management initiated mitigating measures through external fund sourcing resulting in the acquisition of soft loan from the Cooperative Development Authority (CDA) that was used to refinance the farmer members’ needs. The amount of three million pesos was availed coursed though the Cooperative bank of Benguet. In addition, the cooperative sought the assistance of NORLU that gave the address of the International Bishops Organization of Germany. The cooperative was able to request a three million five hundred thousand pesos grant from Germany that was used in the construction of a boarding house in the cooperative lot located at Buyagan, Poblacion, La Trinidad, Benguet. Moreover, the cooperative was able to avail financial assistance from the Australian Embassy through the Philippine Australian Community Assistance Program in the form of grant amounting to P741, 000.00.

Pursuant to the provisions of the newly approved Cooperative Code of the Philippines (Republic Act 6938) and CDA Law (Republic Act 6939) the institution was issued Confirmation of registration No. CN-QC 107 dated January 8, 1991.

Further development was done in 1991 through the construction of a three-storey multi-purpose building, which was completed in the last quarter of the same year. The basement of the building was utilized as a consumer store. The second floor serves as credit office and the third floor as session hall. There was also a business expansion in Bot-oan, Catubong to meet the increasing needs of its members.

As to continuous membership and productive management, figures stated in the previous Articles of Cooperation and by-laws in 1989 were fulfilled thus, the CDA



mandated the cooperative to amend the Article of Cooperation and by-laws. Features of substitution included the new name of the Cooperative as BAD-AYAN BUGUIAS DEVELOPMENT MULTI-PURPOSE COOPERATIVE (BABUDEMPCO), membership, paid-up and subscribed capital. The amendments by substitutions to the Articles of Cooperation and By- Laws were in effect on October 18, 1994.

The cooperative expanded its services through lending, initial marketing of vegetables, farm input provision, rice trading and transport facilities within the area of coverage. Originally, the area of coverage was Barangay Baculongan then expanded into four other barangays namely: Baculongan Sur, Baculongan Norte, Sebang and Catlubong. At present, the cooperative is operating in the whole municipality of Buguias.

On July 1, 2000, the cooperative was identified as pilot cooperative of a five-year project under the Philippines and Japan Technical Cooperation entitled “Improvement of Farmers Income through the Strengthening of Agricultural Cooperatives- Benguet.” Patterned after the ACIMS of Japan, the project introduced the different components namely; Farm Guidance, Marketing and Purchasing, Cooperative Management and Better Living. The Cooperative Development Authority and Japan International Cooperation Agency (JICA) jointly implemented it. The said project ended last June 30, 2005.

On February 9, 2005, the cooperative registered its amendment to its Article of Cooperation and by-laws to the CDA with the assistance of the project personnel and was approved on May 18, 2005.

Since BABUDEMPCO is considered as one of the millionaire cooperatives in Benguet, the researcher is interested to study the performance of this cooperative in order



to look at the possibility of duplicating this kind of operation in other areas to help farmers improve their economic status.

Objectives of the Study

The study primarily aimed to arrive at more complete information about BABUDEMPCO operation. Specifically, the objectives of this study were the following:

1. To assess the growth of the cooperative in terms of:
 - a. Membership
 - b. Share capital
 - c. Total assets
 - d. Liability
 - e. Net surplus
2. To look into the policies of the cooperative and assess their implementation;
3. To determine the problems encountered by the cooperative;
4. To know the strategies employed by the cooperative for further development and improvement.

Scope and Delimitation of the Study

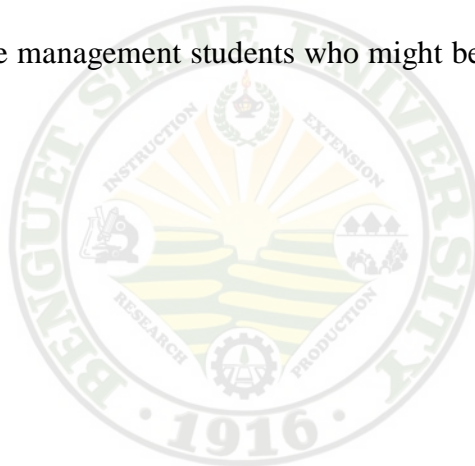
The study focused on the business operations, policies, and growth of the BABUDEMPCO in terms of membership, share capital, total assets, liabilities and net surplus. It also looked into the success factors and strategies of the cooperative that led to the improvement of its operations. The data gathered covered the fifteen- (15) years of



operation of the cooperative that started in 1991 when it was registered to CDA up to 2005.

Importance of the Study

The completion of this study provides relevant information on the status of the BABUDEMPCO to the members. It allows them to have an overview on their cooperative that necessitates actions for improvement that could be employed and the factors negating the cooperative should be remedied immediately. In addition, the research could serve as a reference material to other students, especially to the BS Agribusiness Cooperative management students who might be conducting related studies in the future.



METHODOLOGY

Locale and Time Frame of the Study

The study was conducted at Bad-ayan, Baculongan Sur, Buguias, Benguet where the main office of the BABUDEMPCO is located.

The study was conducted from February to March 2006.

Respondent of the Study

The respondent of the study was the manager of BABUDEMPCO. Secondary data was taken from the annual financial reports of the cooperative, from the by-laws and other reports submitted by the officers and committee members of the cooperative.

Data Collection

Financial reports and other written documents of the cooperative were used to gather the information and data needed in the study that were further supplemented by the manager who was personally interviewed.

Data gathered

The data gathered was the background information of BABUDEMPCO, policies and programs, as well as the annual financial statements and other written documents about the cooperative.



Data Analysis

The data collected was analyzed thoroughly with the use of trend analysis and financial ratios.



RESULTS AND DISCUSSION

Composition of the Organizational Structure of the Cooperative

The organizational structure of the cooperative is composed of the general assembly, board of directors, committees and management staff. Exhibit 1 shows the organizational structure of the cooperative.

Board of Directors

The Board of Directors was composed of seven (7) members empowered to direct and supervise the business and manage the property of the cooperative. The BOD's were expected to possess the acronym TAWID (Time, Availability, Willingness, Interest and Dedication) in providing service to the cooperative.

The conduct of meeting of the board of directors was held monthly. The term of office depended on the votes garnered during the regular general assembly meeting. The four who garnered the highest votes held office for two (2) years while the three (3) who got the least number of votes had a term of one (1) year. This tenure was effective during the first election. Chairman and Vice-Chairman shall be elected on a majority vote of the elected members of the board of directors. The duties and responsibilities board is presented in Exhibit 3.

Committees

The cooperative had five (5) committees namely: Audit and Inventory Committee (AIC), Education and Training Committee (ETC), Election Committee



(EleCom), Credit Committee (CreCom) and Conciliation/Grievance Committee (ConCom). These committees assisted the BOD's in the implementation of the cooperative's development program.

Each committee was composed of three (3) members except for the ETC, which was composed of five (5) members including the two- (2) staff appointed by the Board of Directors for a term of one (1) year. Each committee has a Chairman, Vice-Chairman and a member. The term of office of each committee depended also with the garnered votes during the election. The two (2) who got the highest number of votes had a term of two (2) years while the member who got least votes had a term of one (1) year whose position declared vacant and subject to election on the next regular general assembly meeting. This tenure was effective during the first election.

Each committee had its own schedule of meeting. The Credit Committee conducted their meeting every 1st, 3rd and 5th Thursdays of the month. As scheduled and every 3rd Tuesday of the month for the ETC at the Main Office. The AIC meeting of the credit was held monthly, Bad-ayan Buying Club was once in two months, Bot-oan Buying Club and Buyagan Lodging was held quarterly. The election committee is twice in one year while the conciliation committee was as scheduled. The duties and responsibilities of each committee are shown in Exhibit 4.

Management

The management staff of the cooperative had a total of 17 employees headed by the general manager, Ms. Bernadette O. Willie. The other employees included the loan officer, special project-in-charge, accountant/bookkeeper, cashier, accounting/posting



clerk, loan appraiser, collectors, farm guidance adviser, sales clerks, drivers and helpers. They were expected to maintain an efficient service with the cooperative. Duties and responsibilities of each management staff are shown in Exhibit 5 and 6.

In an organization, we cannot deny the fact that misunderstanding, conflict of ideas and interest of the officers and members arise that may result to communication gap. This means that the body making up the organization might have the tendency not to share their thoughts though they have brilliant ideas that can help the organization. This would further result to poor quality of service rendered by the employees.

Membership

Originally, membership in Bad-ayan Buguias Development Multi-Purpose Cooperative was exclusive only to the residents of Baculongan, then it opened to the residents of the adjacent four barangays namely Baculongan Sur, Baculongan Norte, Sebang and Catlubong. But later on, opened it to the residents in the whole municipality of Buguias. Members were composed farmers, youth, disabled and women.

Prospective members must have to undergo the Pre-Membership Education Seminar (PMES). They are also required to pay a minimum share capital of five thousand (P5, 000.00) pesos to be entitled to a certificate of stock.

Table 1 shows the growth in membership from the time it was under the provisions of the newly approved Cooperative Code of the Philippines (Republic Act 6938) and CDA Law (Republic Act 6939). Data from 1991 to 1993 was not available due to incomplete records. Generally, the membership of the cooperative had been increasing annually, although at varying rates of increases. As of December 31, 2005, the



cooperative had a total of 3,764 members. Throughout the years, there were great changes in the number of membership especially in 2004 where it increased by 34.37%, this was attributed to the continuous information campaign initiated by officers on the cooperatives' privileges, benefits and advantages that could be received by members. With the intensive education, members were assured to understand the cooperative policies, and their roles and responsibilities. Expansion of the area of operation also attributed to the increase in membership of the cooperative. However, in 2002 the cooperative had its lowest increase in membership of 1.49% due to the withdrawal of some members. Some members wanted to use their share capital as payment of their loans but offsetting was not allowed as per by-laws and constitution. As a result, some members withdrew their membership just to refund their share capital to pay their loans in the cooperative.

The General Assembly meeting was held every last Saturday of February. The duties and responsibilities of members are presented in Exhibit 2.

Table 1b shows the percentage of regular members who attended the regular general assembly meeting for the past 12 years of operation. It was only in 1996 when the number of regular members who attended the general assembly meeting reached to more than 60%. In the latter years, the number of members attending the general assembly had decreased particularly in 2003 wherein 24.46% of the regular members attended the said assembly meeting. This implies the lack of involvement of members in the activities and affairs of the cooperative particularly on general assembly meeting.



Table 1a. Growth in Membership

YEAR	NUMBER OF MEMBERS	% INC/DEC
1994	1593	-
1995	1785	12.05
1996	1878	5.21
1997	2014	7.24
1998	2076	3.08
1999	2115	1.88
2000	2348	11.02
2001	2487	5.92
2002	2524	1.49
2003	2569	1.78
2004	3452	34.37
2005	3764	9.04
Annual Average Increase		8.46



Table 1b. General Assembly Attendance for the past 12 years

YEAR	NO. OF REGULAR MEMBERS	GA ATTENDANCE	PERCENTAGE
1994	998	515	51.60
1995	1140	453	39.74
1996	1178	807	68.51
1997	1272	740	58.18
1998	1354	662	48.89
1999	1391	617	44.36
2000	1255	634	50.52
2001	1663	871	52.38
2002	1708	870	50.94
2003	1762	431	24.46
2004	1969	667	33.88
2005	2141	741	34.61
Mean			46.51

Business operation of the Cooperative

Lending Operation. The lending operation started when the cooperative was re-organized in 1971. It was the main service of the cooperative that aimed to provide financial needs to the members. This was the business where the cooperative gained the highest net surplus among the businesses.

The types of loan granted by the cooperative, purpose of each type and the policies are presented in Exhibit 7. Policies need to be changed as the needs and demands



of the member's changes. On May 18, 2005, the cooperative had amended its policies. Policy implementation was not strictly implemented especially the five C's of credit in granting loans. The loan officer usually based the amount to the general requirement that was three times of the applicants paid-up share capital. The borrowers complained when the loan officer based it on the five C's of credit especially those who knew it.

Trading / Consumer Operation. To augment the increasing needs of the members who were mostly farmers, the cooperative expanded its services through the opening of a farm input retail outlet called Bad-ayan Community Buying Club. Further, an expansion building was constructed in Bot-oan, Catlubong in order to meet the needs of its increasing members. Policies on trading service are shown in Exhibit 8.

Lodging. Since most of the children of the members push through their studies in La Trinidad and Baguio City, the cooperative constructed a four-story boarding house in a cooperative lot located at Buyagan, Poblacion, La Trinidad, Benguet. The construction of the building was from a grant request from the MISEREOR of Germany. The first floor of the building was used as a consumer store. The second and third floor was used for boarding rooms while the fourth floor was boarding rooms and office. In 2003, they had a rent income of P 408, 754.00 but decreased by 363, 278.60 in 2004 and increased again by 522, 399.50 in 2005. Policies are shown in Exhibit 9.

Deposits. The cooperative also accepted deposits from members either in the form of regular or special savings (VEGEE DEPOSIT). Regular and special savings were open to all regular and associate members. Minimum deposit was fifty pesos (50.00) and the maintaining balance to earn interest was Five Hundred Pesos (500.00). Interest rate on savings deposit was 4% per annum but may be increased or decreased depending on the



prevailing economic condition. Interest rates on special savings were based on the amount and terms as prescribed by the BOD, Exhibit 10.

Farm Guidance. The joint use of tramline was the new business of the cooperative, which was introduced by the CDA-JICA to the pilot cooperatives as an innovative approach to strengthen its services and at the same time improve farming technology while reducing the production cost of the farmer members. The facility was assigned to farmers group who in turn rent out to farmer beneficiaries. All the income derived from the operations was remitted to the cooperative but it was known that not all the income was remitted and most of the farmer beneficiaries were hiring it on account.

Social Services of the Cooperative

Mortuary Aid Program. The cooperative was an avenue where people learn the value of sharing and to show cooperativeness by helping a person who needs assistance in times of crises.

MAP provided assistance to the family of the members who passed away. The requirements in availing this program are presented in Exhibit 11.

Community Assistance Fund. This community assistance fund was used by the cooperative to provide assistance to the family of the non-members who passed away. They also provided assistance for barangay development and when there were disasters, they provided assistance to the victims. Refer to Exhibit 11.

Health Fund. This service was only availed by the officers, staffs and members who enrolled in this program. For more information refer to Exhibit 11.



Scholarship Assistance Program. Poor but deserving dependents of the cooperative's members were given the chance to pursue their studies. BABUDEMPCO had started granting scholarship program for students especially high school students on June 1988 and as time passed, the cooperative had included to grant the same program to college students. More scholars were granted through the help of some foreign affiliates and friends. The cooperative extended minimal amount as one help in the pursuit of their studies, though the amount was a small factor in the history of their success. It was the coop firm belief that self-determination and self-discipline are one of the bottom lines to reach one goal. As of December 31, 2005, the cooperative had 43 scholarship grantees. Out of the 43 grantees, five had finished college. The first graduate was Filamer Agustin, an Engineer, followed by Jane Calubandi, Pharmacist, Marlyn Bay-an and Sherma Kiblasen, both were Commerce graduate and Jefferson Pakias, CPA. These graduates are now practicing their professions but not an employee of the coop. However, it did not mean that they have forgotten the coop. They are still in contact with the coop; they patronize the service of the coop by depositing their money in the cooperative. Refer to Exhibit 11 for the requirements and features.

Paid-Up Share Capital

The paid-up share capital is presented in Table 2. There was a continuous increase in the paid-up share capital from year to year although at a decreasing rate except in 2004. However, actual values indicated that annual increases were constantly about more or less P 1,000,000.00. Share capital continued to increase primarily due to the continuous increased in membership. It was only in 2001 where there was a slight



decrease of 0.49% due to withdrawal of some members. In 2002, it increased slightly to 2.47% and continued to increase in 2003 to 2005 with 6.32%, 12.84% and 8.04% respectively.

Table 2. Growth in Share Capital

YEAR	SHARE CAPITAL	% INC/DEC
1991	2,903,736.33	-
1992	4,016,544.46	38.32
1993	5,175,746.52	28.86
1994	6,423,830.96	24.11
1995	7,782,053.37	21.14
1996	9,195,054.06	18.16
1997	10,699,116.22	16.36
1998	12,330,438.88	15.25
1999	13,557,198.00	9.95
2000	14,981,633.20	10.51
2001	14,908,871.91	(0.49)
2002	15,276,768.87	2.47
2003	16,242,043.15	6.32
2004	18,328,304.64	12.84
2005	19,802,669.30	8.04
Mean		15.15

Total Assets

Table 3 shows the amount of total assets. The cooperative had total assets of P10,459,048.42 in 1991. There was a continuous increase in 1992 to 2001 with an average percentage of 14.90%. However, in 2002, assets decreased by 10.55% brought by the



decreased in investments to other cooperative. In 2003, it increased by 9.51% and 21.90% in 2004. In 2005, it again decreased by 2.89% due to the decreased in cash on hand and in cash in bank, cash advances to officers and employees and computerization costs.

The increase in assets was a positive indicator of the ability of the cooperative to mobilize resources in order to meet its need. The increase in asset could be attributed to the increased in the investments of members in the form of time and savings deposit, share capital and equity. The decreased in the value of fixed assets was due to depreciation cost.

Table 3. Growth in Total Assets

YEAR	TOTAL ASSETS	% INC/DEC
1991	10,459,048.42	-
1992	11,021,237.82	5.38
1993	12,923,299.95	17.26
1994	14,823,570.78	14.70
1995	22,368,374.30	50.90
1996	25,508,31.50	14.04
1997	27,818,030.35	9.05
1998	30,395,886.24	9.27
1999	33,774,893.11	11.12
2000	34,674,112.22	2.66
2001	39,724,433.01	14.57
2002	35,533,428.95	(10.55)
2003	38,913,468.80	9.51
2004	47,434,250.63	21.90
2005	46,063,016.50	(2.89)
Mean		11.92



Total Liabilities

In 1991, the total liability was P6, 537, 187.25. It decreased by 14.54% in 1992 while in 1993 to 1994; it slightly increased by 1.08% and 4.20% respectively. It was in 1995 when it had an increase of 51.47%. In 1996 to 2000, there was a slight increase. The increase in the total liability of the cooperative was brought by the increase in the savings deposit of members' and external borrowings. It decreased by 2.98% in 2001 while in 2002; it increased by 26.38% and continued to increase by 3.90% and 29.03% in 2003 and 2004. It decreased by 13.44% in 2005. The decrease in the total liability was due to the partial payment of external borrowings and accounts payable and withdrawal of savings deposit by members'.

Table 4. Growth in total Liabilities

YEAR	TOTAL LIABILITIES	% INC/DEC
1991	6,537,187.25	-
1992	5,586,425.01	(14.54)
1993	5,646,948.48	1.08
1994	5,884,277.68	4.20
1995	8,913,117.08	51.47
1996	9,329,960.19	4.68
1997	9,592,615.11	2.68
1998	10,238,939.41	6.73
1999	10,377,930.16	1.36
2000	11,387,401.91	9.72
2001	11,047,733.38	(2.98)
2002	13,962,302.04	26.38
2003	14,506,576.31	3.90
2004	18,718,401.92	29.03
2005	16,201,739.41	(13.44)



Net Surplus

The increased net surplus of more than 100% in 1996 and 1999 was primarily due to the extension of consumer services and the increasing number of members who patronized the services of the cooperative. The decreased in net surplus especially in 2001 by 46.37% was brought by the allowance on probable loan losses allocations amounting to P702, 240. 19. The decreased in 1994 and 1995 was brought by the losses in their trucking business, for the income realized were not enough to cover repair and maintenance expenses of the trucks.

Table 5. Growth in Net Surplus

YEAR	NET SURPLUS	% INC/DEC
1991	572,911.82	-
1992	673,003.67	17.47
1993	797,871.54	18.55
1994	560,062.41	(29.81)
1995	512,458.65	(8.50)
1996	1,085,077.91	111.74
1997	1,223,993.14	12.80
1998	723,891.39	(40.86)
1999	1,553,443.74	114.60
2000	1,152,148.87	(25.83)
2001	617,907.87	(46.37)
2002	716,972.00	16.03
2003	611,124.21	(14.76)
2004	769,752.56	29.96
2005	832,769.71	8.19



Financial Ratios for 2005

Stability

$$1. \text{ Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Asset}} = \frac{16,201,739.41}{46,063,016.50} \times 100 = 35.17\%$$

Debt ratio shows the proportion of total asset financed by liability. The computed debt ratio in 2005 showed that 35.47% of the total asset was source out from liabilities.

$$2. \text{ Equity Ratio} = \frac{\text{Members Equity}}{\text{Total Asset}} = \frac{20,628,964.96}{46,063,016.50} \times 100 = 44.78\%$$

Equity ratio is the counterpart of the debt ratio. It shows how many percent of the total asset of the cooperative would be retained if all liabilities were to be paid. The result showed that 44.78% would be left in the cooperative if all liabilities were to be paid. This showed that the cooperative was still in good standing because its equity ratio was higher than the debt ratio.

Profitability

$$1. \text{ Return on Investment (ROI)} = \frac{\text{Net Surplus}}{\text{Total Equity}} = \frac{832,769.71}{20,628,964.96} = 4.04\%$$

The Return on Investment (ROI) shows that the members' share in the cooperative had earned a rate of return of 4.04% in 2005. This rate of return showed that the cooperative was not doing well, it was below the ideal rate of 5% - 20%.



$$2. \text{ Net Surplus Ratio} = \frac{\text{Net Surplus}}{\text{Net Income/Sales}} = \frac{832,769.71}{4,549,402.04} = 18.31\%$$

The net surplus ratio measures the earning power of members. The computed ratio 18.31% showed that the business was no longer profitable because it was below the ideal rate, which was 20%, and above.

Liquidity

$$1. \text{ Current ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}} = \frac{35,701,262.02}{14,234,349.45} = 2.51$$

The current ratio analysis aimed to measure the cooperatives' ability to immediately meet its maturing obligations. The computed ratio of 2.51 showed that the cooperative had the ability to meet its short-term indebtedness that was higher than the rule of thumb, which was 2:1.

$$2. \text{ Past-Due Rate} = \frac{\text{Total Delinquency Loans}}{\text{Total Loans Granted}} = \frac{8,323,440.71}{27,415,537.65} = 30.36\%$$

The past-due rate shows how many percent of the total loan receivable was past due. The result showed that 30.36% was past due; it was very high as compared to the ideal rate that was 5% or less. This could mean that the collection system of the cooperative was not effective or lack of paying capacity of the member-borrower.



Strategies Employed by the Bad-ayan Buguias
Development Multi-purpose Cooperative

1. An introduction of viable and feasible projects and programs that will increase the income of members like organic farming to improve farm management, promote health, and lessen inorganic fertilizers and pesticides expenses and protect the environment as well.
2. Continuous training of officers/staff/members, as a way of developing knowledge and awareness of the fast global changing. To be ready for the genetic life coming in for self-management and to fight the right and to be the advocacy implementors.
3. Mandatory collection of P50.00 per member, automatic per diem deduction (20%), (50%) on dividend, 1% loan retention and P50.00 salary loan, and 5% monthly net salary of staff in favor of their share capital.
4. Implementation of the “tutok system” (house to house collection) to lessen loan delinquency.



SUMMARY, CONCLUSION AND RECOMMENDATION

Summary

The study was undertaken primarily to assess the growth of the cooperative in terms of its membership, share capital, total assets, liabilities, and net surplus, looked into the policies of the cooperative and assess their implementation, determine the problems encountered by the cooperative, and know the strategies employed by the cooperative for further development and improvement.

The manager of the Bad-ayan Buguias Development Multi-Purpose Cooperative (BABUDEMPCO) whose office is located at Bad-ayan, Baculongan Sur, Buguias, Benguet, was interviewed.

As to the growth of the cooperative, its general membership had been growing at an annual average rate of 8.46% from 1994-2005, with the most remarkable increase of 34.37% in 2004. Said growth could be attributed to the expansion on the area of operation undertaken by the cooperative as well as the continuous information campaign initiated by the officers on the privileges, advantages and benefits that could be received by cooperative members. Attendance to the annual general assembly meeting was not quite satisfactory, not even half (46.51%) of the general membership attended the affair. For the members share capital, it was increasing at an average rate of 15.15%. Likewise, total assets had been increasing at 11.92% per annum on the average. From a mere P10.46M it more than quadrupled to P46M, in 2005. Out of the current value of assets, 44.78% and 35.17% represents members' equity and total liabilities of the cooperative, respectively. This indicated that the cooperative was in good standing because its equity was greater than its liabilities. It was also found out that 77.5% of the total assets were



current assets, which means that it was not tied up to fixed assets, indicating that the business is liquid. This was further supported by its current ratio of 2.51 that was higher than the rule of thumb of 2:1. One serious problem though was their loan receivables where past due loans were quite high. For 2005, the rate was 30.36%, which was way above the acceptable/ideal rate of 5% or below. For the cooperative liabilities, it was also constantly increasing from year to year except for 2001 and 2005. The good thing was that, the bulk of the liabilities were from savings and time deposits of members, a good sign that the members have a trust in the cooperative. In terms of net surplus, the cooperative never realized a net loss throughout the past 15 years although there were periods where it encountered significant decreases. These decreases could be attributed to the losses incurred in their trucking business and the allocation they made on the allowance on probable loan losses. As to profitability, ratios indicated that for the current year (2005), the cooperatives net surplus was falling below the ideal rates. These could be attributed by some not so profitable ventures the cooperative had engaged in like social services expenses to members and to the community, including some administrative expenses.

As to the different policies of the cooperative, all were being strictly followed and implemented except for some like the factors considered in granting loans, specifically the five C's of credit (Character of the borrower, Capacity to pay, Collateral/Co-maker, Capital and Condition). Because of the many informal complaints and negative feedback's from prospective borrowers, the management was flexible on the said policies and instead should concentrate on the share capital of the members, where they would grant a loan 3x to it.



Based on interviews, some concerned members stated that there existed some conflict of interest by some officers, communication gap among officers, management staff and members.

To improve more on the performance of the cooperative, it recently introduced projects that would increase income of members and the cooperative as well as organic farming, more regular and continuous training to both officers, staff and members, a more share capital build-up, the “tutok system” or house to house collection to lessen loan delinquency.

Problems Identified

Based on the results and analyses of the study including that of the observation of the manager, the following problems are identified:

5. What possible courses of action should the management undertake in order to improve its profitability?
6. What possible courses of action should the management do to lessen if not totally solve the loan delinquency problems?
7. What strategy should they employ to improve attendance to general assembly meetings?
8. What actions should be undertaken to solve the misunderstandings among officers, management staff, and members?



Alternative Courses of Action

1. The management should carefully study what business/services the cooperative should maintain and/or improve more if not discontinue.
2. It should study and further analyze what particular expenses could possibly be lessened without necessarily sacrificing the cooperative's operation.
3. The management should strictly screen prospective borrowers and follow the five C's of credit in granting loans religiously.
4. The management should strictly implement its policies on the co-makers liability/obligation so as for them to really compel the borrowers to pay their past due loans.
2. Continuous cooperative education and training should be conducted regularly to members as well as officers and management staff as well as proper guidance for them to fully understand more about the policies being implemented and to strengthen their knowledge to come with a successful and well-developed cooperative.
3. Members should be encouraged to attend the general assembly meetings and other activities for them to be updated on the status and policies of their cooperative and for them to have a chance to voice out their concerns.
4. The harmonious working relationship between the officers and the member-employees of the cooperative should be strengthened to hasten the delivery of service to other members. This could be possibly done through regular planning workshops and values orientation.



Conclusion

1. The general membership had been growing at an annual average rate of 8.47% from 1994-2005.
2. The members share capital was increasing at an average rate of 15.15%.
3. The total assets had been increasing at 11.92% per annum on the average.
4. The net surplus of the cooperative never realized a net loss throughout the fifteen years of operation although there were periods where it encountered significant decreases. As to profitability, ratios indicated that for the current year (2005), the cooperatives net surplus was falling below the ideal rates.
5. As to the different policies of the cooperative, all were being followed and implemented except for some like the factors considered in granting loans, specifically the five C's of credit (character of the borrower, Capacity to pay, Collateral/Co-maker, Capital and Condition).
6. Based on the interviews, some concerned members stated that there existed some conflict of interest by some officers, communication gap among officers, management staff and members.
7. Recently, the cooperative introduced projects that would increase income of members and the cooperative as well as organic farming, more regular and continuous training to both officers, staff and members, a more share capital build-up, the "tutok system" or house to house collection to lessen loan delinquency.



Recommendations

1. Based from the cooperative's financial reports, it shows that the primary source of revenues are from the income from loans, sales from farm inputs, and the rent income from their boarding house at Buyagan, La Trinidad. The cooperative should then concentrate on them. Since their primary service is lending and it is the one giving them the highest profit, they should then continue with it. For their farm input business, since the cooperative is located in a farming community characterized by more or less commercial farms, they should also continue with the said service. As to their boarding house business, since such ventures is generally considered as profitable and entails low maintenance cost, they should then continue with it and try to expand the said business by identifying available lands within La Trinidad area where additional boarding houses would be put up. As to their trucking business, since the result of the financial operations indicate decreasing incomes due to the high cost of repairs and maintenance, less trips because almost all farmers in the area have their vehicles; it is recommended that they find other ways on how to maximize the utilization of their trucks.
2. The cooperative should then look into possible market outlets for the vegetable products of members in manila. They should enter into marketing agreements with the institutional buyers like hotels and restaurants, supermarkets, etc. Doing these would not only entail more profits to both the members and the cooperative but also for their trucking to be fully utilized.



3. The management should look into unnecessary expenses the cooperative is incurring. It was noted in the financial report that employee's benefits tripled from the previous year, management may consider looking into.
4. On loan delinquency problems, the cooperative before hand should properly implement the factors considered in granting loans, they should be flexible even though they often hear complaints from borrowers. Prospective borrowers should strictly be screened. Since the liabilities of co-makers as stated in their policy is not strictly implemented/ followed, they should implement it to exert more effort to compel the borrowers to their pay past due loans.
5. Since one of the factors considered in granting loans to members is attendance to meetings, the cooperative should then disapprove loan applications of members who are not attending meetings as disciplinary action. The cooperative may also distribute prizes to those who are present during general assemblies. It may also allocate fund for the purpose of giving even a little amount to be credited to the share capital of members who are successively attending the annual general assembly. Doing these may increase members' attendance.
6. Continuous cooperative education and training should be conducted regularly to members as well as officers and management staff as well as proper guidance for them to fully understand more about the policies being implemented and to strengthen their knowledge to come with a successful and well-developed cooperative.
7. There should be a regular planning workshops among officers and management staff so that there are harmonious working relationship could be strengthened and in order to hasten the delivery of service to members and non-members.



LITERATURE CITED

BABUDEMPCO. 2005. Bad-ayan Buguias Development Multi-Purpose Cooperative Manual of Operation. Pp. 4-6.



EXHIBIT 1
ORGANIZATIONAL STRUCTURE OF BABUDEMPCO

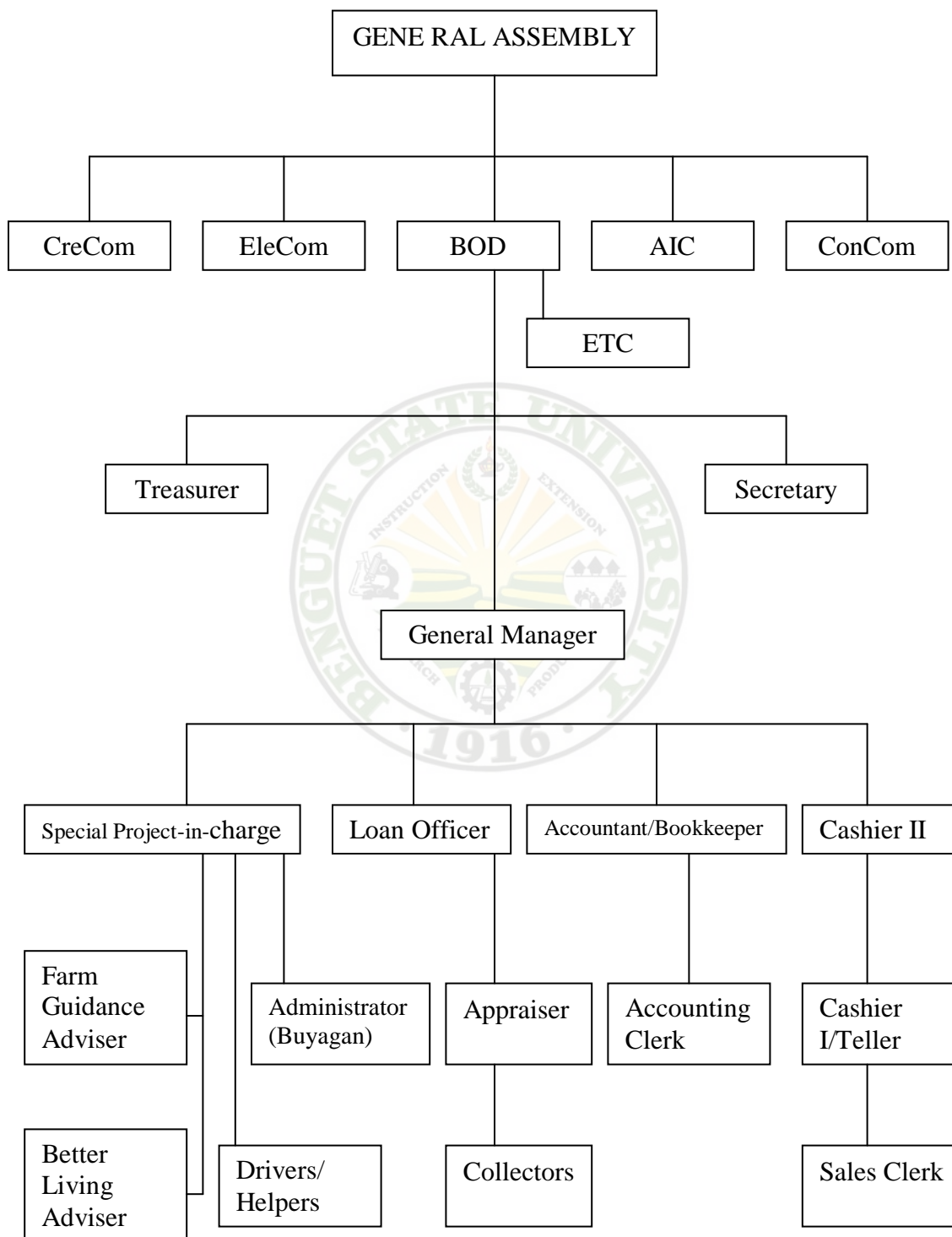


EXHIBIT 2

DUTIES AND RESPONSIBILITIES OF MEMBERS

Duties and responsibilities of members:

1. Contribute to the capital of the cooperative through share capital contributions, payment of membership fee, savings deposit and other means as provided in the by-laws and as per policy formulated by the general assembly and the board of directors;
2. Pay his/her accounts and obligations as they become due and payable;
3. Patronize the services and business of the cooperative;
4. Vote for qualified, competent, honest, respectable and dedicated members of the cooperative as per by-laws;
5. Actively participate in general assemblies and other activities of the cooperative;
6. Promote and advertise the cooperative and its business and services; and
7. Attend training, seminars, workshops, etc. as directed by the board of directors or management.



EXHIBIT 3

POWER, DUTIES AND ESPONSIBILITIES OF THE BOARD

1. Act on membership applications;
2. Terminate membership;
3. Fix the date of regular, and call special meetings of the general assembly;
4. Admit as directors or committee members appointees from creditor financial;
5. Hold regular and special meetings to act on the business affairs of the cooperative;
6. Fill up vacancies in the board;
7. Elect and/or appoint officers;
8. Appoint committees, delegate powers thereto and fill vacancies therein;
9. Determine the compensation of certain officers and employees;
10. Approve the disposal of records;
11. Determine the adequacy of bonds of accountable officers;
12. Approve assignment of shares;
13. Raise revolving capital as authorized by the general assembly; and
14. Present complete audit reports to General Assembly.



EXHIBIT 4

DUTIES AND RESPONSIBILITIES OF COMMITTEES

Audit and inventory Committee

1. Undertake periodic internal audit of the book of account and other records and documents of the cooperative.
2. Serve as the financial consultant of the board of directors.
3. Conduct periodic inventory of fixed assets and other properties of the cooperative.
4. Render periodic reports to the board of directors.
5. Maintain a complete record of its audit/examination and inventory.
6. Undertake periodic performance audit of officers, staffs and personnel of the cooperative based on acceptable standards.
7. Call for a special general assembly to consider urgent matters needing the attention and action of the general assembly.
8. Assist and coordinate with the external auditor during external audits and examinations.
9. Undertake periodic monitoring of projects being undertaken by the cooperative.
10. Make reports on audit findings with evaluation and recommendation to the board of directors and/or general assembly.
11. Recommend policies for consideration and adoption by the board of directors.
12. Conduct regular committee meetings and keep records of the minutes and proceedings.



13. Familiarize itself with the policies of the cooperative and the essentials of the accounting and recording systems being used by the cooperative.
14. To conduct, examine and verify the financial affairs of the cooperative such as:
 - a) Internal inventory of the assets and pipelines of the cooperative.
 - b) Cash on hand and cash in bank deposits, securities and properties periodically.
 - c) Members' individual ledger.
 - d) Borrowers' loan applications.
 - e) Budget as prepared by the manager.

Credit Committee

1. Screen, evaluate and act on loan applications and recommend approval or disapproval as the case maybe.
2. Supervise all loans to members.
3. Monitor the use of loan proceeds and see to it that it is being used for the purpose applied for as approved.
4. Assist in the collection of loan repayments.
5. Recommend loan and saving policies for consideration and approval by the board of directors.
6. Render reports to the board of directors and general assembly on the loaning operations of the cooperative.
7. Conduct regular committee meetings and keep minutes of such meetings.
8. Familiarize itself with the cooperative's policies on loans and savings and credit procedures.



9. Keep an update record of all actions taken by the committee on loan applications.
10. In the absence of one (1) credit committee, the majority members have the power to approve/disapprove loan proposal.

Education and Training Committee

1. Develop plan and implement promotion and educational training designs, materials and tools in support to the approved education and training programs.
2. Conduct regular seminars for prospective members.
3. Assist in screening and recommending prospective members.
4. Assist in the election committee in the identification, tapping and motivating of potential leaders.
5. Help conduct Credit investigation and background Investigation (CIBI) of applicants for membership.
6. Perform public services.

Election Committee

1. Promulgate rules, regulations and procedures in the conduct of elections of directors, committee members and other elective officials of the cooperative in accordance with the policies.
2. Pass upon the qualifications of candidates for elective positions.
3. Supervise the conduct of elections.
4. Proclaim the winning candidates.



5. Decide on matters pertaining to election and questions of qualifications of candidates in accordance with policies of the cooperative.
6. Decide election protest after due process.
7. Recommend policies on election and qualification of candidates for consideration and approval by the board.
8. Supervise the voting for the removal of elected officers and all other matters needing their intervention.
9. Conduct regular committee meetings and keep minutes of such meeting in other proceedings.
10. Conduct credit investigation and background investigation (CIBI) in screening of candidates. To closely coordinate with management on status of accounts of applicants/nominees before and during general assembly.

Conciliation/Grievance Committee

1. To conciliate, hear and decide all intra cooperative disputes between and or among members, officers and the community.
2. Subject to the approval of the general assembly, to issue supplemental rules and procedures concerning conciliation processes as maybe deemed necessary.
3. Exercise such other powers and maybe necessary to insure speedy, just, equitable and inexpensive settlement of dispute with in the cooperative.



EXHIBIT 5

OFFICERS AND THEIR DUTIES AND RESPONSIBILITIES

Board Chairman

1. Sign all contracts and agreements, which the cooperative may enter into.
2. Sign pertaining transactions involving the manager.
3. Approve/disapprove the loan of the manager.
4. Assist the manager in all business transactions.
5. Preside over all meetings of the cooperative and the board of directors.
6. Perform all acts and duties actually performed by the presiding officer.
7. Perform such other duties as the board may prescribe.
8. Prepare agenda of the meeting with manager.

Vice Chairman

In the absence, disability or incapacity of the chairman, the vice-chairman shall perform the duties and responsibilities of the chairman. Provided, however, that in case of death, resignation, removal or permanent incapacity of the chairman, the board of directors may decide to elect his successor. The vice-chairman of the board shall serve as an Ex-Oficio Chairman of the education committee.

Treasurer

1. Take custody of all money, securities and papers acquired by the cooperative and maintain complete records of all its transactions.



2. Keep a complete record of its cash transactions for the establishment of proof of his cash position at any given time and date.
3. Pay all financial obligations incurred by the cooperative approved by the manager/ or board of directors.
4. Turn over to his /her successor all money, securities, papers, books and other properties belonging to the cooperative in his possession upon the expiration/termination of his term of office.
5. Post an adequate bond to assure the faithful performance of his duties.
6. Render report and certify the correctness of cash position of the cooperative in all financial statements and other records submitted to the board of directors, the general assembly in the cooperative and development authority.
7. Sign and process pertinent documents upon authorization of the board of directors.
8. Perform duties of the secretary in the latter's absence or inability to perform his duties as the board of directors may prescribe.

Secretary

1. Keep and maintain a complete registry of all members and record minutes of all meetings of the board of directors and the general assembly.
2. Give notice of all meetings called.
3. Keep and maintain the share and transfer book and serve as the custodian of the corporate seal of the cooperative.
4. Turn over to his successor all books and records and other properties belonging to the cooperative in his possession upon the expiration/termination of his term of office.



5. Perform the duties of the treasurer in case of the latter's absence or inability to perform his duties.
6. Perform other duties as the board of directors may describe.



EXHIBIT 6

DUTIES AND RESPONSIBILITIES OF THE MANAGEMENT STAFF

General Manager

1. The general manager shall under go policies set by the General Assembly and the board of directors has general charge of all the phases of the business operation of the cooperative. Upon the appointment of his successor, he shall turn over to him all money and properties belonging to the cooperative which have in his possession or over which he has control.
2. Shall maintain records and account of the cooperative in such manner that the true condition of its business maybe ascertained at any time.
3. Render reports monthly, annually or as may be required by the board of directors or the general assembly, and preserve the books, documents, correspondence and records of whatever nature concerning the operations of the cooperative which may come into his possession.
4. Subject to the policies set by the board of directors, he may employ, supervise and/or dismiss any agent or employee in the management force.
5. Post an adequate bond to assure the faithful performance of his duties.
6. Recommend policy to the board of directors based on the operations of the cooperative.
7. Source out funds in cash or kind (with the confirmation or approval of the BOD)



8. Perform such other duties as the Board of Directors may prescribe and turn over to his successor all properties belonging to the cooperative in his possession or over which he has control upon the expiration/termination of his services.

Accountant

1. He shall install an adequate and effective accounting system in the cooperative.
2. Render monthly reports to the General Manager and board on the financial condition and operations of the cooperative and annual reports to the General Assembly or required.
3. Coordinate with the manager and the Audit and Inventory Committee in assisting the board in the preparation of the annual budget.
4. Assist the Chairman of the Inventory Committee in the preservation of the Books of Accounts, documents, vouchers,
5. Contract and record whatever kinds pertaining to the business of the cooperative that may come to his possession.

Bookkeeper

1. See to it that cash received by the treasurer, cashier or collectors are properly receipted and duly accounted for.
2. Record in the books of accounts all transactions of the cooperative and see to it that they are properly supported by the prescribed accounting forms and supporting papers.



3. Check the daily summary reports required if these are submitted with the attached supporting papers.
4. Reconcile his/her records with treasurer's or cashiers records on the cash position at least on a weekly basis.
5. Prepare monthly bank reconciliation of all cash in bank accounts (one per bank account).
6. Prepare the trial balance and financial statement monthly or quarterly as required and make available to the general manager and board of directors.
7. Compute interest on savings accounts on a quarterly basis.
8. Perform such mother functions as directed by the immediate supervisor and general Manager.

Accounting Clerk

1. Assist the bookkeeper record on the day-to-day transactions in the corresponding book of accounts.
2. Maintain subsidiary ledger for account receivables, account payable and members' subscriptions and paid-up share capital.
3. Prepare schedules of the various accounts based on the subsidiary ledgers and reconcile the totals of each account in the balance sheet.
4. Prepare the aging of account receivables and loans receivable at least quarterly.
5. Perform such other functions as directed by the immediate supervisor and General Manager from time to time.



Loan Officer

1. Assist the credit committee in the lending operations of the cooperative.
2. Receive applications for loans duly accomplished by the member-borrower.
3. Record the loan application chronologically in the loan register book indicating the name of the principal borrower, co-maker, collateral if any, purpose of loan and amount of loan applied for.
4. Properly accomplish the verification sheet and process the loan application in accordance with the lending policies.
5. Indicate in the loan registry book the date of loan approval and the amount approved and if disapproved, informs the applicant of the action taken.
6. Assist and coordinate with the general manager and credit committee of the collection of loan.
7. Submit reports to the General manager on loan portfolio especially delinquent loans and past due accounts.
8. Prepare reminder, collection and demand letter and assign responsible staff for its distribution.
9. Responsible in verifying/endorsing itinerary of subordinates.
10. Perform such other functions as directed by the General Manager.

Loan Appraiser

1. Undertake an ocular inspection and investigation of the property offered as collateral for the loan.



2. Gather and appraise credit information including balance sheet and profit and loss statement of the borrower.
3. Prepare appraisal reports, location sketches, and sketch plans of real estate properties.
4. Distribute collection letters, demand letter statement of accounts and other notes.
5. Make periodic reports to the loan officer and/or General Manager on the status of accounts.
6. Perform other functions as may be directed by his/he immediate supervisor and General Manager.

Sales Clerk

1. Responsible for the sale of goods and other commodities in the consumer's store.
2. Take charge of the proper display of goods and other commodities in the cooperative store.
3. Sell goods over the counter for cash or on account depending on the policies formulated by the board of directors.
4. Record the purchases of the members indicating the member's name, goods purchased, amount of purchase and the date purchase.
5. Prepare daily sales summary reports (DSSR) at the end of each day and submit the same to the cashier or treasurer together with the cash collections.
6. Assist the audit and inventory committee in the inventory of stocks on a periodic basis.
7. See to it that the store is secured before leaving his/her workplace.
8. Make a listing of goods and other items to be purchased by the assigned purchaser.



9. Assist in the collection of store accounts if credit sales are allowed as per policy.
10. Make periodic reports to the general manager regarding store operations.
11. Keep the store and premises clean and orderly at all times.
12. Perform such other functions as directed by the immediate Supervisor and General Manager.

Cashier

1. Post an adequate bond as determine by the board as an accountable officer.
2. Receive cash from all sources as determined by the board as an accountable officer.
3. Deposit all cash received in a depository bank designated by the board of directors.
4. Assist the treasurer in the payments of obligations by issuing checks based on approved vouchers and signed by the authorized signatories.
5. Prepare daily summary report indicating the amount of cash received, the sources and the inclusive receipts issued, deposits and disbursements made during the day including the payees, voucher numbers and check numbers.
6. Ensure safety of all documents under his/her custody.
7. Perform such other functions as may be assigned by the General Manage or Treasurer.

Collector

1. Collect payments of loans and other accounts and obligations payable to the cooperative.
2. Submit daily cash or check payment collections to the cashier or treasurer.



3. Prepare periodic summary of collections indicating the payee's name, amount paid, date of payment and account classifications.
4. Distribute collection letters, demand letters, statement of accounts and other notes.
5. Make periodic reports to the loans officer and/or general manager on the status of accounts.
6. Perform such other functions as assigned by the loans officer or General Manager.

Special Project-In-Charge

1. Oversee the operation of the different special project and Buyagan property.
2. In-charge of maintenance and custodian of the cooperative properties.
3. Assist in the purchase of supplies and materials for the cooperative.
4. Assist the General Manager in planning, organizing various activities of the Manager.
5. Prepare budget of the special projects and submits the same to the general Manager.
6. In-charge in keeping records of employees.
7. Does other function as maybe assigned by the general Manager from time to time.

Driver

1. In-charge of the driving the vehicle of the coop.
2. Responsible in maintaining the vehicle.
3. Prepare the required documents for the purchase of vehicle related supplies and for repair and maintenance.
4. Prepare the necessary reports and submit the same to management.
5. In-charge in keeping records of employees.



6. Does other functions as maybe assigned to him by the manager.

Farm Guidance Adviser

1. Upgrading of the management operations of the farm business.
2. Adoption and implementation of modern form of technology and cultural practices.
3. Development of crop and livestock producers group.
4. Improvement of management of joint facilities.
5. Preparation of Rural Agricultural Development Plan.
6. Training of future farm leaders.
7. Collection and dissemination of various agricultural information.
8. Image building of the farmers and their cooperatives.
9. Installation and implementation of monitoring and evaluation system.

Building Administrator

1. Safeguard the building, perform the minor repairs, maintenance and oversees the whole operation.
2. Keep records, safeguard all materials and facilities inside the building.
3. Collect monthly rentals from the occupants, issue provisional receipts and deposit to bank.
4. Responsible in the payment of electric and water bills.
5. Act as an adviser and informant to the boarders.
6. Act as liaison of the cooperative and maintain radio and communication facilities.
7. Render reports (including recommendations) to the Special Project in Charge.



8. Perform other task that may be assigned to him by the Special Project in Charge and General Manager.

Better Living Adviser

1. Provide technical assistance to members in the preparation of the Integrated Life Plan.
2. Provide technological innovations for the improvement of life.
3. Promote and support organizational strengthening in the community.
4. Promote and manage the joint use of facilities.
5. Promote and support leadership development.
6. Development of wholesome public relation and dissemination of information related to improvement of living conditions.
7. Coordination/collaboration with the government and non-government organizations.
8. Submit reports to the Special Project-in-Charge.
9. Perform other duties as may be directed by the immediate supervisor and General Manager.



EXHIBIT 7

BABUDEMPCO LENDING POLICIES

A. TYPES OF LOANS

1. Productive Loan - Purposely for income generating projects. For vegetable production, livestock, land improvement (agricultural or commercial), commercial store/establishments, land mortgage (productive), payment of lot intended for agricultural production.
2. Providential Loan – Non-income generating project.

Kinds of Providential loan:

- a. Emergency Loan – Loans to meet emergency needs like bereavement and medical loan.
- a. Educational Loan

3. Other Loans

Kinds:

- a. Salary Loan
- b. Mobilization Loan – Loans purposely for financing projects.
- c. Placement Loan –Loans purposely for the payment of placement fee.
- d. Housing Loan – Loans purposely for building house or buying house for shelter.
- e. Fringe benefit Loan – Fringe benefit but in term of loans extended to all qualified personnel. Purposely for lot acquisition, lot improvement and house and lot (Residential or Commercial)



B. FACTORS TO BE CONSIDERED IN THE GRANTING LOANS

The five C's of Credit shall be considered as factors before lending loans:

1. Character of the Borrower: 30%

This includes the depositing and repaying habits, reputation to the community or from previous employment and attendance in meetings sponsored by the cooperative.

2. Capacity to pay: 30%

This considers the health, size of the family/number of dependents, amount of uncommitted income, payment schedule fit the borrowers cash flow, total monthly debt/net monthly income and obligations to other lending institutions.

3. Collateral/Co-maker: 10%

Collateral by itself does not repay the loan, it is a means of gaining control over some of the borrower's assets or capital. The loan term should never exceed the usual life of the collateral and loan amount should not exceed the value of collateral, savings balance and unsecured limits as determined by the policy. Do not ever lend on collateral. Provide loans from 50%-75% of the appraised value of the collateral.

4. Capital: 15%

This considers the asset growth. Has the member made steady, even if slow? Savings growth the members save consistently in the coop? Do the members live beyond their means?

5. Condition: 15%

This considers the health, circumstances of the economy, industry, cooperative environment in which the credit is granted. Remember that conditions are peripheral circumstances; they are not a basic principle of credit.



C. LOAN PROCEDURE/PROCESS

1. The loan applicant submits completely filled up application form together with the needed/required supporting documents.
2. The loan officer will make the necessary verifications and checks cooperative records for existing and past records; conduct initial interview and counseling using income, index, collateral offered and CIBI results with other lending institutions.
3. The loan application is submitted to the General Manager for review and approval if the amount is within his/her level of approval, or endorsement to the credit committee and board of Directors if beyond.
4. The Credit committee meets en banc to review applications endorsed by the manager.
 - i. Once the Credit Committee approves loan applications, the credit folders are returned to management for the preparation of other documents.
 - ii. If the loanable amount is above the approving authority of the CreCom, the loan application is endorsed to the BOD for action then returned to management.
 - iii. Upon receipt of credit folder, management will prepare release documents and conduct pre-release orientation and counseling.
5. The Cashier/treasurer to the borrower releases loans.
6. The Accounting Clerk posts loans to the subsidiary ledger and passbook.
7. Collectors do their rounds of monitoring loan utilization and/or collection.



D. GENERAL REQUIREMENT ON LOAN

1. He/she is a regular member of the cooperative for at least six (6) months.
2. Have a minimum share capital deposit of Three Thousand (P3, 000.00) pesos.
3. Submit collateral or use co-maker in availing more than the amount of share capital.
4. Loan with collateral amounting to Twenty One Thousand (P21, 000.00) Pesos and below does not need to be registered at the registry of deeds for mortgage process.
5. Loan with collateral amounting to twenty One Thousand One (P21, 001.00) Pesos and above need to be registered at the registry of deeds for mortgage process. except for Salary Loan).
6. Members aging 70 years old and above when borrowing shall be covered by BLPP except CLPP insurance.
7. Except for mobilization loan, an individual borrower can avail a total amount of Three Hundred Fifty Thousand (P350, 000.00) Pesos from the different loan windows.
8. Except for Mobilization Loan, all loans are limited up to three times (3x) of the applicants paid up share capital in the cooperative but not to exceed loan ceiling.
9. Husband and wife cannot borrow at the same time except for loans not exceeding 100% of their share capital.
10. All Real State Mortgages must be located within the municipality of Buguias.
11. All Past Due Loans shall be restructured upon payment of past due interest, penalty, at least ten (10) percent of principal balance and computed interest and charges on the restructured amount.



12. Past Due Loans shall only be restructured twice and to be settled for a maximum of 360 days or 12 months.
13. Current (new accounts) loans paid in advance before due date shall be entitled to rebates.
14. Collateral and or share capital of co- maker if amount being borrowed exceeds the share capital of the borrower.
15. Share capital of parents can be used as additional security by the child or any member of the family to avail loan provided with consent.
16. Loans shall be granted to member-borrowers that are physically and mentally fit.
17. Penalty of one (1) percent per month shall be imposed on past due loans.
18. Processing of Real Estate Mortgage and cancellation papers shall be performed by member-borrowers.

Specific requirement and features

1. For Placement Loan:

Requirement and Features:

Photocopy or Xerox of the following:

- a. Passport
- b. Employment Contract
- c. VISA
- d. PDOS (Pre Departure Orientation Seminar Certificate)

2. For Commercial Loan/Entrepreneurial Loan:

Requirement and Features:



- a. The cooperative shall accept Deed of Assignment of stall rights and Dacion en Pago as additional security of loans.

3. For Salary Loan:

Requirement and Features:

- a. The maximum loan term is Two (2) years with monthly amortization.
- b. Latest Pay Slip of the member-borrower.
- c. Straight computation of interest and pre-deducted upon release during the first year and add on computation of interest remaining loan balance on the second year.
- d. A retention of 2% shall be deducted outright from the loan and a Fifty- (50.00) Pesos monthly capital build-up.
- e. Monthly payment through salary deduction.
- f. Loanable amount is Net salary X 5.
- g. MOA with the disbursing officer for the monthly salary deductions.

4. Emergency Loans:

Delinquent borrower cannot avail of emergency loan.

4.1 Bereavement Loan

Requirement and Features:

- a. Only one member from among the members of the bereaved family shall be granted loan.
- b. At least one guarantor from the immediate family members to guarantee the loan.
- c. Cash or in kind is given depending on the needs of the person with a maximum amount of Twenty Thousand (P20, 000.00) Pesos.



- d. A pre-deducted service charge of 1% shall be imposed on the loan. Loan payment shall be collected just after the burial without interest.
- e. The guarantor has the responsibility to assist in the collections.

4.2 Medical: For hospitalization and medicine only.

Requirement and Features:

- a. One month term without interest but with a service fee of 2%.
- b. One percent (1%) fine if not paid after the maturity date.
- c. Maximum loan amount is Five Thousand (5,000.00) Pesos.

5. Educational Loan: for additional fees and school necessities.

Requirement and Features:

- a. Applicant must be the parent of the beneficiaries and must have a minimum Share capital of Three thousand (3,000.00) Pesos and a member for at least six (60 months).
- b. If both parents are deceased any of his/her sister, bother, grandparents, or in-laws can avail the program, and provided that the recipient has no existing loan accounts on this program.
- c. Loan term is One Hundred Eighty Days (180) with an interest of 2% per month.
- d. Maximum amount is Seven Thousand (P7, 000.0) Pesos.
- e. After enrolment, official receipts and original copy of Enrolment Form (Student Copy) shall be submitted to the cooperative for proper documentation.
- f. This loan is for college students.

6. For Mobilization Loan:

Requirement and Features:



- a. This fund covers project within or located in the Municipality of Buguias and adjoining barangays in the municipalities of Kabayan, Kibungan, Tinoc, Bauko, Mankayan, Bakun and Atok.
- c. Members are allowed to borrow funds to finance project (even not under their names) upon submission of the following documentary requirements:
 - d. Project Proposal (plans, specifications, the bill of materials)
 - e. Advise of allotment number (AAN)
 - f. Notice of Proceed (NTP)
 - g. Original copy of collateral (tax declaration or title)
 - h. Loan term is One Hundred Eighty days (180) with an interest rate of 2% per month to be deducted upon release.
 - i. Maximum amount of loan is Two Hundred Thousand (P200, 000.00) Pesos. The cooperative shall furnish collection letter to the (project) disbursing officer. During the release of funds, the manager and or the treasurer shall accompany the borrower.
 - j. Authorized amount is 50% of the total project cost but does not exceed the loan ceiling.

E. Collateral Requirements

Real State:

1. Latest revision of Tax declaration/Title with the original owners copy and its latest receipt of tax payment.



- k. The collateral must be under the name of the borrower. In case properties offered collateral is under special Power Of Attorney shall be co-terminus with the loan term.
 - l. Collateral must be improved farm lot, commercial house and lot.
 - m. Redemption period of foreclosed properties shall be 3 years starting from the date of promulgation.
- F. Co-Maker's Obligation:
- 1. Pledge share capital or savings or special deposit as holdout capital and deposit.
 - 2. Help in the monitoring of the borrower project to avoid diversification of funds.
 - 3. Help in the collection of guaranteed loan.
 - 4. Stand as the second priority person to be collected when the member-borrower fails to pay.
- G. Receiving and Releasing of Cash
- a. Passbook is required for staff to record Loan and due date. No passbook, no release.
 - b. Cash will be released based on approved documents on a "First Come First Serve" Policy.
 - c. Official Receipt must be claimed upon payment of loans, interest and other charges.
 - d. Borrower must sign on the Cash Disbursement Voucher.
 - e. In case member borrower cannot personally receive net proceeds of loan, the authorized representative must present properly signed authorization letter.



- f. Loan proceeds shall be released upon approval subject to completion of supporting and release documents. Loan proceed can be taken by authorized member of the family with duly accomplished authorization letter from member borrower.

H. Remedial and Disciplinary Action on Delinquent Loans

1. Loan is considered delinquent after the maturity date. After one month of non-payment it will be classified as past due loan.
2. The cooperative staff shall execute the following:
 - a. Salary deduction if the borrower is gainfully employed.
 - b. The recourse will be done after due process:
 - i. Confiscation of properties possessed by the member.
 - ii. The cooperative will take over/ transfer the collateral/property.
3. Foreclosure of collateral and forfeiture of holdout share capital and deposits.
4. No offsetting of share capital. Member borrowers who opt to use or apply share capital as payment of loan are encouraged to sell their shares to interested cooperative members.
5. A collection charge of 1% shall be imposed on past due loans.

I. Collection Letters/Demand Letters

Guidelines:

- a. Series of collection letters is sent out.



- b. After fifteen (15) days and no action has been received by the officer, notice of personal appearance (First Notice) will be sent by the Loan Officer to the delinquent borrower.
- c. Thirty (30) days after due date, Loan Officer will send 2nd Notice.
- d. Forty-five (45) days after due date, manager send 3rd and Final Notice.

J. COOPERATIVE LOAN PROTECTION PLAN (CLPP)

1. Cooperative Loan Protection Plan (CLPP). The plan is applicable to all loans (except Education and Emergency Loan) of member as follows:

- a. 51,000.00 and above shall be covered by CLIMBS with the following rates:

CLIMBS CLPP RATES

Ages: 16-65	66	67	68	69	70
Rate: 1.25	4.10	4.52	5.00	5.52	N/A

- b. 50,000.00 and below shall be covered by BABUDEMPCO CLPP Rates as follows:

BABUDEMPCO CLPP RATES

Ages: 16-65	66	67	68	69	70
Rate: 1.50	4.10	4.52	5.00	5.52	6.00

CLAIM REQUIREMENTS

a. CLPP

- i. Covering letter of the Manager about the claim.
- ii. Photocopy of group policy with photocopy of the remittance page where the name of the deceased appears.
- iii. Death certificate.
- iv. Loan and share Capital.



EXHIBIT 8
CONSUMER POLICY

Rules and Regulations:

1. Only members are allowed to purchase on account.
2. Credit limit is Two Thousand (P2, 000.00) Pesos payable within one (1) month. After one (1) month of non-payment a penalty of two percent (2%) per month shall be imposed on overdue accounts.
3. Always claim sales of invoice/receipt.
4. Pricing of commodities shall be the responsibility of Manager and Sales Clerk.
5. All consignment made within Buguias above P15, 000, must be approved by the General Manager and or Board of Directors. Levels of approval shall be based on the approved amount under the Codified Approving and Signing Authority. Unsold and unreturned items under consignment shall be credited to accounts of the approving authority.



EXHIBIT 9

BOARDING HOUSE POLICY

A. Requirements:

1. Male and female room occupants are not allowed unless they are brothers and sisters.
2. All boarders are required to pay one (1) month deposit and one (1) month advance based on room rates.
3. Rental payments could be paid per room or per individual (occupants).
4. Non-payment of rentals within 30 days shall be ground for ejection.
5. Post-dated checks shall be considered as payment only when cleared.

B. House Rules:

1. Drinking of intoxicating liquor and smoking within the building is prohibited.
2. Washing of blankets and clothes inside the bathrooms and lavatories is not advisable.
3. Electric ironing will be done inside the room but must be kept off after use.
4. Candle lighting should be given extra care when power is not available.
5. Littering, posting within the building premises is prohibited.
6. Additional charges shall be imposed to boarders using electrical appliances.
7. Outsiders are not allowed to conduct/celebrate parties, bible studies, fellowship, and meetings in the building premises.
8. Bringing of unknown persons (standby) is not allowed.
9. Vendors, peddlers are not allowed inside the building.
10. Always close the faucet when not in use.
11. Always turn-off lights and unplug electrical appliance before leaving the room.



12. Avoid noise not to disturb others.
13. Damages on building properties shall be the responsibility of the concerned person.
14. Observe cleanliness and dispose your waste properly.
15. Rent must be paid every end of the month.
16. Visitors must be entertained at the lobby.
17. Only parents, brothers/sisters are allowed to stay overnight otherwise a transient room is available.
18. Curfew hour for boarders is 9:30 p.m. except those with permission.
19. Visitors are allowed until 7:00 p.m.
20. Telephone call is until 9:00 p.m.
21. Turn-off lights when not in use.

C. Parking Space

- a. For regular boarders and for rentals.
 1. Parking of vehicles is allowed for an hour or overnight only.
 2. Boarders who work as vehicle drivers of other agency/companies must not abuse the parking services of the cooperative rather they must park their vehicles at their designated parking area.

D. Water Services

- a. The water is for boarders' use only.
- b. Strictly not for washing of cars and root crops.



EXHIBIT 10
DEPOSIT POLICY

A. REGULAR SAVINGS

1. Coverage

Open to all regular and associate members.

2. Features:

- a. Maintaining balance to earn interest is Five Hundred Pesos (500.00).
- b. Minimum deposit is Fifty Pesos (50.00).
- c. Two authorized representatives are needed to sign five times (5x) on the specimen signature card.
- d. Fill-up deposit slip for every deposit made.
- e. Can be used as holdout collateral for loan but cannot be withdrawn until the loan is fully paid.

3. Dormancy

An account shall be considered dormant if no transactions have been made three consecutive years. Reminder letters (3 times) shall be sent to the depositors prior to imposition of charges. A service charge of Five (5.00) Pesos per month shall be imposed on dormant account.

4. Interest rate

Interest rate on Savings Deposit shall be 4% per annum but may increase or decrease depending on the economy.

5. Withdrawal Guidelines:

- a. Fill up completely the savings withdrawal slip.



- b. Savings must be withdrawn anytime during office hours except for the amount of Twenty Thousand Pesos (20,000.00) and above on which the cooperative is to be notified five working days before withdrawal.
- c. For associations and organizations, only the authorized signatories shall make withdrawals with the necessary identification documents. In case of change of officers and signatories, the cooperative shall be notified through a duly approved resolution.
- d. In cases of sickness or disability of a member, representative must present the passbook, duly accomplished withdrawal slip indicating the amount, name of authorized person and signed by the depositor(s). In case of death, at least two among the children, beneficiaries or nearest kin shall make the withdrawal with proper identification and supporting documents.

B. SPECIAL SAVINGS (VEGEE DEPOSIT)

1. Features:

- a. Open to all regular and associates members.
- b. Passbook shall be issued to depositors.
- c. Automatic renewal of deposit if not withdrawn after due date.
- d. Always present passbook when transacting business.

2. Interest rates:

The interest rates are based on amount and terms as prescribed by the Board of Directors. Pre-termination of Special Savings Deposit shall be computed on the existing regular deposit rate.



EXHIBIT 11

SOCIAL SERVICES POLICIES

A. MORTUARY AID PROGRAM (MAP)

1. Cooperative Assistance Fund

- a. Regular and associate members with share capital are entitled to this program.
- b. A member must have at least six- (6) month's membership to the cooperative to qualify or entitle him to benefits.
- c. Beneficiary of participating members shall be entitled to a Three Thousand (P3, 000.00) Pesos bereavement assistance from the cooperative.15 original cooperators shall be entitled additional of P 1,000.00.

2. MAP FUND

- a. Membership is compulsory to all regular and associate members.
- b. One-month membership from this program can avail of the service.
- c. Every member shall deposit an amount of One Hundred Pesos (100.00) that will be replenished when depleted.
- d. An amount of five (5.00) pesos shall be deducted for every indemnity (deceased member).
- e. When remaining balance reaches 40.00 staff shall collect from members.
- f. Replenishment of MAP Fund shall be deducted from computed Interest on Share Capital and Patronage Refund of each member when not completed at the end of the year.
- g. Un-updated negative or zero MAP Funds despite notices or collection efforts by staff shall be ground to forfeit or invalidate claim.



B.COMMUNITY ASSISTANCE FUND

The cooperative shall extend the following assistance to non-members of the cooperative but from Buguias or those residing within the area of coverage.

- a. Death Aid amounting to P200.00/deceased person.
- b. Barangay Development Fund of P2, 000.00 per Barangay per year.
- c. Disaster assistance amounting to P 500.00/person.

B. HEALTH FUND

Requirement and Features:

- a. Membership is optional to members but compulsory to officers' and staff.
- b. Each participating member shall pay a Membership Contribution of One Hundred (P100.00) Pesos.
- c. Only enrolled members to the Health Fund shall be eligible to avail of the assistance.
- d. Five (5.00) pesos shall be deducted from each health fund member.
- e. Deduction will be upon membership but entitlement to benefit is after one month of membership (for new members).
- f. Each participating member can benefit from the program twice a year.
- g. Hospital bill and other medical purchase receipts as prescribed by the doctor with receipt of payment.
- h. Claims shall be supported by a certification of confinement duly signed by doctor/physician.



- i. Disbursement of cash benefits will be claimed within fifteen (15) office days after beneficiary is discharged.
- j. Claimant must be the person concerned or any of his immediate family.

C. SCHOLARSHIP ASSISTANCE

The scholarship assistance shall be granted to qualified students of secondary and college levels annually. One from each level shall be selected annually and must possess the following qualifications:

a. Qualifications

1. Must have an average of 80% and above.
2. Sons and daughters of active members from poor but deserving students whom are willing to study within the Province of Benguet and City of Baguio.
3. Did not avail of the coop scholarship grant during the previous years.

b. Disqualification's

1. Sons and daughters of members who are permanently employed or children of can-afford families.
2. Brothers/sisters of previous or current cooperative scholars.
3. Having more than two (2) subjects below 75% (for currently enrolled college scholars).
4. Did not maintain the eighty- percent (80%) required average (applicable to currently enrolled high school scholars).

c. Requirements:

1. Applicants must submit photocopy of the Grade VI/Fourth year School Card.



2. Must secure and fill-up Bio-data Form from the cooperative.
3. Must submit Original and photocopy of certification for good moral character.
4. Must finish his/her schooling within the prescribed period (maximum of 4 years continuous).
5. Current scholars must periodically submit photocopy of school card/ or certification of current grades.

d. Screening Committee

The screening committee shall be composed of the manager, education and training committee chairman, bookkeeper, loan officer and special project in charge.

In case the Committee cannot convene en-banc at least three (3) members proceed with the screening.

e. Selection Guidelines:

Based on the financial status of parents and written examination:

1. Financial Status: 50%

Breakdown:

10% for parent (widow/widower/single parent)

20% for lot landless/tenants

10% number in the family (7 children and above)

10% no other source of income

2. Written Examination: 50%



f. Stipend for Scholars/Grantees:

1. An amount of One Thousand (1,000.00) Pesos annually shall be released before the start of classes (High School).
2. An amount of Three thousand (3,000.00) Pesos per year shall be disbursed upon presentation of proof of enrolment.



EXHIBIT 12

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

December 31, 2003-2005

ASSETS	2003	2004	2005
Current Assets			
Cash on Hand	855,486.00	1,064,816.77	219,826.54
Cash in Banks	2,787,912.54	8,522,343.50	5,486,919.84
Petty Cash Fund	388.00	8,000.00	6,795.00
Cash Advances to Officers & Employees	25,555.00	362,616.51	181,081.12
Sub-Total 1	3,669,341.54	9,957,776.78	5,894,622.50
Loans Receivables:			
Current	8,669,613.12	7,108,333.86	10,264,345.52
Restructured	7,227,099.27	13,391,227.36	8,827,751.42
Past Due	5,172,518.98	4,399,581.48	8,323,440.71
Total Loans Receivables	21,069,231.37	24,899,142.70	27,415,537.65
Less: Allowance for Probable Loan Losses	(689,448.34)	(1,202,363.79)	(1,502,363.79)
Net Loans Receivable	20,379,783.03	23,696,778.91	25,913,173.86
Accounts receivable	1,403,675.13	1,583,717.38	2,043,652.51
Merchandise Inventory	2,057,604.09	1,692,635.15	1,765,825.69
Prepaid Expenses	-	-	12,310.00
Unused Office Supplies	55,967.25	44,805.35	71,677.46
	3,517,246.47	3,321,157.88	3,893,465.66
Total Current Assets	27,566,371.04	36,975,713.57	35,701,262.02
Long Term Investments:			
Long Term Investments-cooperatives	1,147,191.86	1,035,306.22	1,078,962.01
Long Term Investments-others	27,716.67	20,816.67	20,816.67
Total Long Term Investments	1,174,908.53	1,056,122.89	1,099,778.68
Property and Equipment			
Land	1,501,069.37	1,501,069.37	1,501,069.37
Land Improvements	-	156,667.70	166,729.70
Less: Accumulated Depreciation	-	-	(14,034.34)
Total Land/Land Improvements	1,501,069.37	1,657,737.07	1,653,764.73
Building	8,391,329.24	8,423,081.74	8,439,753.74
Less: Accumulated Depreciation	(1,327,024.24)	(1,483,987.15)	(1,650,660.67)
Total Building	1,501,069.37	6,939,094.59	6,789,093.07
Furniture's & Fixtures & Office Equipment's	974,668.85	1,022,458.85	1,054,958.85
Less: Accumulated Depreciation	(763,990.98)	(868,332.66)	(971,875.80)
Total Furniture's & Fixtures & Office Equipment	210,677.87	154,126.19	83,083.05
Transportation/Trucking Equipment	587,710.53	91,600.00	100,210.00
Less: Accumulated Depreciation	(474,474.25)	(69,099.00)	(87,099.00)
Total Transportation/Trucking Equipment	113,236.28	22,501.00	13,111.00
Other Property & Equipment	226,756.30	234,956.30	241,279.30
Less: Accumulated Depreciation	(214,035.84)	(215,004.30)	(215,004.30)
Total Other Property & Equipment	12,720.46	19,952.00	26,275.00
Total Property & Equipment	8,902,008.98	8,793,410.85	8,565,326.85



Other Assets:			
Computerization Costs	34,138.00	20,137.85	7,875.00
Other Funds & Deposits	1,016,042.25	368,865.47	468,773.95
Assets Acquired from Settlement of Loans	220,000.00	220,000.00	220,000.00
Total Other Assets	1,270,180.25	609,003.32	696,648.95
TOTAL ASSETS	38,913,468.80	47,434,250.63	46,063,016.50
LIABILITIES, FUNDS, EQUITY & RESERVES			
LIABILITIES			
Current Liabilities:			
Savings Deposits	7,605,547.01	9,778,214.83	8,598,363.37
Time Deposits- Short term	4,407,759.65	6,921,999.73	5,327,414.22
Loans Payable- Short Term	128,500.00	28,500.00	28,500.00
Accounts Payable	334,778.50	186,712.70	114,606.79
SSS/ECC/Philhealth Premium & Pag-ibig Contributions	-	-	(1,450.10)
Withholding Tax Payable	-	-	(1.70)
Due to CETF- Apex	165,642.84	137,837.84	146,423.80
Interest on Share Capital & Patronage Refund Payable	287,368.18	-	1,000.00
Accrued Expenses	-	1,416.52	2,052.45
Unearned Income	10,000.00	12,500.00	400.00
Other Payables	18,187.50	125,906.96	17,040.62
Total Current Liabilities	12,957,783.68	17,193,088.58	14,234,349.45
Long Term Liabilities:			
Retirement Fund Payable	768,960.00	-	8,059.00
Total Long Term Liabilities	768,960.00	-	8,059.00
Other Liabilities:			
Project Subsidy Fund	-	302,175.31	251,585.74
Mutual Benefit Fund Payable	779,832.63	1,223,138.34	1,707,745.22
Total Other Liabilities	779,832.63	1,525,313.65	1,959,330.96
TOTAL LIABILITIES	14,506,576.31	18,718,402.23	16,201,739.41
Members' Equity:			
Paid-Up Share Capital	16,242,043.15	18,328,304.64	19,802,669.30
PACAP Equity	600,000.00	-	-
Grant – PACAP	3,532.25	-	-
Net Loss	-	-	(6,474.05)
Net Surplus – Restricted	895,600.32	490,619.48	-
Undivided Net Surplus	-	769,752.56	832,769.71
Total member's Equity	17,741,175.72	19,588,676.68	20,628,964.96
Donations / Grants			
Donation / Grants	4,217,688.39	4,868,688.64	4,868,688.64
PACAP	193,930.87	-	-
Total Donations & Grants	4,411,619.26	4,868,688.64	4,868,688.64
Statutory Funds			
Reserved Fund	830,384.20	819,384.20	885,720.14
Education & Training Fund	32,676.55	2,404.42	-
Optional Fund	1,370,177.09	3,436,694.77	3,477,903.35
Trust Fund	20,859.67	-	-
Total Statutory Funds	2,254,097.51	4,258,483.39	4,363,623.49
TOTAL LIABILITIES, MEMBERS' EQUITY & RESERVES	38,913,468.80	47,434,250.94	46,063,016.50



EXHIBIT 13

COMPARATIVE STATEMENT OF FINANCIAL OPERATION

December 31, 2003-2005

REVENUES	2003	2004	2005
Interest Income from Loans	2,010,145.72	2,037,147.35	2,091,586.18
Membership Fees	3,700.00	6,400.00	5,000.00
Service Fees	323,156.50	328,798.16	348,470.86
Filing Fees	319,929.75	329,440.16	348,604.36
Fines, Penalties & Surcharges	73,397.25	3,907.56	26,548.68
Gross Surplus from Sales	471,486.36	693,955.87	574,666.34
Income/Interest from Investment	85,611.64	224,351.44	396,010.42
Transportation Income	163,327.00	316,013.00	187,944.86
Rent Income	408,754.00	363,278.60	522,399.50
Miscellaneous Income	127,927.85	188,634.68	48,170.84
Gross Income	3,987,436.07	4,491,926.82	4,549,402.04
Financial Costs:			
Interest Expense on Deposits	549,820.29	585,885.99	749,726.14
Interest Expense on Borrowings	197,833.11	-	12,595.48
Other Charges on Borrowings	6,508.79	-	-
Total Financial Costs	754,162.19	585,885.99	762,321.62
Administration Cost:			
Salaries & Wages	931,450.63	1,158,126.64	1,000,787.47
Employees' Benefits	40,712.00	58,675.50	158,694.23
SSS/ECC/Philhealth, Pag-ibig Contributions	63,200.21	95,856.90	75,766.20
Retirement Benefits	111,312.00	37,337.69	43,146.69
Officers' Honorarium & Allowances	142,630.00	152,170.00	165,481.00
Training/seminar/Conference	32,245.78	23,154.87	4,152.00
Office Supplies	56,956.87	64,128.65	60,059.64
Power, Light & Water	95,333.97	108,669.75	111,608.61
Transportation & Travel	93,850.25	210,786.75	156,229.57
Insurance	13,868.10	11,203.10	-
Officers' Benefits	-	-	22,430.00
Repairs & Maintenance	90,165.50	144,182.66	64,315.25
Rentals	40,427.13	41,615.00	16,150.00
Taxes & Licenses	10,601.94	54,482.35	70,499.58
Professional Fees	1,450.00	4,300.00	1,240.00
Communication Expense	18,925.75	25,989.75	23,268.46
Representation	3,459.50	5,318.00	11,470.50
General Assembly Meeting Expenses	21,188.50	69,526.76	66,068.00
Meetings & Conferences	23,137.50	40,695.75	29,894.77
Bank Charges	666.70	-	695.00
Collection Expenses	4,156.64	48,289.20	79,416.44
Litigation Expenses	-	-	-
Affiliation Fees	2,800.00	700.00	1,500.00



Social Services Expenses	62,814.07	38,130.29	82,417.71
Promotional Expenses	-	26,075.00	600.00
Periodicals, Magazines, Subscriptions	-	-	-
General Support Services	33,950.00	32,600.00	32,450.00
Members' Benefit Expense	55,000.00	22,000.00	24,000.00
Miscellaneous Expenses	19,822.23	62,614.86	37,455.74
Depreciation & Amortization	375,020.32	299,658.80	314,513.85
Provision for Probable Losses on Loans	267,666.66	300,000.00	300,000.00
Total Administrative Costs	2,612,812.25	3,136,288.27	2,954,310.71
Total Costs	3,366,974.44	3,722,174.26	3,716,632.33
Add: Subsidized Project Expenses	204,954.25	77,614.00	-
Total Expenses	3,571,928.69	3,799,788.26	3,716,632.33
Net Surplus Before Project Subsidy	415,507.38	692,138.56	832,769.71
Add: Project Subsidy	217,304.25	77,614.00	-
Net Surplus on Operations	632,811.63	769,752.56	832,769.71
Less: Net Loss 2001	21,687.42	-	-
Net Surplus (Before Distribution)	611,124.21	769,752.56	832,769.71

