

MINUTES of the ANNUAL MEETING OF MEMBERS
April 22, 2017
Quezon Regional Center, Fairview Park Subdivision
Barangay Matuna, Tayabas, Quezon

ATTENDANCE:

Present:

Enrolled Members present:

Ms. Mercedes R. Abad	- President	(April 2016-April 2018)
Ms. Angelina P. Jose	- Chairperson	(April 2017-April 2019)
Mr. Henry Joseph M. Herrera	- Auditor	(April 2016-April 2018)
Ms. Gloria Jimenez	- Trustee/Asst Secretary	(2017-2019)
Ms. Milagros S. Rivera	- New Enrolled Member	

Regular Member-Representatives present:

Ex-Officio:

Ms. Angelina Sibayan	- Laguna	(2015-2017) Ex-Oficio
Ms. Ana Maria Maestrecampo	- Rizal Metro East	(2015-2017) Ex-Oficio
Ms. Vilma C. Cernero	- Rizal	(2015-2017) Ex-Oficio
Ms. Leonora N. Pedrosa	- Antique	(2015-2017) Ex-Oficio
Ms. Bona Villanueva	- Aklan	(2015-2017) Ex-Oficio
Ms. Delia Belizon	- South Metro Manila	(2015-2017) Ex-Oficio

Incoming:

Ms. Marivic Ramiro	- Calabarzon 2	(2017-2019)
Ms. Lhotis Monera	- Calabarzon 3	(2017-2019)
Ms. Evalinda Carnevale	- Calabarzon 4	(2017-2019)
Ms. Alona Arago	- Calabarzon 5	(2017-2019)
Ms. Melchora Garcia	- Western Visayas 1	(2017-2019)
Ms. Donnabel Iguiron	- Western Visayas 2	(2017-2019)

Management/Staff Present:

Ms. Estrella Andres
Mr. Jimmy Ramos
Ms. Melecia Bibal
Ms. Geraline Abay-abay

Absent:

Enrolled Members absent:

Ms. Ma. Wivina L. De Vera	- Treasurer	(April 2017-April 2019)
Atty. Maricel Baltazar	- Secretary	(April 2016-April 2018)
Ms. Chiara Dela Paz	- Enrolled Member	
Atty. Jaime G. Hofilena	- Enrolled Member	
Ms. Patricia Calilong	- Enrolled Member	

Regular Member-Representative absent:

Ms. Luzviminda Andal	- Calabarzon 1	(2017-2019)
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Call to Order

1. The meeting convened at 1:30 pm. The President, Ms. Mercy Abad, presided over the meeting.

Proof of Service of Notice of the Meeting and of a Quorum

2. A roll call by the Assistant Corporate Secretary, Ms. Gloria Jimenez, confirmed the presence of a quorum for the meeting, there being present 5 of 10 Enrolled Members, 7 Regular Member-Representatives, and 6 Ex-Oficio Member-Representatives.

Reading and Approval of Minutes

3. The members went over the minutes of the meeting held last April 09, 2016 . Ms. Jose commented that it had been previously agreed that minutes be sent a few days before the meeting which did not happen.
4. Ms. Andres explained that they had to wait for the auditor who delivered the figures Wednesday morning.
5. Ms. Jose then requested that moving forward, minutes and all other materials be sent ahead except for those we are waiting for, to give more time for the members to review.
6. The minutes and the request to receive available copies in advance were approved and duly seconded.

The President's Report

7. The President reported the following key points:

Membership and Coverage:

- ASHI has grown to 45,289 members, a 28% increase over 2015.
- New members achieved only 75% of target.
- ASHI now covers 783 Barangays in 8 provinces. Operationally, these are divided into 9 areas, 33 branches with more than 1,700 centers.
- The proportion of inactive members compared to 2015 went up (11 to 19%)

Financial Report and Performance

- Loan Outstanding (LOS) grew by 90% compared to last year, from 432 to 822 million
- General loans comprised 56%, Incentive loans at 23%, Special loans at 5%, Emergency loan at 11%. Flexible loan is now being discouraged and eventually removed. AGAP accounts for 3% of loans. The term depends on the harvest cycle of their produce.
- Amount was used in the following percentage: Enterprise 45%, Manufacturing/production (14%), Agriculture 7%, Fishing 4%, services 2%, others (28%)
- Loans usually have a term of 2 years. Center leaders are advised to encourage their members to go for loans with a smaller amount and shorter term to lessen interest
- PAR has been on the downtrend the past 2 years, from 3.6% in 2014 to 1.7% in 2015 and now down to 1.2%.
- Members have been encouraged to have savings
- Collection rate has been maintained at a high 99%; repayment rate also at 99%
- Retention rate of members is 92% while attendance rate is at 88%
- Financial operations show ASHI is becoming self-sufficient. This means that the operating revenue is able to cover the operating expenses
- Expenses increased. There was an increase in overhead due to the expansion, seminars, clean and green initiatives.
- Load—ideally a DO should have 300 but currently they carry only 142, as centers are still in the process of filling up. Some centers will be merged, others closed if need be. The challenge for the organization is to improve the efficiency of the DO to get a better score.

- Staffing: Now at 417 to cover expansions. Mostly female, majority single. Staff retention went down from 94 to 92%. The staff were given salary increases based on performance.
- Now gearing up for expansion in Iloilo. Any expansion is an investment which takes around 3 years to realize ROI.
- Transitioning to a new MIS system called Instafin which is more sophisticated and able to provide real time information as compared to the current MIS which takes about a month for Head Office to receive data.
- Various trainings are itemized in the chart.

Ms. Jimenez expressed a concern that the "21 Steps" (for financial literacy training) is not being given enough support and attention. This training which started last year, teaches members how to properly use their loan.

Achievement

ASHI was granted Truelift Aspirant Practitioner status, as assessed using the Truelift methodology, recognized for its progress toward the achievement of Pro-Poor Principles.

Action Plans and Areas for improvement

- Even though ASHI has been acknowledged as having the best Social Development footprint among MFIs, there is a lot of room for improvement.
- Board manual needs to be created
- PCFC has been closed and the agricultural segment transferred to ACPC. We continue with the partnership although it requires higher interest because they provide good staff training and enlighten us in the world of microfinance and in addressing poverty.
- Financial report
 - Management was not able to consult the Board for the draft audited FS as a meeting could not be organized due to availability so the draft financial report was just routed.
 - Mr. Henry Herrera warned that the decision should not be retroactive. Right now, he expressed concern and stated that "*what you cannot do directly, you cannot do indirectly*". He meant that deciding in 2017 for matters that affect 2016 is as good as avoiding tax, doing it indirectly. Though tax information may come at the latter part of the year, BIR might think that we are deciding on 2017 what affects previous year. He warned that we might even have a penalty for that.
 - Ms. Andres explained that some adjustments are only seen in the first quarter of the new year and therefore discussion is done once data is available.
 - Mr. Herrera also added that the reason auditors are asking for a letter with the board's signature is because the board decision is for 2017 but impact is for 2016. He reported that he was not consulted even during their meeting. Now he is suggesting to make sure this won't become a standard practice, so it will not happen again.
 - Ms. Jimenez noted that Mr. Herrera's point is in order.
 - Ms Andres added that another problem in 2016 was the inaccurate data generated by the MIS. The report and figures had to be fixed only during the external audit. She reported that these external auditors were very thorough and requested that the Board retain them.
 - The motion to retain use of external auditors was moved and seconded.
 - Another request by Mr. Herrera is to have a deadline for the financial report set between mid-February or at least last week of February to avoid delays.
 - The motion to make sure the reports will follow the deadlines was made and seconded.

Ratification of the Acts of the Board of Trustees for the Period April 2016 to April 2017

8. A motion to ratify all acts of the Board of Trustees covering April 2016 to April 2017 (including those relating to changes and requirements by the bank specially when there are new signatories), was made by Mr. Herrera and unanimously seconded. Motion was carried.

Election of Trustees

9. It was disclosed that Chiara has resigned, having accepted a permanent job in Batangas. Atty Jimmy Hofilena has requested to remain as an enrolled member because he has his hands full with his current job which covers all the Jesuit Schools in the country. Given that there were only 3 candidates for 3 vacant positions, voting was dispensed with. A motion to declare the following as trustees for 2 years was made by Mr. Herrera:

- 1) Ma. Wivina De Vera
- 2) Gloria Jimenez
- 3) Angelina Jose

Since there was no objection, the motion was carried out.

10. New Regular member-representatives were introduced. These representatives bring feedback from the members and also relay the policies to them during meetings:
- Ms. Luzviminda Andal (CALABARZON 1) (not physically present)
 - Ms. Marivic Ramiro (CALABARZON 2)
 - Ms. Lhotis Monera (CALABARZON 3)
 - Ms. Evalinda Carnivale (CALABARZON 4)
 - Ms. Alona Arago (CALABARZON 5)
 - Ms. Melchora Garcia (Western Visayas 1)
 - Ms. Donnabe Iguiron (Western Visayas 2)

11. A new enrolled member, Ms Milagros S. Rivera, was also introduced.

Other Matters:

12. Designation of External Auditor: Noting the quality of audit last 2016, the body confirmed renewal of the external audit services of Villaruz, Villaruz and Co., CPAs (VVC) for 2017 external audit.
13. The body was informed of the Certificate of Tax Exemption issued by the BIR, exempting ASHI only from tax on grants and donations received.

Two (2) options were considered for next steps:

- 1) Push for classification under RA 10693: Microfinance NGO Act with the following implications:
 - With special income tax rate of 2% on gross receipts.
 - PCNC certificate cannot be availed since microfinance NGOs are not qualified
 - Tax Identification Number (TIN) is required from members but some are reportedly afraid to get it fearing they will be taxed a high amount. Center leaders are reminded to educate members not be afraid to get a TIN. Filipinos should pay taxes which is computed based on income. They will not be taxed if income is below poverty level. Taxes are actually returned to us in the form of government services.
 - RA 10693 will no longer allow tax exemption for the deductible donation and grants.
- 2) Getting PCNC certification
 - Tax exemption from BIR is only on donations and grants and to become a Donee institution we need to apply for PCNC Certification. Further, a Microfinance NGO is not qualified for PCNC Certification.

Ms. Andres recommends to avail the benefits of RA 10693, since ASHI receives minimal grants. Our present tax exemption will still subject us to 30% income tax plus VAT. The Board agreed that RA 10693 was the sensible choice.

14. The following shall need to be done to avail of the RA 10693 Accreditation:

- a. After the Annual Membership meeting, depending on the developments on the IRR for RA 10693, members shall be requested to sign for the amendments to the AOI and By Laws.
- b. The following amendments were approved by the general membership:
 - As required by the IRR of RA 10693 the words "Microfinance NGO " must be attached to the organization name and therefore, the new name shall be "AHON SA HIRAP, INC. (ASHI) – Microfinance NGO"
 - SDP (social development program) has now been added to our purposes. Because of this, according to SEC, we would need to get permit from DSWD and DOH (if program involves health) so we will be free to engage our mission. This will also be included in the articles of our mandate
 - On Section 1, first paragraph rewording was done. Objectives were also added based on the same objective in the article.
 - As for the membership review, the words "2 types of members" were added to replace previously stated as "comprised of 2 members". Members refer to as regular and enrolled. All changes were highlighted in yellow.
 - For consistency, the words "staff representative" were removed because staff members are not part of the Board.

Mr. Herrera clarified that the staff can become board members for as long as they are elected, granting that "staff" means all employees; but the staff must first be enrolled. He pointed out that the President who is a member of the Board is part of the staff.

- The old criteria (Asset Index, House Index and Income Index) for incoming members were changed to Poverty Probability Index (PPI)
- Dollar amount in PPI was also removed.
- The words "field officer" were changed to "development officer".
- Say Trustees may not be entitled to per diem instead of "shall not be entitled to per diem"
- Correction was also proposed regarding the term of office of the board. By-laws stated that the "Length of tenure of the member shall remain for 3 terms and are renewable after 1 term of service". In practice, this is not being followed since the term just continues without renewal. Ms. Jimenez suggested to just enforce this and renewal be done in a written document for formality and documentation purposes.

15. INSOL APPEAL

INSOL, our former Micro-enterprise Loan partner, is seeking approval of their proposal to settle their loan balance.

Background of the loan:

- Their current balance is P6.2 million.
- INSOL, headed by Mr. Bunker had been a partner in providing business development services for ASHI members. They facilitated training for the entrepreneurs and enterprise loans funded by ASHI had to go through them.
- However only 10% was awarded to ASHI members and the 90% given to non-ASHI members.
- Moreover it was a lopsided partnership because while gains were shared 50:50 between the partners, losses were borne by ASHI alone.
- Partnership was rescinded by ASHI in 2015

Proposal:

- Insol promises to pay the balance (principal and the interest) in 5 years. They appeal that based on their audit, they are in financial straits.

A motion to accept these requests was made by Mr. Herrera on condition that penalties, not lower than 2% of the amount missed must be applied. This motion also grants management authorization to negotiate for the interest. Since there were no objections, the motion was carried.

Adjournment

16. The Annual Meeting of Members adjourned at 12:15 PM.

Prepared by:

Certified Correct:

Attested by:

GERALINE ABAY-ABAY

GLORIA JIMENEZ

MERCEDES R. ABAD

Recording Secretary

Asst. Secretary

President