

**Proposal to Provide Audit Services**

**Allied Care Experts (ACE) Medical  
Center – Zamboanga City, Inc.**

(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)  
Don Alfaro Street, Tetuan, Zamboanga City

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For Calendar Year Ending December 31, 2025

Submitted by:



October 7, 2025

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – ZAMBOANGA CITY, INC.**  
**(Doing Business under the Name and Style of Premier Medical Center Zamboanga)**  
Don Alfaro Street, Tetuan, Zamboanga City

Attention: **Dr. James Robertson C. Pichel**, President & CEO and  
**Dr. Giovanni Paolo C. Gimena**, Chief Operating Officer

Gentlemen:

In accordance with the request of your Ms. Kristine Jean Buna Gerunda, we are glad to submit our proposal to conduct the audit the 2025 financial statements of **Allied Care Experts (ACE) Medical Center – Zamboanga City, Inc. (Doing Business under the Name and Style of Premier Medical Center Zamboanga)** (referred to in this letter as 'Corporation'), consisting of the statement of financial position as of December 31, 2025, and the related statement of profit or loss and comprehensive income, statement of changes in equity and statement cash flows for the year then ended, and a summary of material accounting policy and other explanatory information, collectively referred to as 'financial statements.'

We understand that the Corporation is classified by the Securities and Exchange Commission (SEC) as a public interest entity; hence, you are required to file the SEC Form 17-Q. Our engagement will also cover the review of the quarterly financial statements of the Corporation for filing with the SEC. Please find the scope of this aspect in Page 6.

We are pleased to submit the proposed terms and conditions of our engagement. If the following terms and conditions meet with your approval, we agree that this letter becomes the official document to bind us in this engagement.

#### **A. AUDIT OF THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2025**

### **SCOPE OF SERVICES**

#### **Objectives**

The objectives of our audit are: (1) to obtain reasonable assurance about whether the financial statements as whole are free of material misstatement, whether due to fraud or error, and (2) to issue an auditor's report that includes our opinion about whether the financial statements prepared in conformity with Philippine Financial Reporting Standards (PFRSs) are fairly presented in all material respects.

If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, or if circumstances may arise which make it necessary for us to withdraw from the engagement, we will communicate to the Board of Directors in writing our reasons thereof.





**Methodologies**

Our audit will be conducted in accordance with Philippine Standards on Auditing (PSAs), and we will indicate so in our reports. Those PSAs require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements prepared in accordance with PFRSs are free of material misstatements, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristic of fraud. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of assets, and direct confirmation of receivables (where it is feasible under the circumstances) and payables and certain other assets and liabilities by correspondence with selected debtors, creditors, and financial institutions. Consequently, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

And because we will not perform a detailed examination of all transactions, there is a risk called audit risk that material errors, fraud, or illegal acts, may exist and not be detected. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. In addition, an audit is not designed to detect immaterial errors, fraud, or other illegal acts or illegal acts that do not have a direct effect on the financial statements. Our engagement cannot, therefore, be relied upon to disclose errors, fraud, or other illegal acts that may exist. However, we will inform you of any material errors that would come to our attention. We will also inform you of any other illegal acts that would come to our attention, unless clearly inconsequential.

## RESPONSIBILITIES OF THE AUDITORS

**Responsibilities of the Auditors**

We will conduct our audit in accordance with Philippine Standards on Auditing (PSAs). Those PSAs require that we comply with ethical requirements. As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of your internal controls sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. As part of our engagement, we will advise you about the appropriate accounting principles and their application, but the responsibility for the financial statements remains with you.





- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, concluding whether a material uncertainty exists related to events or conditions that may cast doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions would be based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication With Those Charged with Governance**

Our audit will include obtaining an understanding of your internal controls sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control. However, during the audit, if we become aware of such reportable conditions, we will communicate with the Board of Directors and management, (they are the ones charged with governance in the Corporation) regarding any significant deficiencies in internal control that we identify during our audit.

We will prepare a written management report on our consideration of internal control and tests of compliance made as part of our audit of the financial statements. While the objective of our audit of the financial statements is not to report on the Corporation's internal control and we are not obligated to search for reportable conditions as part of our audit, this report will include any reportable conditions to the extent that they come to our attention. Reportable conditions are significant deficiencies in the design or operation of internal control, which could adversely affect the Corporation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements under audit. It will indicate that it is intended solely for the information of the Corporation and we will note that the reports are not intended to be, and should not be, used by, or relied upon by, anyone other than management. This note will be mentioned in our reports to be submitted to the Board of Directors and management.

We will communicate with the Board of Directors verbally or in writing any disagreements with management or any serious difficulties encountered in performing our audit services. We will also read the minutes of the Board of Directors' meetings for consistency with our understanding of the transactions implemented by management.

### **Assistance in Implementing the Requirements of New PFRSs**

The Corporation is using PFRSs as its financial reporting framework. PFRSs are continually evolving and every year new provisions are required to be implemented. We anticipate that there are no accounting pronouncements which have become effective from January 1, 2025 that might have a significant impact on the Corporation's financial statements. We will take note of those standards and amendments that are effective for the first time in 2025 and could be applicable to the Corporation, such as the following:

- PFRS 17 *Insurance Contracts*
- Amendments to PAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*
- PAS/IAS 21 *The Effects of Changes in Foreign Exchange Rates*

We will ensure that the Corporation implements the required PFRSs in the financial statements being audited and will provide assistance for their adoption, where necessary. We emphasize however that the primary





responsibility of ensuring that the Corporation adopt the changes as required by PFRSs is that of the management of the Corporation.

### **Auditors' Responsibility Over Regulatory Requirements with SEC [Ref. Revised Securities Regulation Code (SRC) Rule 68 (2019 Version)]**

Our Firm and its Partners are accredited with the Securities and Exchange Commission (SEC) and our accreditations are current. In accordance with the provisions of the Revised SRC Rule 68 (2019 Version), our responsibilities as accredited auditors include the following:

- (1) We shall report to the Corporation's Audit Committee (or if there is no such committee, to the Corporation's Chairman of the Board or to the Board of Directors, who will likewise report to the SEC), any of the following cases which may be discovered during the audit:
  - i. Any findings of: (i) violation of the SRC Rule 68; (ii) offering of securities without prior registration with the SEC under the SRC; or (iii) engaging in the business of financing or lending without a secondary license;
  - ii. Any material findings involving fraud or error;
  - iii. Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated assets of the Corporation;
  - iv. Any findings to the effect that the consolidated assets of the Corporation, on a going concern basis, are no longer adequate to cover the total claims of creditors, and
  - v. Material weaknesses in internal control which may lead to financial reporting problems.
- (2) As part of our procedures, we shall (1) discuss the findings with Audit Committee, the Chairman of the Board, or the Board of Directors, as the case maybe, and ensure the confidentiality of the information obtained during the audit, and (2) document management's explanation and/or corrective action taken regarding the adverse findings.
- (3) In case the Audit Committee fails to submit the report to the SEC, we shall, within thirty (3) business days from the submission of our findings to the Audit Committee, file a report to the SEC. The disclosure of such information to Commission shall not constitute a breach of confidentiality nor shall it be a ground for civil, criminal or disciplinary proceedings against us.

### **Extent of Responsibility**

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods of which we are not engaged as auditors. We also wish to emphasize that our accountability as external auditors is based on matters within the normal coverage of an audit conducted in accordance with Philippine Standards on Auditing (PSAs).

## **RESPONSIBILITIES OF MANAGEMENT**

### **Responsibilities of Management**

Our audit will be conducted on the basis that management and the Board of Directors acknowledge and understand that they have responsibilities:

- (a) For the fair presentation, in accordance with PFRSs, of the basic financial statements and all accompanying information, as well as representations contained therein. As part of our engagement, we will prepare a draft of your financial statements and the related notes, as well as the required





reports for filing with Government agencies. We wish to emphasize however that the primary responsibility over these reports is by the management of the Corporation.

- (b) For making all management decisions and performing all management functions relating to the financial statements and related notes; for designating an individual (a member of the Audit Committee, perhaps) with suitable skill, knowledge and experience to oversee the audit services we provide, and for evaluating the adequacy and results of these services.
- (c) For adopting sound accounting policies, for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal controls that will, among other things, help assure the preparation of proper financial statements.
- (d) For the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Corporation involving the management and employees who have significant roles in internal control, and other stakeholders where the fraud could have a material effect on the financial statements; and for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Corporation received in communications from employees, former employees, regulators, or others.
- (e) For identifying and ensuring that the Corporation complies with laws, regulations, contracts and grants applicable to its activities, and for informing us of any known material violations of such laws and regulations, and for keeping us fully informed of existing and subsequent changes to prudential regulatory and statutory requirements of the SEC, DOH and BIR where both parties have to comply with the said requirements.
- (f) For making available to us draft financial statements and any accompanying schedules of accounts and other information to allow us to complete the audit in accordance with the proposed timetable, and for providing us with: (a) access to all records, documentation and information of which management is aware that is relevant to the preparation of the financial statements; (b) additional information that we may request from management for the purpose of the audit and be responsible for the accuracy and completeness of that information, and (c) unrestricted access to persons within the Corporation from whom we determine it necessary to obtain audit evidence and an assurance of their full cooperation.
- (g) For guaranteeing that all records, documentation and information subjected to audit, whether it be in physical or electronic form, are authentic and accurate in all material respects. In cases of documents electronically submitted (including snapshots and scanned copies of physical documents), the management is likewise responsible for preserving their veracity and integrity and ensuring that they are faithful reproductions of their originals.
- (h) For reviewing the adjusting or correcting journal entries to your financial statements that we may propose and for understanding the nature of any proposed entries and the impact they have on the financial statements.
- (i) For adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- (j) For informing us of facts that may affect the financial statements, of which management may become aware during the period from the date of the auditor's report to the date the financial statements are issued.





**Corporation's Counterpart**

In performing this engagement, we also expect you to provide the following as you counterpart:

*Engagement of Actuarial Consultants*

You will engage Actuarial Consultants to validate the values reflected in the financial statements as being the retirement benefit obligations of the Corporation. We will treat the engagement of the Actuarial Consultants as Experts and accordingly we will perform our procedures based on the provisions of PSA 620 *Using the Work of an Auditor's Expert*.

*Drafting of the Financial Statements and Notes*

We may be requested to assist the Corporation in drafting the financial statements and notes. In that respect, you confirm that the Corporation will:

- 1) Designate an officer to be responsible and accountable for overseeing the drafting of the financial statements;
- 2) Establish and monitor the performance of the engagement to ensure that it meets management's objectives;
- 3) Make decisions that involve management functions related to the engagement and accept full responsibility for such decisions, and
- 4) Evaluate the adequacy of the financial statements and notes.

*Representation Letter to be Accomplished by Management*

As required by PSAs, we will make specific inquiries of the Corporation about the representations embodied in the financial statements and the effectiveness of internal control and obtain a management representation letter from the Corporation about these matters. The responses to our inquiries, the written representations and the results of audit tests comprise the evidential matter we will rely upon in forming an opinion on the financial statements. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility over them.

Because of the importance of the Corporation's representations to the effective performance of our services, the Corporation agrees to release Quilab & Garsuta, CPAs and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to misrepresentations in the management representation letter referred to above and to indemnify Quilab & Garsuta, CPAs and its personnel against any claims or legal actions resulting.

**B. ENGAGEMENT TO REVIEW QUARTERLY FINANCIAL STATEMENTS****SCOPE OF SERVICES****Objectives**

The objective of our review of the interim (quarterly) financial information of the Corporation is to enable us to express a conclusion whether, on the basis of the review, anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with PFRSs. We will make inquiries and perform analytical and other review procedures in order to reduce to a moderate level the risk of expressing an inappropriate conclusion when the interim financial information is materially misstated.



### **Methodologies**

Our review will be conducted in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing and Assurance Standards Council with the objective of providing us with a basis for reporting whether anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs). Such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of interim financial information is substantially less than the scope of an audit conducted in accordance with Philippine Standards on Auditing whose objective is the expression of an opinion regarding the financial statements and, accordingly, we shall express no such opinion.

Essentially, our review procedures may include the following analytical procedures:

- (1) Comparing the interim financial information with the interim financial information of the immediately preceding interim period, with the interim financial information of the corresponding interim period of the preceding financial year, with the interim financial information that was expected by management for the current period, and with the most recent audited annual financial statements.
- (2) Comparing current interim financial information with anticipated results, such as budgets or forecasts (for example, comparing tax balances and the relationship between the provision for income taxes to pretax income in the current interim financial information with corresponding information in (a) budgets, using expected rates, and (b) financial information for prior periods).
- (3) Comparing current interim financial information with relevant non-financial information.
- (4) Comparing the recorded amounts, or ratios developed from recorded amounts to expectations developed by us. We will develop such expectations by identifying and applying relationships that are reasonably expected to exist based on our understanding of the Corporation and of the industry in which it operates.
- (5) Comparing ratios and indicators for the current interim period with those of entities in the same industry.
- (6) Comparing relationships among elements in the current interim financial information with corresponding relationships in the interim financial information of prior periods, for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables.
- (7) Comparing disaggregated data, such as, but not limited to, the following:
  - By period, for example, revenue or expense items disaggregated into quarterly, monthly, or weekly amounts.
  - By product line or source of revenue.
  - By location, for example, by component.
  - By attributes of the transaction, for example, revenue generated by segments, centers, etc.
  - By several attributes of the transaction, for example, sales by nature of services, sales by pharmacy, etc.

### **Limitation of our Review Engagement**

Our review engagement is limited only to ensuring that Part 1. Financial Information of SEC Form 17-Q is accomplished; we are not responsible for the other information required by SEC Form 17-Q. Likewise, management should understand that it has the primary responsibility for the actual filing of the said report to the SEC. Our responsibility is only to ensure that the figures in Part 1 of the report are reviewed by us.





## AUDIT TEAM, WORKING ARRANGEMENTS AND PROPOSED TIMETABLE

### Audit Team

This engagement will be handled by the following Audit Team:

- |   |   |                        |
|---|---|------------------------|
| ○ Ms. <b>Ana Mariae Michelle D. Quilab-Arrabaca</b> | - | Engagement Partner     |
| ○ Mr. <b>Rico P. Quilab</b>                         | - | Concurring Partner     |
| ○ Ms. <b>Annabelle E. Saclapos</b>                  | - | Audit Manager          |
| ○ To be assigned later                              | - | Audit Staff Assistants |

Our staffing may change in the actual conduct of the audit in consideration of the availability of staffs at the time of our scheduled fieldworks.

### Profile of the Firm

The Quilab & Garsuta, CPAs (Q&G, CPAs) is a regional organization of Certified Public Accountants with Head Office in Cagayan de Oro City and a Branch Office in General Santos City, organized in July 2017 by practitioners in public accounting that have accumulated a total of 66 years of practice experience at the time of its organization. The Firm is composed of four (4) founding partners, with two partners operating in the Head Office and the other two partners operating in the Branch. The more senior of the partners are active practitioners in public accountancy and have common bond being once senior audit staffs of SyCip Gorres Velayo & Co., CPAs having had about five (5) years of working experience each. Each of them embarked in public accounting practice which saw them undertake the audits and related engagements for various industries, organizations and NGOs. Our Firm and its partners are presently accredited with the BOA/PRC, SEC under Group B and NEA and CDA. We are presently processing our renewal applications with BSP under Group B, and Insurance Commission under Group A.

### Brief Resumé of the Audit Team

**Ms. Ana Mariae Michelle D. Quilab-Arrabaca**, the Engagement Partner, has worked for 10 years with QCB & Co., CPAs and has held the position of Senior Audit Manager when that firm was dissolved by September 30, 2017. She is a founding partner of Quilab & Garsuta, CPAs and has just assumed as the Managing Partner in July 2025, during the celebration of the 8<sup>th</sup> year anniversary of the Firm. Ms. Quilab-Arrabaca is a graduate of Xavier University for her Baccalaureate degree in 2006, as well as her MBA degree in 2015. She passed the CPA Board Examination in 2026. She has handled audit engagements of various companies, including banks, cooperatives, NGOs, electric cooperatives and others.

**Mr. Rico P. Quilab**, the Concurring Partner, has had 29 years practice experience as the founding partner of Quilab, Cabilin, Bato & Co., CPAs, a general professional partnership founded in 1992 and dissolved by September 30, 2017 after more than 25 years of operation. Prior to his public practice, he joined SGV in 1980, Xavier University in 1985, as Internal Audit Officer, Pryce Gases, Inc., an industrial gas manufacturing company, as the Finance and Administration Manager in 1989, MASS-SPECC Cooperative Development Center, Inc., a regional development NGO also as its Finance and Administration Manager in 1991.

**Ms. Annabelle E. Saclapos**, is an experienced accountant before joining the Firm in her second employment after graduating at Xavier University in 1986 with her Baccalaureate degree in Commerce major in Accounting. Her experiences being accountants of two schools have added a mature outlook in the conduct of her engagements. She has been handling the audits of electric cooperatives since 2008 under QCB & Co., CPAs and until the year end audits of 2018 under our new Firm. She is familiar with hospital operations having handled hospital audits in Davao City and Iligan City.





### Present Hospital Clients

Presently, the following hospitals have continuing audit engagements with us:

- (1) Mercy Community Hospital, Inc., Iligan City, and
- (2) St. Mary's Maternity & Children's Hospital, Inc., Iligan City

Previous hospital client include the Brokenshire Integrated Health Ministries, Inc. (now Brokenshire Medical Center) of Davao City.

### Assurance on Independence

We also wish to assure the Corporation that the Audit Team members have no personal, family, business, financial or other relationships with the Corporation, which could adversely affect our actual or perceived independence and objectivity. We have the intention of maintaining this policy during the duration of our audit engagement with the Corporation. Should a situation arise that will compromise our independence, we will inform the appropriate officer of the Corporation.

### Working Arrangements

We will perform our audit procedures in your premises. In the conduct of our audit procedures, we understand that your employees will prepare account confirmations we request and will locate any documents selected by us for testing. Any failure to provide such cooperation on a timely basis will impede our services and may hinder us from achieving the objectives of this engagement. We look forward to the full cooperation of your staff in the conduct of our audit.

### Proposed Timetables

We expect to be able to perform our audit over the timescale agreed upon with you, provided no major unforeseen problems are encountered, within the following agreed timetables:

<i>Nature of Activities</i>	<i>Proposed Timeframe</i>
Start of planning visit	As soon as the proposal is approved.
First and Second Quarterly review procedures	To be performed before the end of October 2025.
Third Quarterly review procedures	To be performed before November 10, 2025.
Start of year-end audit fieldwork	Month of December 2025 up to March 31, 2026
Finalization of audit results	On or before March 31, 2026, or earlier, if possible.

We will revise the proposed schedules after we have sat down with management and determine the specific dates and activities to be accomplished.

We wish to emphasize that the deadline for filing with the SEC of the audited financial statements of the Corporation as attachment to SEC Form 17-A, is 105 calendar days after the end of the year, or April 15, 2026. This is the same deadline for the filing of the Annual Income Tax Return with the BIR. The deadline for the filing of SEC Form 17-Q is 45 days at the end of the quarter. We will assist you in complying the first two quarters report before by October 15, 2025 and will endeavor to comply with the deadline of the third quarter 2025 by November 15, 2025.

We also wish to emphasize that any delay due to the late submission by the Corporation or any of its concerned officers and employees of trial balances, reconciliation statements, statement of accounts, board resolutions, adjusting entries, other supporting documents, financial statement disclosures, or any other relevant and material data or documentation needed to complete the audit will, as a necessary consequence, push back the delivery of the final outputs relative to the timetable as agreed above. Under such circumstances, the completion of audit beyond the proposed timetable shall not constitute a delay on our part as the Auditors.





## EXPECTED OUTPUTS

### **Deliverable No. 1**

#### **Financial Reports for Filing with SEC in Accordance with SEC Form 17-A, and SEC Form 17-Q**

We will accomplish the requirements of Part 1 of SEC Form 17-Q and ensure that it is compliant with SEC filing requirements in accordance with SRC Code 17. We will also assist the Corporation in accomplishing the SEC Form 17-A in so far as the audited financial statements are concerned. We will not be responsible for the other information required under SEC Form 17-A.

### **Deliverable No. 1**

#### **Auditors' Report for the Financial Statements as at and for the Year Ended December 31, 2025**

In accordance with terms minimum, our Auditor's Report, which will be addressed to the Board of Directors of the Corporation, should include the following:

- (1) The title and addressees, which will reflect the governance structure of the Corporation;
- (2) Opinion paragraphs containing (a) identification of the financial information audited and, (b) our audit opinion.
- (3) A paragraph explaining the basis for our opinion;
- (4) A paragraph describing management's responsibilities for the financial statements expanded to explain its responsibilities with respect to going concern issues, and
- (5) A paragraph listing the responsibilities of the auditors.

We may expand the report to include other information and explanations not intended as a reservation. In addition, we shall report on the supplementary information required by the BIR, for information required under Revenue Regulation No. 15-2010.

### **Deliverable No. 2**

#### **Preparation of Letter of Comments and Recommendations**

Since we will study and evaluate the Corporation's system of internal accounting control to the extent we will consider necessary to evaluate the system as required by Philippine Standards on Auditing (PSAs), we are going to provide management and the Board of Directors with a report concerning any significant matters relating to the system of internal accounting controls of the Corporation along with our findings, comments and recommendations on these matters, and on other matters pertaining to the general and administrative operations of the Corporation.

### **Deliverable No. 4**

#### **Filing Assistance with the BIR and the SEC**

Our engagement will also include assistance in the preparation of your annual income tax returns to the BIR (BIR Form 1702) and assistance in the preparation of the Corporation's financial statements for filing with the SEC.

### **Other Services**

Our clients are given the privilege of accessing free consultations on matters pertaining to administrative and financial natures. When invited, we will also attend the meetings of the Corporation's Board of Directors to help the Treasurer explain the audited financial statements of the Corporation.



## FEES AND INCIDENTAL EXPENSES

### Professional Fees

Based on the scope outlined above, we agree to your proposed fees of pesos:

**FOUR HUNDRED TWENTY-FIVE THOUSAND PESOS ONLY (P425,000.00)**

Our fees are based on the time required by the staffs assigned to the engagement. Individual hourly rates of our staff vary according to the degree of responsibility involved and the experience and skills required.

Allow us to emphasize that we quoted this new fixed rate of our professional fees under the following conditions:

- That the work that is to be completed by your staff is completed and made available to us in accordance with an agreed timetable;
- That the accounting records and other financial information that we wish to examine are properly kept and in a form that makes them readily accessible to our staff; and
- That we will not have to stop work and/or make follow up visits because of delays caused by your staff or the unavailability of information required for the audit.

Should we encounter difficulties in the conduct of this engagement, we will let you know in advance before going further with our work. If this situation arises, there might be a need to request for an upward adjustment of our professional fees should we find it inadequate to cover our cost, subject however to your prior approval.

### Billing Procedures

We propose to bill you as follows:

- (a) Twenty Five percent (25%) of our fees at the time of approval of this engagement, which will also authorize us to start the planning procedures as well as the review procedures of the first and second quarters of 2025.
- (b) Another Twenty Five percent (25%) of our fees at the time of our completion of the review procedures of the third quarter of 2025. This billing will also cover the fees for our initial audit procedures intended for the audit of the financial statements for the year 2025,
- (c) Another Twenty Five percent (25%) of our fees will be billed sometime in February 2026.
- (d) The balance will be billed at the conclusion of our engagement as signified by the delivery of our reports as explained in the **Expected Output/Additional Services Section** in this letter.

Our billings will include the mandated twelve percent (12%) VAT on professionals.

Our billings are exempt from the expanded withholding taxes owing to our being a general professional partnership (Ref: RR 14-2002 and RMC No. 60-2016).

### Out-of-Pocket Costs (To be Claimed as Refund)

We will bill you for the actual expenses we will incur in this engagement representing substantially the cost of transportation, board and lodging during visits to the Corporation (where such is allowed and practicable under the circumstances) and the cost audit supplies and of reproducing our reports.





Our charges (which will be claimed as refund of expenses hence no longer subjected to the value-added taxes), would be guided by the following policies:

- a) Food Expenses  
An employee on official business outside of Cagayan de Oro City shall receive a fixed per diem for food expenses in the amount of SIX HUNDRED PESOS (P600) per day for meals not provided by clients. In case of broken claims for meal allowance, an employee may claim TWO HUNDRED PESOS (P200) for breakfast, lunch and dinner. No receipts are required in liquidating meals per diem. These per diems will no longer be claimed if meals are provided by your Cafeteria.
- b) Lodging Expenses  
Unless provided by the Corporation, partners and employees on official business trips are required to secure safe and decent lodgings in their destinations. Lodging expenses are based on actual rates and must be liquidated with actual receipts using the Travel Liquidation Report. We understand that the Corporation can provide safe lodging of our personnel; we anticipate no charges for lodging expenses in this engagement.
- c) Transportation  
Employees on mission outside of the home base shall have their actual transportation expenses reimbursed based on actual receipts submitted. For a partner using a service vehicle during a visit, a reasonable charge for fuel and the driver's time (if any) will be charged to the Corporation per trip. We will bill this portion of our expenses (together with the other items herein) in the form of liquidation report.
- d) Per Diem  
The staffs are also being given fixed per diem of FIFTY PESOS ONLY (P50.00) for every day the staff is working in your Corporation to cover other expenses such as cellphone loads and other personal expenses. No receipts are required in liquidating the fixed per diem.
- e) Audit Supplies and Report Reproduction  
We shall charge the Corporation with a fixed cost to cover audit supplies, report reproduction and mailing costs, of SEVEN HUNDRED PESOS ONLY (P700.00) per printed reports for the Board of Directors and Management and for reports to be submitted to the SEC and BIR.

We will be printing our reports based on the following allotments:

For BOD and management	-	5
For SEC	-	1
For BIR	-	1
Total		7

Please let us know should you need more or less of the specified quantity for printing.

## OTHER MATTERS

### (1) Efficacy of this Contract/Termination of our Services

This proposal letter, once approved by you, will be effective for the audit of the year 2025 only. Should you wish to request our services in the audit of the financial statements of the Corporation for 2026, we will send you a new proposal letter.



Our services may be terminated by the Corporation any time, provided a written notice of termination is sent to us at least thirty (30) days prior to the date it becomes effective. This will allow us to complete any audit procedures already started, and to bill whatever is due us based on the audit procedures already performed.

## **(2) Confidentiality Clause and Data Privacy**

We will ensure the secrecy and confidentiality of all information that may come to our attention during the performance of this engagement.

During the course of our engagement, we may receive and process personal information relating to individuals such as your employees, agents, related parties, subsidiaries, associates or other third parties with whom you have a relationship. We will only use personal information received for the services we have been engaged to provide. We shall treat all personal information received with strict confidentiality and in accordance with data privacy laws. Personal information will not be disclosed by any third party, except for where: you have consented; disclosure is required by law or a regulator/enforcement authority; it is already in public domain; or our professional advisers require it. We will take appropriate technical, organizational and security measures against unauthorized or unlawful processing of personal information provided by you.

You shall ensure that you are lawfully authorized to provide us with any personal information. We shall not be liable or responsible for the processing of personal information where you have not obtained the required consents and approvals. Subject to any legal restrictions, we will inform you of any personal information access requests received.

We may ask you to contribute to the financial cost of complying with such a request. We reserve the right to destroy or delete any personal information without requesting your prior approval.

## **(3) Use of Electronic Media**

This proposal letter, once approved, shall serve as the Corporation's authorization for us to use e-mail and other electronic methods to transmit and receive information, including confidential information, between Q&G, CPAs and the Corporation. It is acknowledged that e-mails travel over the public internet, which is not a secure means of communication and carries with it extensive risks including data corruption, viruses, malicious software, hacking, unauthorized access, disrupted communications, server issues and system downs.

We do not guarantee the effectiveness and security of using email and the internet and we are not responsible or liable for damages or losses arising from such risks and, thus, confidentiality of the transmitted information could be compromised through no fault of Q&G, CPAs.

## **(4) Rights of Quilab & Garsuta, CPAs Over Publishing of Audit Report**

In the event that the Board of Directors publishes a copy of the Corporation's financial statements and our audit report on the Corporation's website, or print the audit report together with the Corporation's audited financial statements in its Souvenir Programs or other printed organs, the following matters shall be agreed upon:

- 1) When information is presented on a website, the security and control over information on the website to maintain its integrity are the responsibility of management. We would be pleased to review the suitability of these arrangements before any decision is taken to publish our report on the website. If we believe that use of our audit report on the website is misleading, we reserve the right to require the report to be presented in a manner that is not misleading.





- 2) Should the Corporation also publish a copy of its financial statements and our audit report in a souvenir program, or in its printed organ, we reserve the right to review the draft of the souvenir program or printed organ before this is run for printing. We shall not be held liable for omissions in the souvenir program or printed organ when we have not reviewed the draft.

#### **(5) Governing Law and Jurisdiction**

This engagement shall be governed by and shall be construed to be in accordance with the laws of the Republic of the Philippines. We agree that all disputes or questions arising therein or in relation to or incidental to this engagement shall be resolved in the Courts of Cagayan de Oro City, Philippines only.

If any dispute arises (between/among) the parties hereto, the parties agree first to try in good faith to settle the dispute through non-binding mediation. The parties agree that, if any dispute cannot be settled through mediation, the dispute may then be brought before a court of competent jurisdiction.

#### **(6) Liability of Quilab & Garsuta, CPAs in Case of Litigation**

The Corporation agrees that Quilab & Garsuta, CPAs, its partners and staff shall not be liable to the Corporation for any actions, damages, claims, liabilities, costs expenses, or losses in any way arising out of or relating to the audit services performed hereunder for an aggregate amount in excess of the fees paid by the Corporation to Quilab & Garsuta, CPAs under this engagement.

In furtherance and not in limitation of the foregoing, Quilab & Garsuta CPAs will not be liable in respect of any decisions made by the Corporation or any other parties as a result of the performance by Quilab & Garsuta, CPAs of its services hereunder. The provisions of this paragraph shall apply regardless of the form of action, claim, liability, cost, expense or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise.

#### **(7) Release from Legal Responsibility**

By approving this engagement, you agree to release Quilab & Garsuta, CPAs and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter, except to the extent determined to have resulted from the intentional, gross negligent or deliberate misconduct of Quilab & Garsuta, CPAs personnel.

In the event Quilab & Garsuta, CPAs is required pursuant to subpoena or other legal process to produce its documents relating to the engagements for the Corporation in judicial or administrative proceedings to which Quilab & Garsuta, CPAs is not a party, the Corporation shall reimburse Quilab & Garsuta, CPAs for its professional time and expense, including reasonable legal fees, incurred in responding to such requests.

#### **(8) Work Paper Access and Others**

In accordance with PSA 230, the working papers of this engagement are the property of Quilab & Garsuta, CPAs. Pursuant to the request by the Corporation, we may be required to make certain that work papers are available when requested. Access to the requested work papers will be provided under the supervision of Quilab & Garsuta, CPAs personnel.

In the event Quilab & Garsuta, CPAs is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement in judicial or administrative proceedings to which Quilab & Garsuta, CPAs is not a party, the Corporation shall reimburse Quilab & Garsuta, CPAs at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such request.

#### **(9) Requirement for Amending this Proposal**

This engagement letter is contractual in nature and includes all of the relevant terms that will govern the



engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all the parties.

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If, after full consideration and consultation with Legal Counsel if so desired, you agree that the foregoing terms shall govern this engagement, we will appreciate your signing on the space provided for you at the lower portion of this page and returning the duplicate copy of this letter to us to indicate that it is in accordance with your understanding of the arrangements in the audit of your financial statements.

Very truly yours,

  
ANA MARIAE MICHELLE QUILAB-ARRABACA  
Engagement Partner

CONCURRED AND APPROVED BY:

  
DR. JAMES ROBERTSON C. PICHEL, MD  
President & CEO

10/14/2025

Date

