

AMENDED: 04-19-2024

Tax Return Receipt Confirmation

From: ebirforms-noreply@bir.gov.ph

To: mba4k@yahoo.com

Date: Friday, April 19, 2024 at 10:52 AM GMT+8

This confirms receipt of your submission with the following details subject to validation by BIR:

File name: 005942858000-1702EXv2018C-122023V1.xml

Date received by BIR: 19 April 2024

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Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

FOR RETURNS WITH TAX PAYABLE:

Please pay through any of the following ePayment Channels:

Land Bank of the Philippines Link.BizPortal

- LBP ATM Cards
- Bancnet ATM/Debit Cards
- PCHC PayGate or PESONeT (RCBC, Robinsons Bank, UnionBank, PSBank, BPI, Asia United Bank)

DBP PayTax Online

- Credit Cards (MasterCard/Visa)
- Bancnet ATM/Debit Cards

Unionbank of the Philippines

- Unionbank Online (for Unionbank Individual and Corporate Account Holders)
- UPAY via InstaPay (For Individual Non-Unionbank Account Holders)


Taxpayer Agent/ Tax Software Provider-TSP

- (Gcash/PayMaya/MyEG)

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Bureau of Internal Revenue

AMENDED: 04-19-2024

BIR Form No. 1702-EX January 2018 (ENC5) v2 Page 2		Annual Income Tax Return Corporation, Partnership and Other Non-individual Taxpayer EXEMPT under the Tax Code, as Amended, [Sec. 39 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income		 1702-EX 0118ENC5 v2 P2	
Part IV - Computation of Tax					
				(Do NOT enter Centavos. #s contains at least 4 digits, 50 or more round up)	
22	Less: Foreign Tax Paid				11,000.00
23	Less: Sales Returns, Allowances and Discounts				0.00
24	Net Sales/Receipts/Revenue/Net Fee (Item 21 less Item 23)				13,000.00
25	Less: Cost of Sales/Expenses				6,000.00
26	Gross Income from Operation (Item 24 Less Item 25)				7,000.00
27	Add: Other Income				24,000.00
28	Total Gross Income (Sum of Items 26 and 27)				31,000.00
Less: Deductions Allowable under Existing Law					
A. Itemized Deduction					
29	Ordinary Allowable Itemized Deductions (From Part IV, Schedule J, Item 14)				1,100.00
30	Special Allowable Itemized Deductions (From Part IV, Schedule J, Item 15)				0.00
31	Total Itemized Deductions (Sum of Items 29 and 30)				1,100.00
B. Optional Standard Deduction (OSD)					
32	OSD (40% of Item 28) (Applicable to GPP per RA No. 10963)				0.00
33	Net Taxable Income / Less: Deductions (Item 28 Less Item 31) & OSD, Item 32 Less Item 32)				29,900.00
34	Tax Rate				0%
35	Tax Due (Item 33 x Item 34) (Do Not Enter 0.00)				0.00
Less: Tax Credits / Payments, Where Applicable					
36	Prior Year's Excess Credits				0.00
37	Income Tax Payment from Previous Quarters				0.00
38	Deferral Tax Withheld from Previous Quarters per BIR Form No. 2307				0.00
39	Withhold Tax Withheld per BIR Form No. 2307 for the 4th Quarter				0.00
40	Foreign Tax Credits, If Applicable				0.00
41	Tax Paid in Return Previously Filed, If It Is an Amended Return				0.00
Other Tax Credits / Payments (MAY/AY)					
42					0.00
43					0.00
44	Total Tax Credits / Payments (Sum of Items 36 to 43) (Do Not Enter 0.00)				0.00
45	Total (Overpayment) (Item 41 Less Item 44) (Do Not Enter 0.00)				0.00
Part V - Tax Relief Availment					
46	Regular Income Tax Otherwise Due (Item 35 of Part IV x Applicable Income Tax Rate)				0.00
47	Special Allowable Itemized Deductions (Item 36 of Part IV x Applicable Income Tax Rate)				0.00
48	Total Tax Relief Availment (Sum of Items 46 and 47)				0.00

TENTATIVE: 4-12-2024

Tax Return Receipt Confirmation

From: ebirforms-noreply@bir.gov.ph

To: mba4k@yahoo.com

Date: Friday, April 12, 2024 at 04:48 PM GMT+8

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Date received by BIR: 12 April 2024

Time received by BIR: 04:28 PM

Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

FOR RETURNS WITH TAX PAYABLE:

Please pay through any of the following ePayment Channels:

Land Bank of the Philippines Link.BizPortal

- LBP ATM Cards
- Bancnet ATM/Debit Cards
- PCHC PayGate or PESONeT (RCBC, Robinsons Bank, UnionBank, PSBank, BPI, Asia United Bank)

DBP PayTax Online

- Credit Cards (MasterCard/Visa)
- Bancnet ATM/Debit Cards

Unionbank of the Philippines

- Unionbank Online (for Unionbank Individual and Corporate Account Holders)
- UPAY via InstaPay (For Individual Non-Unionbank Account Holders)


Taxpayer Agent/ Tax Software Provider-TSP

- (Gcash/PayMaya/MyEG)


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Bureau of Internal Revenue

TENTATIVE: 4-12-2024

BIR Form No. 1702-EX January 2018 (ENC3)v2 Page 2	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT under the Tax Code, as Amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income	 1702-EX 0178ENC3 v2 P2
TIN <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		Registered Name KATIPUNASTRONGKONGSYOTAWAEXV2018CORPORATION
Part IV - Computation of Tax		(Do NOT enter Credits, 49 cent/vote or less drop down 50 or more round up)
28 Sales/Receipts/Revenue/Fees		13,078,394.00
29 Less: Sales Returns, Allowances and Discounts		0.00
30 Net Sales/Receipts/Revenue/Fees (Item 28 less Item 29)		13,078,394.00
31 Less: Cost of Sales/Services		8,388,325.00
32 Gross Income from Operation (Item 30 Less Item 31)		4,690,069.00
33 Add: Other Income		274,327.00
34 Total Gross Income (Sum of Items 32 and 33)		4,964,396.00
Less: Deductions Allowable under Existing Law		
A. Itemized Deduction		
35 Ordinary Allowable Itemized Deductions (From Part V, Schedule I, Item 7B)		1,713,581.00
36 Special Allowable Itemized Deductions (From Part V, Schedule I, Item 8)		0.00
37 Total Itemized Deductions (Sum of Items 35 and 36)		1,713,581.00
B. Optional Standard Deduction (OSD)		
38 OSD (40% of Item 34) (Applicable to GRP per RA No. 10943)		0.00
39 Net Taxable Income (Less) (If Applicable, Item 34 Less Item 37.) W/O Item 38 Less Item 38		3,250,815.00
40 Tax Rate		0.00
41 Tax Due (Item 39 x Item 40) (To Part 4, Item 16)		0.00
Less: Tax Credits / Payments (attach proof)		
42 Prior Year's Excess Credits		0.00
43 Income Tax Paid from Previous Quarters		0.00
44 Creditable Tax Withheld from Previous Quarters per BIR Form No. 2307		0.00
45 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter		0.00
46 Foreign Tax Credits, if applicable		0.00
47 Tax Paid in Return Previously Filed, if this is an Amended Return		0.00
Other Tax Credits / Payments (specify)		
48 <input type="text"/>		0.00
49 <input type="text"/>		0.00
50 Total Tax Credits / Payments (Sum of Items 42 to 49) (To Part 4, Item 18)		0.00
51 Total (Overpayment) (Item 41 Less Item 50) (To Part 4, Item 20)		0.00
Part V - Tax Relief Availment		
52 Regular Income Tax Otherwise Due (Item 39 of Part IV x Applicable Income Tax Rate)		0.00
53 Special Allowable Itemized Deductions (Item 35 of Part IV x Applicable Income Tax Rate)		0.00
54 Total Tax Relief Availment (Sum of Items 52 and 53)		0.00

TENTATIVE: 4-12-2024

BIR Form No. 1702-EX January 2018 (ENCS) v2 Page 3	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT under the Tax Code, as Amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income	 1702-EX 01/18/ENCS v2 P3
Tax Identification Number (TIN) 000 000 000 0000	Registered Name KAYCEBANGKO KANOROTRINERIK KAGEGUPHACUS KICAMISORU MI	
Part VI - Schedules		
(Do NOT enter Centavo: 49 centavo or less drop down, 50 or more round up)		
Schedule 1 - Ordinary Allowable Business Deductions (attach additional sheets, if necessary)		
1 Amortizations 2 Bad Debt 3 Charitable and Contributions 4 Depreciation 5 Depreciation 6 Entertainment, Amusement and Recreation 7 Fringe Benefits 8 Interest 9 Leases 10 Pensions, Annuities 11 Rental 12 Research and Development 13 Salaries, Wages, and Allowances 14 SSS, GSIS, PhilHealth, HDMF, and Other Contributions 15 Taxes and Licenses 16 Transportation and Travel 17 Others (Deductions Subject to Withholding Tax and Other Expenses) (Specify below. Attach additional sheet(s) if necessary)	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	0.00 0.00 40,000.00 0.00 211,000.00 0.00 0.00 0.00 0.00 207,000.00 0.00 2,244,000.00 500,000.00 28,710.00 119,100.00 0.00 116,100.00 0.00 263,000.00 20,700.00 107,000.00 10,000.00 271,000.00 1,110,000.00
18 Total Ordinary Allowable Business Deductions (Sum of Items 1 to 17) (Do NOT EXCEED 0.00)		
Schedule 2 - Special Allowable Business Deductions (attach additional sheets, if necessary)		
1 2 3 4	Description Legal Basis Amount	0.00 0.00 0.00 0.00
5 Total Special Allowable Business Deductions (Sum of Items 1 to 4) (Do NOT EXCEED 0.00)		
Schedule 3 - Reconciliation of Net Income per Books Against Taxable Income (attach additional sheets, if necessary)		
1 Net Income(Loss) per Books Add: Non-Deductible Expenses/Other Income 2 PROVISION FOR IMPROBABLE LOSSES 3 INTEREST EXPENSE ON LEASE LIABILITY 4 Total (Sum of Items 1 to 3) Less: A) Non-Taxable Income and Income Subjected to Final Tax 5 INTEREST AND INVESTMENT INCOME 6 ACTUAL LEASE PAYMENTS B) Special Deductions 7 8	1 2 3 4 5 6 7 8	486,263.00 388,017.00 24,400.00 624,171.00 615,264.00 264,000.00 0.00 0.00 1,014,264.00
9 Total (Sum of Items 5 to 8)		
10 Net Taxable Income(Loss) (Item 4 Less Item 9)		



**KATILINGBANONG KAANGAYAN PARA SA KASEGUROHAN
UG KALAMBUAN – MUTUAL BENEFIT ASSOCIATION, INC.
(4K-MBA - formerly RBT-MBA)**

Sebastian Building, Tiano-Echem Sts., Cagayan de Oro City
TeleFax No (088) 856-3503 E-mail: mba4k@yahoo.com



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURNS

The management of Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association, Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the valued added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, management affirms that the attached audited financial statements for the year ended December 31, 2023, and the accompanying Annual Income Tax Return are in accordance with the books and records of Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc., complete and correct in all material respects.

Management likewise affirms that:

- a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules have been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- c) The Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc. has filed all applicable returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

April 12, 2024, in the City of Cagayan de Oro, Philippines.


MARIA GLENDA S. LOBUSTA
President


LORAIN B. TEMPLADO
Chief Executive Officer


CARMEN B. MACARANAS-AGUINID
Operations Manager

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY INCOME TAX RETURNS**

Contact Information
2F, Executive Centrum Building, I.R. Bojor Street
Cagayan de Oro City, Philippines, 9000
(063) 60-231-6365, 8822-727515
quilabgarsuta.com

Current Accreditations
BOA, BIR, SEC, BSP, IC
CDA, NEA, MISEREDR, KMH

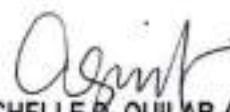
The Board of Trustees and Members
**Katilingbanong Kaangayan Para sa Kasegurohan ug
Kalambuan – Mutual Benefit Association (4K-MBA), Inc.**
Sebastian Building, Tiano-Echem Street, Cagayan de Oro City

We have audited the accompanying financial statements of Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc., for the year ended December 31, 2023, on which we have rendered the attached report dated April 12, 2024.

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

QUILAB & GARSUTA, CPAs

By:



ANA MARIAE MICHELLE D. QUILAB-ARRABACA
Partner

CPA Cert. No. 121076

TIN No. 948-844-710

PRC/BOA Cert. No. 7787, 2023-2026

BIR 16-007506-000-2022, 2022-2024

121076-SEC Group B, 2020-2024

121076-BSP Group B, 2020-2024

121076-IC Group A, 2020-2024

PTR No. 5864058 A

January 3, 2024

Cagayan de Oro City

April 12, 2024
Cagayan de Oro City, Philippines

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members
**Katilingbanong Kaangayan Para sa Kasegurohan ug
Kalambuan – Mutual Benefit Association (4K-MBA), Inc.**
Sebastian Building, Tiano-Echem Street, Cagayan de Oro City

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc., which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements comprising of a summary of material accounting policy information and other explanatory notes, collectively referred to as 'financial statements'.

In our opinion, except for the effects of the matter described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc., as of December 31, 2023 and 2022, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Bases for Qualified Opinion

The following form the bases of our qualified opinion:

- (a) In implementing PFRS 9, *Financial Instruments*, beginning January 1, 2018, the Association was not able to compute the Lifetime Expected Credit Losses (ECL) for past due unremitted members' contributions and other receivables already considered impaired. As explained in Note 6 to the financial statements, the Association's loans and other receivables, reported in the financial statements at ₱11,591,506 as at December 31, 2023, included past due other receivables that may have already been impaired, totaling ₱1,260,043. Had the accounts been fully provided with ECL, the reported net deficit for the year would decrease to ₱770,802, and the balance of the General Fund – Unassigned Surplus at the end of 2023 would be reduced to a deficit of ₱1,902,680.
- (b) As also discussed in Note 10 to the financial statements, the Association's retirement benefit obligations were computed based on management using the provision of R.A. 7641, instead of based on actuarial valuations using projected credit unit method as required under PAS/IAS 19 *Employees Benefits*, and PAS/IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. Accordingly, the recorded retirement benefit obligations were not determined in accordance with the requirements of PFRSs and the required disclosures thereof could not be accomplished by the Association. The effect of non-compliance could not be determined by the Association until an actuarial valuation is conducted by professional valuers.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

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

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

report. However, future events or conditions may cause the Association to cease to continue as a going concern.

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

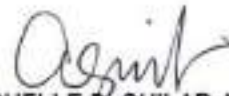
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

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

QUILAB & GARSUTA, CPAs

By:



ANA MARIAE MICHELLE D. QUILAB-ARRABACA

Partner

CPA Cert. No. 121076

TIN No. 948-844-710

PRC/BOA Cert. No. 7787, 2023-2026

BIR 16-007506-000-2022, 2022-2024

121076-SEC Group B, 2020-2024

121076-BSP Group B, 2020-2024

121076-IC Group A, 2020-2024

PTR No. 5864058 A

January 3, 2024

Cagayan de Oro City

April 12, 2024

Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc.

December 31,	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	P17,023,325	P15,662,702
Loans and other receivables (Note 6)	11,591,506	10,605,770
Investments in debt and equity securities (Note 9)	499,332	–
Total Current Assets	29,114,163	26,268,472
Non-Current Assets		
Furniture, fixtures and office equipment – net (Note 7)	46,154	86,789
Right-of-use asset – net (Note 8)	69,212	255,134
Investments in debt and equity securities (Note 9)	17,803,284	17,623,088
Total Non-Current Assets	17,918,650	17,965,011
	P47,032,813	P44,233,483
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Trade and other payables (Note 10)	P1,734,676	P1,351,315
Insurance contract liabilities (Note 11)	714,984	738,351
Lease liability (Note 8)	60,000	234,545
Total Current Liabilities	2,509,660	2,324,211
Non-Current Liabilities		
Aggregate reserves for risks (Note 12)	29,002,467	27,577,742
Lease liability (Note 8)	–	60,000
Total Non-Current Liabilities	29,002,467	27,637,742
Total Liabilities	31,512,127	29,961,953
Fund Balances		
Guaranty Fund (Note 13)	13,138,154	12,449,939
General Fund (Note 14)	(642,637)	(1,131,878)
Assigned Surplus Fund (Note 15)	2,758,619	2,758,619
Revaluation reserve on investments at FVTOCI (Note 9)	266,550	194,850
Total Fund Balances	15,520,686	14,271,530
	P47,032,813	P44,233,483

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc.

Years Ended December 31,	2023	2022
REVENUE		
Gross members' premium contributions (Note 14)	₱13,764,309	₱15,852,238
Less contributions to Guaranty Fund (Note 13)	688,215	792,612
Net members' premium contributions	13,076,094	15,059,626
Interest and investment income (Notes 5 and 9)	815,384	812,657
Other income (Note 16)	274,301	284,459
Total Revenue	14,165,779	16,156,742
BENEFITS AND OPERATING EXPENSES		
Benefits and claims paid to members (Notes 11 and 14)	3,658,513	4,573,128
Collection costs (Note 19)	3,315,141	4,035,638
Increase in aggregate policy reserves (Note 12)	1,424,725	3,509,725
Total benefits and related expenses	8,398,379	12,118,491
Salaries, wages, and employees' benefits (Note 17)	2,555,187	2,537,506
General and administrative expenses (Note 18)	2,441,890	1,674,791
Depreciation (Notes 7 and 8)	281,082	270,004
Total Benefits and Operating Expenses	13,676,538	16,600,792
NET SURPLUS (DEFICIT) FOR THE YEAR	489,241	(444,050)
OTHER COMPREHENSIVE INCOME		
<i>Item that may not be subsequently reclassified to profit or loss:</i>		
Changes in value of investments at FVTOCI (Note 9)	71,700	(7,650)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	₱560,941	(₱451,700)

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Katilingbarong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc.

December 31,	2023	2022
GUARANTY FUND (Note 13)		
Opening balances	₱12,449,939	₱11,657,327
Contributions during the period	688,215	792,612
Closing balances	13,138,154	12,449,939
GENERAL FUND (Note 15)		
Opening balances	(1,131,878)	(687,828)
Net surplus (deficit) for the year	489,241	(444,050)
Closing balances	(642,637)	(1,131,878)
ASSIGNED SURPLUS FUND (Note 15)	2,758,619	2,758,619
REVALUATION RESERVE ON INVESTMENTS AT FVTOCI (Note 9)		
Opening balances	194,850	202,500
Change in value of investments during the year	71,700	(7,650)
Closing balances	266,550	194,850
	₱15,520,686	₱14,271,530

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc.

Years Ended December 31,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus (deficit) for the year	P489,241	(P444,050)
Add (deduct) adjustments for:		
Interest and investment income (Notes 5 and 9)	(815,384)	(812,657)
Depreciation on furniture, fixtures and office equipment (Note 7)	95,160	84,082
Depreciation on right-of-use asset (Note 8)	185,922	185,922
Provision for ECL on loans and other receivables (Note 6)	399,011	84,000
Increase in aggregate reserves for risks (Note 12)	1,424,725	3,509,725
Interest on lease liability (Note 8)	29,455	50,777
Operating surplus before changes in working capital	1,808,130	2,657,799
Add (deduct) changes in working capital, excluding cash and cash equivalents:		
Increase in loans and other receivables (Note 6)	(1,384,747)	(1,468,211)
Increase in trade and other payables (Note 10)	383,361	222,393
Increase (decrease) in insurance contract liabilities (Note 11)	(23,367)	22,961
Net Cash Provided from Operating Activities	783,377	1,434,942
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest and investment income (Notes 5 and 9)	815,384	812,657
Additions to furniture, fixtures and office equipment (Note 7)	(54,525)	(49,691)
Increase in investments in debt and equity securities (Note 9)	(607,828)	(1,844,679)
Net Cash Provided from (Used for) Investing Activities	153,031	(1,081,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of principal and interest on lease liability (Note 8)	(264,000)	(264,000)
Increase in Guaranty Fund (Note 13)	688,215	792,612
Net Cash Provided from Financing Activities	424,215	528,612
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,360,623	881,841
OPENING CASH AND CASH EQUIVALENTS	15,662,702	14,780,861
CLOSING CASH AND CASH EQUIVALENTS (Note 5)	P17,023,325	P15,662,702

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc.
As of and for the Years Ended December 31, 2023 and 2022

Note 1

Organization and Tax Exemption

The Katilingbanong Kaangayan Para sa Kasegurohan ug Kalambuan – Mutual Benefit Association (4K-MBA), Inc. was originally organized by the borrowers of Rural Bank of Talisayan (Mis. Or.), Inc., "to promote the welfare of the marginalized sector of society, to extend financial assistance to members in the form of death benefits, medical expense subsidy, pensions, mortuary benefits and loan redemption facilities". It has since expanded its memberships to embrace the members of Ernesto Carbuena Galenzoga (ECG) Foundation, Inc. (formerly SAMULCO Foundation, Inc.), and Fonus Multipurpose Cooperative.

The Association was originally registered with the Securities and Exchange Commission (SEC) on July 5, 2006, and obtained secondary license from the Insurance Commission (IC) on September 6, 2006, under its original name 'Rural Bank of Talisayan – Mutual Benefits Association (RBT-MBA), Inc.'. It officially started operations in September 2006. The Association obtained approval from the Securities and Exchange Commission for the change of its name, on March 14, 2014, and also subsequently obtained approval of the change from the Insurance Commission (IC).

The Association is governed by a Board of Trustees, which received no compensation. It is holding office at Sebastian Building, Tiano-Echem Street, Cagayan de Oro City.

As at December 31, 2023, the Association has a total membership of 10,947.

In accordance with Section 30 (C) of the National Internal Revenue Code, as amended, the Association is exempt from the payment of taxes from income derived by it.

Note 2

Statement of Compliance with Philippine Financial Reporting Standards (PFRSs)

Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations-IFRIC.

PFRSs include statements named PFRSs and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy (BOA) and adopted by the Securities and Exchange Commission (SEC).

Because the Association is a supervised entity by the Insurance Commission (IC), it also abides by the regulations of the Commission particularly those that are set forth under Section 189 of The Amended Insurance Code and with IC Circular Letter No. 2014-41 *Standard Chart of Accounts (SCA) for MBAs*, and all

applicable IC Circular Letters and accounting requirements. These regulations and requirements are substantially compliant with PFRSs and the Revised SRC Rule 68 (2019).

New and Amended IFRS Accounting Standards that are Effective for the Current Year

In the current year, the Association has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the FSRSC (as Philippine Financial Reporting Standards) that are mandatorily effective for an accounting period that begins on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to PAS/IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The Association has adopted the amendments to PAS/IAS 1 for the first time in the current year. The amendments change the requirements in PAS/IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS/IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Amendments to PAS/IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Association has adopted the amendments to PAS/IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to PAS/IAS 12, the Association is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS/IAS 12.

The forgoing changes does not affect the Association as it is presently a tax-exempt entity.

Amendments to PAS/IAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules

The Association has adopted the amendments to PAS/IAS 12 for the first time in the current year. The IASB amends the scope of PAS/IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in PAS/IAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Presently, the Pillar Two model rules have not yet been adopted by Philippine authorities and the amendments do not affect the Association which is a tax-exempt entity.

Amendments to PAS/IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Association has adopted the amendments to PAS/IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting

estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The definition of a change in accounting estimates was deleted.

New and Revised IFRS Accounting Standards in Issue But Not Yet Effective

At the date of authorization of these financial statements, the Association has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective and in some cases has not yet been adopted by the FSRSC.

- PFRS 17 *Insurance Contracts* (including the June 2020 and December 2021 amendments to IFRS 17)
- Amendments to PFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*
- Amendments to IAS 1 *Non-current Liabilities with Covenants*
- Amendments to IAS 7 and IFRS 7 *Supplier Finance Arrangements*
- Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*

The management of the Association does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Association in future periods.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The FSRSC adopted the amendments on December 15, 2021 and amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

The Association has determined that its existing products extended to its members has significant insurance risk and therefore meets the definition of an insurance contract. Presently, these are accounted for under PFRS 4, which will be superseded by PFRS 17 beginning January 1, 2025. The Association is working closely with its actuaries and the mutual benefit industry association it belongs to for guidance and understanding in the implementation of the provision of PFRS 17.

Amendments to PFRS 10 Consolidated Financial Statements and PAS/IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to PFRS 10 and PAS/IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The FSRSC has not yet reviewed the foregoing amendments.

The Board of Directors of the Association anticipate that the application of these amendments may not have any impact on the Association's financial statements in future periods should such transactions arise.

Amendments to PAS/IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to PAS/IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

The FSRSC adopted the amendments on August 19, 2020 and becomes effective beginning January 1, 2023.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to

understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. The FSRSC adopted the amendments on November 18, 2022 and becomes effective starting January 1, 2024.

The Board of Directors of the Association anticipate that the application of these amendments do not have any impact on its financial statements in future periods.

*Amendments to PAS/IAS 7 Statement of Cash Flows and PFRS 7
Financial Instruments: Disclosures—Supplier Finance Arrangements*

The amendments add a disclosure objective to PAS/IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, were adopted by the FSRSC on June 19, 2023, and are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification

or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

The amendments were adopted by the FSRSC on October 14, 2022 and are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The Board of Directors of the Association anticipate that the application of these amendments may have an impact on the Association's financial statements in future periods should such transactions arise.

Note 3

Summary of Material Accounting Policy Information

The material accounting policies that have been used in the preparation of these financial statements are summarized below. The Company's management expects these policies to influence the decisions of users of the financial statements. Accounting policies related to immaterial transactions or events were no longer disclosed.

Going Concern

The Board of Directors has, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of Preparation

The financial statements have been prepared using a historical cost basis, except for financial instruments that are measured at fair values at the end of the year, as explained in the following accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Association takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such basis, except for leasing transactions that are within the scope of PFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS/IAS 2 or value in use in PAS/IAS 36.

The financial statements are presented in Philippine peso, which is the Association's functional and presentation currency, and all values are recorded to the nearest peso except when otherwise indicated.

The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at statement of financial position date. These estimates and judgments affect the reported amounts of assets and liabilities and

contingent liabilities as at statement of financial position date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Association.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Association determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

Financial assets and financial liabilities are recognized in the Association's statement of financial position when the Association becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Although the Association does not have all of the following financial instruments in its financial statements, the policies governing the accounting of these financial instruments are discussed in detail to allow for the proper understanding of the policies governing such financial instruments.

Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within

the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Association may make the following irrevocable election/designation at initial recognition of a financial asset: (a) the Association may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met [see (iii) below]; and (b) the Association may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch [see (iv) below].

(i) Amortized Cost and Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Association recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to a gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

The Association's financial assets at amortized costs includes cash and cash equivalents and trade and other receivables.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the financial statements at cost. Cash comprise unrestricted cash on hand, deposits held at call with banks, and time deposits with banks that can be pre-terminated anytime without significant risk of change in value. Cash equivalents (including those invested in a trust fund) represent short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. At the end of the year, the Association has no cash equivalents.

Trade and Other Receivables

Trade and other receivables are outstanding balances from debtors less the allowance for impairment losses. Receivables are recognized when the Association becomes party to the contract, which happens when the goods or services are dispatched. They are derecognized when the rights to receive the cash flows have expired e.g., due to the settlement of the outstanding amount or where the Association has transferred substantially all the risks and rewards associated with that contract. Other receivables are stated at invoice value less an allowance for impairment losses. Trade and other receivables are subsequently measured at amortized cost as the business model is to collect contractual cash flows and the debt meets the SPPI criterion.

Investments in Debt Securities at Amortized Costs

Investment in treasury bills and treasury bonds issued by the Philippine Government are held primarily to collect the contractual cash flow rather than selling the asset prior to its maturity. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss.

(ii) Debt Instruments Classified as at FVTOCI

The Association has no financial assets held at FVTOCI. But debt instruments classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these financial assets as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss.

The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these financial assets were to be measured at amortized cost. All other changes in the carrying amount of these financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Equity Instruments Designated as at FVTOCI

On initial recognition, the Association may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. Dividends on these investments in equity instruments are recognized in profit or loss in accordance with PFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

The Association designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

A financial asset is held for trading if: (1) it has been acquired principally for the purpose of selling it in the near term; or (2) on initial recognition it is part of a portfolio of identified financial instruments that the Association manages together and has evidence of a recent actual pattern of short-term profit-taking; or (3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(iv) Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI [see (i) to (iii) above] are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Association designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition [see (iii) above].
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria [see (i) and (ii) above] are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Association has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (the Association has no hedge investments). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other services and other income' line item. Fair value is determined in the manner described in the Association's material accounting policy information.

Impairment of Financial Assets

The Association recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Association always recognizes lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Association's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Association recognizes lifetime ECL when there has been a significant

increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Association measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) *Significant Increase in Credit Risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Association compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Association considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Association's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Association's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Association presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Association has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Association assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (1) the financial instrument has a low risk of default; (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Association considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Association regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of Default

The Association considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable: (1) when there is a breach of financial covenants by the debtor; or (2) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Association, in full (without taking into account any collateral held by the Association).

Irrespective of the above analysis, the Association considers that default has occurred when a financial asset is more than 90 days past due unless the Association has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event (see (ii) above); (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-Off Policy

The Association writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Association's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and Recognition of Expected Credit Losses (ECL)

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Association's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Association in accordance with the contract and all the cash flows that the Association expects to receive, discounted at the original effective interest rate. For a lease receivable, the

cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16.

For a financial guarantee contract, as the Association is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Association expects to receive from the holder, the debtor or any other party.

If the Association has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Association measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Association recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of Financial Assets

The Association derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Association neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Association recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, the Association continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Association has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial Liabilities and Equity

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial Liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Association, are measured in accordance with the specific accounting policies set out below.

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if: (a) it has been acquired principally for the purpose of repurchasing it in the near term; or (b) on initial recognition it is part of a portfolio of identified financial instruments that the Association manages together and has a recent actual pattern of short-term profit-taking; or (c) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Association's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other services and other income' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guaranty contracts issued by the Association that are designated by the Association as at FVTPL are recognized in profit or loss.

Financial Liabilities Measured Subsequently at Amortized Cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of Financial Liabilities

The Association derecognizes financial liabilities when, and only when, the Association's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Association exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Association accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of

a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Prepayments

Prepaid expenses are expenditures paid for in one accounting period, but for which the underlying assets will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Furniture, Fixtures and Office Equipment

Furniture, fixtures and office equipment are stated at cost less accumulated depreciation. Such a cost includes the cost of replacing part of such furniture, fixtures and office equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which is five (5) years.

An item of furniture, fixtures and office equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The carrying values of furniture, fixtures and office equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of Association's furniture, fixtures and office equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.

Impairment of Non-Financial Assets

The Association's furniture, fixtures and office equipment and other assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting the market conditions less cost to sell, and value in use, based on an internal evaluation of discounted cash flow. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the previously recognized impairment loss.

Actuarial Policies

Actuarial liabilities (reserves for life policy and members' equity) are computed by the Consulting Actuary of the Association using actuarial practices generally accepted in the Philippines. Actuarial liabilities and other policy liabilities represent the estimated amounts which, together with estimated future premiums and net investment income, will provide for outstanding claims, estimated future benefits, and expenses on in-force policies.

In calculating actuarial liabilities, assumptions must be made about the timing and amount of many events, including death, investment, inflation, policy termination, expenses, taxes, premiums and commissions. The Association uses best estimate assumptions for expected future experience. Uncertainty is inherent in the process, as no one can accurately predict the future. Some assumptions relate to events that are anticipated to occur for many years in the future and are likely to require subsequent revision.

Additional provisions are included in the actuarial liabilities to provide for possible adverse deviations from the best estimates. If the assumption is more susceptible to change or if the actuary is less certain about the underlying best estimate assumption, a correspondingly larger provision is included in the actuarial liabilities. In determining these provisions, the Association ensures: (a) when taken one at a time, the provision is reasonable with respect to the underlying best estimate assumption, and the extent of uncertainty present in making that assumption, and (b) in total, the cumulative effect of all provisions is reasonable with respect to the total actuarial liabilities.

With the passage of time and resulting reduction in estimation risk, the provisions are released into income. The best estimate assumptions and margins for adverse deviations are reviewed annually and revisions are made where deemed necessary and prudent.

Recording of Claims from Policyholders

Claims incurred comprise settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the year, whether reported or not.

Revenue and Cost Recognition

The Association's revenue arises primarily from the premium contributions of members and secondarily from investment-related transactions such as investment income, dividend income, interest income and other sources of revenues.

Management has determined that the revenue from premium contributions of members is within the scope of PFRS 4 *Insurance Contracts* while the income from investments in financial instruments are within the scope of PFRS 9 *Financial Instruments*. Income from other sources is within the scope of PFRS 15 *Revenue from Contracts with Customers*.

PFRS 4 defines an insurance contract as a 'contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.' PFRS 4 temporarily exempts the Association from some requirements of other PFRSs until the efficacy of PFRS 17, beginning January 1, 2025.

The Association recognizes revenue as follows:

(1) Premium Contributions

Revenue from insurance products is recognized under PFRS 4 *Insurance Contracts*, which defines an insurance contract as a 'contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.' PFRS 4 temporarily exempts the Association from some requirements of other PFRSs until the efficacy of PFRS 17, beginning January 1, 2025.

Under the provisions of PFRS 4, the Association recognizes premium contributions as earned when collected with corresponding allocation as approved by the Insurance Commission (IC). The proportion of the premiums collected pertaining to periods after reporting date is carried forward to subsequent accounting periods as unearned premiums, so that earned premiums relate to risks carried during the accounting period.

The members' gross premium contributions are allocated as follows:

- 50% goes to the reserve for members' equity, intended for members' entitlements of equity value after three (3) full years of continuous membership in the Association, representing 50% of the total membership dues collected less claims paid;
- 25% goes to cover basic benefits of members;
- 5% goes to guarantee fund; and
- the remaining 20% goes to general operations, to cover administrative costs.

The Association collects its premiums/contributions of members through its partner cooperatives and organized groups with a certain service fee (collection cost).

(2) Investments Income

Income from investments is accounted for under PFRS 9 *Financial Instruments*. Income from investments in debt and equity equities held to collect contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes) are recognized at amortized cost, with interest income recognized at the effective interest rate.

(3) Non-Insurance Revenues

The Association recognizes non-insurance revenues in accordance with PFRS 15 *Revenue from Contracts with Customers* at an amount that reflects the consideration to which the Association is expected to be entitled in exchange for transferring goods or services to a customer.

For each contract with a customer, the Association:

- (1) Identifies the contract with a customer;
- (2) Identifies the performance obligations in the contract;
- (3) Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- (4) Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- (5) Recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

(4) Cost and Expenses

Costs and expenses are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen, which can be measured reliably. Costs and expenses are recognized in the statement of profit or loss: i) on the basis of a direct association between the cost incurred and the earnings of specific items of income; ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or iii) immediately when an expenditure produces no future economic benefits or when,

and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Insurance-related costs are accounted as follows:

- Changes in the required actuarial and other reserves are recognized as expense during the year.
- Plan benefits and claims paid to members, including refund of members' equity value, are recognized for benefits availed of by members/beneficiaries.
- Collection costs (representing commissions to collecting affiliate) are due and payable for every premium income recognized. Commission rates are based on IC-approved rates.

(5) Grants, Donations and Other Income

Grants, donations and other income received are valued at fair market value at the time the grants are received.

Compensation and Employees Benefits Expense

Employee benefits are all forms of consideration given by the Association in exchange for services rendered by employees or for the termination of their employments in the Association. The Association recognizes: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the Association consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The following represent the accounting followed by the Association for all types of employee benefits, except share-based payment, to which there is none.

• Short-Term Employee Benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits include wages, salaries and bonuses (if there are any) and non-monetary benefits paid to current employees. These are recognized when the employee has rendered the service and are measured at the undiscounted amounts of benefits expected to be paid in exchange for that service.

The benefits also include compensated absences which are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the Association expects to pay as a result of unused entitlements at end of period. The amounts recognized are included in Trade and Other Payables account in the statement of financial position at undiscounted amount that the Association expects to pay as a result of the unused entitlement.

• Post-Employment Benefit Plans

Post-employment benefit plans that are provided to employees only cover their retirement benefits, which are paid in lump sum payments at the time of their retirements. The retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines the amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Association, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Association's defined benefit retirement plan covers all regular full-time employees.

The Association computed its retirement benefit obligations beginning 2021 based on the provisions of

R.A. 7641. The Association's work force is considered young. The Board of Trustees is cognizant of the need to provide post-employment benefits to its employees; however, the cost-benefit estimate favors using the provisions of R.A. 7641 and no actuarial services were engaged presently at this time on the issue of the immateriality of the amount involved.

- Termination Benefits

Termination benefits are payable when employment is terminated by the Association before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Association recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

Leases – The Association as Lessee

The Association's leases substantially involve the use of office space that is used for its Head Office. The Association assesses whether a contract is or contains a lease, at inception of the contract. The Association recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these low value leases, the Association recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Presently, the Association considers its lease of office space as low value lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Association uses its incremental borrowing rate. The Association has no borrowings, but it is investing funds. It uses the average rates that its investments in financial instruments are getting as the discounted rate justifying that it becomes the opportunity cost when such investible funds are used to the leases.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Association remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment

under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Association did not make any such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Association incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS/IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Association expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets, if any, are presented as a separate line item in the statement of financial position.

The Association applies PAS/IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Furniture, Fixtures and Office Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Rent" in the statement of profit or loss.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Association has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Association allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Leases – The Association as Lessor

The Association is not a lessor of properties.

Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Association and its related parties, regardless of whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Association; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Association that gives them significant influence over the Association and close members of the family of any such individual; and (d) the Association's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Contingencies

A contingency arises when there is a situation for which the outcome is uncertain, and which should be resolved in the future, possibly creating a loss. The accounting for a contingency is essentially to recognize only those losses that are probable and for which a loss amount can be reasonably estimated. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized either, but these are generally disclosed unless the possibility of an outflow of resources is remote.

Provisions

Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Events After Reporting Date

Post year-end events that provide additional information about the Association's position at the reporting date (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 4

Significant Critical Accounting Judgment and Key Sources of Estimation Uncertainty

In applying the Association's accounting policies, which are described in Note 2, *Summary of Material accounting policy information*, the management of the Association are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the Association's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management of the Association have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Association determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Association monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Association's continuous assessment of whether the business model for which

the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant Increase in Credit Risk

Expected credit losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Association takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair Value Measurements

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible; but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Estimating Useful Lives of Property and Equipment

The Association reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

Impairment of Non-Financial Assets

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Retirement Benefits

The determination of the Association's obligation and cost for pension and other employee benefits is dependent on the selection of certain assumptions used by management in calculating such amounts. While the Association believes that the assumptions used are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect employee benefit obligations.

Determining the Terms of the Lease After Expiry of the Lease

Estimating the likelihood of the lessor exercising termination options in the lease contract (or not exercising extension options) would necessitate making significant judgements about the intentions and economic conditions of the lessor, for which the Association often has only limited information. The Association also has an unconditional obligation to pay for the right-of-use asset during periods covered by lessor extension and termination options, unless and until the lessor decides to terminate the lease.

Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.

Note 5
Cash and Cash Equivalents

This account is composed of the following:

December 31,	2023	2022
Cash equivalents	P7,907,722	P8,913,058
Cash in banks	9,045,603	6,679,644
Revolving fund	70,000	70,000
	P17,023,325	P15,662,702

Cash equivalents include short-term placements in various commercial banks. The effective interest rate on short-term placements ranges from 0.5% to 6.0%, maturing in 30 to 365 days. Interest income earned amounted P312,092 and P321,453 in 2023 and 2022, respectively.

A portion of the short-term placements in banks serve as additional funding for the Association's Guaranty Fund. (See Note 13.)

Note 6
Loans and Other Receivables

This account consists of the following:

December 31,	2023	2022
Loans receivable – members	P5,118,926	P4,503,384
Loans receivable – employees	2,166,553	1,760,810
Accounts receivable – Fonus Cooperative	1,475,054	1,475,054
Unremitted members' contribution	1,395,045	1,514,330
Accounts receivable – ECG Foundation	1,336,011	851,423
Accounts receivable – various	488,567	419,096
Accrued interest receivable (Note 9)	96,061	128,073
Prepaid expenses	90,300	129,600
Total	12,166,517	10,781,770
Less allowance for expected credit losses (ECL)	575,011	176,000
Net	P11,591,506	P10,605,770

The following are the natures of the accounts:

- (1) The main office and the branches of RBT Bank, Inc., as well as the offices of Ernesto Carbuena Galenzoga (ECG) Foundation, Inc. (formerly SAMULCO Foundation, Inc.) serve as collecting agents of the Association. They remit the collections regularly to the Association.
- (2) The loans receivable consists of balances from members availing themselves of the Association's equity loans. Active members who are three years and above are qualified to avail themselves of an equity loan for emergency purposes of not more than 80% of their equity value. The accounts are generally from active accounts and are not impaired at the end of the year.
- (3) The unremitted members' contributions in 2023 and 2022 are mostly receivables from Ernesto Carbuena Galenzoga (ECG) Foundation, Inc. (formerly SAMULCO Foundation, Inc.) and Alexander G. Beltran Foundation (AGB) and are considered current.

- (4) The receivable from FONUS represents borrowings made by FONUS Multipurpose Cooperative for their operating expenses, which totaled ₱1,575,054 for 2022. During 2023, the Association has provided with monthly allowance for expected credit losses (ECL) for 5 years per IC verification last July 11, 2023.

Allowance for Expected Credit Losses (ECL)

The movement of the allowance for expected credit losses (ECL) are accounted as follows:

December 31,	2023	2022
Opening balances	₱176,000	₱92,000
Provisions for the year	399,011	84,000
Closing balances	₱575,011	₱176,000

The receivables were provided with 12-month ECL at 1% of principal. Accounts past due for over 1 year have been provided with lifetime ECL at 100%.

Note 7

Furniture, Fixtures and Office Equipment, At Cost

This consists of the following items which are recorded in the books at cost.

December 31,	2023	2022
Office equipment	₱193,635	₱193,635
IT equipment	824,004	769,479
Leasehold improvements	545,135	545,135
Furniture and fixtures	230,900	230,900
Total	1,793,674	1,739,149
Less accumulated depreciation	1,747,520	1,652,360
Net Book Value	₱46,154	₱86,789

Reconciliation of the Movements of the Accounts During the Year

December 31, 2023	Opening Balances	Additions	Retirement	Closing Balances
<u>Cost</u>				
Office equipment	₱193,635	₱-	₱-	₱193,635
IT equipment	769,479	54,525	-	824,004
Leasehold Improvements	545,135	-	-	545,135
Furniture and fixtures	230,900	-	-	230,900
Total	1,739,149	54,525	-	1,793,674
<u>Less accumulated depreciation</u>				
Office equipment	193,635	-	-	193,635
IT equipment	729,257	30,000	-	759,257
Leasehold improvements	521,807	50,760	-	572,567
Furniture and fixtures	207,661	14,400	-	222,061
Total	1,652,360	95,160	-	1,747,520
Net Book Value	₱86,789	(₱40,635)	₱-	₱46,154

December 31, 2022

Cost

Office equipment	₱193,635	₱-	₱-	₱193,635
IT equipment	753,379	16,100	-	769,479

(Carried Forward)

(Brought Forward.) December 31, 2022	Opening Balances	Additions	Retirement	Closing Balances
Leasehold improvements	511,544	33,591	-	545,135
Furniture and fixtures	230,900	-	-	230,900
Total	1,689,458	49,691	-	1,739,149
<i>Less accumulated depreciation</i>				
Office equipment	192,103	1,532	-	193,635
IT equipment	694,237	35,020	-	729,257
Leasehold improvements	485,905	35,902	-	521,807
Furniture and fixtures	196,033	11,628	-	207,661
Total	1,568,278	84,082	-	1,652,360
Net Book Value	₱121,180	(₱34,391)	₱-	₱86,789

Note B

Right-of-Use Asset

This consists of the following:

December 31,	2023	2022
Right-of-use asset	₱936,258	₱936,258
Less accumulated depreciation	867,046	681,124
Net Book Value	₱69,212	₱255,134

Reconciliation of the Movements of the Accounts During the Year

December 31, 2023	Opening Balances	Additions	Retirement	Closing Balances
Right-of-use asset	₱936,258	₱-	₱-	₱936,258
Less accumulated depreciation	681,124	185,922	-	867,046
Net Book Value	₱255,134	(₱185,922)	₱-	₱69,212
<i>December 31, 2022</i>				
Right-of-use asset	₱936,258	₱-	₱-	₱936,258
Less accumulated depreciation	495,202	185,922	-	681,124
Net Book Value	₱441,056	(₱185,922)	₱-	₱255,134

Lease

The Association has a lease contract for the use of its office space which covers one year, effective from October 1, 2022, to March 31, 2023, at a monthly rate of ₱23,000, ₱24,000 from April 1, 2023 to June 30, 2023 and ₱20,000 starting July 1, 2023 to June 30, 2024. The Association, however, designed the leasehold as a long-term undertaking by investing in leasehold improvements that has more than one year life. The increase in rental payments as also increased the value of the right-of-use asset.

The Association is certain that it will remain in the same premises in the next five (5) years. It has also determined that, while the lease contract contained option for the Association and the lessor to terminate the lease, the Association is certain that both parties would not exercise the option as the Association is determined not to commit the conditions for terminating the lease. In view thereof, the Association recognizes right-of-use assets for five (5) years, and it is reflected in the statement of financial position as a right-of-use asset and a lease liability.

The right-of-use asset is presented in the statement of financial position separately.

The Association discounted the future lease payments on the lease at 10% per annum, the incremental borrowing

rate based on an actual offer of a bank for a loan collateralized by its deposits. The observable rate was no longer adjusted for credit risk and other factors as management determined that any adjustments are immaterial.

Lease Liability

Lease liability is presented in the statement of financial position as follows:

December 31,	2023	2022
Current (portion due for the next 12 months)	P60,000	P234,545
Non-current (portion due in excess of 12 months, until April 1, 2024)	-	60,000
Total Lease Liability	P60,000	P294,545

Each lease imposes a restriction that, unless there is written approval of the lessor to sublet the asset to another party, the right-of-use asset can only be used by the Association. The lease contains an option to extend the lease for a further term under such terms and conditions as may be mutually agreed upon by the parties.

The Association is prohibited from selling or pledging the leased property as security. For leases over office spaces and premises the Association must keep the properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Association must insure items of property and equipment inside the leased premises and incur maintenance fees on such items in accordance with the lease contracts.

Interest paid on lease liability amounted P29,455 and P50,777 for 2023 and 2022, respectively. Payments made on the lease was P264,000 for 2023 and 2022.

Note 9

Investments in Debt and Equity Securities

This account consists of the following investments and their purposes:

December 31,	2023	2022
Investments in debt securities at amortized cost	P14,063,143	P13,555,315
Investments in equity securities at amortized cost	2,472,923	2,372,923
Investments in equity securities at FVTOCI	1,766,550	1,694,850
Total investments	18,302,616	17,623,088
Less presented under current assets	499,332	-
Presented Under Non-Current Assets	P17,803,284	P17,623,088

Interest income earned amounted P503,292 and P491,204 in 2023 and 2022, respectively.

This consists of the following investments in debt and equity of other entities:

December 31,	2023	2022
<u>Investment in Equity Securities at Amortized Cost</u>		
Fonus Cooperative	P750,000	P750,000
Ernesto Carbuena Galenzoga (ECG) Foundation	1,600,000	1,500,000
FPSD Cooperative	117,923	117,923
MASS-SPECC Cooperative	5,000	5,000
Sub-Total	2,472,923	2,372,923

(Carried Forward.)

<i>(Brought Forward.)</i>		
December 31,	2023	2022
<u><i>Investment in Debt Securities at Amortized Cost</i></u>		
<u><i>Treasury Bills</i></u>		
Metropolitan Bank and Trust Company (MBTC)	499,332	-
<u><i>Retail Treasury Bonds</i></u>		
Metropolitan Bank and Trust Company (MBTC)	13,563,811	13,555,315
Sub-Total	14,063,143	13,555,315
<u><i>Investments in Equity Securities at FVTOC</i></u>		
Bank of the Philippine Islands (BPI)	1,766,550	1,694,850
Total	₱18,302,616	₱17,623,088

The following are the details of the investments:

- *Treasury Bill*

The treasury bill represents short-term, zero-coupon investment in quoted government debt securities which are issued at a discount on their face value. The treasury bill purchased through Metropolitan Bank and Trust Company (MBTC) will mature on November 27, 2024.

The roll forward analysis of this account is as follows:

December 31,	2023	2022
Face value	₱520,000	₱-
Net discount	(20,668)	-
Carrying Amount	₱499,332	₱-

- *Retail Treasury Bonds*

The Association has placements in treasury bonds with face value of ₱6,000,000, purchased on August 2012, and will mature on March 1, 2027. In accordance with the provisions of the Insurance Code of the Philippines, the Association assigned the whole amount to the Insurance Commission (IC) for the benefit and security of policyholders and creditors of the Association. In July 2019, the Association purchased additional treasury bonds with face value of ₱510,000, to mature on July 22, 2020.

During 2021, the Association purchased the following treasury bonds:

- a) 10-year, 3.50% MBTC bond with face value of ₱500,000, purchased on October 20, 2021 and will mature on September 20, 2026;
- b) 10-year, 3.50% MBTC bond with face value of ₱600,000, purchased on December 22, 2021, and will mature on September 20, 2026; and
- c) 10-year, 3.50% MBTC bond with face value of ₱710,000, purchased on December 2, 2021, and will mature on September 20, 2026.

During 2022, the Association purchased the treasury bond:

- a) 5-year, 5.75% MBTC bond with face value of ₱1,020,000, purchased on December 3, 2022, and will mature on March 7, 2028.

The roll-forward analysis of the retail treasury bonds is as follows:

<u>December 31,</u>	<u>2023</u>	<u>2022</u>
Retail treasury bonds	₱13,630,000	₱13,630,000
Unamortized bond (discount) premium	(66,189)	(74,665)
Carrying Amount	₱13,563,811	₱13,555,315

Investments in Equity Securities at Fair Value through Other Comprehensive Income

This consists of investments in BPI's Bayanihan Balanced Fund, initially purchased at ₱1,500,000. At the end of 2023, the fair value of the investment in Unit Investment Trust Fund (UITF) amount to ₱1,766,550. An increase in the value of investment amounting to ₱71,700 was recorded in the Other Comprehensive Income for the year 2023. In 2022, the investment value decreased by ₱7,650.

Accrued Interest Receivable

Accrued interest receivable on the investments amounted to ₱96,061 in 2023 and ₱128,073 in 2022.

Note 10

Trade and Other Payables

This account consists of the following:

<u>December 31,</u>	<u>2023</u>	<u>2022</u>
Accrued expenses	₱845,258	₱758,933
Retirement benefit obligation (see paragraphs below)	433,110	433,110
Unremitted contributions to Government agencies	35,766	35,699
Other payables	420,542	123,573
	₱1,734,676	₱1,351,315

Trade and other payables are non-interest-bearing and are generally on 30 to 60-day terms.

Retirement Benefit Obligation

The Association's regular/permanent employees are provided with retirement benefits beginning 2013. An employee who reaches five (5) years in service is entitled to a retirement benefit equal to 2% of his/her latest monthly salary multiplied by 12 months then multiplied to number of years in service. Employees who have served less than five (5) years are only entitled to their total deducted salary savings, which is 2% of their salary.

Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. There were no plan amendments, curtailment, or settlement recognized as of December 31, 2023. The policy defines the amount of retirement benefit an employee will receive at the time of retirement or separation from service. The legal obligation on the payment of retirement benefits to the employees remains with the Association. The Association has 9 regular employees at the end of 2023.

Under the above simplified method, the Association ignores factors such as estimated future salary increases, future service of current employees and possible in-service mortality of current employees between reporting date and date the employees are expected to retire.

The retirement benefit obligation of the Association was computed based on the existing retirement benefit system of the Association approved by its Board of Directors in the past. The computation was based on the accumulated benefit obligation method that hews closely with the provisions of R.A. 7641, *An Act Amending Article 287 of Presidential Decree No. 442, as Amended, Otherwise Known as the Labor Code of the Philippines, by Providing*

for Retirement Pay to Qualified Private Sector Employees in the Absence of any Retirement Plan in the Establishment.

Note 11
Insurance Contract Liabilities

This account consists of the following:

<u>December 31,</u>	<u>2023</u>	<u>2022</u>
Claims due and unpaid	₱467,588	₱385,357
Incurred but not reported claims	247,396	352,994
	₱714,984	₱738,351

Claims due and unpaid benefits represent claim benefits that have been processed and that the Association recognizes liability on the claims by the member or its beneficiaries. The aggregate liability includes checks payments that are still outstanding at the accounting office for various reasons like returned/staled checks, undelivered checks to addressees either because the addressees changed addresses or refused to accept payment, etc. Claims in the course of settlement are claims reported and unpaid at the end of the year pending submission of documentary requirements. No decision has yet been made whether to deny or to pay the claim.

Incurred but not reported claims are claims reported beyond December 31, 2023, whose date of claim happened before the reporting date. Resisted or denied claims are claim benefit applications whose benefit payments are being contested/resisted by the Association due to infraction(s) of the Association's Rules and Regulations.

The amounts recorded as insurance contract liabilities were certified by the Association's Actuary to be in accordance with sound actuarial principles.

Total basic benefits and claims paid to members amounted ₱3,218,483 in 2023 and ₱4,225,010 in 2022.

Note 12
Aggregate Reserves for Risks

This consists of the following reserves:

<u>December 31,</u>	<u>2023</u>	<u>2022</u>
Reserves for members' equity	₱26,356,393	₱24,522,281
Reserves for credit life insurance	2,597,489	3,007,959
Reserves for life policies	48,585	47,502
	₱29,002,467	₱27,577,742

The aggregate policy reserves represent the amount which is considered adequate to cover future guaranteed benefits as they become payable under the provisions of the policies in force. The reserve is the aggregate value of future guaranteed benefits less the present value of future net premiums.

The reserves for members' equity represents the total amount of obligations set-up by the MBA on membership certificates pertaining to the 50% equity value as required under the Insurance Code, and any incremental amount declared by the MBA. In accordance with the provisions of the Insurance Code, every outstanding membership certificate must have, after three (3) full years of being continuously in force, an equity value to at least 50% of the total membership dues collected from the member.

The equity is payable to the members upon termination of their membership in the Association. In accordance

with the same Code, the Association is required to put up a reserve liability not lower than the equity value of all in-force, active certificates as at the end of each calendar year; hence, the Association sets up the 50% of its gross premium collections as its reserves for members' equity.

The reserve for credit life insurance represents the amount of credit life insurance on members/debtors in connection with a specific loans or other credit transaction with the Association which is intended to provide for satisfaction of the loans, in whole or in part, upon the death of an insured members/debtors.

The reserve for life policies represents the amount which is considered adequate to cover future guaranteed benefits as they become payable under the provisions of the policies in force. The reserve is the aggregate value of future guaranteed benefits less the present value of future net premiums.

The movements of the reserves during the year are as follows:

December 31, 2023	Reserves for Credit Life Insurance	Reserves for Members' Equity	Reserves for Life Policies	Total
Provisions during 2007	₱—	₱2,560,284	₱85,343	₱2,645,627
Provisions during 2008	—	3,432,048	32,768	3,464,816
Provisions during 2009	—	4,859,761	(55,289)	4,804,472
Provisions during 2010	—	2,851,865	1,934	2,853,799
Provisions during 2011	1,631,540	2,560,962	(11,152)	4,181,350
Provisions during 2012	(357,511)	2,256,492	(8,915)	1,890,066
Provisions during 2013	(273,417)	(1,503,013)	287,415	(1,489,015)
Provisions during 2014	716,774	1,524,701	(298,664)	1,942,811
Provisions during 2015	(384,242)	1,373,878	3,450	993,086
Provisions during 2016	(87,788)	(5,881,402)	2,075	(5,967,115)
Provisions during 2017	377,859	1,400,298	(2,854)	1,775,303
Provisions during 2018	(768,966)	1,545,317	2,333	778,684
Provisions during 2019	270,000	1,826,950	4,651	2,101,601
Provisions during 2020	46,230	1,812,846	15,147	1,874,223
Provisions during 2021	297,572	1,923,211	(2,474)	2,218,309
Provisions during 2022	1,539,908	1,978,083	(8,266)	3,509,725
Balances as of December 31, 2022	3,007,959	24,522,281	47,502	27,577,742
Provisions during 2023	(410,470)	1,834,112	1,083	1,424,725
Balances as of December 31, 2023	₱2,597,489	₱26,356,393	₱48,585	₱29,002,467

The amount of aggregate reserves for members' equity, reserve for credit life insurance and reserves for life policies for every year presented above have been computed and certified by the Consulting Actuary of the Association to be in accordance with commonly accepted actuarial standards consistently applied and that the legal policy reserves and other actuarial items are fairly stated in accordance with sound actuarial principles.

Note 13
Guaranty Fund

This represents the amount required by the Insurance Commission (IC) to be established to guaranty the benefits and security of policyholders and creditors of the Association, in accordance with the provisions of The Amended Insurance Code (R.A. No. 10607). The Fund is augmented by the regular contributions of members. (See Note 14.)

The Guaranty Fund is funded by investments in debt and equity securities (Note 9) as well as portions of cash and cash equivalents (Note 5).

Accounting of the Movement of the Guaranty Fund

<u>December 31,</u>	<u>2023</u>	<u>2022</u>
Opening balances	P12,449,939	P11,657,327
Contribution from members representing 5% of total premiums received	688,215	792,612
Closing balances	P13,138,154	P12,449,939

Note 14

Members' Premium Contribution

The Association's members are charged twenty pesos (P20.00) per week during their active membership in the Association for basic life insurance. Total premiums collected are as follows:

<u>Years Ended December 31,</u>	<u>2023</u>	<u>2022</u>
Gross members' premium contributions on life	P4,548,282	P4,652,403
Gross members' premium contributions for credit life policies	9,216,027	11,199,835
	P13,764,309	P15,852,238

In accordance with the Implementing Rules and Regulations of the Association's Basic Life Insurance Plan approved by the Insurance Commission (IC) on September 6, 2006, the Association disaggregates the members' contributions for basic life insurance of P20.00 into the following:

- (a) 50% is allocated as reserve for members' equity intended for the members' entitlements of equity value after three (3) full years of continuous membership in the Association, representing 50% of the total membership dues collected less claims paid;
- (b) 25% is intended to cover basic benefits such as payments for death or permanent disability claims of a member or its legal spouse, or any of the members' biological and/or legally adopted children who are single and more than 21 years old but disabled and incapacitated to work. If single without children, the members' legal dependents include the member's biological parents less than 60 years old. If a member is single and with children, the member's legal dependents are the biological and/or legally adopted children who are 90 days to 21 years old or more but disabled and incapacitated to work;
- (c) 5% is intended as additional guaranty fund; and
- (d) 20% is intended to cover administrative costs and expenses.

Every outstanding membership certificate must have, after three (3) full years of being continuously in force, an equity value of at least 50% of the total membership dues collected from the member less claims paid. The equity is payable to the members upon termination of their membership in the Association.

The members withdrawal of equity value, presented in the statement of profit or loss as part of benefits paid to members, amounted P440,030 in 2023 and P348,118 in 2022.

Note 15

Assigned Surplus Fund

The Assigned Surplus Fund represents the equity value reserves of members whose policies have lapsed beyond the mandated reinstatement period of three (3) years restricted for a certain period and only becomes unrestricted (unassigned) after: (a) the Association has initiated at least two (2) actions to locate and inform said members of their equity value; and (b) the Association maintains a comprehensive schedule in the event that these members will make a claim in the future.

In accordance with agreements reached during the July 19, 2016, dialogue with the Insurance Commission (IC) and the Board of the Microinsurance MBA Association of the Philippines (RIMANSI) on the 'Treatment of Equity Value of Members Before the Implementation of the Amended Insurance Code in 2013' (subsequently approved by the IC on October 16, 2016) the Association treated the floating equity value reserves of deceased, lapsed and resigned members as follows:

- The equity value reserves of deceased members are transferred to the Unassigned Surplus of the Fund Balance;
- The equity value reserves of members whose policies have lapsed beyond the mandated reinstatement period of three (3) years have been transferred to the Assigned Surplus of the Fund Balance, after the Association: (a) initiated at least two (2) actions to locate and inform said members of their equity value; and (b) maintained a comprehensive schedule in the event that these members will make a claim in the future; and
- The equity value reserves of resigned members before the amended Insurance Code of 2013, with less than three (3) years of membership have been transferred to the Unassigned Surplus of the Fund Balance.

Note 16

Details of Other Income

<i>Years Ended December 31,</i>	2023	2022
Membership fees	₱145,280	₱163,490
Other income	129,021	120,969
	₱274,301	₱284,459

The membership fees substantially represent the one-time application fee of ₱200 charged to new members, which is non-refundable and does not form part of the members' accumulated and refundable contributions.

Note 17

Details of Salaries, Wages and Employees' Benefits

<i>Years Ended December 31,</i>	2023	2022
Compensation and employees' benefits	₱2,555,187	₱2,537,506
Post-employment benefits <i>(Note 10)</i>	-	-
	₱2,555,187	₱2,537,506

Note 18

Details of General and Administrative Expenses

<i>Years Ended December 31,</i>	2023	2022
Promotions and networking	₱440,674	₱179,415
Provision for expected credit losses <i>(Note 6)</i>	399,011	84,000
Transportation and travel	319,186	320,576
Meetings, conferences and staff development	263,333	163,508
Taxes, licenses, and fees <i>(Note 26)</i>	256,710	245,662
Light and water	211,693	149,735
Professional fees	118,120	101,280
Supplies and materials	102,684	120,409
<i>(Carried Forward)</i>		

(Brought Forward.)

Years Ended December 31,	2023	2022
Service fees	95,789	75,750
Membership fees and dues	72,004	88,686
Social and community services	46,949	35,762
Members' services	39,067	19,211
Interest expense on lease liability (Note 8)	29,455	50,777
Rent	3,000	3,000
Miscellaneous	44,215	37,020
	₱2,441,890	₱1,674,791

In computing the allocation of the premiums received during the year for general and administrative expenses, the Association excludes the amount recognized as provisions for expected credit losses.

Note 19

Related Party Transactions

In the ordinary course of trade or business, the Association has transactions with its related parties which include its Board of Trustees, members of various committees and its officers and employees, who are also members of the Association. These transactions are made substantially on the same terms and conditions as with other members of comparable risks. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash.

The Association has no associates, affiliates or joint venture projects. The following summarizes transactions with related parties:

- The Association accepts insurance business from the borrowers of RBT Bank, Inc. (A Rural Bank), members of Ernesto Carbuena Galenzoga (ECG) Foundation, Inc. (formerly SAMULCO Foundation, Inc.) and members of FONUS MPC and authorizes these institutions to collect premium contributions from these members for certain collection fees. Total premiums collected from these institutions amounted to ₱8,940,753 in 2023 and ₱12,407,418 in 2022. Collections costs amounted to ₱3,315,141 in 2023 and ₱4,035,638 in 2022.
- The Association also extends cash advances to employees and directors.
- The key management compensation during 2023 and 2022 follow:

Years Ended December 31,	2023	2022
Salaries and wages	₱908,400	₱562,800
Employees' benefits	222,000	222,000
	₱1,130,400	₱784,800

Note 20

Fair Value Measurement

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table in the following page summarizes the fair value hierarchy of the Association's financial assets and financial liabilities which are not measured at fair value in the 2023 statement of financial condition but for which fair value is disclosed.

December 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents (Note 5)	₱17,023,325	₱-	₱-	₱17,023,325
Loans and other receivables (Note 6)	-	-	11,591,506	11,591,506
Inv. in debt & equity securities (Note 9)	-	-	18,302,616	18,302,616
	₱17,023,325	₱-	₱29,894,122	₱46,917,447
Financial liabilities				
Aggregate reserves for risks (Note 12)	₱-	₱-	₱29,002,467	₱29,002,467
Insurance contract liabilities (Note 11)	-	-	714,984	714,984
Trade and other payables (Note 10)	-	-	1,734,676	1,734,676
Lease liability (Note 8)	-	-	60,000	60,000
	₱-	₱-	₱31,512,127	₱31,512,127
December 31, 2022				
Financial assets				
Cash and cash equivalents (Note 5)	₱15,662,702	₱-	₱-	₱15,662,702
Loans and other receivables (Note 6)	-	-	10,605,770	10,605,770
Inv. in debt & equity securities (Note 9)	-	-	17,623,088	17,623,088
	₱15,662,702	₱-	₱28,228,858	₱43,891,560
Financial liabilities				
Aggregate reserves for risks (Note 12)	₱-	₱-	₱27,577,742	₱27,577,742
Insurance contract liabilities (Note 11)	-	-	738,351	738,351
Trade and other payables (Note 10)	-	-	1,351,315	1,351,315
Lease liability (Note 8)	-	-	294,545	294,545
	₱-	₱-	₱29,961,953	₱29,961,953

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. When the Association uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Fair Value Measurement for Non-financial Assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2023 and 2022.

December 31, 2023	Level 1	Level 2	Level 3	Total
Furn., fixt. and office equipment (Note 7)	₱-	₱-	₱115,366	₱115,366
December 31, 2022				
Furn., fixt. and office equipment (Note 7)	₱-	₱-	₱341,923	₱341,923

The Level 3 fair value of the furniture, fixtures and office equipment account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and

construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

Note 21

Capital Management Objectives, Policies and Procedures

The Association maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its members. The Association's Board of Trustees reviews regularly its capital structure and considers the cost of capital and the risks associated with each class of capital. The level of capital maintained is usually higher than the minimum capital requirements set by the Insurance Commission (IC). Management regularly monitors the capital requirements of the Association, taking account of future balance sheet growth, profitability, and any anticipated regulatory changes, in order to ensure that the Association is at all times able to meet the forecast future minimum capital requirements. The Association's overall strategy remains unchanged from the past year.

Compliance with Capitalization Requirements

In accordance with the provisions of Chapter VII, Title 1, Section 405 of R.A. 10607, *The Amended Insurance Code*, a mutual benefit association incorporated after the effectivity of the Code shall constitute and establish a Guaranty Fund with initial amount of ₱5 million, in cash or in government securities, to answer for any valid benefit claim of any of its members. The Association has complied with this requirement by having its Guaranty Fund of ₱13,138,154 (Note 13) and having funded it with investments in financial instruments of ₱13,563,811 (Note 9) and cash equivalents amounting ₱7,907,722 (Note 5). The totals of these funds are intended to be higher than the required level of Guaranty Fund to allow the Association adequate flexibility in dealing with certain contingencies.

Note 22

Risk Management Objectives and Policies

The Association is exposed to various risks in relation to financial instruments. The Association's principal financial instruments are its cash and cash equivalents (Note 5), loans and other receivables (Note 6), investments in debt and equity securities (Note 9), trade and other payables (Note 10) and insurance contract liabilities (Note 11). The main types of risks are insurance risk, credit and concentration risks, market risk and liquidity risk. The Association is not exposed to foreign currency risk since it has no foreign currency deposits. In 2023, the Association purchased financial instruments as part of its investment strategies. The Association is now exposed to investment risks beginning 2023.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Association's financial performance and financial position. The Association actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

Risk Management Structure

The Board of Trustees is mainly responsible for the overall risk management and for the approval of risk strategies and principles of the Association. The Board of Trustees also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Association's approach to risk issues in order to make relevant decisions.

Insurance Risk

The principal risk the Association faces under insurance contracts is the risk that the actual claims and benefit payments exceed the carrying amount of recognized insurance liabilities. This situation is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims. Therefore, the objective of the Association is to ensure that sufficient reserves are available to cover these liabilities. The amount of reserves set up in the books is computed by the Actuarial Consultant and monitored on a regular basis.

Credit and Concentration Risks/Investment Risk

Credit risk refers to the risk that counterparty will default and/or not honor its financial or contractual obligations resulting in financial losses to the Association. The Association is exposed to credit risk from financial assets including its cash held in banks, trade and other receivables and investments in financial instruments. The credit risk in respect of cash balances held with banks and time deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions and are regularly monitored. Trade receivables consist of premiums receivable from active members and from the unremitted premium collections by the agent-affiliate. The Association does not hold any security on the trade and other receivables balance and the accounts are monitored on an ongoing basis with the result that the Association's exposure to impairment is not significant.

The investment risk related to investments in financial instruments represents the exposure to loss resulting from cash flows from invested assets being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. To maintain an adequate yield to match the interest necessary to support future policy liabilities, the Board of Trustees is investing only in Government financial instruments which are fairly safe investments.

The Association deals only with creditworthy counterparties duly approved by the Board of Trustees. Its maximum exposure to credit risk for the components of the statements of financial position is the carrying amounts as shown in the following table:

	Neither Past Due Nor Impaired	Past Due But Not Impaired	Total
December 31, 2023			
Cash and cash equivalents (Note 5)	₱17,023,325	₱-	₱17,023,325
Loans and other receivables (Note 6)	10,331,463	1,260,043	11,591,506
Inv. in debt & equity securities (Note 9)	18,302,616	-	18,302,616
	₱45,657,404	₱1,260,043	₱46,917,447
	97.31%	2.69%	100%
December 31, 2022			
Cash and cash equivalents (Note 5)	₱15,662,702	₱-	₱15,662,702
Loans and other receivables (Note 6)	9,030,716	1,575,054	10,605,770
Inv. in debt & equity securities (Note 9)	17,623,088	-	17,623,088
	₱42,316,506	₱1,575,054	₱43,891,560
	96.41%	3.59%	100%

Credit Quality by Class of Financial Assets Based on the Association's Rating System

	High Grade	Standard Grade	Impaired	Total
December 31, 2023				
Cash and cash equivalents (Note 5)	₱17,023,325	₱-	₱-	₱17,023,325
Loans and other receivables (Note 6)	-	11,591,506	-	11,591,506
Inv. in debt & equity securities (Note 9)	-	18,302,616	-	18,302,616
	₱17,023,325	₱29,894,122	₱-	₱46,917,447
December 31, 2022				
Cash and cash equivalents (Note 5)	₱15,662,702	₱-	₱-	₱15,662,702
Loans and other receivables (Note 6)	-	10,605,770	-	10,605,770
Inv. in debt & equity securities (Note 9)	-	17,623,088	-	17,623,088
	₱15,662,702	₱28,228,858	₱-	₱43,891,560

Financial instruments classified as "high grade" are those cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms. Financial instruments classified as "standard grade" are those receivables from parties who need to be reminded of their duties. No financial assets were deemed by management as impaired.

Market Risks

Market risk is the possibility that changes in equity prices or interest rates will adversely affect the value of the Association's assets, liabilities or expected future cash flows. The Association has no exposure arising from complex investments since it is not engaging in high-risk investments, forward contracts, hedging, and the likes, whether local or foreign transactions. The Association has no exposure to price risks as its investment in quoted equity and debt securities are of fixed interest rates. The Association's interest rate risk arises from its time deposits with banks. The Association invested in fixed rate deposits to mitigate the risks. The Association is not exposed to foreign currency risks as it has no assets nor liabilities denominated in foreign currency.

Liquidity Risks

Liquidity risk is that the Association might be unable to meet its obligations. The Association's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs, and (c) to be able to access funding when needed at the least possible cost. The Association manages its liquidity by carefully monitoring its scheduled servicing payments for financial liabilities as well as its cash flows due on its day-to-day business.

The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis in the following table. Net cash requirements are compared to available cash position in order to determine headroom or any shortfalls. This analysis shows that the available cash position is expected to be sufficient over the lookout period. The Association considers its expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Association's existing cash resources and trade receivables (see tables in the preceding page) significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

Maturity Profile of the Association's Financial Liabilities

December 31, 2023	Due in One Year	Due Over One Year	Total
Aggregate reserves for risks (Note 12)	P-	P29,002,467	P29,002,467
Insurance contract liabilities (Note 11)	714,984	-	714,984
Trade and other payables (Note 10)	1,734,676	-	1,734,676
Lease liability (Note 8)	60,000	-	60,000
	P2,509,660	P29,002,467	P31,512,127
	7.96%	92.04%	100.00%

Note 23

Commitments and Contingencies

There are recognized provisions in the statements of financial position that arise in the normal course of business operations. There may also have been commitments and contingencies that arose in the normal course of business that were not reflected in the Association's financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies, and these losses, if any, will not materially affect its financial statements.

Note 24

COVID - 19 Pandemic Situational Report, January 2024

COVID-19 cases throughout the country has been reported to be declining so much so that Health Secretary . Teodoro Herbosa described Covid-19 as just one of the illnesses that cause respiratory tract infection with its most recent variants of interest as similar to common coughs and colds unlike previous ones that cause severe pneumonia. Secretary Herbosa even confirmed that DOH does not require everyone to wear masks, although some hospitals still implement strict masking protocols. He also confirmed that DOH no longer has a budget for the procurement of new vaccines. The vaccines donated by the COVAX Facility are only allotted for senior

citizens and individuals with comorbidities as they are at high risk of hospitalization for severe Covid-19 infection.

The Association has determined that the COVID-19 Pandemic generally no longer affected its operations in 2023. Management considers this disclosure as the final note on COVID-19 Pandemic.

Note 25

Authorization of Financial Statements

The Association's financial statements as of December 31, 2023, and for the year then ended, were authorized for issue by the Board of Trustees on April 12, 2024.

Note 26

Details of Taxes, Licenses and Fees

<i>Years Ended December 31.</i>	2023	2022
Supervision	₱95,950	₱95,950
Business permits	81,560	72,362
IC license and filing fees	50,500	50,500
BIR registration	500	500
Other taxes	28,200	26,350
	₱256,710	₱245,662
