COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

6 3 9 5 6

Company Name

MANILA TEACHERS' MUTUAL AID SYSTEM, INCORPORATED

Principal Office (No./Street/Barangay/City/Town)Province)

918 UNITED NATIONS AVENUE ERMITA, MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
mtmas.accounting@manilateachersonline.com	8404-2793 to 95	09178243895

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
N/A	2nd Saturday of each year	DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
DIGNA L. BURAC-COLLANTES	mtmas.compliance@manilateachersonline.com	8404-2793 to 95	09216955978

CONTACT PERSON'S ADDRESS

918 United Nations Avenue, Ermita, Manila

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiences shall not excuses the corporation from liability for its deficiencies.

MANILA TEACHERS' MUTUAL AID SYSTEM, INC.
918 United Nations Avenue, Ermita, Manila Tel. Nos.: 404-27-93 to 95

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Manila Teachers' Mutual Aid System, Incorporated** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, 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.

The Board of Trustees is responsible for overseeing the Association's financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein,and submits the same to the members of the Association.

AMC & Associates, the independent auditor appointed by the Board of Trustees, has audited the financial statements of the Association in accordance with Philippine Standards on Auditing and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

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MICHAEL JOSE T. TENA
COLLECTION SECTION

[redacted]

JENNIFER S. LACSON
Chairman

[redacted]

VIRGILIO S. LACSON
President

[redacted]

PAULINA L. SEMBRANO
Treasurer

Signed this ___day of ______ 2023

Financial Statements

MANILA TEACHERS' MUTUAL AID SYSTEM, INCORPORATED

December 31, 2022 and 2021

REPORT OF INDEPENDENT AUDITORS

To Board of Trustees and Members
Manila Teachers' Mutual Aid System, Incorporated
(A Non-Stock, Non-Profit Association)

918 United Nations Avenue
Ermita, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Manila Teachers' Mutual Aid System, Incorporated** (the Association), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in fund balance, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) applicable to Mutual Benefit Associations (MBAs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the *Code of Ethics for Professional Accountants in the Philippines* (Code of Ethics) together with the ethical requirements that are relevant to our 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 opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS applicable to MBAs, 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.

AMC & ASSOCIATES

Certified Public Accountants

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.

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

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

AMC & ASSOCIATES

Certified Public Accountants

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 27 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS applicable to MBAs. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

AMC & ASSOCIATES

By: **Ariel D. Gonzales**
Partner
CPA Certification No. 89570
TIN 169-688-077-000
PTR No. 9566560, Jan. 3, 2023, Makati City
BIR Accreditation No. 08-003584-1-2021
(valid until Dec. 19, 2024)
SEC Accreditation No. 89570 (Group A)
(valid until Dec. 31, 2025)
IC Accreditation No. 89570-IC (Group A)
(valid until Dec. 31, 2024)
BSP Accreditation No. 89570-BSP (Group B)
(valid until Dec. 31, 2025)

April 15, 2023

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MANILA TEACHERS' MUTUAL AID SYSTEM, INCORPORATED

(A Non-Stock, Non-Profit Association)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

(Amounts in Philippine Peso)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents *(Note 5)*	P 2,618,928,403	P 4,041,569,171
Financial assets at fair value through profit or loss (FVTPL) *(Note 6)*	6,919,244	6,919,244
Financial assets at amortized cost *(Note 7)*	30,783,216	31,249,624
Loans and other receivables *(Note 8)*	12,148,401,178	8,428,612,038
Prepayments and other current assets	5,207,671	4,802,555
Total Current Assets	14,810,239,712	12,513,152,632
NON-CURRENT ASSETS		
Financial assets at fair value through other comprehensive income (FVOCI) *(Note 9)*	7,500,000	7,500,000
Loans and other receivables *(Note 8)*	858,878,581	1,695,329,327
Property and equipment *(Note 10)*	63,027,488	48,442,333
Investment property *(Note 11)*	56,701,706	56,850,420
Total Non-Current Assets	986,107,775	1,808,122,080
TOTAL ASSETS	P 15,796,347,487	P 14,321,274,712
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable and other liabilities *(Note 12)*	P 368,766,834	P 265,950,932
Liability on individual equity value *(Note 13)*	582,086,037	563,871,035
Capital contributions *(Note 14)*	1,462,757,385	1,428,692,885
Total Current Liabilities	2,413,610,256	2,258,514,852
NON-CURRENT LIABILITIES		
Capital equity *(Note 14)*	1,465,286,770	1,396,969,333
Retirement benefit obligation *(Note 15)*	164,737,787	199,956,448
Total Non-current Liabilities	1,630,024,557	1,596,925,781
Total Liabilities	4,043,634,813	3,855,440,633
FUND BALANCE		
Assigned fund balance *(Note 18)*	10,831,754,645	9,778,532,594
Revaluation reserves *(Note 18)*	160,301,022	110,858,819
Free and unassigned fund balance *(Note 18)*	760,657,007	576,442,666
Total Fund Balance	11,752,712,674	10,465,834,079
TOTAL LIABILITIES AND FUND BALANCE	P 15,796,347,487	P 14,321,274,712

See Notes to Financial Statements.

MANILA TEACHERS' MUTUAL AID SYSTEM, INCORPORATED
(A Non-Stock, Non-Profit Association)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Peso)

		2022		2021
REVENUES				
Interest income on:				
Loans *(Note 8)*	P	1,140,574,258	P	800,623,463
Deposits with bank *(Notes 5)*		29,321,356		26,466,396
Service charges and fees *(Note 8)*		540,255,107		394,790,004
Membership fees, dues and contributions *(Note 14)*		241,142,030		218,503,111
Others		771,216		689,236
		1,952,063,967		1,441,072,210
EXPENSES				
Salaries, wages and benefits *(Notes 15 and 19)*		167,988,628		164,133,141
Management and professional fees		103,467,860		91,480,098
Impairment losses *(Note 8)*		79,701,703		58,345,697
Death benefits		73,593,198		73,965,179
Representation and entertainment		55,187,832		23,155,665
Outside services		46,266,809		40,438,326
Increase in liability on individual equity value *(Note 13)*		39,354,031		42,439,765
Depreciation and amortization *(Notes 10 and 11)*		13,758,565		9,244,227
Communication, light and water		11,128,193		9,899,886
Taxes and licenses *(Note 27)*		935,512		1,700,071
Other expenses *(Note 16)*		31,095,764		29,190,915
		622,478,095		543,992,970
PROFIT BEFORE TAX		1,329,585,872		897,079,240
TAX EXPENSE *(Note 17)*		5,864,271		5,293,279
NET PROFIT		1,323,721,601		891,785,961
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan *(Note 15)*		49,442,203		27,063,088
TOTAL COMPREHENSIVE INCOME	P	1,373,163,804	P	918,849,049

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COLLECTION SECTION

See Notes to Financial Statements.

MANILA TEACHERS' MUTUAL AID SYSTEM, INCORPORATED

(A Non-Stock, Non-Profit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Philippine Peso)

	Assigned Fund Balance	Revaluation Reserves	Free and Unassigned Fund Balance	Total
Balance at January 1, 2022 *(Note 18)*	P 9,778,532,594	P 110,858,819	P 576,442,666	P 10,465,834,079
Cash dividends *(Note 20)*	-	-	(85,646,446)	(85,646,446)
Transfers to assigned fund balance *(Note 18)*	1,053,860,814	-	(1,053,860,814)	-
Utilization of assigned reserves *(Note 18)*	(638,763)	-	-	(638,763)
Total comprehensive income for the year	-	49,442,203	1,323,721,601	1,373,163,804
Balance at December 31, 2022 *(Note 18)*	P 10,831,754,645	P 160,301,022	P 760,657,007	P 11,752,712,674
Balance at January 1, 2021 *(Note 18)*	P 8,806,448,460	P 83,795,731	P 740,601,506	P 9,630,845,697
Cash dividends *(Note 20)*	-	-	(83,007,889)	(83,007,889)
Transfers to assigned fund balance *(Note 18)*	972,936,912	-	(972,936,912)	-
Utilization of assigned reserves *(Note 18)*	(852,778)	-	-	(852,778)
Total comprehensive income for the year	-	27,063,088	891,785,961	918,849,049
Balance at December 31, 2021 *(Note 18)*	P 9,778,532,594	P 110,858,819	P 576,442,666	P 10,465,834,079

See Notes to Financial Statements.

MANILA TEACHERS' MUTUAL AID SYSTEM, INCORPORATED

(A Non-Stock, Non-Profit Association)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Philippine Peso)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 1,329,585,872	P 897,079,240
Adjustments for:		
Impairment losses *(Note 8)*	79,701,703	58,345,697
Retirement expense *(Note 15)*	23,592,089	25,468,677
Depreciation and amortization *(Notes 10 and 11)*	13,758,565	9,244,227
Foreign currency gain *(Note 5)*	(212,991)	(125,178)
Interest income *(Notes 5 and 8)*	(1,169,895,614)	(827,089,859)
Operating profit before working capital changes	276,529,624	162,922,804
Increase in loans and other receivables	(2,939,317,964)	(742,081,596)
Increase in prepayments and other current assets	(405,116)	(403,022)
Decrease in other assets	-	31,250,000
Increase in accounts payable and other liabilities	100,177,345	21,527,723
Increase in capital contributions	34,064,500	36,741,359
Increase in liability on equity value	18,215,002	22,938,398
Cash used in operations	(2,510,736,609)	(467,104,334)
Interest received *(Note 8)*	1,116,852,125	849,887,643
Retirement paid *(Note 15)*	(9,368,547)	(27,158,946)
Cash paid for final taxes *(Note 17)*	(5,864,271)	(5,293,279)
Net Cash From (Used in) Operating Activities	(1,409,117,302)	350,331,084
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received *(Notes 5)*	29,321,356	26,466,396
Proceeds from (additions to) financial assets at amortized cost	466,408	(31,249,624)
Acquisitions of property and equipment *(Note 10)*	(28,195,006)	(7,836,610)
Net Cash From (Used in) Investing Activities	1,592,758	(12,619,838)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital equity *(Note 14)*	68,800,037	59,342,526
Withdrawals of capital equity *(Note 14)*	(482,600)	(368,600)
Utilization of surplus reserves *(Note 18)*	(638,763)	(852,778)
Dividends paid *(Note 20)*	(83,007,889)	(76,777,761)
Net Cash Used in Financing Activities	(15,329,215)	(18,656,613)
EFFECT OF EXCHANGE RATE CHANGES IN CASH	212,991	125,178
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,422,640,768)	319,179,811
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,041,569,171	3,722,389,360
CASH AND CASH EQUIVALENTS AT END OF YEAR *(Note 5)*	P 2,618,928,403	P 4,041,569,171

See Notes to Financial Statements.

MANILA TEACHERS' MUTUAL AID SYSTEM, INCORPORATED
(A Non-Stock, Non-Profit Association)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Peso)

1. CORPORATE INFORMATION

Organization and Objectives

Manila Teachers' Mutual Aid System, Incorporated (the Association) was incorporated in the Philippines and registered with the Securities and Exchange Commission on October 9, 1975, with registration number 63956. Its primary purpose is to provide financial assistance to beneficiaries of members upon death, build up capital equity through salary deductions and provide loans to members as mutual assistance. The Association is authorized by the Insurance Commission (IC) to operate as a mutual benefit association.

The Association's registered office, which is also its principal place of business, is located at 918 United Nations Avenue, Ermita, Manila.

Tax Exemption

As a non-stock, non-profit organization, the Association is exempt from the payment of income tax under Section 30c of the National Internal Revenue Code. However, the income of whatever kind and character of the Association from any of its properties, real or personal, or form any of its activities conducted for profit, regardless of the disposition made of such income, shall be subjected to tax. Moreover, interest income derived from deposits with Associations are subject to final tax.

On July 13, 2022, the Association secured its Certificate of Tax Exemption which is valid for three (3) years from the date of issue or until July 13, 2025.

Approval of Financial Statements

The financial statements of the Association as at and for the year ended December 31, 2022 (including the comparative financial statements as at and for the year ended December 31, 2021) were authorized for issue by the Association's Board of Trustees (BOT) on April 15, 2023.

2. MEMBERSHIP

Any person eligible for membership shall become a member of the Association only after paying the initial membership fee and the first monthly contribution. Every member in good standing shall have the right, among others, to participate in the distribution of profit of the Association on the basis of his/her capital contributions after the Association has set aside such reserves as may be required by any existing laws and regulations. In addition, all the members can avail of loans in accordance with their borrowing capacity subject to the limitations as provided for under the existing rules and regulations of the Association.

The following are eligible to be members:

- Public school teachers and employees of the Department of Education;

- Officers and employees of the Association and the Manila Teachers Savings and Loan Association, a related party; and,

- Government employees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all the years presented unless otherwise stated.

Basis of Preparation of Financial Statements

a. Statement of Compliance with Philippine Financial Reporting Standards for Mutual Benefits Associations (MBAs)

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards in the Philippines applicable to MBAs.

Pursuant to Section 189 of The Amended Insurance Code, the Insurance Commission issued Circular Letter No. 2014-41 dated September 25, 2014, requiring all new and existing mutual benefits associations doing business in the Philippines to use and maintained the revised Standard Chart of Accounts (SCA) for MBAs. The SCA is the prescribed framework for the Association in the preparation of financial statements.

The SCA for MBAs list a uniform system of account numbers categorized based on MBAs' revenue, expenses, assets, liabilities and fund value for similar transactions and events, in compliance with the latest Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRS).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies that follow.

b. Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Association presents all items of income and expenses in a single statement of comprehensive income.

The Association presents the third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

c. *Functional and Presentation Currency*

These financial statements are presented in the Philippine peso, the Association's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Association are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Association operates.

Adoption of New and Amended to PFRS

a. *Effective in 2022 that are Relevant to the Association*

The Association adopted for the first time the following amendments and annual improvements to PFRS, which are mandatory effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments - Fees in the '10 percent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases - Lease Incentives

Discussed below are the relevant information about these pronouncements:

i. PAS 16 (Amendments), *Property, Plant and Equipment - Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Association's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

ii. PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*. The amendments specify that the 'cost of fulfilling a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Management assessed that there is no significant impact on the Association's financial statements since none of the existing contracts as of January 1, 2022 are identified as onerous.

iii. Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Association's financial statements.

- PFRS 9 (Amendments), *Financial Instruments - Fees in the '10 percent' Test for Derecognition of Liabilities.* The improvements clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fee include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying *PFRS 16, Leases - Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease in accordance with PFRS 16.

b. *Effective in 2022 that are not Relevant to the Association*

Among the amendments to PFRS which are mandatory effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Association's financial statements:

i. PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework* (effective from January 1, 2022.

ii. Annual Improvements to PFRS 2018-2022 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Association:

- PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

Current versus Non-Current Classification

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

Financial Instruments

a. Financial Assets

Financial assets are recognized when the Association becomes a party to the contractual terms of the financial instruments. For purposes of classifying financial assets, an instrument is considered an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Association commits to purchase or sell the asset).

Classification and Measurement of Financial Assets

The classification and measurement of financial assets are driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below.

i. Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Where the business model is to hold assets to collect contractual cash flows, the Association assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Association considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss (FVPL).

The Association's financial assets measured at amortized cost comprise cash and cash equivalents, financial assets at amortized costs, loans and other receivables and a guaranty fund (presented under Other Assets in the statements of financial position.

Financial assets measured at amortized cost are included in current assets, except for those maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

For purposes of cash reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally includes cash on hand, savings and demand deposits and short-term, highly liquid investments, readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the profit or loss of the statement of comprehensive income as part of Interest income.

ii. *Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)*

The Association accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Association can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Association for trading or as mandatorily required to be classified as FVTPL.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of the Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Surplus reserve account is not reclassified to profit or loss but is reclassified directly to the Surplus free account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in profit or loss in the statement of comprehensive income as part of Interest income.

Any dividends earned on holding equity instruments are recognized in profit or loss when the Association's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Association, and, the amount of the dividend can be measured reliably unless the dividends represent the recovery of a part of the cost of the investment.

As at December 31, 2022 and 2021, the Association's financial assets designated at FVOCI are presented in Note 9.

iii. *Financial Assets at Fair Value Through Profit or Loss (FVTPL)*

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of the business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Association designates an equity investment that is not held for trading as at FVOCI at initial recognition.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in the profit or loss as part of Interest income in the statements of comprehensive income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Interest earned on these investments is included in the net fair value gains (losses) on these assets presented as part of Interest income in the statements of comprehensive income.

As at December 31, 2022 and 2021, the Association's financial assets designated at FVTPL are presented in Note 6.

The Association can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Association is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Association's business model will take effect only at the beginning of the next reporting period following the change in the business model.

b. *Impairment of Financial Assets*

Recognition of credit losses is no longer dependent on the Association first identifying a credit loss event. Instead, the Association considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. It also includes observable data that comes to the attention of the Association about certain loss events, including, among others: the significant financial difficulty of the issuer or debtor; a breach of contracts, such as a default or delinquency in interest or principal payments; it is probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Association recognizes an impairment loss based on the category of financial assets. When financial assets are carried at amortized cost, the Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans or investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that has not been incurred) discounted at the financial asset's original effective interest rate. The Association also considers impairment provisions based on the simplified approach within IFRS 9 using the expected credit losses (ECL). During this process, the probability of the non-payment of loans and receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the expected credit loss for the loans and receivables.

To calculate the ECL, the Association uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

Credit exposures shall be classified into three stages using the following time horizons in measuring ECL:

Stage 1 - Credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk: twelve (12) months ECL.

Stage 2 - Credit exposures that are considered "under-performing" or not yet non-performing but with a significant increase in credit risk since initial recognition: lifetime ECL.

Stage 3 - Credit exposures with objective evidence of impairment, thus, considered as "non-performing": lifetime ECL.

In 12-month ECL, the Association considers reasonable and supportable information, including forward-looking information that affects credit risk in estimating the 12-month ECL. The exercise experienced credit judgment and consider both qualitative and quantitative information that may affect the assessment.

In lifetime ECL, the Association evaluates the change in the risk of a default occurring over the expected life of the exposures in assessing whether these shall be moved to a lifetime ECL measure. Although collateral will be used to measure the loss given default, this should not be primarily used in measuring the risk of default or in transferring to different stages. The Association measures lifetime ECL of exposures that have significantly increased their credit risk from origination (Stage 2); and non-performing exposures (Stage 3).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If loans or investments have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Association may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Association's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Association and historical loss experience for assets with credit risk characteristics similar to those in the Association. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimated future cash flows are reviewed regularly by the Association to reduce any differences between loss estimates and actual loss experience.

The Association considers a financial asset in default or past due when contractual payments are not paid on due date. However, in certain cases, the Association may also consider a financial asset to be in default or past due when internal or external information indicates that the Association is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Association. When a loan is uncollectible it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the BOD, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are presented as part of Other income in the statement of comprehensive income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

When possible, the Association seeks to restructure loans rather than take possession of the collateral. This may involve extending payment arrangements and the agreement on new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur.

The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in profit or loss as part of Impairment losses.

c. *Items of Income and Expense Related to Financial Assets*

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Interest income or Interest expense, Impairment losses, Gain on disposal of financial assets, Dividend income and Recoveries from accounts written-off (presented as part of Other income) in the Statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in the profit or loss when earned, regardless of how the related carrying amount of financial assets are measured.

d. *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. 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.

e. Classification and Measurement of Financial Liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Association designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Financial liabilities include accounts payable and other liabilities, (excluding tax payables and post-employment benefit obligation), liability on individual equity value, capital contributions and capital equity are recognized when the Association becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as Interest expenses in the statement of comprehensive income.

Accounts payable and other liabilities, liability on individual equity value, capital contributions and capital equity are recognized initially at their fair value and subsequently measured at amortized cost for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Association does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

f. Derecognition of Financial Liabilities

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

g. Offsetting Financial Instruments

Financial assets and liabilities are set-offs and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Association as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Prepayments and other current assets include prepaid expenses which are paid in advance and recorded as an asset before these are utilized and deposits that pertain to advance payments to suppliers to be applied for future purchases. Prepaid expenses are amortized over time and recognized as an expense as the benefit is derived from the asset. Prepayments and other current assets are recognized and measured at transaction costs or the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Association beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

Other non-current assets include a guaranty fund set aside in compliance with the Association's registration as a mutual benefit Association. This guaranty fund is categorized as financial assets at amortized cost.

Property and Equipment

Land is stated at cost. All other property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

Property and equipment are carried at acquisition or construction cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on the straight-line basis over the estimated useful life of the assets as follows:

Buildings	20 years
Building and improvements	10 years
Furniture, fixtures and equipment	3 - 5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (*see Note 10*).

The residual values and estimated useful lives of property and equipment were reviewed, and adjusted if appropriate, at each reporting date.

Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made with respect to those assets.

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income in the year the item is derecognized.

Investment Property

Investment property includes real properties acquired in settlement of loans receivables from defaulting borrowers not held for sale in the next 12 months.

These are initially measured at acquisition cost which comprises the carrying amount of the related loan after adjustments for unamortized premium or discount less allowance for credit losses plus accrued interest and directly attributable costs. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the cost of the real properties acquired.

Subsequently, investment property is stated at cost less accumulated depreciation and any impairment in value. Depreciation on building and improvements is computed on a straight-line basis over the estimated useful life of 20 years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of real properties acquired.

An investment property's carrying amount is written down immediately to its recoverable amount if the property's carrying amount is greater than its estimated recoverable amount.

An item of investment property, including the related accumulated depreciation, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When the time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Association that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, they are not recognized in the financial statements. On the other hand, any reimbursement that the Association can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

Revenue and Expense Recognition

The Association follows a 5-step process to determine whether to recognize revenue:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as a performance obligation(s) are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

i. the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
ii. each party's rights regarding the goods or services to be transferred or performed can be identified;
iii. the payment terms for the goods or services to be transferred or performed can be identified;
iv. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
v. collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized either at a point in time or over time, when (or as) the Association satisfies performance obligations by transferring the promised goods or services to its customers.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

i. the customer simultaneously receives and consumes the benefits provided by the Association's performance as the Association performs;
ii. the Association's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
iii. the Association's performance does not create an asset with an alternative use to the Association and the entity has an enforceable right to payment for performance completed to date.

The Association recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Association satisfies a performance obligation before it receives the consideration, the Association recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The following are the recognition criteria for revenues of the Association outside the scope of PFRS 15, Revenues from Contracts with Customers:

Interest - Revenue is recognized based on the effective interest method of accounting. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

When calculating the effective interest rate, the Association estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Service charges and fees – revenue is amortized and recognized using the effective interest rate method over the term of the loan.

Membership fees, dues and contributions – revenue is recognized at a point-in time once they are become due from members.

Other income – revenue is recognized at a point-in time once the performance of the related obligation is completed.

Costs and operating expenses are recognized in profit or loss upon utilization of services or at the date, they are incurred.

Impairment of Non-financial Assets

The Association assesses at each reporting date whether there is any indication that its non-financial assets, which include, property and equipment and investment property, may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Association makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's carrying value or fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against income in the year in which it arises unless the asset is carried at a revalued amount in which case the impairment loss is charged against the revaluation increment of the said asset.

A previously recognized impairment loss is reversed by a credit to current operations, unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset, to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Employee Benefits

The Association provides short-term benefits and post-employment benefits to employees through a defined benefit plan, as well as various defined contribution plans.

a. Short-term Employee Benefits

Wages, salaries and bonuses are recognized as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognized when the absences occur.

b. Defined Contribution Plan

A defined-contribution plan under which the Association pays fixed contributions into an independent entity such as Social Security System (SSS), Philhealth and Pag-ibig. The Association has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

c. Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that 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 any benefits from this kind of post-employment 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 post-employment plan covers all regular full-time employees. The Association's pension plan is noncontributory but not yet formal, tax-qualified, and not administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero-coupon government bonds as published by Philippine Dealing & Exchange Corp. (PDEx), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding the amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of the retirement benefits account in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

d. *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 at the earlier of when or can no longer withdraw the offer of such benefits and when it recognized costs for a restructuring that is within the scope of PAS 37 and it involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling more than 12 months after the end of the reporting period are discounted to present value.

Leases

For any new contracts entered into, the Association considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Association assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Association;

- the Association has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Association has the right to direct the use of the identified asset throughout the period of use. The Association assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At the lease commencement date, the Association recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Association, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the Association depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Association also assesses the right-of-use asset for impairment when such indicators exist.

On the other hand, the Association measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Association's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable if any, variable lease payments based on an index or rate', amounts expected to be payable under a residual value guarantee", and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to the initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Association has elected to account for short-term leases and leases of low-value assets using practical expedients. Instead of recognizing a right-of-use asset, and a lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.

Income Taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Fund Balance

Assigned fund balance comprises the appropriation transferred from undistributed earnings.

Revaluation reserves comprise remeasurements of post-employment defined benefit plans.

Free and unassigned fund balances include all current and prior period results as disclosed in the statements of comprehensive income, net of transferred to assigned fund bálanced and dividends if any.

Related Party Transactions and Relationship

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; and, (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.

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

Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Association's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Association's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Critical Judgments in Applying Accounting Policies

In the process of applying the Association's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements:

a. Application of ECL on Financial Assets at Amortized Cost

The Association uses a provision matrix to calculate ECL for all debt instruments carried at amortized cost. The allowance for impairment is based on ECLs associated with the probability of default of a financial instrument in the next 12 months unless there has been a significant increase in credit risk since the origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Association has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of a default occurring over the reminding life of the financial instrument. Details about the ECL on the Association's loan and other receivables are disclosed in Note 8.

b. Evaluation of Business Model Applied in Managing Financial Instruments

The Association manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from members' withdrawals and continuing loan disbursements to members, while maintaining a strategic portfolio of financial assets.

The Association developed business models that reflect how it manages its portfolio of financial instruments. The Association's business models need not be assessed at the entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., a group of financial instruments that are managed together by the Association) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of the individual financial instrument).

In determining the classification of a financial instrument, the Association evaluates to which business model a financial instrument or a portfolio of financial instruments belongs taking into consideration the objectives of each business model established by the Association (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relating to the Association's investment strategies.

c. *Testing the Cash Flows Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets, the Association assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing the time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents the time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as the modified time value of money, the Association assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of the money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Association considers the effect of the modified time value of the money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, the standard emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Association considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Association can explain the reasons for those sales and why those sales do not reflect a change in the Association's objective for the business model.

d. *Distinction between Investment Property and Owner-occupied Properties*

The Association determines whether a property qualifies as an investment property. In making this judgment, the Association considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to other assets used in operations.

Some properties may comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in providing services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Association accounts for those portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Association considers each property separately in making its judgment.

e. Determination of Timing of Satisfaction of Performance Obligations

The Association determines that its revenue from services shall be recognized over time. In making its judgment, the Association considers the timing of receipt and consumption of benefits provided by the Association to the borrowers or customers.

In determining the best method of measuring the progress of the Association's rendering of services, management considers the input method under PFRS 15 because of the direct relationship between the Association's effort, in terms of incurred labor hours, and the transfer of service to the customer or borrower.

f. Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of the premises/offices, the factors that are normally the most relevant are (a) if there are significant penalties should the Association pre-terminate the contract, and (b) if any leasehold improvements are expected to have significant remaining value, the Association is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Association considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Association included the renewal period as part of the lease term due to the significance of these assets to its operations. Some leases have a short, non-cancellable lease period and there will be a significant negative effect on Association's operation if a replacement is not readily available.

The lease term is reassessed if an option is exercised or not exercised or the Association becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Association.

g. Recognition of 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 3 and relevant disclosures are presented in Note 24.

Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next financial year:

a. *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 8.

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 8.

The carrying value of loans and other receivables and the analysis of the related allowance for impairment on such financial assets are shown in Note 8.

b. *Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The fair values of the Association's financial instruments are disclosed in Note 22.

c. *Estimation of Useful Lives of Property and Equipment and Investment Property*

The Association estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment property would increase recorded operating expenses and decrease non-current assets.

The carrying amounts of property and equipment and investment property are analyzed in Notes 10 and 11. Based on management assessment as of December 31, 2022 and 2021, there is no change in the estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

d. *Impairment of Non-financial Assets*

PFRS requires that an impairment review be performed when certain impairment indications are present. The Association's policy on estimating the impairment of non-financial assets is discussed in detail in Note 3. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

e. *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Association's obligation and cost of post-employment is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 15 and include, among others, discount rates, expected rate of return on plan assets and expected rate of salary increases. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of the post-employment benefit as well as the significant assumptions used in estimating such obligation are presented in Note 15.

f. *Valuation of Liability on Individual Equity Value*

Liability on individual equity value represents estimates of the present value of future benefit payments to members. These estimates are based on the valuation method subject to the provisions of the Insurance Code and guidelines set by IC.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	2022	2021
Cash in banks	P 1,745,612,017	P 3,094,886,757
Cash equivalents	872,816,386	946,182,414
Petty cash fund	500,000	500,000
	P 2,618,928,403	P 4,041,569,171

Cash in banks generally earns interest at rates based on daily banks deposit rates. Cash equivalents consist of times deposits placements made for varying periods ranging from 30 to 90 days and earn annual effective interest rates ranging from 0.5% to 1.07% in 2022 and 2021.

The interest income recognized amounted to P29,321,356 in 2022 and P26,466,396 in 2021. These are presented as part of Interest income on deposits with banks in the statements of comprehensive income.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

This account consists of equity securities listed in the Philippine Stock Exchange. The fair values of listed equity securities have been determined directly by reference to published prices in active markets.

The reconciliation of the carrying amounts of financial assets at FVTPL is as follows:

	2022	2021
Balance at beginning of year	P 6,919,244	P 6,919,244
Fair value gain (loss)	-	-
Balance at end of year	P 6,919,244	P 6,919,244

7. FINANCIAL ASSETS AT AMORTIZED COST

Financial assets at amortized cost amounted to P30,783,216 and P31,249,624 as at December 31, 2022 and 2021, respectively, pertain to treasury bills bearing an annual effective interest of 1.6% in 2022 and 2021, respectively, and with a maturity date of less than one year.

8. LOANS AND OTHER RECEIVABLES

The details of this account are shown below:

	2022	2021
Loans:		
Consumption loans	P 13,046,944,970	P 10,180,532,020
Real estate loans	19,434,180	19,618,180
	13,066,379,150	10,200,150,200
Unearned interest and discounts	-	(1,152,000)
	13,066,379,150	10,198,998,200
Other receivables:		
Accounts receivable	723,769,290	609,713,881
Accrued interest receivable	72,325,517	94,895,650
Members' contributions due and uncollected	3,684,382	5,621,858
	13,866,158,339	10,909,229,589
Allowance for impairment losses	(858,878,580)	(785,288,224)
	P 13,007,279,759	P 10,123,941,365

An analysis of changes in the gross carrying amount of loans net of unearned interest and discounts follows:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at January 1, 2022	P10,133,500,543	P 62,406,429	P 3,091,228	P10,198,998,200
New assets originated	13,283,608,199	-	-	13,283,608,199
Assets derecognized or prepaid	(10,411,890,236)	(4,337,013)	-	(10,416,227,249)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amounts written-off	-	-	-	-
Gross carrying amounts as at December 31, 2022	P13,005,218,506	P 58,069,416	P 3,091,228	P13,066,379,150
Gross carrying amounts as at January 1, 2021	P 9,623,141,929	P 54,767,254	P 3,091,228	P 9,681,000,411
New assets originated	9,724,282,901	-	-	9,724,282,901
Assets derecognized or prepaid	(9,213,924,287)	7,639,175	-	(9,206,285,112)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amounts written-off	-	-	-	-
Gross carrying amounts as at December 31, 2021	P10,133,500,543	P 62,406,429	P 3,091,228	P10,198,998,200

The analysis of changes in the corresponding ECL of loans follows:

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at January 1, 2022	721,631,618	60,565,378	3,091,228	785,288,224
Provision for of credit losses	71,731,484	7,970,219	-	79,701,703
Recoveries during the year	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amounts written-off	-	-	(6,111,347)	(6,111,347)
ECL allowance as at December 31, 2022	P 793,363,102	P 68,535,597	(P 3,020,119)	P 858,878,580

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at January 1, 2021	669,084,045	54,767,254	3,091,228	726,942,527
Provision for of credit losses	52,547,573	5,798,124	-	58,345,697
Recoveries during the year	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amounts written-off	-	-	-	-
ECL allowance as at December 31, 2021	P 721,631,618	P 60,565,378	P 3,091,228	P 785,288,224

The classification of loans and other receivables in the statements of financial position are shown below:

	2022	2021
Current	P 12,148,401,178	P 8,428,612,038
Non-current	858,878,581	1,695,329,327
	P 13,007,279,759	P 10,123,941,365

Consumption loans are granted for purposes of education, medical, agriculture and others ranging from P5,000 to P900,000. Consumption loans are made for varying periods between one to three years, this is within the operating cycle of the Association. The annual effective interest rates on these loans ranges from 3.83%% to 13.08% in both years.

Real estate loans are granted for purposes of financing or refinancing the acquisition, construction, expansion and/or improvement or real property above P900,000. These are granted on a case-to-case basis, depending on the character, capacity to pay and collateral of the member-borrower. However, only real properties are accepted as collateral. Real estate loans have a maturity of five years. The annual effective interest rates on these loans ranges from 14% to 25% in both years.

Consumption loans are unsecured while real estate loans are secured by real estate mortgages.

Accrued interest receivable pertains to interest income earned from loans receivable but not yet received as of the end of the accounting period. These are generally collected within one month after the end of the financial reporting period.

Accounts receivable pertains to unremitted collections from the Department of Education. These are non-interest bearing and generally collected within one to two months after the end of the financial reporting period.

Members' contributions due and uncollected represent contributions due and uncollected at the end of the accounting period on all membership certificates which are classified as in force on the Association's valuation records. These are contributions that are due and uncollected within the grace period.

The Association collects the loans through salary deductions in accordance with the General Appropriation Act which authorizes the Treasurer, Cashier or Paymaster of the office employing a member to deduct said monthly amortization of loans from the borrower's salaries. Most of the loans were renewed thus these were settled before their maturity.

The interest on the loan amounted to P1,140,574,258 in 2022 and P800,623,463 in 2021 and are presented under the Revenues account in the statements of comprehensive income.

The Association collects service fees at 3.39% of loans granted. Service fees and other fees amounted to P540,255,107 and P394,790,004 in 2022 and 2021, respectively, and are presented as Service charges and fees under the Revenues account in the statements of comprehensive income.

As at December 31, 2022 and 2021, non-performing loans of the Association follows:

	2022	2021
Past due	P 58,069,416	P 62,406,429
Items in litigation	3,091,228	3,091,228
	P 61,160,644	P 65,497,657

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The account comprises proprietary membership golf club shares amounted to P7,500,000 in both years.

The fair values of proprietary membership golf club shares are neither readily available nor is there an alternative basis for deriving a reasonable valuation as of reporting date. Management believes that no impairment should be recognized with this investment.

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2022 and 2021 are shown below:

	Land	Buildings and Improvements	Furniture, Fixture and Equipment	Total
December 31, 2022				
Cost	P 24,234,056	P 78,162,858	P 136,723,471	P 239,120,385
Accumulated depreciation and amortization	-	(66,126,859)	(109,966,038)	(176,092,897)
Net carrying amount	P 24,234,056	P 12,035,999	P 26,757,433	P 63,027,488
December 31, 2021				
Cost	P 24,234,056	P 78,162,858	P 111,638,465	P 214,035,379
Accumulated depreciation and amortization	-	(62,862,581)	(102,730,465)	(165,593,046)
Net carrying amount	P 24,234,056	P 15,300,277	P 8,908,000	P 48,442,333
January 1, 2021				
Cost	P 24,234,056	P 78,140,844	P 105,722,437	P 208,097,337
Accumulated depreciation and amortization	-	(59,177,968)	(99,515,559)	(158,693,527)
Net carrying amount	P 24,234,056	P 18,962,876	P 6,206,878	P 49,403,810

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022 and 2021 is shown below:

	Land	Buildings and Improvements	Furniture, Fixture and Equipment	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 24,234,056	P 15,300,277	P 8,908,000	P 48,442,333
Additions	-		28,195,006	28,195,006
Retirement of asset	-	-	(3,110,000)	(3,110,000)
Accumulated depreciation on retired asset	-	-	3,110,000	3,110,000
Depreciation and amortization charges for the year	-	(3,264,278)	(10,345,573)	(13,609,851)
Balance at December 31, 2022, net of accumulated depreciation and amortization	P 24,234,056	P 12,035,999	P 26,757,433	P 63,027,488

	Land	Buildings and Improvements	Furniture, Fixture and Equipment	Total
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 24,234,056	P 18,962,876	P 6,206,878	P 49,403,810
Additions	-	22,014	7,814,596	7,836,610
Retirement of asset	-		(1,898,568)	(1,898,568)
Accumulated depreciation on retired asset	-		1,898,568	1,898,568
Depreciation and amortization charges for the year	-	(3,684,613)	(5,113,474)	(8,798,087)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 24,234,056	P 15,300,277	P 8,908,000	P 48,442,333

As at December 31, 2022 and 2021, the Association has fully depreciated property and equipment that are still in use with an original cost amounting to P124,866,233 and P104,921,607, respectively.

As at December 31, 2022 and 2021, management believes that there is no indication of impairment and that the carrying value of the property and equipment can be recovered through use in operations.

As at December 31, 2022 and 2021, no property and equipment have been pledged as security for liabilities.

11. INVESTMENT PROPERTY

The Association currently holds acquired assets for purposes of capital appreciation and continues to value its properties using the cost model.

The gross carrying amounts and accumulated depreciation at the beginning and end of 2022 and 2021 are shown below:

	Land	Buildings and Improvements	Total
December 31, 2022			
Cost			
Balance at beginning of year	P 56,701,704	P 14,333,208	P 71,034,912
Additions	-	-	-
Balance at end of year	56,701,704	14,333,208	71,034,912
Accumulated depreciation and amortization			
Balance at beginning of year	-	14,184,492	14,184,492
Depreciation and amortization for the year	-	148,714	148,714
Balance at end of year	-	14,333,206	14,333,206
Net carrying amount	P 56,701,704	P 2	P 56,701,706

		Land	Buildings and Improvements	Total
December 31, 2021				
Cost				
Balance at beginning of year	P	56,701,704	P 14,333,208	P 71,034,912
Additions		-	-	-
Balance at end of year		56,701,704	14,333,208	71,034,912
Accumulated depreciation and amortization				
Balance at beginning of year		-	13,738,352	13,738,352
Depreciation and amortization for the year		-	446,140	446,140
Balance at end of year		-	14,184,492	14,184,492
Net carrying amount	P	56,701,704	P 148,716	P 56,850,420

As at December 31, 2022 and 2021, no investment property has been pledged as security for liabilities.

The fair values of the investment property could not be determined reliably by alternative estimates as at December 31, 2022 and 2021 primarily because comparable market transactions were infrequent and alternative reliable estimates of fair value based on discounted cash flow projections were not available as at financial reporting date. However, based on management evaluation, no additional impairment loss need to be recognized by the Association in 2022 and 2021 on its investment property.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The account consists of the following:

		2022		2021
Accounts payable	P	**224,076,531**	P	125,625,635
Dividends payable *(see Note 20)*		**85,646,446**		83,007,889
Accrued expenses		**33,561,180**		28,203,861
Reserve for unreported claims		**13,318,114**		15,675,076
Optional benefit reserve fund		**6,410,500**		8,105,704
Basic contingent reserve fund		**4,987,875**		4,605,035
Others		**766,188**		727,732
	P	**368,766,834**	P	265,950,932

Accounts payable consist of payables to the Association's collecting agent. These are non-interest bearing and generally paid within one to two months after the end of reporting periods.

Accrued expenses consist of accruals for security, messenger and janitor services, utilities, management, and other professional fees and rent expenses. These are expected to be settled within one month after the end of reporting periods.

Reserve for unreported claims consists of benefit claims on membership certificates and optional benefits filed or reported to the Association but not yet paid as of the reporting period.

Optional benefit reserve represents the total actuarial reserve set up by the Association pertaining to the policies under optional benefit that is in force at the end of the accounting period. It refers to the amount of liability that the Association establishes for an optional policy to meet the contractual obligation as it falls due.

Basic contingent benefit reserve represents the total actuarial reserve set up by the Association pertaining to the basic life benefit that is in force at the end of the accounting period. It refers to the amount of liability that the Association establishes for a certificate to meet the contractual obligation as it falls due.

Others represent statutory payables to the BIR and other government agencies which are remitted at an average term of 10-15 days after the end of the reporting period.

13. LIABILITY ON INDIVIDUAL EQUITY VALUE

The changes in liability on individual equity value:

	2022	2021
Balance at beginning of year	P 563,871,035	P 540,932,637
Collections from equity participation during the year	39,366,781	41,128,748
Withdrawals during the year	(21,169,029)	(19,501,367)
Increase in liability on individual equity value	17,250	1,311,017
Balance at end of year	P 582,086,037	P 563,871,035

The liability on individual equity value is the amount set up by the Association to cover future benefit payments to members based on the amounts recommended by an independent actuary accredited by the Insurance Commission on April 3, 2023.

A member of the Association who pays his monthly dues has the following benefits:

- If a member formally withdraws his membership, he shall be entitled to the payment of the equity value equal to at least fifty percent (50%) of his contributions. Any indebtedness shall be deducted from the equity value; and,

- Upon the death of a member covered under this Mutual Aid Benefits, his designated beneficiaries shall be entitled to thirty-five thousand pesos (P35,000.00) provided that he was a member in good standing at the time of his death. In addition, his beneficiaries shall receive the amount equal to at least fifty percent (50%) of all the contributions the deceased member has actually paid to the Manila Teachers' Mutual Aid System, (MTMAS) Inc.

14. CAPITAL EQUITY

The Association collects P100 as capital equity upon membership. The Association has a total of 141,909 and 141,760 members as at December 31, 2022 and 2021, respectively.

A member shall pay P250 monthly contributions which shall be allocated as follows:

Capital contributions	P	200
Equity participation		25
Members' contributions		14
Membership fees and dues		11
	P	250

The Association classifies the capital equity as a non-current liability since these are withdrawable upon the termination of a member from the Association. The amount allocated to capital equity, P100 can be withdrawn upon the termination of membership while the remaining balance can be withdrawn anytime as long as the total amount of the contributions is greater than the members' outstanding loan balance. The total capital contributions presented as part of Current liabilities in the statements of financial position amounted to P1,462,757,385 in 2022 and P1,428,692,885 in 2021.

The movement of capital equity is shown below:

		2022		2021
Balance at beginning of year	P	1,396,969,333	P	1,337,995,407
Contributions		68,800,037		59,342,526
Withdrawals	(	482,600)	(	368,600)
Balance at end of year	P	1,465,286,770	P	1,396,969,333

Members' contributions and membership fees and dues are recorded as revenues and are shown as Membership fees, dues and contributions account in the statements of comprehensive income. Membership fees, dues and contributions amounted to P241,142,030 and P218,503,111 in 2022 and 2021, respectively.

15. SALARIES, WAGES AND BENEFITS

The composition of this account is presented below:

		2022		2021
Salaries and wages	P	62,272,766	P	66,147,423
Honorarium pays		68,756,314		63,182,316
Retirement expense		23,592,089		25,468,677
Social security costs		3,606,315		3,182,302
Other short-term benefits		9,761,144		6,152,423
	P	167,988,628	P	164,133,141

Post-Employment Benefits

a. *Characteristics of the Defined Benefit Plan*

The Association does not have an established retirement benefit plan and only conforms to the minimum regulatory benefit under R.A No. 7641, *The Retirement Pay Law* which is of the defined benefit type and provides a retirement benefit in a lump sum equal to 22.5-day pay for every year of service. The Association's benefit plan provides for the payment of 120% - 200% of the latest monthly basic salary for every year of credited service depending on the number of years of credited service for regular retirement, two salary grades higher than the latest monthly salary with the same salary step increment for compulsory retirement (attainment of 65 years of age) and early retirement (attainment of 55 years of age and has rendered 15 years of service). The regulatory benefit is paid in a lump sum upon retirement. The normal retirement age is 60 with a minimum of 5 years of credit service.

The retirement plan is unfunded as of the end of the reporting period.

The Association maintains a tax-exempt noncontributory retirement plan covering all regular full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

b. *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made every other year to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary on February 3, 2021.

Movements in the present value of the retirement benefit obligation are as follows:

		2022		2021
Balance at beginning of year	P	199,956,448	P	228,709,805
Interest expense		10,177,783		9,056,908
Current service cost		13,414,306		16,411,769
Actuarial losses (gains) arising from changes in:				
Financial assumptions	(	38,998,350)	(	27,353,232)
Demographic assumptions		-	(	75,434)
Experience adjustments	(	10,443,853)		365,578
Benefit paid	(	9,368,547)	(	27,158,946)
Balance at end of year	P	164,737,787	P	199,956,448

The components of amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit post-employment plan are as follows:

		2022		2021
Reported in profit or loss:				
Current service costs	P	13,414,306	P	16,411,769
Interest costs		10,177,783		9,056,908
	P	23,592,089	P	25,468,677

Above amounts are presented as retirement benefits under-compensation and fringe benefits.

		2022		2021
Reported in other comprehensive income:				
Actuarial gains arising from changes in:				
Financial assumptions	P	38,998,350	P	27,353,232
Demographic assumptions		-		75,434
Experience adjustments		10,443,853		365,578
	P	49,442,203	P	27,063,088

Amounts recognized in other comprehensive income were included within the items that will not be reclassified subsequently to profit or loss.

The present values of the defined benefit obligation, the related current service cost and past service cost are measured using the projected unit credit method.

In the determination of the retirement benefit obligation, the following actuarial assumptions were used:

	2022	2021
Discount rates	7.22%	5.09%
Expected rate of salary increase	10%	10%

The amounts of retirement benefit obligation recognized in the statements of financial position are determined as follows:

		2022		2021
Present value of the obligation	P	164,737,787	P	199,956,448
Unrecognized actuarial loss		-		-
Retirement benefit obligation	P	164,737,787	P	199,956,448

The movements in the retirement benefit obligation recognized in the statements of financial position are as follows:

		2022		2021
Balance at beginning of year	P	199,956,448	P	228,709,805
Retirement expense recognized in profit or loss		23,592,089		25,468,677
Retirement expense recognized in other comprehensive income	(	49,442,203)	(	27,063,088)
Benefit paid	(	9,368,547)	(	27,158,946)
Balance at end of year	P	164,737,787	P	199,956,448

c. *Risks Associated with the Retirement Plan*

The plan exposes the Association to actuarial risks such as interest rate risk, longevity risk, and salary risk.

i. Interest Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to the market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation.

ii. Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment and their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

d. *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

Sensitivity Analysis

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the actuarial valuation report date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement, based on changes in the relevant assumption that were reasonably possible at the valuation date, while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the defined benefit obligation.

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2022 and 2021:

	Impact on defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	**9.9%;8.3%**	**P 16,362,126**	**(P 13,677,938)**
Salary increase rate	**9.6%;8.2%**	**15,753,564**	**(13,473,016)**
No attrition rate	**7.8%**	**12,778,680**	**-**
December 31, 2021			
Discount rate	11.9%; 9.8%	P 23,880,863	(P 19,671,866)
Salary increase rate	11.2%; 9.5%	22,485,136	(19,028,016)
No attrition rate	10.3%	20,608,103	-

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statements of financial position.

Funding Arrangements and Expected Contribution

The Association does not have a formal retirement plan and does not maintain any funded plan assets.

The maturity profile of undiscounted expected benefit payments of the Association within 10 years amounted to P79,550,425.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 11.5 years.

16. OTHER EXPENSES

The details of this account are as follows:

		2022		2021
Rentals *(see Note 24)*	P	**8,226,701**	P	8,051,812
Transportation and travel		**4,884,536**		3,917,515
Repairs and maintenance		**4,528,860**		4,210,627
Stationery and supplies		**4,234,189**		3,944,579
Provision for unreported claims		**1,852,019**		979,721
Interest		**1,190,852**		148,321
Social and community services		**805,410**		2,049,601
Dues and subscriptions		**613,029**		1,254,429
Insurance		**558,487**		607,589
Meeting and conferences		**421,089**		433,309
Miscellaneous		**3,780,592**		3,593,412
	P	**31,095,764**	P	29,190,915

Provision for unreported claims pertains to an increase or decrease of the optional benefit reserve fund and basic contingent reserve based on the actuarial reserve set up by the Association *(see Note 12).*

Miscellaneous consist of membership enrollment and marketing expenses, bank and other charges, books and periodicals, fines, penalties and other expenses.

17. TAXES

As mentioned in Note 1, the Association is exempt from the payment of income tax under Section 30c of the National Internal Revenue Code. The tax expense reported in the statements of comprehensive income represents the 20% final tax on interest income on deposits with banks amounting to P5,864,271 and P5,293,279 in 2022 and 2021, respectively.

18. FUND BALANCE

Assigned Balance

Assigned balance consist of reserves for:

	2022	2021
Building	P 2,262,540,476	P 2,071,835,114
Contingency	1,836,011,971	1,645,306,609
Incremental benefit for individual equity value	1,783,409,172	1,492,703,809
Calamity	1,615,223,547	1,424,518,184
Educational	1,483,914,554	1,293,209,191
Dividend	460,152,898	460,152,898
Gratuity/retirement	436,361,279	436,361,279
Community	387,988,623	388,138,385
Sickness benefit	327,852,214	327,852,214
Scholarship	206,715,911	207,204,911
Guaranty fund	31,584,000	31,250,000
	P 10,831,754,645	P 9,778,532,594

Building Fund

This represents the amount segregated for future construction/acquisition of building or acquisition of real estate.

Contingency Fund

This fund is especially segregated for future litigations and other contingencies.

Incremental benefit for individual equity value

This fund is set aside from the net surplus for additional benefits to its members, computed proportionately on their individual equity value.

Calamity Fund

This fund is used for those members affected by man-made and natural calamities.

Educational Fund

This is used for office seminars and trainings. Seminar fees and allowances of employees and delegates are shouldered by the Association.

Dividend

This is used for payments of dividends to members.

Community Fund

This represents the amount segregated to contribute to community development. In 2022 and 2021, a total of P149,763 and P177,444, respectively, were released from the fund.

Sickness Benefit Fund

This is used in addition to what the Social Security System can extend to Association employees but subject to an annual limitation.

Scholarship Fund

The Association offers scholarships to members and members' children with good academic performance. The benefit includes free tuition fees and allowances. In 2022 and 2021, a total of P489,000 and P675,334, respectively, were released from the fund.

Guaranty Fund

This represents a portion of the fund balance that is restricted as a guaranty fund.

Free and unassigned fund balance of a mutual benefit association shall only maintain not more than 20% of its total liabilities as verified by the Insurance Commission. In 2022 and 2021 free and unassigned fund balance represents 14.95% and 19.81%, respectively, which is compliant with the minimum percentage.

Revaluation Reserves

The revaluation reserves represent the remeasurements of defined benefit post-employment obligation P160,301,022 in 2022 and P110,858,819 in 2021.

19. RELATED PARTY TRANSACTIONS

The Association's related parties include the Association's employees and key management personnel.

Loans and Receivables with Related Parties

In the ordinary course of business, the Association has loans and other transactions with its members, including officers and employees of the Association (hereinafter referred to as related parties). Under the Association's policy, these loans and other transactions are made substantially on the same terms as with other members.

The summary of the Association's transactions and outstanding balances with its related parties is as follows:

	2022		2021		
	Amount of Transactions	**Outstanding Balance**	Amount of Transactions	Outstanding Balance	Terms and Condition
Loans to					
Officer	(385,704)	P 897,496	(P 360,438)	P 511,792	Interest bearing, Unsecured, no impairment
Rank and file	(710,435)	6,706,841	(274,815)	5,996,406	
	(P 1,096,139)	P 7,604,337	(P 635,253)	P 6,508,198	
Key management personnel	8,553,209	-	10,090,979	-	

The details of these loans as of December 31 are presented below:

		2022		2021
Balance at beginning of year	P	6,508,198	P	7,143,451
Availments during the year		11,860,110		6,269,000
Repayments during the year	(	10,763,971)	(	6,904,253)
Balance at end of year	P	7,604,337	P	6,508,198

The above loans are shown as part of Loans and other receivables accounts in the statements of financial position (*see Note 8*). The interest income on these loans amounted to P903,146 in 2022 and P849,505 in 2021.

Key Management Personnel Compensations

The compensation of key management is broken down as follows:

		2022		2021
Salaries and wages	P	8,499,909	P	10,006,457
Retirement benefits		-		-
Social security costs		53,300		84,522
	P	8,553,209	P	10,090,979

Key management includes vice president and higher positions.

20. CASH DIVIDENDS

The Board of Trustees of the Association declared cash dividends amounting to P85,646,446 and P83,007,889 on December 6, 2022 and November 23, 2021, respectively. The cash dividends on those years remain unpaid on the year of declaration. The Association paid cash dividends amounting to P83,007,889 in 2022 and P76,777,761 in 2021.

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association is exposed to a variety of financial risks in relation to financial instruments. The Association's financial assets and liabilities by category are summarized in Note 22. The main types of risks are market risk, credit risk and liquidity risk.

The Association's risk management is coordinated with the Board of Trustees and focuses on actively securing the Association's short- to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Association does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Association is exposed are described below:

Market Risk

The Association is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks which result from both its operating and investing activities.

a. Foreign Currency Sensitivity

Most of the Association's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise from the Association's United States (US) dollar-denominated cash in Association.

To mitigate the Association's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

US dollar-denominated cash of the Association, translated into Philippine peso at the corresponding closing rates of P56.12 and P50.999 amounted to P110,442,195 and P100,164,857 as of December 31, 2022 and 2021, respectively.

In 2022 and 2021, the Association recognized net foreign exchange gain amounting to P212,991 and P125,178, respectively.

As at December 31, 2022 and 2021, if the Philippine peso had strengthened against the US dollar, then the Association would incur additional unrealized foreign exchange losses amounting to P12,654,226 and P16,727,531, respectively. On the other hand, if the Philippine peso had weakened against the US dollar, the Association would earn additional unrealized foreign exchange gains by the same amount.

The sensitivity of the net result for the year assumes a ±1.167% change of the Philippine peso for the year ended December 31, 2022 and 2021, respectively. This percentage has been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at a 99% level of confidence. The sensitivity analysis is based on the Association's US dollar-denominated cash in Association held at December 31, 2022 and 2021, with effect estimated from the beginning of the year.

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency-denominated transactions. Nonetheless, the analysis above is considered to be representative of the Association's currency risk.

b. Interest Rate Sensitivity

The Association's policy is to minimize cash flow interest rate risk exposures. The Association is exposed to changes in market interest rates through its cash and cash equivalents and loans and other receivables. All other financial assets and liabilities have fixed rates.

The table below illustrates the sensitivity of the Association's impact on profit or loss and fund balance to a reasonably possible change in interest rates of +/-1.82% and +/-1.90% in 2022 and 2021, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Association's cash and cash equivalents and loans and other receivables held on December 31, 2022 and 2021. All other variables are held constant.

	2022		2021	
	+182	-182	+190	-190
Impact on profit or loss	P 28,797,246	(P 28,797,246)	P 25,993,318	(P 25,993,318)
Impact on equity	8,814,534,506	(8,814,534,506)	7,849,375,559	(7,849,375,559)

c. *Other Price Risk Sensitivity*

Price risk is the risk that the Association incurs losses due to changes in market values of financial instruments arising from movements in market prices.

As at December 31, 2022 and 2021, the Association has minimal exposure to price risk since the financial instruments held by the Association pertains to cash in bank, receivables, and other financial liabilities which are not affected by movements in market prices.

Credit Risk

Credit risk is the risk that the counterparty fails to discharge an obligation to the Association. The Association is exposed to this risk for various financial instruments, for example by granting loans and receivables to borrowers and placing deposits and investments in bonds.

An analysis of the maximum exposure to credit risk, net of allowance for credit and impairment losses, to credit risk exposures before taking into account any collateral held or other credit enhancements for the components of the statements of financial position is shown below:

	2022	2021
Cash and cash equivalents	P 2,618,428,403	P 4,041,069,171
Financial assets at FVTPL	6,919,244	6,919,244
Financial assets at amortized cost	30,783,216	31,249,624
Loans and other receivables	13,007,279,759	10,123,941,365
Financial assets at FVOCI	7,500,000	7,500,000
	P 15,670,910,622	P 14,210,679,404

The following tables show the credit quality of financial assets by class (gross of allowance) of the Association:

	2022					
	Neither Past Due Nor Impaired			Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash and cash equivalents	P 2,618,428,403	P -	P -	P -	P -	P 2,618,428,403
Financial asset at FVTPL	6,919,244	-	-	-	-	6,919,244
Financial asset at amortized cost	30,783,216	-	-	-	-	30,783,216
Loans and other receivables:						
Loans and discounts	12,149,431,154	-	-	58,069,416	858,878,580	13,066,379,150
Accounts receivable	723,769,290	-	-	-	-	723,769,290
Accrued interest income	72,325,517	-	-	-	-	72,325,517
Dues receivable	3,684,382	-	-	-	-	3,684,382
Financial asset at FVOCI	7,500,000	-	-	-	-	7,500,000
	P 15,612,841,206	P -	P -	P 58,069,416	P 858,878,580	P 16,529,789,202

	2021					
	Neither Past Due Nor Impaired			Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash and cash equivalents	P 4,041,069,171	P -	P -	P -	P -	P 4,041,069,171
Financial asset at FVTPL	6,919,244	-	-	-	-	6,919,244
Financial asset at amortized cost	31,249,624	-	-	-	-	31,249,624
Loans and other receivables:						
Loans and discounts	9,351,303,547	-	-	62,406,429	785,288,224	10,198,998,200
Accounts receivable	609,713,881	-	-	-	-	609,713,881
Accrued interest income	94,895,650	-	-	-	-	94,895,650
Dues receivable	5,621,858	-	-	-	-	5,621,858
Financial asset at FVOCI	7,500,000	-	-	-	-	7,500,000
	P 14,148,272,975	P -	P -	P 62,406,429	P 785,288,224	P 14,995,967,628

The succeeding tables show the aging analysis of past due but not impaired loans and receivables. Under PFRS, a financial asset is past due when the counterparty has failed to make a payment when contractually due.

	2022					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Loans and receivables:						
Consumption	P -	P -	P -	P -	P 58,069,416	P 58,069,416
Accounts receivable	-	-	-	-	-	-
Accrued interest income	-	-	-	-	-	-
	P -	P -	P -	P -	P 58,069,416	P 58,069,416

	2021					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Loans and receivables:						
Consumption	P -	P -	P -	P -	P 62,406,429	P 62,406,429
Accounts receivable	-	-	-	-	-	-
Accrued interest income	-	-	-	-	-	-
	P -	P -	P -	P -	P 62,406,429	P 62,406,429

The Association's management considers the net amount of the above financial assets that are not impaired or past due for each reporting dates are of good credit quality.

The bases for grading the Association's financial assets are as follows:

1. *High Grade*

   These are financial assets that have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security is readily enforceable.

2. *Standard Grade*

   These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with the experience of default.

3. *Substandard Grade*

   These are receivables where the counterparty has the experience of default and probability of turning past due in the near future and/or are already past due.

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Association's inability to meet its obligations when they fall due without incurring unacceptable losses or costs.

The Association's Management Committee is responsible for the overall management and oversight of the Association's liquidity profile, while the day-to-day management of liquidity is assumed by the Finance Department. A cash flow mismatch analysis is used to measure the Association's liquidity. A maturity ladder is constructed to determine the cumulative net excess or deficit of funds at appropriate time bands. Net cumulative outflow limits have been put in place to ensure that the Association's funding requirements are not strained.

The tables below summarize the maturity profile of the Association:

	2022				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Financial assets:					
Cash and cash equivalents	P 2,451,942,571	P 166,985,832	P -	P -	P 2,618,928,403
Financial asset at FVTPL	6,919,244	-	-	-	6,919,244
Financial asset at amortized cost	-	-	30,783,216	-	30,783,216
Loans and receivables	4,221,178,565	662,171,113	2,946,970,538	6,035,838,123	13,866,158,339
Financial asset at FVTOCI	-	-	-	7,500,000	7,500,000
	P 6,680,040,380	P 829,156,945	P 2,977,753,754	P 6,043,338,123	P16,530,289,202
Financial liabilities:					
Accounts payable and other liabilities	P 368,000,646	P -	P -	P -	P 368,000,646
Capital contributions	1,462,757,385	-	-	-	1,462,757,385
Liability on individual equity value	582,086,037	-	-	-	582,086,037
Capital equity	-	-	-	1,465,286,770	1,465,286,770
	P 2,412,844,068	P -	P -	1,465,286,770	P 3,878,130,838
Cumulative total gap	P 4,267,196,312	P 829,156,945	P 2,977,753,754	P4,578,051,353	P12,652,158,364

	2021				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Financial assets:					
Cash and cash equivalents	P 3,094,886,757	P 946,182,414	P -	P -	P 4,041,069,171
Financial asset at FVTPL	6,919,244	-	-	-	6,919,244
Financial asset at amortized cost	-	-	31,249,624	-	31,249,624
Loans and receivables	5,678,698,642	658,693,086	2,877,660,534	1,695,329,327	10,910,381,589
Financial asset at FVTOCI	-	-	-	7,500,000	7,500,000
	P 8,780,504,643	P1,604,875,500	P 2,908,910,158	P 1,702,829,327	P14,997,119,628
Financial liabilities:					
Accounts payable and other liabilities	P 265,223,200	P -	P -	P -	P 265,223,200
Capital contributions	1,428,692,885	-	-	-	1,428,692,885
Liability on individual equity value	563,871,035	-	-	-	563,871,035
Capital equity	-	-	-	1,396,969,333	1,396,969,333
	P 2,257,787,120	P -	P -	P 1,396,969,333	P 3,654,756,453
Cumulative total gap	P 6,522,717,523	P 1,604,875,500	P 2,908,910,158	P 305,859,994	P11,342,363,175

To ensure that the Association maintains a prudent and manageable level of the cumulative negative gap, the Association maintains a pool of highly liquid assets in the form of cash in Associations.

22. FAIR VALUES MEASUREMENT

a. *Fair Value of Financial Instruments*

The following tables set forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, recognized as of December 31, 2022, and 2021:

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	P 2,618,928,403	P 2,618,928,403	P 4,041,569,171	P 4,041,569,171
Financial asset at FVTPL	6,919,244	6,919,244	6,919,244	6,919,244
Financial asset at amortized cost	30,783,216	30,783,216	31,249,624	31,249,624
Loans and receivables	13,007,279,759	13,007,279,759	10,123,941,365	10,123,941,365
Financial asset at FVTOCI	7,500,000	7,500,000	7,500,000	7,500,000
	P 15,671,410,622	P 15,671,410,622	P 14,211,179,404	P 14,211,179,404
Financial Liabilities				
Accounts payable and other liabilities	P 368,000,646	P 368,000,646	P 265,223,200	P 265,223,200
Liability on individual equity value	582,086,037	582,086,037	563,871,035	563,871,035
Capital contributions	1,462,757,385	1,462,757,385	1,428,692,885	1,428,692,885
Capital equity	1,465,286,770	1,465,286,770	1,396,969,333	1,396,969,333
	P 3,878,130,838	P 3,878,130,838	P 3,654,756,453	P 3,654,756,453

The methods and assumptions used by the Association in estimating the fair value of the financial instruments are as follows:

i. *Cash and cash equivalents and financial assets at amortized cost*

   The carrying amounts approximate fair values given the short-term nature of the instruments.

ii. *Financial assets at FVTPL and Financial assets at FVOCI*

   For publicly traded equity securities, fair values are based on quoted prices published in markets. For unquoted equity securities, the fair value could not be reliably determined due to the unpredictable timing of future cash flows and the lack of suitable methods of arriving at a reliable fair value. These are carried at original cost less allowance for impairment loss.

iii. *Loans and receivables*

   Loans and other receivables are net of impairment losses. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Long-term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value. The carrying amounts approximate fair values.

iv. *Guaranty Fund (presented under Other Assets)*

   Guaranty fund approximate fair value given the nature of the instruments.

v. *Accounts payable and other liabilities, liability on individual equity value, capital contributions and capital equity.*

   These liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. The fair value of these liabilities approximates their carrying values.

b. ***Fair Value Hierarchy***

Financial assets and liabilities measured at fair value in the statement of financial position are categorized in accordance with the fair value hierarchy based on PFRS 7. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

There have been no significant transfers among Levels 1, 2 and 3 in the reporting periods.

As at December 31, 2022 and 2021, Financial assets at FVTPL and Financial assets at FVTOCI are the only financial assets (nil for liabilities) measured at fair value. The financial asset values are determined at the fair value hierarchy as follows:

	2022	2021
Level 1	P 6,919,244	P 6,919,244
Level 2	-	-
Level 3	7,500,000	7,500,000
	P 14,419,244	P 14,419,244

Financial assets at FVTPL is categorized as Level 1 while financial assets at FVTOCI is categorized as Level 3.

c. Fair Value Measurement for Non-financial Assets

There were no-financial assets measured at fair value as at December 31, 2022 and 2021.

23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Association's capital management objectives are to ensure the Association's ability to continue as a going concern and to provide an adequate return to members by pricing products and services commensurately with the level of risk.

The Association sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Association manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Association may adjust the amount of dividends paid to members or sell assets to reduce debt.

The Association monitors capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2022	2021
Total liabilities	P 4,043,634,813	P 3,855,440,633
Total equity	11,752,712,674	10,465,834,079
Debt-to-equity ratio	0.34:1.00	0.37:1.00

On December 8, 2006, the IC issued IMC No. 11-2006 adopting the Risk-Based Capital (RBC) framework for the mutual benefit associations to establish the required amounts of capital to be maintained by entities in relation to their investment and insurance risks. Every mutual benefit association is annually required to maintain a minimum Risk-Based Capital (RBC) ratio of 100.00% and not fail the trend test. Failure to meet the minimum Risk-Based Capital (RBC) ratio shall subject the insurance entity to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as member's equity divided by the RBC requirement whereas, the member's equity is defined as admitted assets minus all liabilities inclusive of actuarial reserves and other policy obligations.

The following table shows how the RBC ratio was determined by the Association based on its calculation:

	2022	2021
Member's equity	P 11,752,712,674	P 10,465,834,079
RBC requirement	1,450,990,669	1,150,793,881
RBC ratio	809.98%	909.44%

The final amount of the RBC ratio can be determined only after the accounts of the Association have been examined by the IC specifically as to admitted and non-admitted assets as defined under the same Code.

24. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Association:

Operating Lease Commitments – Organization as Lessee

The Association is a lessee under non-cancellable operating leases covering various office spaces. The leases have terms ranging from one to five years, with renewal options. The future minimum rentals payable under these non-cancelable operating leases as of December 31 are as follows:

	2022	2021
Due within one year	P 4,270,614	P 4,661,639
Due beyond one year but less than five years	2,585,724	3,624,000
	P 6,856,338	P 8,285,639

The Association has elected not to recognize a lease liability for short-term leases or leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. Total rental from this operating lease amounted to P8.23 million in 2022 and P8.05 million in 2021.

Others

In the normal course of business, the Association makes various commitments and incurs certain contingent liabilities that are not given recognition in the Association's financial statements. As of December 31, 2022, management believes that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Association's financial statements.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Association's liabilities arising from financing activities on capital equity, which includes both cash and non-cash changes:

	2022	2021
Balance at beginning of year	**P 1,396,969,333**	P 1,337,995,407
Proceeds from capital equity	**68,800,037**	59,342,526
Withdrawals of capital equity	**(482,600)**	(368,600)
Balance at end of year	**P 1,465,286,770**	P 1,396,969,333

26. NON-ADMITTED ASSETS AND LIABILITIES

The following are the estimated amounts of non-admitted assets as defined in Section 197 of the Insurance Code, and still subject to examination by the IC, which are included in the accompanying statements of financial position follow:

	2022	2021
Cash	**P -**	P -
Financial assets at FVTPL	**6,709,129**	6,709,129
Financial assets at FVTOCI	**7,000,000**	7,000,000
Loans and other receivables	**726,169,290**	612,113,881
Prepayments and other current assets	**3,899,806**	4,802,555
Investment property	**2,395,102**	2,395,102
Property and equipment	**17,677,578**	6,373,862
	P 763,850,905	P 639,394,529

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

a. *Output Value-Added Tax (VAT)*

   The Association is exempt from VAT.

b. *Input VAT*

   Input VAT arising from various purchases was directly charged by the Association as cost and expense.

c. *Tax on Importation*

   The Association does not have any transactions in 2022 which are subject to importation tax.

d. *Excise Tax*

   The Association does not have any transactions in 2022 which are subject to excise tax.

e. *Documentary Stamps Tax*

   The Association did not incur or paid any documentary stamp tax during the year.

f. *Taxes and Licenses*

   The details of taxes and licenses account are broken down as follows:

Real property tax	P	404,383
Business permits		401,004
Registration of vehicle		77,560
Community tax		10,450
Annual registration fee		3,896
Others		38,219
	P	935,512

g. *Withholding Taxes*

   The Association paid the withholding tax on compensation amounted to P4,593,797 in 2022.

h. *Deficiency Tax Assessments and Tax Case*

   As at December 31, 2022, the Association neither has any deficiency tax assessment with the BIR nor tax cases outstanding nor pending in courts or bodies outside the BIR in any of the open years.

Requirements under Revenue Regulations (RR) 34-2020

On December 18, 2020, the BIR issued RR 34-2020 which prescribes the guidelines and procedures for the submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other supporting documents. As at December 31, 2022, the Association is not covered by the requirements and procedures for related party transactions provided under this RR.

AMC & ASSOCIATES

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY
FROM THE BASIC FINANCIAL STATEMENTS

The Board of Trustees
Manila Teachers' Mutual Aid System, Incorporated
(A Non-Stock, Non-Profit Association)
918 United Nations Avenue
Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **Manila Teachers' Mutual Aid System, Incorporated** *(A Non-Stock, Non-Profit Association)* for the year ended December 31, 2022, on which we have rendered our report dated April 15, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following schedules as of and for the year ended December 31, 2022 are presented for purposes of additional analysis in compliance with the requirements of Securities Regulation Code Rule 68, and are not required parts of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) applicable to Mutual Benefit Associations (MBAs):

1. NSPO Form 1 - Sworn Statement Documents/Schedules to the Audited Financial Statements as of December 31, 2022;
2. NSPO Form 2 - Affidavit of Willingness to be Audited by the Commission;
3. NSPO Form 3 - Schedule of Receipts or Income or Sources of Funds Other Than Contributions and Donations; and,
4. NSPO Form 4 – Schedule of Donations and Contributions;

Such supplementary information is the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

AMC & ASSOCIATES

By: **Ariel D. Gonzales**
Partner
CPA Certification No. 89570
TIN 169-688-077-000
PTR No. 9566560, Jan. 3, 2023, Makati City
BIR Accreditation No. 08-003584-1-2021
(valid until Dec. 19, 2024)
SEC Accreditation No. 89570 (Group A)
(valid until Dec. 31, 2025)
IC Accreditation No. 89570-IC (Group A)
(valid until Dec. 31, 2024)
BSP Accreditation No. 89570-BSP (Group B)
(valid until Dec. 31, 2025)

FIRM ACCREDITATION
Aquino, Mata, Calica & Associates
BOA Accreditation No. 4275 - valid until June 28, 2023
BIR Accreditation No. 08-002582-001-2020 - valid until October 7, 2023
SEC Accreditation No. 4275-SEC (Group A) - valid until 2022 audit
IC Accreditation No. 4275-IC (Group A) - valid until December 31, 2024
BSP Accreditation No. 4275-BSP (Group B) – valid until December 31, 2025
CDA CEA No. 075-AF – June 2, 2021 to June 1, 2024

April 15, 2023

Suite 1801 - 1807 Cityland Condominium 10 Tower 2, H.V. Dela Costa St., Makati City, Philippines
Tel. No.: (02) 8841.0462 • Fax No.: (02) 8893.0287

SCHEDULE OF RECEIPTS OR INCOME OR SOURCES OF FUNDS OTHER THAN CONTRIBUTIONS AND DONATIONS

Name of Foundation/Organization: MANILA TEACHERS' MUTUAL AID SYSTEM, INCORPORATED

SEC Registration No. 63956

For the Year Ended December 31, 2022

Receipts or Income or Sources of Funds

(a) No.	(b) Description of Income	(c) Source	(d) Amount (indicate by footnote if other than Philippine currency, then translate in this column	(e) Date received/ Period Covered
1	Interest Income		1,169,895,614	
2	Service Charges/Fees		540,255,107	
3	Premiums		155,388,538	
4	Members' Fees/Dues		18,801,956	
5	Miscellaneous Income		771,216	
6				
7				
8				
9				
10	Others (aggregate of all which are individually below P100,000.00)			

SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART I)

Name of Foundation/Organization:
MANILA TEACHERS' MUTUAL AID SYSTEM, INCORPORATED

SEC Registration No.
63956

For the Year Ended
Decembeer 31, 2022

Part I. Contributors/Donors2

(a) No.	(b) Name and Address	(c) Nationality[3]	(d) Total Contributions	(e) Type of Contribution[4]
1				☐ Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*
2				☐ Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*
3				☐ Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*
4				☐ Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*
5				☐ Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*
6				☐ Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*
7				☐ Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*
8				☐ Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*
9				☐ Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*
10	Other (aggregate of all contributions which are individually below P100,000.00) - by nationality		66,951,536	x Cash ☐ Non/Cash *(Complete Part II if there is a noncash contribution)*

(Use separate sheet if necessary)

TOTAL CONTRIBUTIONS/DONATIONS	66,951,536

[2]A **contributor or donor** includes individuals, partnerships, corporations, associations, trusts and organizations.

[3]If **supranational organization**, indicate place of principal office or domicile.

[4]**Contributions or donations** reportable on the Schedule are contributions, donations, grants, bequests, devises, and gifts of money or property, amounting to P100,000.00 or more from each contributor or donor.