

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

	M	T.	-	P	R	O	V	I	N	C	E		T	E	A	C	H	E	R	S'		M	U	T	U	A	L		
								A	I	D			S	Y	S	T	E	M	,		I	N	C.						

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

								D	E	L	O	S		R	E	Y	E	S		B	L	D	G.	,		C	O	R.										

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, if Applicable

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COMPANY INFORMATION

Company's Email Address

mtprovince.teachers@yahoo.com

Company's Telephone Number/s

7525-6925

Mobile Number

+639178396767

No. of Stockholders

N/A

Annual Meeting (Month/Day)

3rd Saturday of May

Fiscal Year (Month/Day)

DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

ELMER B. MABBAYAD

Email Address

mtprovince.teachers@yahoo.com

Telephone Number/s

7525-6925

Mobile Number

+639178396767

CONTACT PERSON'S ADDRESS

Delos Reyes Bldg. cor. Washington & Bintawan, Poblacion North, Solano, Nueva Vizcaya
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- 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 Deficiencies shall not excuses the corporation from liability for its deficiencies.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Mt.-Province Teachers' Mutual Aid System, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, 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.

AMC & Associates, the independent auditors 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.

TEOFISTO GLENN V. HERMOSA
Chairman of the Board

ELMER B. MABBAYAD
President

NELITA B. DEOGRACIAS
Treasurer





Aquino, Mata, Calica & Associates
Certified Public Accountants
Suite 1805 - 1807 Cityland Condominium 10 Tower 2
H.V. Dela Costa St., Makati City, 1227 Philippines
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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members
Mt.-Province Teachers' Mutual Aid System, Inc.
(A Non-Stock, Non-Profit Association)

Delos Reyes Bldg., cor.
Washington & Bintawan
Poblacion North
Solano, Nueva Vizcaya

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Mt.-Province Teachers' Mutual Aid System, Inc.** (the "Association"), which comprise the statements of financial condition as at December 31, 2023 and 2022, and the statements of operations, 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 condition of the Association as at December 31, 2023 and 2022, 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

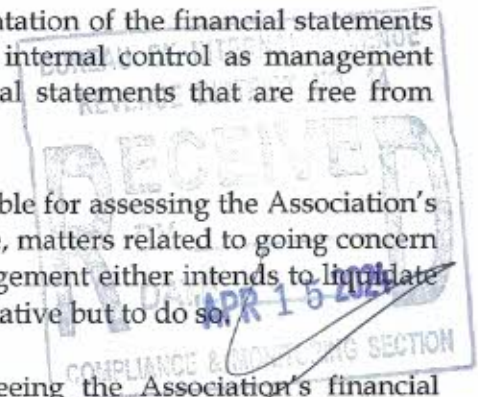
We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance 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.

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





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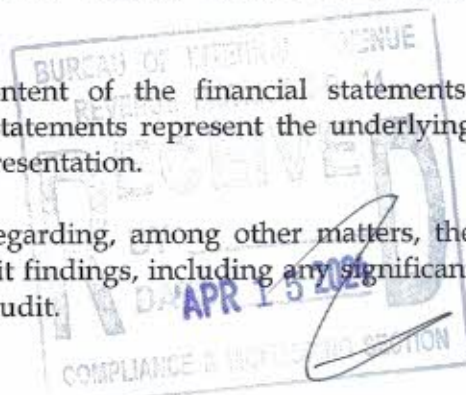
Auditors' Responsibilities for the Audit of the Financial Statements

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.



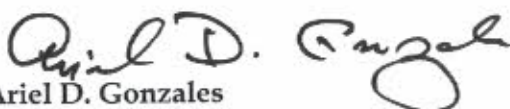


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Report on Other Legal and Regulatory Requirements

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, 2023 required by the Bureau of Internal Revenue as disclosed in Note 30 to the financial statements is presented for purposes of additional analysis and is not a required part of 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 Cert. No. 89570
TIN 169-688-077-000
PTR No. 10075912, Jan. 3, 2024, Makati City
BIR Accreditation No. 08-003584-1-2021
(issued on Dec. 20, 2021 valid until Dec. 19, 2024)
SEC Accreditation No. 89570 (Group A)
(valid to audit 2021 to 2025 financial statements)
IC Accreditation No. 89570-IC (Group A)
(valid to audit 2020 to 2024 financial statements)
BSP Accreditation No. 89570-BSP (Group B)
(valid to audit 2021 to 2025 financial statements)

April 8, 2024



FIRM ACCREDITATION
Aquino, Mata, Calica & Associates
BOA Accreditation No. 4275 - valid from June 29, 2023 to June 28, 2026
BIR Accreditation No. 08-002582-000-2023 - issued on October 12, 2023 valid until October 11, 2026
SEC Accreditation No. 4275-SEC (Group A) - valid to audit 2023 to 2027 financial statements
IC Accreditation No. 4275-IC (Group A) - valid to audit 2020 to 2024 financial statements
BSP Accreditation No. 4275-BSP (Group B) - valid to audit 2021 to 2025 financial statements
CDA CEA No. 075-AF - valid from June 2, 2021 to June 1, 2024

MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.

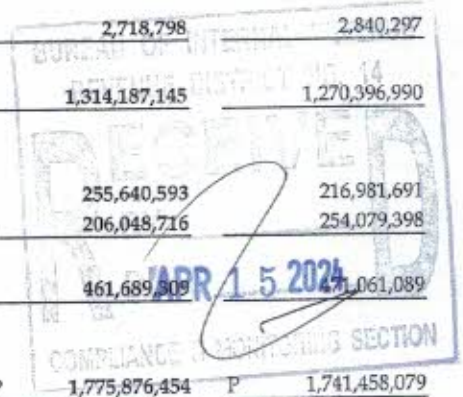
(A Non-Stock, Non-Profit Association)

STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2023 AND 2022

(Amounts in Philippine Peso)

	2023	2022
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash (Note 5)	P 925,927,167	P 728,114,747
Short-term investments (Note 6)	1,051,468	1,050,418
Loans and other receivables (Note 7)	10,782,653	152,478,798
Financial asset at amortized cost (Note 8)	965,945	670,042
Total Current Assets	<u>938,727,233</u>	<u>882,314,005</u>
NON-CURRENT ASSETS		
Loans and other receivables (Note 7)	831,828,613	853,561,587
Property and equipment (Note 9)	26,401	56,747
Right-of-use assets (Note 10)	96,472	328,005
Other non-current assets (Note 11)	5,197,735	5,197,735
Total Non-current Assets	<u>837,149,221</u>	<u>859,144,074</u>
TOTAL ASSETS	<u>P 1,775,876,454</u>	<u>P 1,741,458,079</u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Members' deposits (Note 12)	P 6,999,591	P 7,134,696
Liability on equity value (Note 13)	17,796,519	16,010,294
Capital contributions (Note 14)	1,284,980,744	1,242,078,620
Basic contingent benefit reserves (Note 15)	498,250	561,250
Optional benefit reserves (Note 16)	99,744	172,332
Accounts payable and other liabilities (Note 17)	981,000	1,333,953
Current portion of lease liabilities (Note 10)	112,499	265,548
Total Current Liabilities	<u>1,311,468,347</u>	<u>1,267,556,693</u>
NON-CURRENT LIABILITIES		
Accounts payable and other liabilities (Note 17)	32,000	32,000
Members' equity and contributions (Note 18)	865,900	874,900
Lease liabilities, net of current portion (Note 10)	-	112,499
Retirement benefit obligation (Note 20)	1,820,898	1,820,898
Total Non-current Liabilities	<u>2,718,798</u>	<u>2,840,297</u>
Total Liabilities	<u>1,314,187,145</u>	<u>1,270,396,990</u>
FUND BALANCE		
Assigned fund balance (Note 22)	255,640,593	216,981,691
Unassigned fund balance	206,048,716	254,079,398
Total Fund Balance	<u>461,689,309</u>	<u>471,061,089</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>P 1,775,876,454</u>	<u>P 1,741,458,079</u>



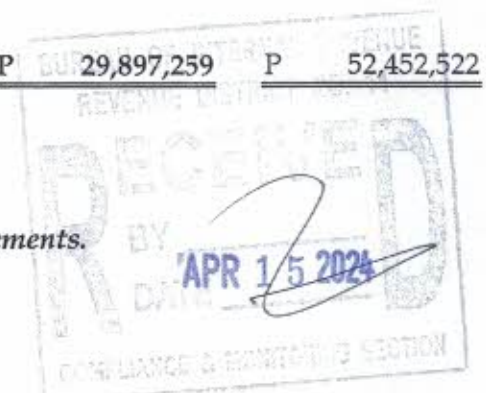
See Notes to Financial Statements.



MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Peso)

	2023	2022
REVENUES		
Interest on:		
Loans (Note 7)	P 61,924,963	P 76,434,243
Deposits with banks and investments (Notes 5, 6 and 11)	2,467,682	1,239,610
Financial assets at amortized cost (Note 8)	1,713	1,713
Service charges and fees (Note 7)	7,250,972	14,140,994
Membership fees, dues and contributions (Note 18)	6,570,959	9,175,743
Others	2,112,535	2,570,893
	80,328,824	103,563,196
 EXPENSES (Note 19)		
Operating expenses	45,720,831	45,167,971
Benefit expenses	4,257,110	5,730,144
	49,977,941	50,898,115
 PROFIT BEFORE TAX	 30,350,883	 52,665,081
 TAX EXPENSE (Note 21)	 453,624	 212,559
 NET PROFIT	 29,897,259	 52,452,522
 OTHER COMPREHENSIVE INCOME	 -	 -
 TOTAL COMPREHENSIVE INCOME	 P 29,897,259	 P 52,452,522

See Notes to Financial Statements.

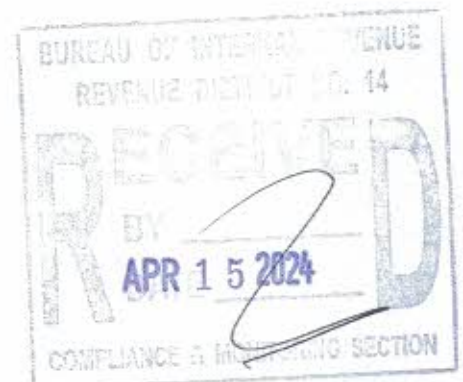




MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Peso)


	Assigned Fund Balance <i>(Note 22)</i>		Unassigned Fund balance <i>(Note 22)</i>		Total
Balance at January 1, 2023	P 216,981,691		P 254,079,398		P 471,061,089
Appropriations for the year	77,747,074	(	77,747,074)	-
Withdrawals for the year	(39,477,427 )		-	(	39,477,427)
Adjustment on guaranty fund	180,867	(	180,867)	-
Reserve for guaranty fund	208,388		-		208,388
Total comprehensive income for the year	-		29,897,259		29,897,259
Balance at December 31, 2023	<u>P 255,640,593</u>		<u>P 206,048,716</u>		<u>P 461,689,309</u>
Balance at January 1, 2022	P 63,114,703		P 355,262,259		P 418,376,962
Transfer to assigned fund balance	153,818,094	(	153,818,094)	-
Adjustment on guaranty fund	(182,711)		182,711		-
Reserve for guaranty fund	231,605		-		231,605
Total comprehensive income for the year	-		52,452,522		52,452,522
Balance at December 31, 2022	<u>P 216,981,691</u>		<u>P 254,079,398</u>		<u>P 471,061,089</u>

See Notes to Financial Statements.



MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Peso)

	2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	P 30,350,883		P 52,665,081
Adjustments for:			
Impairment losses (Note 7)	1,049,442		2,067,551
Amortization of right-of-use asset (Note 10)	231,533		231,532
Depreciation (Note 9)	30,346		32,549
Accretion of interest on lease liabilities (Note 10)	15,559		26,184
Increase (decrease) in legal policy reserves (Note 15)	(63,000)		50,100
Increase in optional benefit reserve (Note 16)	(72,588 )	(	83,669)
Interest income (Notes 5, 6, 7, 8 and 11)	(64,394,358 )	(	77,675,566)
Operating loss before working capital changes	(32,852,183 )	(	22,686,238)
Decrease in loans and other receivables	162,379,677		266,952,392
Increase in other non-current assets	-	(	60,000)
Decrease in members' deposits	(135,105 )	(	121,793,660)
Increase in liability on equity value	1,786,225		2,038,297
Increase (decrease) in accounts payable and accrued expenses	(352,953)		304,204
Cash generated from operations	130,825,661		124,754,995
Interest received on loans and other receivables (Note 7)	61,924,963		76,434,243
Interest received deposit with banks (Note 5)	2,353,941		1,105,491
Cash paid for taxes (Note 21)	(453,624 )	(	212,559)
 Net Cash From Operating Activities	 194,650,941		 202,082,170
 CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments (Notes 6, 8 and 11)	115,454		135,832
Proceeds from (additions to) of short-term investments	(1,050)		5,456,697
Additions to financial assets at amortized cost	(295,903 )	(	174,880)
 Net Cash From (Used in) Investing Activities	 (181,499)		 5,417,649
 CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital contributions	42,902,124		-
Additions to guaranty fund (Note 22)	208,388		231,605
Withdrawals of members' equity and contributions (Note 18)	(9,000 )	(	62,500)
Repayments of lease liabilities (Note 10)	(281,107 )	(	284,607)
Withdrawals of assigned fund balance (Note 22)	(39,477,427)		-
 Net Cash From (Used in) Financing Activities	 3,342,978	(	115,502)
 NET INCREASE IN CASH	 197,812,420		 207,384,317
 CASH AT BEGINNING OF YEAR	 728,114,747		 520,730,430
 CASH AT END OF YEAR (Note 5)	 P 925,927,167		 P 728,114,747



MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.
(A Non-Stock, Non-Profit Association)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Peso)

1. GENERAL INFORMATION

Organization and Objectives

Mt.-Province Teachers' Mutual Aid System, Inc. (the "Association") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 13, 2012 with registration number CN201210969. Its primary purpose is to foster brotherhood, mutual help and encourage the habit of thrift and savings among its members and provide financial assistance to beneficiaries or beneficiaries of deceased members upon death of a member. 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 Delos Reyes Bldg., Cor Washington & Bintawan, Poblacion North, Solano Nueva Vizcaya.

Tax Exemption

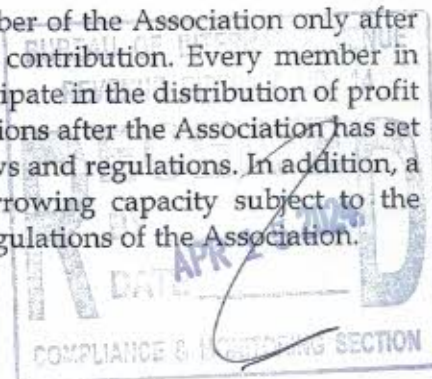
On March 18, 2021, the Association obtained tax exemption from the BIR under Tax Certificate No. CTE-S30(C)-069-2021 which is valid until March 17, 2024. As a non-stock, non-profit association, the Association is exempt from the payment of income tax under Section 30c of the National Internal Revenue Code. However, the income of whatever kind and character of the Association from any of its properties, real or personal, or from 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 banks are subject to final income tax.

Approval of Financial Statements

The financial statements of the Association as at and for the year ended December 31, 2023 (including the comparative financial statements as at and for the year ended December 31, 2022) were authorized for issue by the Association's Board of Trustees (BOT) on April 8, 2024.

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, a member can avail of loans in accordance with his 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; and,
- Officers and employees of the Association

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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.

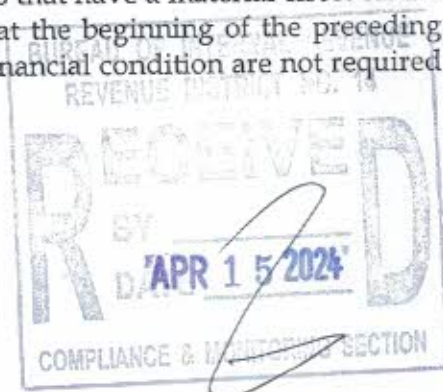
Pursuant to Section 189 of The Amended Insurance Code, the Insurance Commission issued Circular Letter No. 2014-41 dated September 25, 2014 requiring all new and existing mutual benefits associations doing business in the Philippines to use and maintain the revised Standard Chart of Accounts (SCA) for MBAs. 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 applicable to MBAs 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 the Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Association presents all items of income and expenses in a single statement of operations.

The Association presents the third statement of financial condition 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 have a material effect on the information in the statement of financial condition at the beginning of the preceding period. The related notes to the third statement of financial condition are not required to be disclosed.





c. *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Association's functional currency 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 Amendments to PFRS

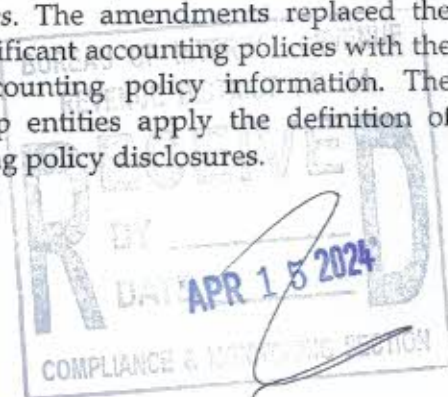
a. *Effective in 2023 that are Relevant to the Association*

The Association adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 (Amendments)	: Classification of Liabilities as Current or Non-current
PAS 1 and PFRS Practice Statement 2 (Amendments)	: Presentation of Financial Statements - Disclosure of Accounting Policies
PAS 8 (Amendments)	: Definition of Accounting Estimates
PAS 12 (Amendments)	: Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements:

- i. PAS 1 (Amendments), *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. Furthermore, this clarifies that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Association's financial statements.
- ii. PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements - Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.





The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Association's financial statements under Note 4.

- iii. PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Association's financial statements.
- iv. PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Association's financial statements.

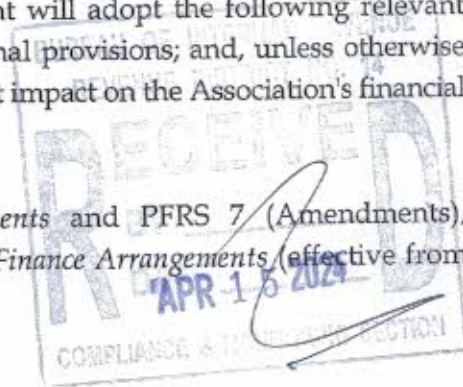
b. Effective in 2023 that are not Relevant to the Association

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*, are not relevant to the Association's financial statements.

c. Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Association's financial statements:

- i. PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures - Supplier Finance Arrangements* (effective from January 1, 2024)





- ii. PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)
- iii. PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)
- iv. PFRS 17, *Insurance Contracts – Insurance Contracts* (effective from January 1, 2025)
- v. PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2025)
- vi. PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

Financial Instruments

a. Financial Assets

Financial assets are recognized when the Association becomes a party to the contractual terms of the financial instruments. Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For purposes of classifying financial assets, an instrument is considered as 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.

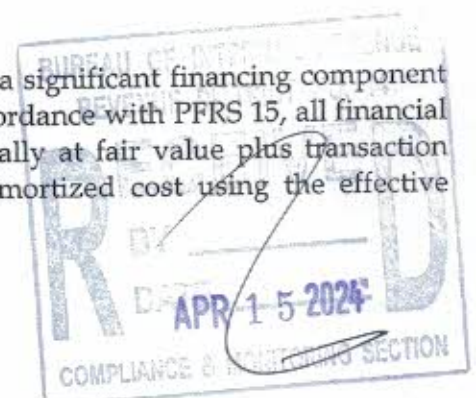
The foregoing categories of financial instruments of the Association are more fully described below:

i. Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met (and are not designated as FVTPL):

- 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.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, 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.





The Association's financial assets measured at amortized cost comprise of Cash, Short-term investments, Loans and other receivables, Financial assets at amortized cost, and long-term investment (presented as part of Other non-current assets) in the statements of financial condition.

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

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

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

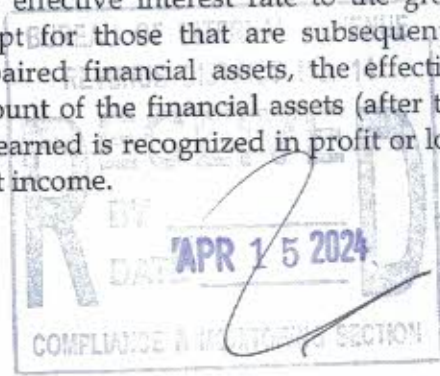
The Association accounts for financial assets at FVOCI if the assets meet the following conditions:

- 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 the deduction of the loss allowance). The interest earned is recognized in profit or loss in the statement of operations 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, 2023 and 2022, the Association does not have financial assets designated at FVOCI.

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.

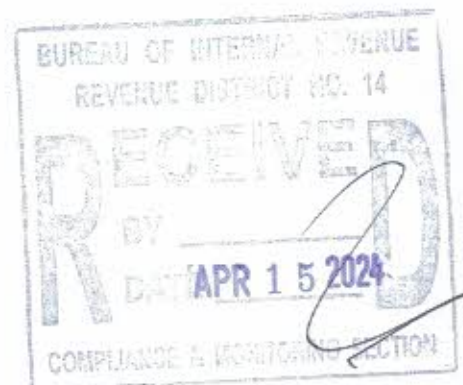
Financial assets at FVTPL are measured at fair value with gains or losses recognized in the profit or loss as part of Interest income in the statements of operations. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where 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 operations.

As at December 31, 2023 and 2022, the Association does not have financial assets designated at FVTPL.

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.

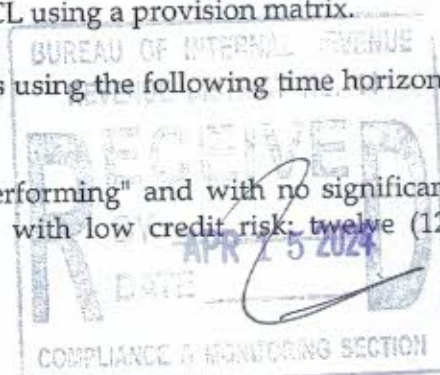
Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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.

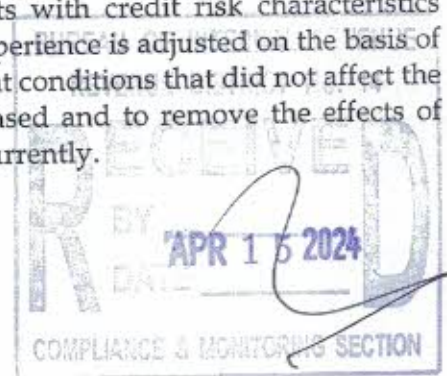
In lifetime ECL, the Association evaluates the change in the risk of a default occurring over the expected life of the exposures in assessing whether these shall be moved to a lifetime ECL measure. Although collateral will be used to measure the loss given default, this should not be primarily used in 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 operations. 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 when contractual payments are 30 days past due. However, in certain cases, the Association may also consider a financial asset to be in default 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 BOT, 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 operations.

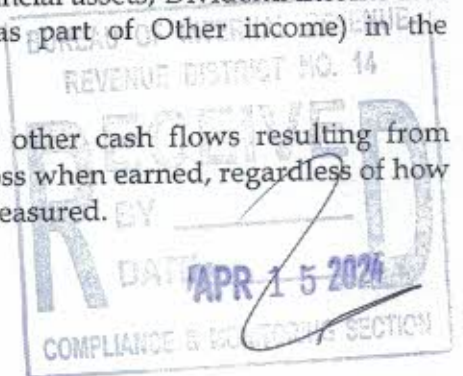
If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance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

When possible, the Association seeks to restructure loans rather than to take possession of the collateral. This may involve extending payment arrangements and the agreement of 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 those 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 operations.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in 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. 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 members' deposits, accounts payable and, other liabilities (excluding tax payables and post-employment benefit obligation), lease liabilities, capital contributions, liability on equity value, basic contingent liability reserves, optional benefit reserves, and member's equity and contributions 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 operations.

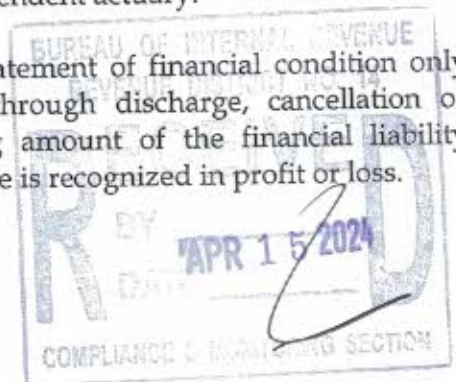
Members' deposits, liability on equity value and capital contributions are recognized initially at fair value, which is the issue proceeds (fair value of the consideration received) and subsequently measured at amortized cost.

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

Lease liabilities are discussed under Leases section in the succeeding pages.

Basic contingent benefit reserves and optional benefit reserves are recognized at fair value which is the amount recommended by independent actuary.

Financial liabilities are derecognized from the statement of financial condition 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.





f. Offsetting Financial Instruments

Financial assets and liabilities are set-offs and the resulting net amount is reported in the statement of financial condition 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 condition. 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.

Property and Equipment

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

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 profit or loss for the period.

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

Office equipment	3 years
Furniture and fixtures	3 years

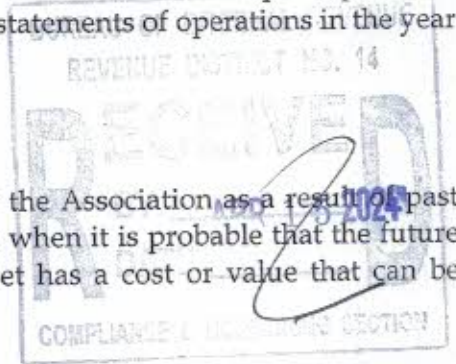
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

An item of property and equipment, including the related accumulated depreciation 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 operations in the year the item is derecognized.

Other Non-Current Assets

This account pertains 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.





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.

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 pre-tax 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.

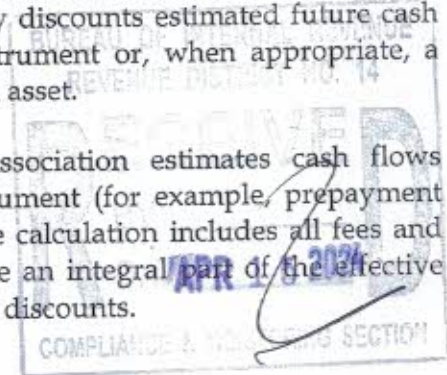
In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits 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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest - Revenue is recognized based on the effective interest method of accounting. Interest collected in advance (unearned interest income) is amortized to earnings using the effective interest method. 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.

For other income arises in the performance of the Association's services, 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 for the goods and services is probable.

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

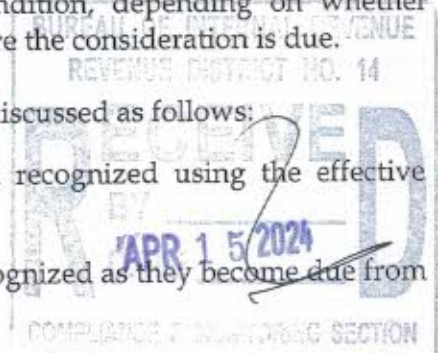
A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- 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 condition. 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 condition, depending on whether something other than the passage of time is required before the consideration is due.

Income that was recognized under the above criteria are discussed as follows:

- a. *Service charges and fees* - revenue is amortized and recognized using the effective interest rate method over the term of the loan.
- b. *Membership fees, dues and contributions* - revenue is recognized as they become due from members and are reliably measured.





c. *Other revenues* – revenue is recognized as they are earned.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date, they are incurred. All finance costs are reported in profit or loss on an accrual basis.

Impairment of Non-financial Assets

The Association’s right-of-use assets and property and equipment are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less the costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Association’s latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management’s assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

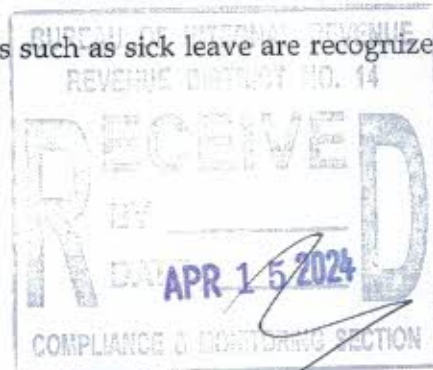
Employee Benefits

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 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 Association has not yet established a formal post-employment plan. However, it accrues the estimated cost of post-employment benefits under a defined benefit plan required by the provisions of the Republic Act (R.A.) No. 7641, The Retirement Pay Law, which management believes to be a reasonable approximation of the amount computed using the projected unit credit method (*see also Note 3*).

c. *Defined Contribution Plans*

A defined-contribution plan is a post-employment plan under which the Association pays fixed contributions to an independent entity such as Social Security System (SSS), Philhealth and Pag-ibig.

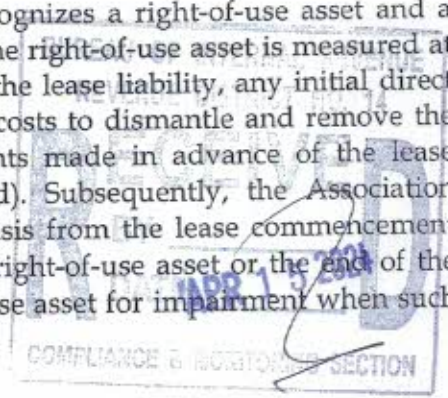
The Association has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

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 condition. 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 condition, right-of-use assets and lease liabilities have been presented separately from property 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 reporting date. They are calculated according to 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 the statements of operations.

Fund Balance

Assigned fund balance comprises the appropriation transferred from undistributed earnings set aside in compliance with the association's registration as a mutual benefit association.

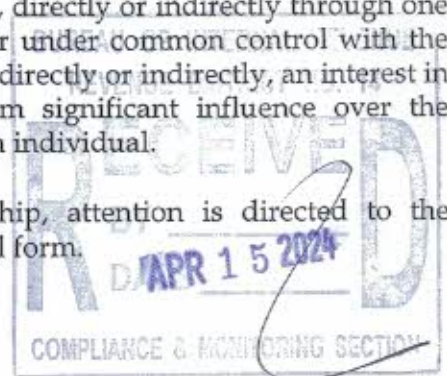
Free and unassigned fund balance includes all current and prior period results as disclosed in the statements of operations, net of transferred to assigned fund balance.

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 on 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 condition 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 they 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:

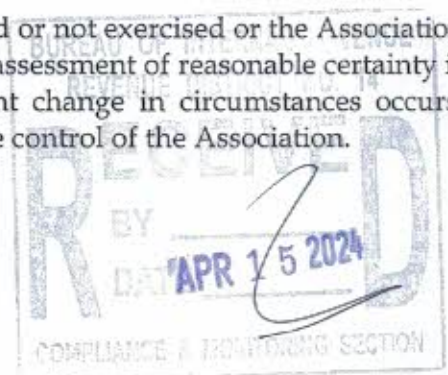
a. *Determination of Lease Term of Contracts with Removal and Termination Options*

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 term is reasonably certain to be extended or not terminated.

For leases of offices, the factors that are normally the most relevant are (a) if their significant penalties should the Association pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant meaning 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 includes the renewal period as part of the lease term for leases of offices due to the significance of these assets to its operations. These leases have short, non-cancellable lease periods (i.e., four to ten years) and there will be a significant negative effect on production 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.





b. 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 remaining life of the financial instrument. Details about the ECL on the Association's loans and other receivables are disclosed in Notes 3 and 7.

c. Evaluation of Business Model Applied in Managing Financial Instruments

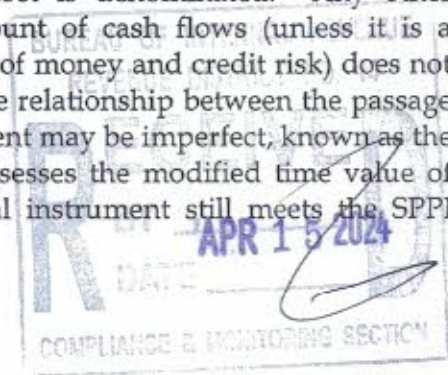
The Association manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from members' withdrawals and continuing loan disbursements to members, while maintaining a strategic 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 under PFRS 9, the Association evaluates in 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.

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

In determining the classification of financial assets under PFRS 9, 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, PFRS 9 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 much 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.

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. Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and disclosure of contingencies are discussed in Note 3 and relevant disclosures are presented in Note 24.

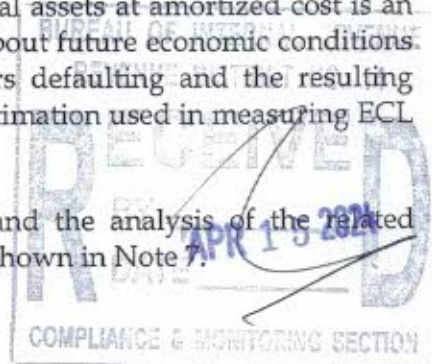
Key Sources of Estimation Uncertainty

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 7.

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 7.





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 26.

c. Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Association measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Association's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

d. Estimation of Useful Lives of Property and Equipment and Right-of-use Assets

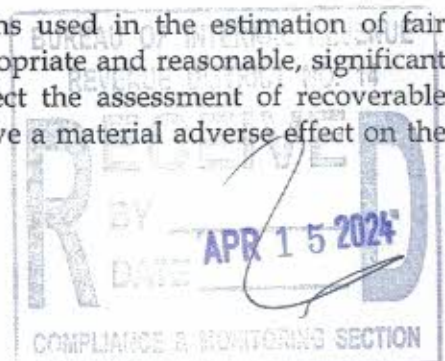
The Association estimates the useful lives of property and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and right-of-use assets are reviewed periodically and are updated if expectations 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.

The carrying amounts of property and equipment and right-of-use assets are analyzed in Notes 9 and 10. Based on management assessment as of December 31, 2023 and 2022, 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.

e. 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.





f. Valuation of Post-employment Defined Benefit Obligation

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. As at December 31, 2023, the Association does not have a formal post-employment benefit plan; however, it computes post-employment benefit obligation based on the provisions of R.A. No. 7641 which covers all regular full-time employees. Management believes that the obligation computed under R.A. No. 7641 will not materially differ had it been actuarially determined (see Note 20).

g. Valuation of Basic Contingent Benefit Reserves

Basic contingent benefit reserves represent 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

This account comprises of the following:

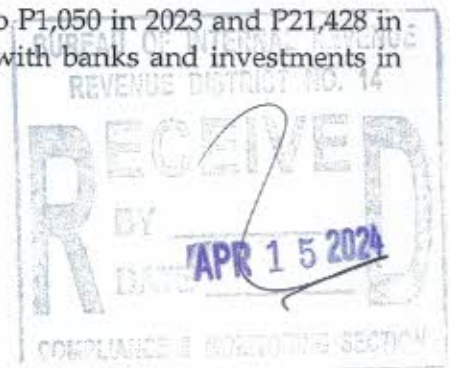
	<u>2023</u>	<u>2022</u>
Cash in banks	P 925,907,167	P 728,094,747
Cash on hand	<u>20,000</u>	<u>20,000</u>
	<u>P 925,927,167</u>	<u>P 728,114,747</u>

Cash in banks generally earns interest at rates based on daily bank deposit rates. The interest earned in cash in banks amounted to P2,353,941 in 2023 and P1,105,491 in 2022 and is presented as part of the interest on deposits with banks in the statements of operations.

6. SHORT-TERM INVESTMENTS

This account pertains to short-term placements amounted to P1,051,468 and 1,050,418 as at December 31, 2023 and 2022, respectively. These investments are made for more than three months but less than one-year term deposit placement with a local bank bearing annual effective interest of 3.125% to 0.375% in 2023 and 2022.

The interest earned on short-term investments amounted to P1,050 in 2023 and P21,428 in 2022 and are presented as part of the interest on deposit with banks and investments in the statements of operations.





7. LOANS AND OTHER RECEIVABLES

The details of this account are shown below:

	<u>2023</u>	<u>2022</u>
Consumption loans	P 858,459,554	P 1,022,776,031
Other receivables:		
Accrued interest receivable	10,057,103	8,369,465
Members' contribution due and uncollected	673,500	725,900
Unremitted members' contributions	51,200	58,800
Others	850	850
	<u>869,242,207</u>	<u>1,031,931,046</u>
Allowance for impairment losses	(<u>26,630,941</u>)	(<u>25,890,661</u>)
	<u>P 842,611,266</u>	<u>P 1,006,040,385</u>

These accounts are presented in the statements of financial condition as follows:

	<u>2023</u>	<u>2022</u>
Current	P 10,782,653	P 152,478,798
Non-current	<u>831,828,613</u>	<u>853,561,587</u>
	<u>P 842,611,266</u>	<u>P 1,006,040,385</u>

An analysis of changes in the gross carrying amount and the corresponding ECL allowances follow:

	2023			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying amounts as at				
January 1, 2023	P 1,031,931,046	P -	P -	P 1,031,931,046
New assets originated	356,676,698	-	-	356,676,698
Assets derecognized or prepaid	(519,056,375)	-	-	(519,056,375)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amounts written-off	(<u>309,162</u>)	<u>-</u>	<u>-</u>	(<u>309,162</u>)
Gross carrying amounts as at December 31, 2023	<u>P 869,242,207</u>	<u>P -</u>	<u>P -</u>	<u>P 869,242,207</u>
ECL allowance as at				
January 1, 2023	P 25,890,661	P -	P -	P 25,890,661
Provision for credit losses	1,049,442	-	-	1,049,442
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amounts written-off	(<u>309,162</u>)	<u>-</u>	<u>-</u>	(<u>309,162</u>)
ECL allowance as at December 31, 2023	<u>P 26,630,941</u>	<u>P -</u>	<u>P -</u>	<u>P 26,630,941</u>





	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at				
January 1, 2022	P 1,299,108,582	P -	P -	P 1,299,108,582
New assets originated	437,900,175	-	-	437,900,175
Assets derecognized or prepaid	(704,852,567)	-	-	(704,852,567)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amounts written-off	(225,144)	-	-	(225,144)
Gross carrying amounts as at December 31, 2022	<u>P 1,031,931,046</u>	<u>P -</u>	<u>P -</u>	<u>P 1,031,931,046</u>
ECL allowance as at				
January 1, 2022	P 24,048,254	P -	P -	P 24,048,254
Provision for credit losses	2,067,551	-	-	2,067,551
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amounts written-off	(225,144)	-	-	(225,144)
ECL allowance as at December 31, 2022	<u>P 25,890,661</u>	<u>P -</u>	<u>P -</u>	<u>P 25,890,661</u>

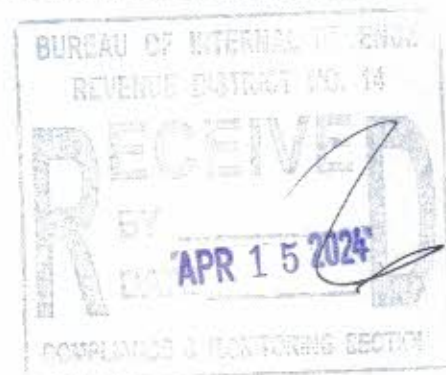
Consumption loans are loans granted to teachers for purposes of education, agriculture and others ranging from P5,000 to P400,000 and have maturities ranging from 12 months to 5 years in 2023 and 2022. The annual effective interest rates on these loans were fixed at 7% in 2023 and 2022. Interest on loans amounted to P61,924,963 in 2023 and P76,434,243 in 2022.

The Association collects 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.

The Association collects service fees at 3.33% of loans granted. Service charges amounted to P7,250,972 and P14,140,994 in 2023 and 2022, respectively and are presented as Service charges and fees under Revenues account in the statements of operations.

As at December 31, 2023 and 2022, the Association has no past-due loans. However, the Association provided expected credit losses amounting to P1,049,442 in 2023 and P2,067,551 in 2022 (see Note 19).

With the foregoing level of allowance for impairment and credit losses, management believes that the Association has sufficient allowance to take care of any losses that may incur from the non-collection or non-realization of its receivables and other risk assets.





8. FINANCIAL ASSETS AT AMORTIZED COST

This account pertains to the following:

	<u>2023</u>	<u>2022</u>
Treasury bills (T-bills)	P 999,497	P 700,000
Unamortized discount	(33,552)	(29,958)
	<u>P 965,945</u>	<u>P 670,042</u>

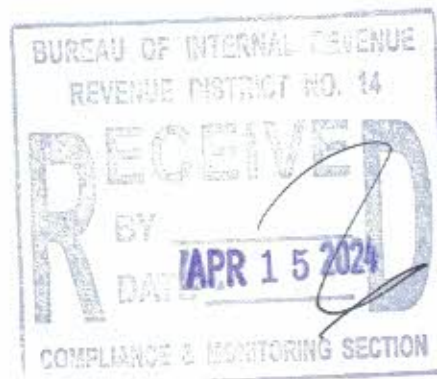
T-bills bears annual interest ranging from 6.12% to 6.59% in 2023 and 4.85% in 2022. Total interest income on these investment securities amounts to P1,713 in 2023 and 2022 and is presented as Interest income on Financial assets at amortized cost in the statements of operations.

The T-bills were set aside as guaranty fund in compliance with the Association's registration as a mutual benefit association.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation as at December 31, 2023 and 2022 are shown below:

	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Total</u>
December 31, 2023			
Cost	P 121,762	P 299,271	P 421,033
Accumulated depreciation	(99,497)	(295,135)	(394,632)
Net carrying amount	<u>P 22,265</u>	<u>P 4,136</u>	<u>P 26,401</u>
December 31, 2022			
Cost	P 121,762	P 299,271	P 421,033
Accumulated depreciation	(74,064)	(290,222)	(364,286)
Net carrying amount	<u>P 47,698</u>	<u>P 9,049</u>	<u>P 56,747</u>





A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2023 and 2022 are shown below:

	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Total</u>
Balance at January 1, 2023, net of accumulated depreciation	P 47,698	P 9,049	P 56,747
Depreciation for the year (see Note 19)	(25,433)	(4,913)	(30,346)
Balance at December 31, 2023, net of accumulated depreciation	<u>P 22,265</u>	<u>P 4,136</u>	<u>P 26,401</u>
Balance at January 1, 2022, net of accumulated depreciation	P 75,334	P 13,962	P 89,296
Depreciation for the year (see Note 19)	(27,636)	(4,913)	(32,549)
Balance at December 31, 2022, net of accumulated depreciation	<u>P 47,698</u>	<u>P 9,049</u>	<u>P 56,747</u>

There were no expenses recognized related to impairment in both years. Moreover, there are no assets pledged as collateral.

10. LEASES

The Association leases office space for its operations. Each lease generally imposes a restriction that, unless there is a contractual right for the Association to sub-lease another party, the right-of-use asset can only be used by the Association. The number of the right-of-use asset being leased by the Association is two units and the remaining term of those assets is two to six years.

Right-of-use Assets

The Association's right of use assets pertain to office space rental. The carrying amount this right-of-use of assets as at December 31, 2023 and 2022 and the movement during the year are shown below:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 328,005	P 559,537
Amortization for the year (see Note 19)	(231,533)	(231,532)
Balance at end of year	<u>P 96,472</u>	<u>P 328,005</u>





Lease Liabilities

The lease liabilities are presented in the statements of financial condition as at December 31, 2023 and 2022 as follows:

	<u>2023</u>		<u>2022</u>	
Current	P	112,499	P	265,548
Non-current		-		112,499
Balance at end of year	P	112,499	P	378,047

As at December 31, 2023 and 2022, the Association had committed to leases that had not commenced. The total future cash outflows for the lease that had not yet commenced amounted to P112,499 and P378,047, respectively.

The undiscounted maturity analysis of lease liabilities is as follows:

	<u>2023</u>		
	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>Total</u>
Lease payment	P 117,129	P -	P 117,129
Finance charges	(4,630)	-	(4,630)
Net present value	P 112,499	P -	P 112,499

	<u>2022</u>		
	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>Total</u>
Lease payment	P 281,107	P 117,129	P 398,236
Finance charges	(15,559)	(4,630)	(20,189)
Net present value	P 265,548	P 112,499	P 378,047

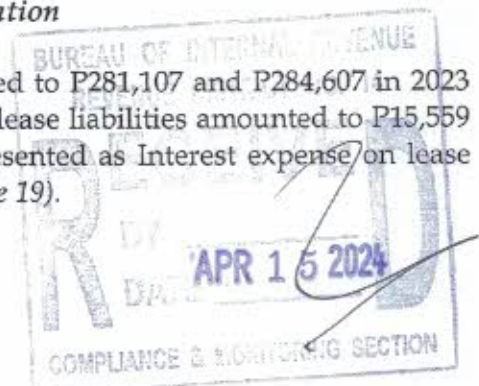
Lease Payment Not Recognized as Liabilities

The Association has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expense on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

In 2023 and 2022, the expenses relating to short-term leases amounted to P84,893 and P17,724, respectively, and are presented as Rental under Operating expenses in the statements of operations (see Note 19).

Additional Profit and Loss and Cash Outflow Information

The total cash outflow with respect to leases amounted to P281,107 and P284,607 in 2023 and 2022, respectively. Interest expense in relation to lease liabilities amounted to P15,559 and 26,184 in 2023 and 2022, respectively, and is presented as Interest expense on lease liabilities under other administrative expenses (see Note 19).





11. OTHER NON-CURRENT ASSETS

This account consists of:

	2023		2022
Long-term investment	P 5,100,000	P	5,100,000
Security deposits	90,735		90,735
Other assets	7,000		7,000
	P 5,197,735	P	5,197,735

Long-term investment

Long-term investment pertains to deposit placement with a local bank set aside as guaranty fund in compliance with the Association's registration as a mutual benefit association. The time deposit placement has a maturity of five years which will mature on June 25, 2025. The annual effective interest rate is 2.625% in 2023 and 2022. The interest earned on these time deposit placements amounted to P112,691 in 2023 and 2022 and are presented as part of the interest on deposits with banks in the statements of operations.

Security Deposits

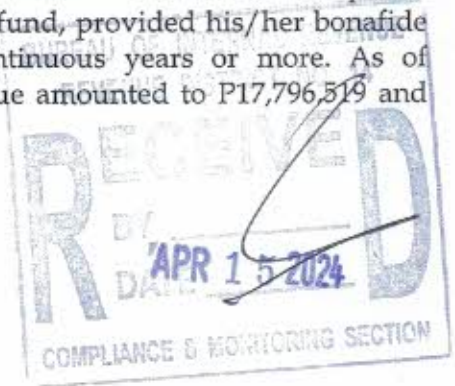
Security deposits pertain to refundable deposits paid for the lease agreements with various lessors for the lease of the Association. These will be refunded after all valid claims have been cleared at the end of the lease term or termination of the lease agreement.

12. MEMBERS' DEPOSITS

This accounts pertains to savings of the members amounting to P6,999,591 and P7,134,696 as at December 31, 2023 and 2022, respectively. The member can make monthly deposit of at least P200, at their option. The amount outstanding balance of the members' deposits shall be paid in lump sum to the designated beneficiaries upon his/her death or to the member in the event of termination of the membership.

13. LIABILITY ON EQUITY VALUE

Liability on equity value represents the total amount of obligations set up by the Association on membership certificates pertaining to the 50% equity value, as required under the Insurance Code, and any incremental amount declared by the Association. The liability on equity value can be withdrawn upon the termination of membership, the member-borrower will receive an equity participation refund, provided his/her bonafide membership with the Association has been three continuous years or more. As of December 31, 2023 and 2022, the liability on equity value amounted to P17,796,519 and P16,010,294, respectively.





14. CAPITAL CONTRIBUTIONS

This account represents the amount contributed by the members for the operation of the Association amounting to P1,284,980,744 and P1,242,078,620 as of December 31, 2023 and 2022, respectively.

15. BASIC CONTINGENT BENEFIT RESERVES

This account represents 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. In 2023 and 2022, its actuarial report was dated March 20, 2024 and March 15, 2023, respectively. The basic contingent benefit reserves amounted to P498,250 and P561,250 in 2023 and 2022, respectively.

The movement in the basic contingent benefit reserves is presented below:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 561,250	P 511,150
Increase (decrease) in actuarial valuation	(63,000)	50,100
Balance at end of year	<u>P 498,250</u>	<u>P 561,250</u>

16. OPTIONAL BENEFIT RESERVES

The optional benefit reserves amounted to P99,744 and P172,332 in 2023 and 2022, respectively. This fund represents a portion of the loan receivable withheld from loan releases to absorb unpaid balances of consumption loans that may arise from the untimely death of borrowers. The optional benefit reserve is computed at 0.672% of the total loan granted. In 2023 and 2022, its actuarial report was dated March 20, 2024 and March 15, 2023, respectively.

The movement in loan liquidation reserve fund is presented below:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 172,332	P 256,001
Decrease in actuarial valuation	(72,588)	(83,669)
Balance at end of year	<u>P 99,744</u>	<u>P 172,332</u>





17. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The account consists of the following:

	<u>2023</u>	<u>2022</u>
Accrued expenses	P 693,420	P 533,413
Management and other professional fees payable	287,580	800,540
Others	<u>32,000</u>	<u>32,000</u>
	<u>P 1,013,000</u>	<u>P 1,365,953</u>

Accrued expenses consist of accruals for collection fees, security, messenger and janitor services, utilities, management and other professional fees and rent expenses. Others refer to Due to board members pertaining to rental deposits.

These accounts are presented in the statements of financial condition as follows:

	<u>2023</u>	<u>2022</u>
Current	P 981,000	P 1,333,953
Non-current	<u>32,000</u>	<u>32,000</u>
	<u>P 1,013,000</u>	<u>P 1,365,953</u>

18. MEMBERS' EQUITY AND CONTRIBUTIONS

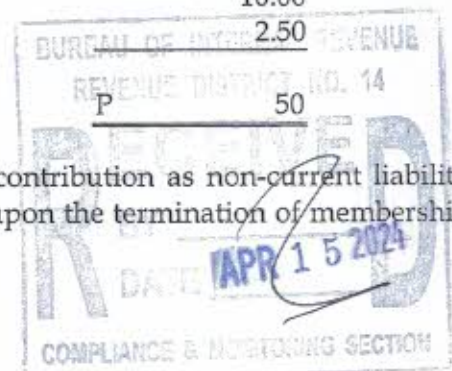
The Association collects P100 as an initial membership fee to be eligible as a member of the Association. The total contributions amounted to P865,900 and P874,900 in December 31, 2023 and 2022, respectively, which is presented as Members' equity and contributions under Non-current liabilities in the statements of financial condition.

The Association has a total of 8,749 and 9,374 members as at December 31, 2023 and 2022, respectively.

A member shall pay P50 monthly contributions which shall be allocated as follows:

Equity participation	P 25.00
Members' contributions	12.50
Membership fees and dues	10.00
Guaranty fund	2.50

The Association classifies the member's equity and contribution as non-current liability since members can withdraw the contributed equity upon the termination of membership in the Association.





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 operations. Membership fees, dues and contributions amounted to P6,570,959 in 2023 and P9,175,743 in 2022.

19. EXPENSES

The details of these accounts are shown below:

	2023		2022
Salaries, wages and benefits (see Note 20)	P 43,492,761	P	41,684,424
Service fees	3,192,682		3,619,844
Benefit and claim expenses	1,064,428		1,999,792
Impairment losses (see Note 7)	1,049,442		2,067,551
Professional fees	284,970		250,554
Communication, light and water	264,412		373,916
Amortization of right-of-use-assets (see Note 10)	231,533		231,532
Office supplies	95,437		337,691
Rent (see Note 10)	84,893		17,724
Taxes and licenses (see Note 30)	76,418		74,836
Representation and entertainment	48,483		20,391
Transportation and travel	40,617		28,770
Depreciation (see Note 9)	30,346		32,549
Interest on lease liabilities (see Note 10)	15,559		26,184
Insurance	3,400		5,100
Repairs and maintenance	2,250		16,429
Increase in actuarial valuation (see Notes 15 and 16)	-		110,508
Miscellaneous	310		320
	P 49,977,941	P	50,898,115

These expenses are presented in the statements of operations as follows:

	2023		2022
Operating expenses	P 45,720,831	P	45,167,971
Benefit expenses	4,257,110		5,730,144
	P 49,977,941	P	50,898,115





20. EMPLOYEE BENEFITS

Expenses recognized for salaries and employee benefits are presented below:

	<u>2023</u>	<u>2022</u>
Salaries and wages	P 36,709,146	P 35,980,973
Employees welfare and benefits	2,785,441	2,717,017
Social security costs	<u>3,998,174</u>	<u>2,986,434</u>
	<u>P 43,492,761</u>	<u>P 41,684,424</u>

The Association was not able to obtain an actuarial valuation of its retirement benefit expense for 2023 and 2022 and the corresponding retirement benefit obligations as at December 31, 2023 and 2022, in accordance with PAS 19 (as revised). However, the Association accrues its retirement benefit obligation based on Republic Act 7641 amounting to P1,820,898 as at December 31, 2023 and 2022.

21. TAX EXPENSE

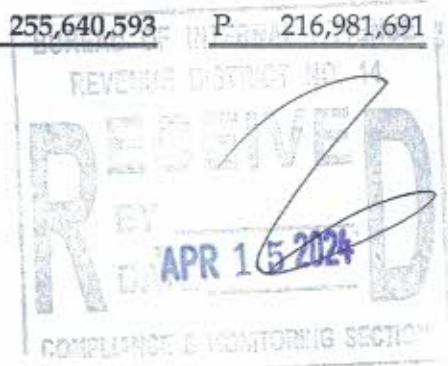
As mentioned in Note 1, the Association is exempt from the payment of income tax under Section 30c of the National Internal Revenue Code. The tax expense reported in the statements of operations represents the 20% final tax amounting to P453,624 in 2023 and P212,559 in 2022 on interest income on deposits with banks.

22. FUND BALANCE

Assigned Fund Balance

Assigned fund balance consists of the following:

	<u>2023</u>	<u>2022</u>
Members' benefit fund	P 95,595,996	P 57,326,349
Educational fund	33,818,099	33,818,099
Sickness benefit fund	30,000,000	30,000,000
Contingency fund	30,000,000	30,000,000
Calamity fund	20,000,000	20,000,000
Retirement fund	20,000,000	20,000,000
Building fund	20,000,000	20,000,000
Guaranty fund	<u>6,226,498</u>	<u>5,837,243</u>
	<u>P 255,640,593</u>	<u>P 216,981,691</u>





The movement of assigned fund balance is shown below:

	2023	2022
Balance at beginning of year	P 216,981,691	P 63,114,703
Appropriations for the year	77,747,074	153,818,094
Withdrawals for the year	(39,477,427)	-
Adjustments for the year	180,867	(182,711)
Contributions for the year	208,388	231,605
Balance at the end of year	P 255,640,593	P 216,981,691

In 2023, the Board of Trustees approved the distribution of the member's benefit fund amounted to P39,477,427 to its members and contributors. The distribution is computed proportionately on their individual equity value, members deposit and capital contributions.

Members' benefit fund set aside by the Association as additional benefits to its members and contributors. The fund will be credited and withdrawable only to contributor and members provided that the Risk-Based Capital (RBC) is compliant level of 125%.

Educational fund is a fund set aside to be awarded to the deserving beneficiaries of the members in a form of scholarship.

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

Contingency Fund is especially segregated for future litigations and other contingencies.

Calamity Fund is used for those members affected by man-made and natural calamities.

Retirement fund represents the amount segregated for the retirement of the members.

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

Guaranty fund is a fund set aside by the Association for future claims of the member.

Reclassification Accounts

Certain amounts in the 2022 comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. The effect of the foregoing adjustments is shown below:

	As Previously Reported	Reclassification	As Restated
Statement of Financial Condition			
Members' deposits	P 1,265,223,610	(P 1,258,088,914)	P 7,134,696
Liability on equity value	-	16,010,294	16,010,294
Capital contributions	-	1,242,078,620	1,242,078,620





23. RELATED PARTY TRANSACTIONS

The Association’s related parties include the Association’s key management personnel.

The Association’s transactions and outstanding balance with its related parties follow:

	2023		2022	
	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Key Management Compensation	(P 438,921)	P 3,108,124	P 3,547,045	P 3,547,045

Key management includes the general manager and officers of the Association.

The compensation of key management personnel pertains mainly to short-term benefits amounting to P3,108,124 and P3,547,045 in 2023 and 2022, respectively.

24. COMMITMENTS AND CONTINGENCIES

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 at December 31, 2023 and 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. 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 26. The main types of risks are market risk, credit risk and liquidity risk.

The management takes charge of the Association's overall risk management strategies which is focused on actively monitoring and securing the Association's short to medium-term cash flows by minimizing the exposure to financial markets.

The Association does not 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 to 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*

The Association has no significant exposure to foreign currency risks as most transactions are denominated in Philippine peso, its functional currency.





b. Interest Rate Sensitivity

The Association's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Association is exposed only to changes in market interest rates through its cash in banks and short-term investments as there are no existing bank borrowings. All other financial assets (such as loans and receivables) and financial liabilities (such as accounts payable and members' deposits) have fixed interest rates.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables, held constant, of the Association's net interest income:

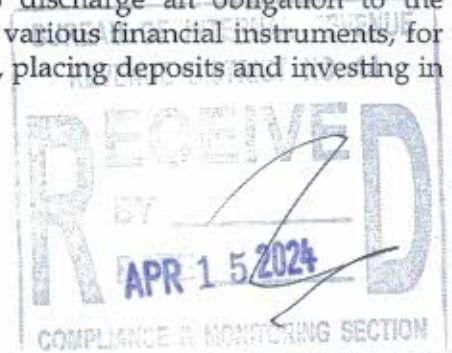
		2023			
		Increase (Decrease) in Basic Points			
		23	68	(23)	(68)
Change on net interest income:					
Cash	P	567,961	P 1,679,189	(P 567,961)	(P 1,679,189)
Short-term investment		-	-	-	-
Loans and other receivables		14,242,741	42,108,975	(14,242,741)	(42,108,975)
Financial assets at amortized cost		394	1,165	(394)	(1,165)
	<u>P</u>	<u>14,811,096</u>	<u>P 43,789,329</u>	<u>(P 14,811,096)</u>	<u>(P 43,789,329)</u>
		2022			
		Increase (Decrease) in Basic Points			
		23	68	(23)	(68)
Change on net interest income:					
Cash	P	254,657	P 752,899	(P 254,657)	(P 752,899)
Short-term investment		4,928	14,571	(4,928)	(14,571)
Loans and other receivables		17,579,876	51,975,285	(17,579,876)	(51,975,285)
Financial assets at amortized cost		-	-	-	-
	<u>P</u>	<u>17,839,461</u>	<u>P 52,742,755</u>	<u>(P 17,839,461)</u>	<u>(P 52,742,755)</u>

c. Other Price Risk Sensitivity

The Association has no significant concentrations of other market price risk.

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, placing deposits and investing 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 condition is shown below:

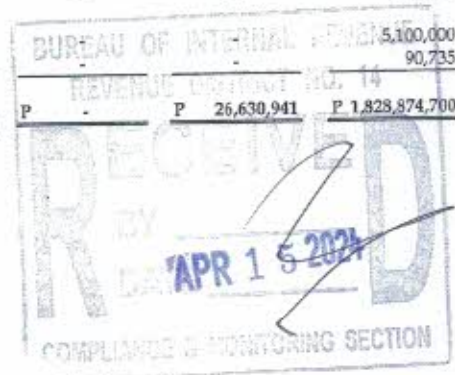
	2023		2022	
Cash in banks	P	925,907,167	P	728,094,747
Short-term investment		1,051,468		1,050,418
Loans and other receivables		869,242,207		1,031,931,046
Financial asset at amortized cost		965,945		670,042
Other non-currents:				
Guaranty fund		5,100,000		5,100,000
Security deposits		90,735		90,735
	P	<u>1,802,357,522</u>	P	<u>1,766,936,988</u>

The Association's concentration of credit risk arises from its loans and other receivables which amounted to P842,611,266 and P1,006,040,385 representing 47% and 58% of its total assets as at December 31, 2023 and 2022, respectively.

The credit risk for cash in banks, short-term investment and guaranty funds are considered negligible since the counterparties are reputable banks with high-quality external credit ratings. Deposits with banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution. Financial asset at amortized cost consists of T-bills issued by the Philippine government, hence low credit risk. The Association is considered to have low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

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

	2023					
	Neither Past Due Nor Impaired			Past Due But Not Yet Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks	P 925,907,167	P -	P -	P -	P -	P 925,907,167
Short-term investment	1,051,468	-	-	-	-	1,051,468
Loans and receivables:						
Consumption	-	858,459,554	-	-	26,630,941	885,090,495
Accrued interest receivables	9,943,340	-	-	-	-	9,943,340
Members' contribution due and uncollected	-	673,500	-	-	-	673,500
Unrenitted members contributions	-	51,200	-	-	-	51,200
Others	850	-	-	-	-	850
Financial asset at amortized cost	965,945	-	-	-	-	965,945
Other non-current assets:						
Guaranty fund	5,100,000	-	-	-	-	5,100,000
Security deposits	90,735	-	-	-	-	90,735
	P <u>943,059,505</u>	P <u>859,184,254</u>	P -	P -	P <u>26,630,941</u>	P <u>1,828,874,700</u>





	2022					
	Neither Past Due Nor Impaired			Past Due But Not Yet Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks	P 728,094,747	P -	P -	P -	P -	P 728,094,747
Short-term investment	1,050,418	-	-	-	-	1,050,418
Loans and receivables:						
Consumption	-	879,452,248	-	-	25,890,661	905,342,909
Accrued interest receivables	8,366,340	-	-	-	-	8,366,340
Members' contribution due and uncollected	-	784,700	-	-	-	784,700
Unremitted members contributions	-	58,800	-	-	-	58,800
Others	850	-	-	-	-	850
Financial asset at amortized cost	670,042	-	-	-	-	670,042
Other non-current assets:						
Guaranty fund	5,100,000	-	-	-	-	5,100,000
Security deposits	90,735	-	-	-	-	90,735
	<u>P 743,373,132</u>	<u>P 880,295,748</u>	<u>P -</u>	<u>P -</u>	<u>P 25,890,661</u>	<u>P 1,649,559,541</u>

The Association provides collectively allowance for impairment losses of P26,630,941 and P25,890,661 as at December 31, 2023 and 2022, respectively (see Note 7).

The bases in 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.

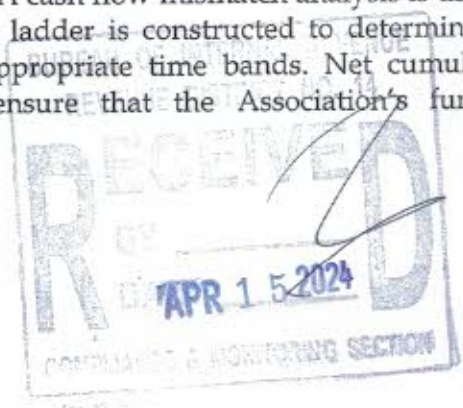
3. *Substandard Grade*

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.

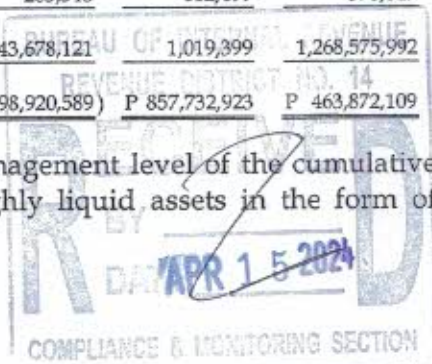




The tables below summarize the maturity profile of the Association's financial instruments:

	2023				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 year	Total
Financial assets:					
Cash in banks	P 925,907,167	P -	P -	P -	P 925,907,167
Loans and receivables	673,500	51,200	36,688,894	831,828,613	869,242,207
Short-term investment	-	-	1,051,468	-	1,051,468
Financial asset at amortized cost	-	-	965,945	-	965,945
Other non-current assets:					
Guaranty fund	-	-	-	5,100,000	5,100,000
Security deposits	-	-	-	90,735	90,735
	<u>926,580,667</u>	<u>51,200</u>	<u>38,706,307</u>	<u>837,019,348</u>	<u>1,802,357,522</u>
Financial liabilities:					
Members' deposits	6,999,591	-	-	-	6,999,591
Liability on equity value	17,796,519	-	-	-	17,796,519
Capital contributions (Note 14)	-	-	1,284,980,744	-	1,284,980,744
Basic contingent benefit reserves	498,250	-	-	-	498,250
Optional benefit reserves	99,744	-	-	-	99,744
Accounts payable and other liabilities	-	-	1,701,160	32,000	1,733,160
Members' equity contributions	-	-	-	865,900	865,900
Lease liabilities	-	-	112,499	-	112,499
	<u>25,394,104</u>	<u>-</u>	<u>1,286,794,403</u>	<u>897,900</u>	<u>1,313,086,407</u>
Cumulative total gap	P 901,186,563	P 51,200	(P 1,248,088,096)	P 836,121,448	P 489,271,115
	2022				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 year	Total
Financial assets:					
Cash in banks	P 728,094,747	P -	P -	P -	P 728,094,747
Loans and other receivables	784,700	58,800	143,037,072	853,561,587	997,442,159
Short-term investment	-	-	1,050,418	-	1,050,418
Financial asset at amortized cost	-	-	670,042	-	670,042
Other non-current assets:					
Guaranty fund	-	-	-	5,100,000	5,100,000
Security deposits	-	-	-	90,735	90,735
	<u>728,879,447</u>	<u>58,800</u>	<u>144,757,532</u>	<u>858,752,322</u>	<u>1,732,448,101</u>
Financial liabilities:					
Members' deposits	7,134,696	-	-	-	7,134,696
Liability on equity value	16,010,294	-	-	-	16,010,294
Capital contributions	-	-	1,242,078,620	-	1,242,078,620
Basic contingent benefit reserves	561,150	-	-	-	561,150
Optional benefit reserves	172,332	-	-	-	172,332
Accounts payable and other liabilities	-	-	1,333,953	32,000	1,365,953
Members' equity contributions	-	-	-	874,900	874,900
Lease liabilities	-	-	265,548	112,499	378,047
	<u>23,878,472</u>	<u>-</u>	<u>1,243,678,121</u>	<u>1,019,399</u>	<u>1,268,575,992</u>
Cumulative total gap	P 705,000,975	P 58,800	(P 1,098,920,589)	P 857,732,923	P 463,872,109

To ensure that the association maintains a prudent management level of the cumulative negative gap, the Association maintains a pool of highly liquid assets in the form of short-term investments.





26. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS

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 at December 31, 2023 and 2022:

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	P 925,907,167	P 925,907,167	P 728,094,747	P 728,094,747
Short-term investment	1,051,468	1,051,468	1,050,418	1,050,418
Loans and other receivables	869,242,207	842,611,266	1,031,931,046	1,006,040,385
Financial assets at amortized cost	965,945	999,497	670,042	700,000
Other non-current assets:				
Guaranty fund	5,100,000	5,100,000	5,100,000	5,100,000
Security deposits	90,735	90,735	90,735	90,735
	<u>P 1,802,357,522</u>	<u>P 1,775,760,133</u>	<u>P 1,766,936,988</u>	<u>P 1,741,076,285</u>
Financial Liabilities				
Members' deposits	P 6,999,591	P 6,999,591	P 7,134,696	P 7,134,696
Liability on equity value	17,796,519	17,796,519	16,010,294	16,010,294
Capital contributions	1,284,980,744	1,284,980,744	1,242,078,620	1,242,078,620
Basic contingent benefit reserves	498,250	498,250	561,250	561,250
Optional benefit reserves	99,744	99,744	172,332	172,332
Account payable and other liabilities	1,733,160	1,733,160	1,365,953	1,365,953
Members' equity contributions	865,900	865,900	874,900	874,900
Lease liabilities	112,499	112,499	378,047	378,047
	<u>P 1,313,086,407</u>	<u>P 1,313,086,407</u>	<u>P 1,268,576,092</u>	<u>P 1,268,576,092</u>

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

i. Cash, Short-term investment, and Financial assets at amortized cost

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

ii. Loans and other receivables

Loans and other receivables are net 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.





iii. *Other non-current assets*

Other non-current assets consist of guaranty fund and security deposits which carrying amount approximates fair value. The estimated fair value of other current assets represents the discounted amount of estimated future cash flows expected to be received.

iv. *Accounts payable and other liabilities, basic contingent benefit reserves, capital contributions, members' deposits and members' equity contributions.*

These liabilities are recognized initially at their fair value and subsequently measured at amortized cost. Fair value of these liabilities approximates their carrying values given their short-term duration.

v. *Lease liabilities*

Lease liabilities bear market interest rates; hence, management believes that carrying amounts approximate their fair values.

b. *Fair Value Hierarchy*

The Association uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

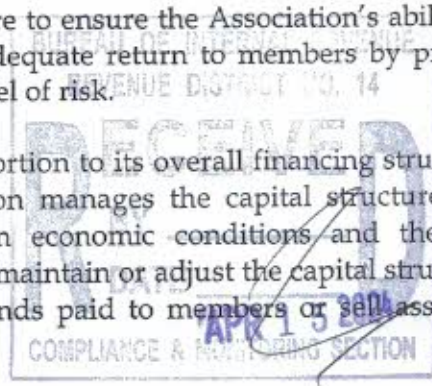
All financial assets and liabilities were classified into level 3 of the fair value hierarchy.

As at December 31, 2023 and 2022, there were no financial assets and liabilities measured at fair value.

27. 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 condition. Capital for the reporting periods under review is summarized as follows:

	<u>2023</u>	<u>2022</u>
Total liabilities	P 1,314,187,145	P 1,270,396,990
Total equity	<u>461,689,309</u>	<u>471,061,089</u>
Debt-to-equity ratio	<u>2.85:1</u>	<u>2.70:1</u>

Risk-Based Capital (RBC) Requirements

On December 8, 2006, the IC issued Insurance Memorandum Circular (IMC) No. 11-2006, *Adoption of Risk-Based Capital Framework For The Philippine Mutual Benefit Associations*, prescribes that all Mutual Benefit Association (MBA) must satisfy the minimum statutory RBC ratio of 100% and not fail the trend test as stated under II.A.2 of the IC Memorandum.

Every MBA is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. The trend test has failed, in the event that:

- a. The RBC ratio is less than 125% but is not below 100%
- b. The RBC ratio has decreased over the past year
- c. The difference between the RBC ratio and the decrease in the RBC ratio over the past year is less than 100%

Failure to meet the RBC ratio shall subject the Association to the corresponding regulatory intervention which has been defined at various levels.

As of December 31, 2023 and 2022, the Association's RBC is above the minimum statutory ratio.

28. NON ADMITTED ASSETS

Pursuant to Section 197 of the Insurance Code, certain assets are classified and presented as non-admitted assets which consist of the following:

	<u>2023</u>	<u>2022</u>
Property and equipment	P 26,401	P 56,747
Other non-current assets	<u>97,735</u>	<u>97,735</u>
	P 124,136	P 154,482





29. STATEMENT OF CASH FLOWS

a. *Supplemental Information on Non-cash Investing and Financing Activities*

The Association's recognized right-of-use assets amounting to P96,472 in 2023 and P328,005 in 2022, and lease liabilities amounting to P112,499 in 2023 and P378,047 in 2022.

b. *Reconciliation of Liabilities Arising from Financing Activities*

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

	Members' Equity and Contributions	Capital Contributions	Lease Liabilities	Guaranty Fund	Total
Balance at January 1, 2023	P 874,900	P 1,242,078,620	P 378,047	P 6,018,111	P 1,249,349,678
Cash flows from financing activities					
Additions	-	42,902,124	-	208,388	4,277,806
Withdrawals	(9,000)	-	-	-	(9,000)
Repayment of lease liabilities	-	-	(281,107)	-	(281,107)
Non-cash financing activity					
Interest amortization on lease liabilities	-	-	15,559	-	15,559
Balance at December 31, 2023	<u>P 865,900</u>	<u>P 1,284,980,744</u>	<u>P 112,499</u>	<u>P 6,226,499</u>	<u>P 1,253,352,936</u>
Balance at January 1, 2022	P 937,400	P 1,242,078,620	P 636,470	P 5,786,506	P 1,249,438,996
Cash flows from financing activities					
Additions	-	-	-	231,605	231,605
Withdrawals	(62,500)	-	-	-	(62,500)
Repayment of lease liabilities	-	-	(284,607)	-	(284,607)
Non-cash financing activity					
Interest amortization on lease liabilities	-	-	26,184	-	26,184
Balance at December 31, 2022	<u>P 874,900</u>	<u>P 1,242,078,620</u>	<u>P 378,047</u>	<u>P 6,018,111</u>	<u>P 1,249,349,678</u>

30. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

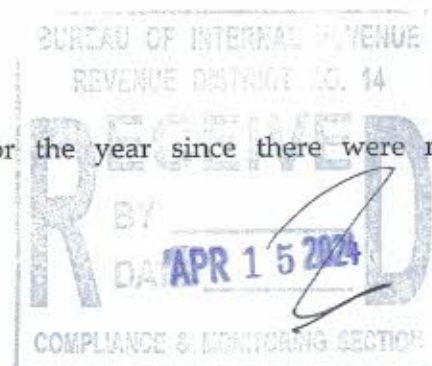
Presented below and in succeeding pages, are the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulation to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS for MBAs.

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 does not have output VAT for the year since there were no transactions subject to 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 has no tax on importation since it does not have any transactions which are subject to importation tax.

d. *Excise Tax*

The Association does not have excise tax in any of the years presented since it does not have any transactions which are subject to the excise tax.

e. *Documentary Stamp Tax*

The Association did not incur documentary stamp tax for the year 2023.

f. *Taxes and Licenses*

The details of taxes and licenses account are composed of the following:

Business permits and licenses	P	61,808
Community tax certificate		3,169
Annual registration		3,600
Others		<u>7,841</u>
	P	<u>76,418</u>

g. *Withholding Taxes*

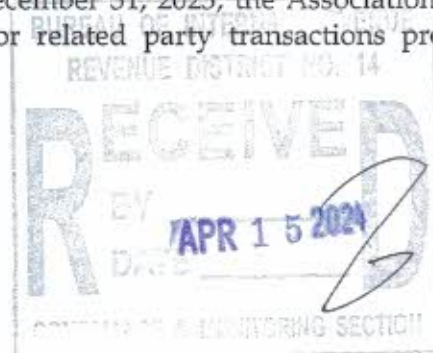
The Association paid withholding tax on compensation amounting to P1,438,323 in 2023.

h. *Deficiency Tax Assessment and Tax Case*

On July 16, 2020, the Association received a Letter of Authority (LOA) from the BIR covering taxable year 2018 for all internal revenue taxes. The said LOA was not yet settled as of December 31, 2023.

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, 2023, the Association is not covered by the requirements and procedures for related party transactions provided under this RR.





Aquino, Mata, Calica & Associates
Certified Public Accountants
Suite 1805 - 1807 Cityland Condominium 10 Tower 2
H.V. Dela Costa St., Makati City, 1227 Philippines
T +63 2 8841 0462 • +63 2 8893 0287

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

The Board of Trustees and Members
Mt.-Province Teachers' Mutual Aid System, Inc.
(A Non-Stock, Non-Profit Association)
Delos Reyes Bldg. cor. Washington
& Bintawan, Poblacion North, Solano
Nueva Vizcaya

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **Mt.-Province Teachers' Mutual Aid System, Inc.** *(A Non-Stock, Non-Profit Association)* for the year ended December 31, 2023, on which we have rendered our report dated April 8, 2024. 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, 2023 are presented for purposes of additional analysis in compliance with the requirements of Revised 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, 2023;
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 Contributions and Donations.



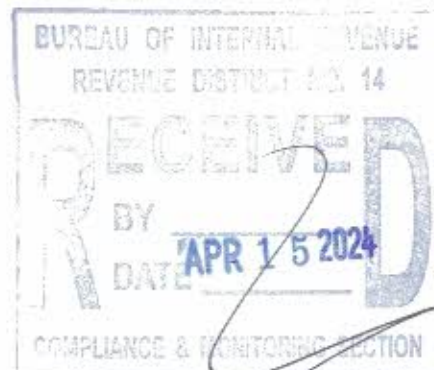


Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in opinion, are fairly stated in all material respects in relation to the basic financial statements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

AMC & ASSOCIATES

By: 
Ariel D. Gonzales
Partner
CPA Cert. No. 89570
TIN 169-688-077-000
PTR No. 10075912, Jan. 3, 2024, Makati City
BIR Accreditation No. 08-003584-1-2021
(issued on Dec. 20, 2021 valid until Dec. 19, 2024)
SEC Accreditation No. 89570 (Group A)
(valid to audit 2021 to 2025 financial statements)
IC Accreditation No. 89570-IC (Group A)
(valid to audit 2020 to 2024 financial statements)
BSP Accreditation No. 89570-BSP (Group B)
(valid to audit 2021 to 2025 financial statements)

April 8, 2024



SWORN STATEMENT

We, **Elmer B. Mabbayad** and **Nelita B. Deogracias**, President and Treasurer, respectively, of **Mt.-Province Teachers' Mutual Aid System, Inc.**, with address at **Delos Reyes Bldg., Cor. Washington & Bintawan, Poblacion North, Solano Nueva Vizcaya** hereby depose and state that:

In compliance with the Revised SRC Rule 68, we are stating the following information that related to the preceding calendar year 2023, to wit:

Documents/Schedules to the Audited Financial Statements as of December 31, 2023	NSPO Forms	Check If Applicable
1. Affidavit of Willingness to be Audited by the Commission	NSPO Form-2	✓
2. Schedule of Receipts or Income or Sources of Funds Other Than Contributions and Donations	NSPO Form-3	✓
3. Schedule of Contributions and Donations	NSPO Form-4	✓
4. Schedule of Application of Funds	NSPO Form-5	
5. Certificate of Existence of Program/Activity (COEP)		
6. COEP issued by Heads/Officers of private institution or actual beneficiaries/recipients of the program/activity shall be allowed in lieu of COEP issued by the government offices/entities		

We hereby certify that this Sworn Statement with duly attached documents/schedules is executed to attest to the truth of the foregoing and for whatever legal purpose it may serve.

MAR 01 2024

In witness thereof, we have hereunto affixed our signature this ____ day of _____, at **SOLANO, NUEVA VIZCAYA** Philippines.


Elmer B. Mabbayad
 President


Nelita B. Deogracias
 Treasurer

Subscribed and sworn to before me, a Notary Public for and in **SOLANO, NUEVA VIZCAYA** City, on **MAR 01 2024** affiants personally, exhibiting their respective competent evidence of Identification Card _____ issued at _____ issued on _____.

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 Page No. 86
 Book No. 391
 Series of 2024.

ATTY. PRIMO PERCIVAL J. MARCOS
 Notary Public-Solano, Nueva Vizcaya
 National Commission No. 2522 until 10/31/2024
 PTR No. NY-38474, U-03-7038B, N.V.
 IBP no. 0565-11FHE, Roll No. of ATTY. 31459
 NCLE No. CN, VLI-0014323, Valid until 4/14/2025

RECEIVED
 BY **APR 15 2024**
 BUREAU OF INTERNAL REVENUE
 REVENUE DISTRICT NO. 14
 NOTARY PUBLIC
 COMPTROLLER GENERAL'S OFFICE
 MONITORING SECTION

REPUBLIC OF THE PHILIPPINES)
PROVINCE OF NUEVA VIZCAYA) S.S.
MUNICIPALITY OF SOLANO)

AFFIDAVIT OF WILLINGNESS TO BE AUDITED BY THE COMMISSION

I, **Nelita B. Deogracias**, of legal age, Filipino and resident of R. Delos Reyes Bldg., corner Bintawan and Washington Street, Poblacion North, Solano Nueva Vizcaya, after having been sworn to in accordance with law hereby depose and state:

I am the Treasurer/Chief Finance Officer of **Mt.-Province Teachers' Mutual Aid System, Inc.**, a non-stock, non-profit organization registered with the Securities and Exchange Commission.

That I, as authorized by the Board of Trustees of the Association, hereby manifest its willingness to be audited by the Commission upon its Order and Authority for the purpose of determining compliance of the corporation with existing laws and regulations.

That this affidavit is executed to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

In witness whereof, I hereby sign this affidavit this MAR 01 2024 day of _____ 2024, at SOLANO, NUEVA VIZCAYA


Nelita B. Deogracias
Affiant
(Signature over Printed Name)

SUBSCRIBED AND SWORN to before me this _____, affiant exhibiting to me her _____ issued on _____ at _____ as competent evidence of her identity.

MAR 01 2024
BUREAU OF INTERNAL REVENUE
REVENUE DISTRICT NO. 14
RECEIVED
BY _____
APR 15 2024
ATTY. PRIMO PERCIVAL V. MARCOS
Notary Public-Solano, Nueva Vizcaya
Notarial Commission No. 1273172024
PTR NO. NV 2830474, 04-03-2024, Bay.N.V.
IBP no. 05683-LP/ET/ME, Roll No. of ATTY. 31459
MCLE no. CN. VII-0014323, Valid until: 4/14/2025

Doc No. 427
Page No. 86
Book No. 391
Series of 2024

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

Name of Foundation/Organization:

SEC Registration No.

MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.

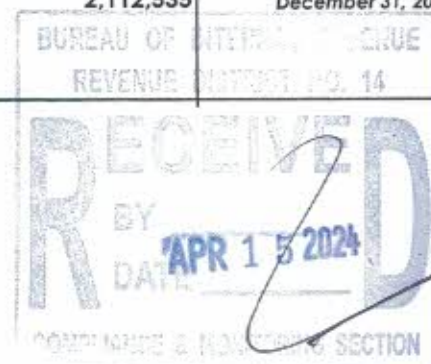
CN201210969

For the Year Ended

December 31, 2023

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 on loans	Members	P 61,924,963	December 31, 2023
2	Interest income on banks	Banks	P 2,467,682	December 31, 2023
3	Service charges and fees	Members	P 7,250,972	December 31, 2023
4				
5				
6				
7				
8				
9	Others (aggregate of all sources of income which are individually below P100,000.00)	Members	P 2,112,535	December 31, 2023



SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART I)

Name of Foundation/Organization:

SEC Registration No.

MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.

CN201210969

For the Year Ended

December 31, 2023

Part I. Contributors/Donors				
(a) No.	(b) Name and Address	(c) Nationality ³	(d) Total Contributions	(e) Type of Contribution ⁴
1				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
2				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
3				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
4				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
5				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
6				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
7				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
8				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
9				<input type="checkbox"/> Cash <input type="checkbox"/> 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		P 6,570,959	<input checked="" type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)

(Use separate sheet if necessary)

TOTAL CONTRIBUTIONS/DONATIONS

6,570,959.00

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

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

⁴Contributions 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.



SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART II)

Name of Foundation/Organization:

SEC Registration No.

MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.

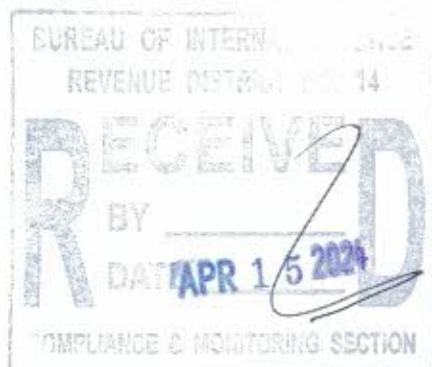
CN201210969

For the Year Ended

December 31, 2023

Part-II	Noncash Property
----------------	-------------------------

(a) No. from Part I	(b) Description of Noncash Property Given	(c) Fair Market Value (or estimate)	(d) Date received
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			



REPUBLIC OF THE PHILIPPINES)
REPUBLIC OF THE PHILIPPINES)
PROVINCE OF NUEVA VIZCAYA) S.S.
MUNICIPALITY OF SOLANO)

CERTIFICATION

I, **Elmer B. Mabbayad**, of legal age, married, Filipino citizen, with residence address at **ALIBAGU, CITY OF ILAGAN, ISABELA**, after having been sworn to in accordance with law, do hereby depose and state that:

- 1. I am the duly elected President of **Mt.-Province Teachers' Mutual Aid System, Inc.**, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Delos Reyes Bldg., Cor. Washington & Bintawan, Poblacion North, Solano Nueva Vizcaya;
- 2. The Association has not received any funds from any Philippine government agency or any department, bureau or office of the national government, or any of its branches and instrumentalities, or any political subdivision or its instrumentalities, as well as any government-owned or controlled corporation, including its subsidiaries, or other self-governing board or commission of the government, nor received donations/grants/contributions in the amount of at least Five Hundred Thousand Pesos (Php500,000) in one or aggregate transactions per donor/grantor/contributor; and
- 3. To the best of my knowledge, no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Association, its duly elected Trustees and/or corporate officers.

IN WITNESS WHEREOF, I have hereunto signed this Certification this MAR 01 2024 day of _____ at **SOLANO, NUEVA VIZCAYA**

MAR 01 2024
Elmer B. Mabbayad
PRESIDENT

SUBSCRIBED AND SWORN to before me this _____, the affiant having exhibited to me his _____ as competent proof of his identity.

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Book No. 391
Series of 2024

ATTY. PRIMO PERCIVAL J. MARCOS INTERIM
Notary Public - Solano, Nueva Vizcaya
Notarial Commission No. 25422 until 12/31/2024
PTR NO. NY 230344, dt. 09-2024, Bay N.V.
IBP no. 055900, dt. 09-2024, Bay N.V. of ATTY. 31459
MCLE no. CN, VII-0014323, valid until: 4/14/2025

RECEIVED
DATE APR 15 2024
BY

ADMINISTRATIVE & NOTARIALS SECTION