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Date: Monday, April 14, 2025 at 08:26 AM GMT+8

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

### Valid files

- EAFS008303814AFSTY122024.pdf
- EAFS008303814ITRTY122024.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-MYN32WTY0MQSSVS33Q2SSP2T20N2QMSQYN**

Submission Date/Time: **Apr 14, 2025 08:26 AM**

Company TIN: **008-303-814**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.


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Republic of the Philippines  
Department of Finance  
Bureau of Internal Revenue

For BIR Use Only  
BCS/  
Item

<b>BIR Form No.</b> <b>1702-EX</b> January 2018 (ENCs) v2 Page 1		<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT under the Tax Code, as Amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income] Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two copies MUST be filed with the BIR and one held by the taxpayer.									
1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal 2 Year Ended (MM/DD/YYYY) 12 - 2024		3 Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No		4 Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No							
				5 Alphanumeric Tax Code (ATC) <table border="1"><tr><td>IC 011</td><td>Exempt Corporation on Exempt Activities</td><td><input checked="" type="checkbox"/></td></tr><tr><td>IC 021</td><td>General Professional Partnership</td><td><input type="checkbox"/></td></tr></table>		IC 011	Exempt Corporation on Exempt Activities	<input checked="" type="checkbox"/>	IC 021	General Professional Partnership	<input type="checkbox"/>
IC 011	Exempt Corporation on Exempt Activities	<input checked="" type="checkbox"/>									
IC 021	General Professional Partnership	<input type="checkbox"/>									
<b>Part I - Background Information</b>											
6 Taxpayer Identification Number (TIN) 008 - 303 - 814 - 000		7 RDO Code 014									
8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) MT.- PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.											
9 Registered Address (Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905) DELOS REYES BLDNG BINTAWAN RD POBLACION NORTH NUEVA VIZCAYA 9A Zip Code 3709											
10 Date of Incorporation/Organization (MM/DD/YYYY) 06/13/2012		11 Contact Number									
12 Email Address mtprovince.teachers@yahoo.com											
13 Method of Deduction <input checked="" type="radio"/> Itemized Deductions [Section 34 (A-J), NIRC] <input type="radio"/> Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]											
14 Legal Basis of Tax Relief/Exemption (Specify) SEC 30C OF NIRC		15 Investment Promotion Agency (IPA)/Government Agency NOT APPLICABLE									
16 Registered Activity/Program (Registration Number) NOT APPLICABLE		17 Effectivity Date of Tax Relief/Exemption (MM/DD/YYYY) From 06/13/2012 To 06/13/2062									
<b>Part II - Total Tax Payable</b> (Do NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)											
18 Tax Due (From Part IV Item 41)				0							
19 Less: Total Tax Credits/Payments (From Part IV Item 50)				0							
20 Total (Overpayment) (Item 18 Less Item 19) (From Part IV Item 51)				0							
21 Add Penalty - Compromise				0							
22 TOTAL AMOUNT PAYABLE (Sum of Items 20 & 21)				0							
If overpayment, mark one (1) box only. (Once the choice is made, the same is irrevocable) <input type="radio"/> To be refunded <input type="radio"/> To be issued a Tax Credit Certificate (TCC) <input type="radio"/> To be carried over as tax credit next year/quarter											
We declare under the penalties of perjury that this return, and all its attachments, have been made in good faith, verified by us, and to the best of our knowledge and belief, are true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If signed by an Authorized Representative, ion letter)											
Signature over Printed Name of President/Principal Officer/ Authorized Representative Title of Signatory		Signature over Printed Name of Treasurer/ Assistant Treasurer Title of Signatory		23 Number of Attachments 0							
<b>Part III - Details of Payment</b>											
Details of Payment		Drawee Bank/ Agency	Number	Date (MM/DD/YYYY)	Amount						
24 Cash/Bank Debit Memo											
25 Check											
26 Tax Debit Memo											
27 Others (Specify Below)											
Machine Validation/Revenue Official Receipt Details (if not filed with an Authorized Agent Bank)				Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)							
<b>Attachments</b> Add Attachment Remove Attachment											

BIR Form No. <b>1702-EX</b> January 2018 (ENCS) v2 Page 2	<b>Annual Income Tax Return</b> <small>For Use ONLY by Corporation, Partnership and Other Non-Individual Taxpayer          EXEMPT Under the Tax Code, as Amended, [Sec. 30 and those exempted in          Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income</small>	 <small>1702-EX 01/19ENCS v2 P2</small>
<b>TIN</b> 008 - 303 - 814 - 000	<b>Registered Name</b> MT.- PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.	

Part IV - Computation of Tax		(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)
28 Sales/Revenues/Receipts/Fees		41,641,758
29 Less: Sales Returns, Allowances and Discounts		0
30 Net Sales/Receipts/Revenues/Fees (Item 28 Less Item 29)		41,641,758
31 Less: Cost of Sales/Services		0
32 Gross Income from Operation (Item 30 Less Item 31)		41,641,758
33 Add: Other Income		20,248,751
34 Total Gross Income (Sum of Item 32 and 33)		61,890,509
Less: Deductions Allowable under Existing Law		
A. Itemized Deductions		
35 Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)		49,456,205
36 Special Allowable Itemized Deductions (From Part VI Schedule II Item 5)		0
37 Total Itemized Deductions (Sum of Items 35 and 36)		49,456,205
B. Optional Standard Deduction (OSD)		
38 OSD (40% of Item 34)(applicable to GPP per RA No. 10963)		0
39 Net Income/(Loss) (If Itemized: Item 34 Less Item 37; If OSD: Item 34 Less Item 38)		12,434,304
40 Income Tax Rate		0 %
41 Tax Due (Item 39 X Item 40) (To Part II Item 18)		0
Less: Tax Credits/Payments (attach proof)		
42 Prior Year's Excess Credits		0
43 Income Tax Payment from Previous Quarter/s		0
44 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307		0
45 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter		0
46 Foreign Tax Credits, if applicable		0
47 Tax Paid in Return Previously Filed, if this is an Amended Return		0
Other Tax Credits/Payments (specify)		
48		0
49		0
<input type="button" value="Add"/> <input type="button" value="Delete"/> <input type="button" value="Attach"/>		
50 Total Tax Credits/Payments(Sum of Items 42 to 49)(To Part II Item 19)		0
51 Total (Overpayment) (Item 41 Less Item 50)(To Part II Item 20)		0

Part V - Tax Relief Availment	
52 Regular Income Tax Otherwise Due (Item 39 of Part IV x Applicable Income Tax Rate)	3,108,576
53 Special Allowable Itemized Deductions (Item 36 of Part IV x Applicable Income Tax Rate)	0
54 Total Tax Relief Availment (Sum of Items 52 and 53)	3,108,576

**Attachments**

BIR Form No. <b>1702-EX</b> January 2018 (ENC5) v2 Page 3	<b>Annual Income Tax Return</b> <small>Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT Under the Tax Code, as Amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income]</small>	 <small>1702-EX 01/18/ENC5 v2 P3</small>
TIN: 008 - 303 - 814 - 000		Registered Name: MT.- PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.

Part VI – Schedules		(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)	
<b>Schedule 1 – Ordinary Allowable Itemized Deductions (attach additional sheet/s, if necessary)</b>			
1 Amortizations		96,472	
2 Bad Debts		0	
3 Charitable and Contributions		0	
4 Depletion		0	
5 Depreciation		26,330	
6 Entertainment, Amusement and Recreation		0	
7 Fringe Benefits		0	
8 Interest		0	
9 Losses		0	
10 Pension Trusts		0	
11 Rental		281,182	
12 Research and Development		0	
13 Salaries, Wages and Allowances		44,217,099	
14 SSS, GSIS, Philhealth, HDMF and Other Contributions		0	
15 Taxes and Licenses		176,736	
16 Transportation and Travel		30,147	
<b>17 Others (Deductions Subject to Withholding Tax and Other Expenses) [Specify below; Add additional sheet(s), if necessary]</b>			
a Janitorial and Messengerial Services		0	
b Professional Fees		312,282	
c Security Services		0	
d BENEFITS AND CLAIMS EXPENSE		1,487,405	
e SERVICE FEES		2,423,438	
f UTILITIES EXPENSE		231,409	
g OFFICE SUPPLIES		132,612	
h OTHERS		41,093	
i		0	
		Add Delete Attach	
<b>18 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 17) (To Part IV Item 35)</b>		49,456,205	
<b>Schedule 2 - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)</b>			
No.	Description	Legal Basis	Amount
1			0
2			0
3			0
4			0
<b>5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 36)</b>			0
<b>Schedule 3 - Reconciliation of Net Income per Books Against Taxable Income (Attach additional sheet/s, if necessary)</b>			
<b>1 Net Income / (Loss) per books</b>			12,250,681
Add: Non-deductible Expenses/Taxable Other Income			
<b>2 TAX EXPENSE</b>			332,455
<b>3 OTHERS</b>			1,646,184
<b>4 Total (Sum of Items 1 to 3)</b>			14,229,320
Less: A) Non-taxable Income and Income Subjected to Final Tax			
<b>5 INTEREST INCOME</b>			1,795,016
<b>6</b>			0
<b>7 Total (Sum of Items 5 to 6)</b>			1,795,016
<b>8 Net Taxable Income (Loss) (Item 4 less Item 7)</b>			12,434,304
		Add Delete Attach	
<b>B) Special Deductions</b>			
7			0
8			0
		Add Delete Attach	
<b>9 Total (Sum of Items 5 to 8)</b>			1,795,016
<b>10 Net Taxable Income (Loss) (Item 4 less Item 9)</b>			12,434,304

**Attachments**

Add Attachment  
 Remove Attachment



## BIR Email Notification (eFiling of Tax Return)

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From: no-reply@bir.gov.ph (no-reply@bir.gov.ph)

To: mtpvince.teachers@yahoo.com

Date: Monday, April 7, 2025 at 03:51 PM GMT+8

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Good Day MT.- PROVINCE TEACHERS` MUTUAL AID SYSTEM, INC.,

Thank you for filing your Return through eFPS.

This email indicates that the eFiled Return has been submitted to BIR, see below the summary details of your tax filing transaction for your reference. To ensure that the said transaction was successfully submitted, please inquire your eReturn Details through the eFPS Tax Inquiry.

From,

Bureau of Internal Revenue

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

### FILING REFERENCE NO.

<b>TIN</b>	: 008-303-814-000
<b>Name</b>	: MT.- PROVINCE TEACHERS` MUTUAL AID SYSTEM, INC.
<b>RDO</b>	: 014
<b>Form Type</b>	: 1702EXV2018
<b>Reference No.</b>	: <b>472500065129324</b>
<b>Amount Payable / (Over Remittance)</b>	: 0.00
<b>Accounting Type</b>	: C - Calendar
<b>For Tax Period</b>	: 12/31/2024
<b>Date Filed</b>	: 04/07/2025
<b>Tax Type</b>	: IT

\*\*\*PLEASE DO NOT REPLY TO THIS E-MAIL\*\*\*



**MT. – PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.**  
**Delos Reyes Bldg. Bintawan RD Poblacion North Solano, Nueva Vizcaya**  
**Tel. No. 871-0806**

## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN**

The management of **Mt.-Province Teachers' Mutual Aid System, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

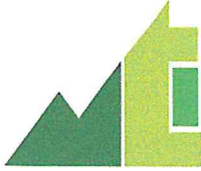
In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2024 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Mt.-Province Teachers' Mutual Aid System, Inc.**, complete and correct in all material respects. Management likewise affirms that:

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

**TEOFISTO GLENN V. HERMOSA**  
Chairman of the Board

**ELMER B. MABBAYAD**  
President

**NELITA B. DE GUZARCIAS**  
Treasurer



**MT. – PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.**  
**Delos Reyes Bldg. Bintawan RD Poblacion North Solano, Nueva Vizcaya**  
**Tel. No. 871-0806**

## **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, 2024 and 2023, 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

**INELIA D. DEGRACIAS**  
Treasurer

Signed this       day of       , 2025





**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 CERTIFIED PUBLIC ACCOUNTANTS TO ACCOMPANY INCOME TAX RETURN

**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 the financial statements of **Mt.-Province Teachers' Mutual Aid System, Inc.** for the year ended December 31, 2024, on which we have rendered the attached report dated April 8, 2025.

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

### AMC & ASSOCIATES

By: **Ariel D. Gonzales**   
**Partner**  
CPA Cert. No. 89570  
TIN 169-688-077-000  
PTR No. 10469764, Jan. 7, 2025, Makati City  
BIR Accreditation No. 08-002582-003-2024  
(issued on Nov. 15, 2024 valid until Nov. 14, 2027)  
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, 2025

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#### 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 January 15, 2025 to January 14, 2030





*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

**The Board of Trustees and Members**  
**Mt.-Province Teachers' Mutual Aid System, Inc.**  
*(A Non-Stock, Non-Profit Association)*  
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, 2024 and 2023, 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 significant accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial condition of the Association as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards 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 Accounting Standards 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.

### *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.





## 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, 2024 required by the Bureau of Internal Revenue as disclosed in Note 30 of 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 Accounting Standards 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. 10469764, Jan. 7, 2025, Makati City  
BIR Accreditation No. 08-002582-003-2024  
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(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, 2025

---

### FIRM ACCREDITATION

#### **Aquino, Mata, Calica & Associates**

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BIR Accreditation No. 08-002582-000-2023 - issued on October 12, 2023 valid until October 11, 2026

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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 January 15, 2025 to January 14, 2030



**MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.**  
*(A Non-Stock, Non-Profit Association)*  
**STATEMENTS OF FINANCIAL CONDITION**  
**DECEMBER 31, 2024 AND 2023**  
*(Amounts in Philippine Peso)*

	<u>2024</u>	<u>2023</u> (As Restated)
<b><u>A S S E T S</u></b>		
<b>CURRENT ASSETS</b>		
Cash (Note 5)	P 123,950,508	P 925,927,167
Short-term investments (Note 6)	1,077,467	1,051,468
Receivables (Note 7)	6,846,854	10,782,653
Financial assets at amortized cost (Note 8)	<u>1,503,167</u>	<u>965,945</u>
Total Current Assets	<u>133,377,996</u>	<u>938,727,233</u>
<b>NON-CURRENT ASSETS</b>		
Receivables (Note 7)	622,905,620	831,828,613
Property and equipment (Note 9)	71	26,401
Right-of-use assets (Note 10)	-	96,472
Other non-current assets (Note 11)	<u>5,197,735</u>	<u>5,197,735</u>
Total Non-current Assets	<u>628,103,426</u>	<u>837,149,221</u>
<b>TOTAL ASSETS</b>	<u><b>P 761,481,422</b></u>	<u><b>P 1,775,876,454</b></u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>CURRENT LIABILITIES</b>		
Members' deposits (Note 12)	P 7,073,228	P 6,999,591
Liability on individual equity value (Note 13)	19,525,092	17,796,519
Basic contingent benefit reserves (Note 14)	498,625	498,250
Optional benefit reserves (Note 15)	210,869	99,744
Accounts payable and other liabilities (Note 16)	353,338,743	1,285,961,744
Current portion of lease liabilities (Note 10)	<u>-</u>	<u>112,499</u>
Total Current Liabilities	<u>380,646,557</u>	<u>1,311,468,347</u>
<b>NON-CURRENT LIABILITIES</b>		
Accounts payable and other liabilities (Note 16)	32,000	32,000
Members' equity and contributions (Note 17)	-	865,900
Retirement benefit obligation (Note 19)	<u>5,028,639</u>	<u>4,493,040</u>
Total Non-current Liabilities	<u>5,060,639</u>	<u>5,390,940</u>
Total Liabilities	<u>385,707,196</u>	<u>1,316,859,287</u>
<b>FUND BALANCE</b>		
Assigned fund balance (Note 21)	298,632,787	255,640,593
Free and unassigned fund balance (Note 21)	<u>77,141,439</u>	<u>203,376,574</u>
Total Fund Balance	<u>375,774,226</u>	<u>459,017,167</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><b>P 761,481,422</b></u>	<u><b>P 1,775,876,454</b></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, 2024 AND 2023**  
*(Amounts in Philippine Peso)*

	<u>2024</u>	<u>2023</u> (As Restated)
<b>REVENUES</b>		
Interest on:		
Financial assistance receivables (Note 7)	P 41,641,758	P 61,924,963
Deposits with banks		
and investments (Notes 5, 6 and 11)	1,724,339	2,467,682
Financial assets at amortized cost (Note 8)	70,677	1,713
Service charges and fees (Note 7)	11,428,854	7,250,972
Membership fees, dues and contributions (Note 17)	6,159,811	6,570,959
Others (Note 18)	<u>2,660,086</u>	<u>2,112,535</u>
	<u>63,685,525</u>	<u>80,328,824</u>
 <b>EXPENSES (Note 18)</b>		
Operating expenses	47,080,226	48,392,973
Benefit expenses	<u>4,022,163</u>	<u>4,257,110</u>
	<u>51,102,389</u>	<u>52,650,083</u>
 <b>PROFIT BEFORE TAX</b>	 12,583,136	 27,678,741
 <b>TAX EXPENSE (Note 20)</b>	 <u>332,455</u>	 <u>453,624</u>
 <b>NET PROFIT</b>	 12,250,681	 27,225,117
 <b>OTHER COMPREHENSIVE INCOME</b>	 <u>-</u>	 <u>-</u>
 <b>TOTAL COMPREHENSIVE INCOME</b>	 <u><u>P 12,250,681</u></u>	 <u><u>P 27,225,117</u></u>

*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, 2024 AND 2023**  
*(Amounts in Philippine Peso)*

	Assigned Fund Balance <i>( Note 21 )</i>	Free Unassigned Fund balance <i>( Note 21 )</i>	Total
Balance at January 1, 2024			
As previously reported	P 255,640,593	P 206,048,716	P 461,689,309
Prior period adjustments <i>(Note 19)</i>	-	( 2,672,142 )	( 2,672,142 )
As restated	255,640,593	203,376,574	459,017,167
Appropriations for the year	138,407,333	( 138,407,333 )	-
Distribution for the year	( 95,697,097 )	-	( 95,697,097 )
Adjustment on guaranty fund	78,483	( 78,483 )	-
Reserve for guaranty fund	203,475	-	203,475
Total comprehensive income for the year	-	12,250,681	12,250,681
Balance at December 31, 2024	<u>P 298,632,787</u>	<u>P 77,141,439</u>	<u>P 375,774,226</u>
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 )	-
Distribution 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	-	27,225,117	27,225,117
Balance at December 31, 2023	<u>P 255,640,593</u>	<u>P 203,376,574</u>	<u>P 459,017,167</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, 2024 AND 2023**  
(Amounts in Philippine Peso)

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	P 12,583,136	P 27,678,741
Adjustments for:		
Impairment losses (Note 7)	1,530,054	1,049,442
Retirement expense (Note 19)	535,599	2,672,142
Increase (decrease) in optional benefit reserve (Note 15)	111,125 (	72,588 )
Amortization of right-of-use assets (Note 10)	96,472	231,533
Depreciation (Note 9)	26,330	30,346
Accretion of interest on lease liabilities (Note 10)	4,630	15,559
Increase (decrease) in basic contingent reserves (Note 14)	375 (	63,000 )
Interest income (Notes 5, 6, 7, 8 and 11)	( 43,436,774 ) (	64,394,358 )
Operating loss before working capital changes	( 28,549,053 ) (	32,852,183 )
Decrease in receivables	211,328,738	162,379,677
Increase (decrease) in members' deposits	73,637 (	135,105 )
Increase in liability on individual equity value	1,728,573	1,786,225
Increase (decrease) in accounts payable and other liabilities	180,112 (	352,953 )
Cash generated from operations	184,762,007	130,825,661
Interest received on receivables (Note 7)	41,641,758	61,924,963
Interest received on deposit with banks (Note 5)	1,698,340	2,353,941
Cash paid for final taxes (Note 20)	( 332,455 ) (	453,624 )
Net Cash From Operating Activities	227,769,650	194,650,941
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments (Notes 6, 8 and 11)	96,676	115,454
Additions to short-term investments	( 25,999 ) (	1,050 )
Additions to financial assets at amortized cost	( 537,222 ) (	295,903 )
Net Cash Used in Investing Activities	( 466,545 ) (	181,499 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additions to guaranty fund (Note 21)	203,475	208,388
Repayments of lease liabilities (Note 10)	( 117,129 ) (	281,107 )
Withdrawals of members' equity and contributions (Note 17)	( 865,900 ) (	9,000 )
Withdrawals of assigned fund balance (Note 21)	( 95,697,097 ) (	39,477,427 )
Proceeds (withdrawals) of capital contributions	( 932,803,113 )	42,902,124
Net Cash From (Used in) Financing Activities	( 1,029,279,764 )	3,342,978
<b>NET INCREASE (DECREASE) IN CASH</b>	( 801,976,659 )	197,812,420
<b>CASH AT BEGINNING OF YEAR</b>	925,927,167	728,114,747
<b>CASH AT END OF YEAR (Note 5)</b>	P 123,950,508	P 925,927,167

See Notes to Financial Statements.



**MT.-PROVINCE TEACHERS' MUTUAL AID SYSTEM, INC.**  
*(A Non-Stock, Non-Profit Association)*  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**  
*(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 August 5, 2024, the Association obtained tax exemption from the BIR under Tax Certificate No. 02-2024 which is valid until August 4, 2027. 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, 2024 (including the comparative financial statements as at and for the year ended December 31, 2023) were authorized for issue by the Association's Board of Trustees (BOT) on April 8, 2025.

**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 FAR 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 (PFRS) Accounting Standards for Mutual Benefits Associations (MBAs)*

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting 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) Accounting Standards.

PFRS Accounting Standards is adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncement issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

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 Accounting Standards for MBAs*

a. *Effective in 2024 that are Relevant to the Association*

The Association adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements

Discussed below is the relevant information about these amended standards:

- i. PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either 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 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 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Association's financial statements.



- iii. PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Association's financial statements.

b. *Effective in 2024 that is not Relevant to the Association*

Among the amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024, amendments to PFRS 16 – Lease Liability in a Sale and Leaseback is not relevant to the Association's financial statements.

c. *Effective Subsequent to 2024 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none<sup>16</sup> of these are expected to have significant impact on the Association's financial statements:

- i. PFRS 17, *Insurance Contracts – Insurance Contracts* (effective from January 1, 2025)
- ii. PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2025)
- iii. PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- iv. PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- v. PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.



## *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, 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, 2024 and 2023, 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, 2024 and 2023, 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 receivables 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 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 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 receivables is uncollectible it is written off against the related provision for receivables impairment. Such receivables 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 receivables rather than to take possession of the collateral. This may involve extending payment arrangements and the agreement of new financial assistance receivables conditions. Once the terms have been renegotiated, the receivable is no longer considered past due. Management continuously reviews restructured receivables to ensure that all criteria are met and those future payments are likely to occur. The receivables continue to be subject to an individual or collective impairment assessment, calculated using the receivables' original effective interest rate. The difference between the recorded sale of the original receivables 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 individual 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 individual 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 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*

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

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

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

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

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

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

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

The Association recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statements 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.

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

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





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

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

- *Service charges and fees* – revenue is amortized and recognized using the effective interest rate method over the term of the financial assistance receivables.
- *Membership fees, dues and contributions* – revenue is recognized at a point-in time once they are become due from members.
- *Other income* – revenue is recognized at a point-in time once the performance of the related obligation is completed.

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

#### ***Impairment of Non-financial Assets***

The Association'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 recognizes the estimated cost of post-employment benefits in accordance with the minimum retirement benefits required under Republic Act (RA) No. 7641, otherwise known as *The Philippine Retirement Pay Law*, as the present value of retirement benefits. Management believes that the computed retirement costs, based on these estimates, approximate the results of the projected unit credit method (see also Note 4). Past service cost are recognized immediately in profit or loss.

### *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 Accounting Standards for MBA, 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 receivables are disclosed in Notes 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 financial assistance 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 23.



### *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 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 25.

#### *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, 2024 and 2023, 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, 2024, 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 19*).

g. *Valuation of Basic Contingent Benefit Reserves and Optional Benefit Reserves*

Basic contingent benefit reserves and optional 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>2024</u>	<u>2023</u>
Cash in banks	P 123,930,508	P 925,907,167
Cash on hand	<u>20,000</u>	<u>20,000</u>
	<u>P 123,950,508</u>	<u>P 925,927,167</u>

Cash in banks generally earns interest at rates based on daily bank deposit rates. The interest earned in cash in banks amounted to P1,698,340 in 2024 and P2,353,941 in 2023 and is presented as part of Interest on deposits with banks and investments in the statements of operations.





## 6. SHORT-TERM INVESTMENTS

This account pertains to short-term placements amounted to P1,077,467 and P1,051,468 as at December 31, 2024 and 2023, 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 ranging from 3.625% to 3.125% in 2024 and 2023.

The interest earned on short-term investments amounted to P25,999 in 2024 and P1,050 in 2023 and are presented as part of the Interest on deposit with banks and investments in the statements of operations.

## 7. RECEIVABLES

The details of this account are shown below:

	2024	2023
Financial assistance receivables	P 637,925,474	P 858,459,554
Other receivables:		
Accrued interest receivable	6,107,954	10,057,103
Members' contribution due and uncollected	679,500	673,500
Unremitted members' contributions	59,400	51,200
Others	-	850
	<u>644,772,328</u>	<u>869,242,207</u>
Allowance for impairment losses	( 15,019,854 )	( 26,630,941 )
	<u>P 629,752,474</u>	<u>P 842,611,266</u>

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

	2024	2023
Current	P 6,846,854	P 10,782,653
Non-current	<u>622,905,620</u>	<u>831,828,613</u>
	<u>P 629,752,474</u>	<u>P 842,611,266</u>

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

	2024			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at January 1, 2024	P 856,767,326	P -	P 12,474,881	P 869,242,207
New assets originated	346,478,401	-	-	346,478,401
Assets derecognized or prepaid	( 557,807,139 )	-	-	( 557,807,139 )
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Amounts written-off	( 666,260 )	-	( 12,474,881 )	( 13,141,141 )
Gross carrying amounts as at December 31, 2024	<u>P 644,772,328</u>	<u>P -</u>	<u>P -</u>	<u>P 644,772,328</u>

Financial assistance receivables (FAR) are assistance granted to members of the Association in the form of salary loan for purpose of alleviating the economic plight of the member ranging from P5,000 to P600,000 and have maturities ranging from 12 months to 5 years in 2024 and 2023. The annual effective interest rates on these receivables were fixed at 7% in 2024 and 2023. Interest on FAR amounted to P41,641,758 in 2024 and P61,924,963 in 2023.

The Association collects service fees at 3.33% of financial assistance granted. Service charges amounted to P11,428,854 and P7,250,972 in 2024 and 2023, respectively and are presented as Service charges and fees under Revenues account in the statements of operations.

As at December 31, 2023, the Association's past-due FAR amounted to P12,474,881. No past due receivable as of December 31, 2024. The Association provided expected credit losses amounting to P1,530,054 in 2024 and P1,049,442 in 2023 (*see Note 18*).



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>2024</u>	<u>2023</u>
Treasury bills (T-bills)	P 1,473,000	P 999,497
Unamortized premium (discount)	<u>30,167</u>	<u>( 33,552)</u>
	<u>P 1,503,167</u>	<u>P 965,945</u>

T-bills bears annual interest ranging from 5.77% to 6.25% in 2024 and 6.12% to 6.59% in 2023. Total interest income on these investment securities amounts to P70,677 and P1,713 in 2024 and 2023 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, are shown below:

	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Total</u>
December 31, 2024			
Cost	P 121,762	P 299,271	P 421,033
Accumulated depreciation	<u>( 121,734)</u>	<u>( 299,228)</u>	<u>( 420,962)</u>
Net carrying amount	<u>P 28</u>	<u>P 43</u>	<u>P 71</u>
December 31, 2023			
Cost	P 121,762	P 299,271	P 421,033
Accumulated depreciation	<u>( 99,497)</u>	<u>( 295,135)</u>	<u>( 394,632)</u>
Net carrying amount	<u>P 22,265</u>	<u>P 4,136</u>	<u>P 26,401</u>



A reconciliation of the carrying amounts of property and equipment are shown below:

	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Total</u>
Balance at January 1, 2024, net of accumulated depreciation	P 22,265	P 4,136	P 26,401
Depreciation for the year (see Note 18)	( 22,237)	( 4,093)	( 26,330)
Balance at December 31, 2024, net of accumulated depreciation	<u>P 28</u>	<u>P 43</u>	<u>P 71</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 18)	( 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>

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 one unit with lease term of those two 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 and the movement during the year are shown below:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 96,472	P 328,005
Amortization for the year (see Note 18)	( 96,472)	( 231,533)
Balance at end of year	<u>P -</u>	<u>P 96,472</u>



### ***Lease Liabilities***

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

	<u>2024</u>	<u>2023</u>
Current	P -	P 112,499
Non-current	<u>-</u>	<u>-</u>
Balance at end of year	<u>P -</u>	<u>P 112,499</u>

The undiscounted maturity analysis of lease liabilities is as follows:

	<u>2024</u>		
	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>Total</u>
Lease payment	P 112,499	P -	P 112,499
Finance charges	( 112,499)	-	( 112,499)
Net present value	<u>P -</u>	<u>P -</u>	<u>P -</u>

	<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	<u>P 112,499</u>	<u>P -</u>	<u>P 112,499</u>

### ***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 2024 and 2023, the expenses relating to short-term leases amounted to P281,182 and P84,893, respectively, and are presented as Rental under Operating expenses in the statements of operations (*see Note 18*).

### ***Additional Profit and Loss and Cash Outflow Information***

The total cash outflow with respect to leases amounted to P117,129 and P281,107 in 2024 and 2023, respectively. Interest expense in relation to lease liabilities amounted to P4,630 and P15,559 in 2024 and 2023, respectively, and is presented as Interest expense on lease liabilities under other administrative expenses (*see Note 18*).





## 11. OTHER NON-CURRENT ASSETS

This account consists of:

	2024	2023
Long-term investment	P 5,100,000	P 5,100,000
Security deposits	90,735	90,735
Other assets	7,000	7,000
	<u>P 5,197,735</u>	<u>P 5,197,735</u>

### *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 both years. The interest earned on this time deposit placement amounted to P112,691 in 2023 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. 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 P7,073,228 and P6,999,591 as at December 31, 2024 and 2023, 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 INDIVIDUAL EQUITY VALUE

Liability on individual 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 at December 31, 2024 and 2023, the liability on individual equity value amounted to P19,525,092 and P17,796,519, respectively.



#### 14. 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 2024 and 2023, its actuarial report was dated March 12, 2025 and March 20, 2024, respectively.

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

	2024	2023
Balance at beginning of year	P 498,250	P 561,250
Increase (decrease) in actuarial valuation ( <i>see Note 18</i> )	375	( 63,000)
Balance at end of year	P 498,625	P 498,250

#### 15. OPTIONAL BENEFIT RESERVES

The optional benefit reserves fund represents a portion of the FAR withheld from FAR releases to absorb unpaid balances of financial assistance receivables that may arise from the untimely death of borrowers. The optional benefit reserve is computed at 0.672% of the total FAR granted. In 2024 and 2023, its actuarial report was dated March 12, 2025 and March 20, 2024, respectively.

The movement in optional benefit reserves is presented below:

	2024	2023
Balance at beginning of year	P 99,744	P 172,332
Increase (decrease) in actuarial valuation ( <i>see Note 18</i> )	111,125	( 72,588)
Balance at end of year	P 210,869	P 99,744

#### 16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The account consists of the following:

	2024	2023
Capital contributions payable	P 352,177,631	P 1,284,980,744
Accrued expenses	838,392	693,420
Management and other professional fees payable	322,720	287,580
Others	32,000	32,000
	P 353,370,743	P 1,285,993,744



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

	<u>2024</u>	<u>2023</u>
Current	<b>P 353,338,743</b>	P 1,285,961,744
Non-current	<u>32,000</u>	<u>32,000</u>
	<b><u>P 353,370,743</u></b>	<b><u>P 1,285,993,744</u></b>

Capital contributions payable represents the amount contributed by the members for the operation of the Association. These payable are unsecured and payable on demand.

Accrued expenses consist of accruals for collection fees, security, messenger and janitor services, utilities, management and other professional fees and rent expenses. These are expected to be settled within one to three months from the end of the financial reporting period.

## 17. 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 nil and P865,900 as at December 31, 2024 and 2023, 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 8,240 and 8,749 members as at December 31, 2024 and 2023, 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	<u>2.50</u>
	<b><u>P 50.00</u></b>

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 amounting to P6,159,811 in 2024 and P6,570,959 in 2023.



## 18. EXPENSES AND OTHER INCOME

### *Expenses*

The details of these accounts are shown below:

		<u>2024</u>		<u>2023</u>
Salaries, wages and benefits ( <i>see Note 19</i> )	P	44,217,099	P	46,164,903
Service fees		2,423,438		3,192,682
Impairment losses ( <i>see Note 7</i> )		1,530,054		1,049,442
Benefit and claim expenses		1,487,405		1,064,428
Professional fees		312,282		284,970
Rent ( <i>see Note 10</i> )		281,182		84,893
Communication, light and water		231,409		264,412
Taxes and licenses ( <i>see Note 30</i> )		176,736		76,418
Office supplies		132,612		95,437
Increase in optional benefit reserves ( <i>see Note 15</i> )		111,125		-
Amortization of right-of-use-assets ( <i>see Note 10</i> )		96,472		231,533
Representation and entertainment		35,238		48,483
Transportation and travel		30,147		40,617
Depreciation ( <i>see Note 9</i> )		26,330		30,346
Interest on lease liabilities ( <i>see Note 10</i> )		4,630		15,559
Insurance		4,447		3,400
Increase in basic contingency benefit reserves ( <i>see Note 14</i> )		375		-
Repairs and maintenance		-		2,250
Miscellaneous		1,408		310
	P	<u>51,102,389</u>	P	<u>52,650,083</u>

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

		<u>2024</u>		<u>2023</u>
Operating expenses	P	47,080,226	P	48,392,973
Benefit expenses		4,022,163		4,257,110
	P	<u>51,102,389</u>	P	<u>52,650,083</u>



## Other Income

This account consists of the following:

		<u>2024</u>		<u>2023</u>
Interest on past due receivables	P	2,658,961	P	1,584,384
Decrease in liability on equity value		-		391,903
Decrease in basic contingent reserves (see Note 14)		-		63,000
Decrease in optional benefit reserve (Note 15)		-		72,588
Miscellaneous income		<u>1,125</u>		<u>1,660</u>
	P	<u>2,660,086</u>	P	<u>2,112,535</u>

## 19. EMPLOYEE BENEFITS

Expenses recognized for salaries and employee benefits are presented below:

		<u>2024</u>		<u>2023</u> (As Restated)
Salaries and wages	P	36,952,841	P	36,709,146
Social security costs		3,882,525		3,998,174
Employees welfare and benefits		2,846,134		2,785,441
Retirement benefit expense		<u>535,599</u>		<u>2,672,142</u>
	P	<u>44,217,099</u>	P	<u>46,164,903</u>

The Association accrues post-employment benefits for its employees in accordance with the provisions of Republic Act No. 7641 (*Retirement Pay Law*), and PAS 19 *Employee Benefits*. The retirement plan is a defined benefit plan that provides retirement benefits to employees who have reached the retirement age as defined by the law.

As at December 31, 2024 and 2023, no independent actuary has been engaged to determine the defined benefit obligation (DBO). However, the Association has estimated the DBO using reasonable assumptions based on available market data and internal policies.

The assumptions used in the estimation of DBO are as follows:

	<u>2024</u>	<u>2023</u>
Discount rate	4.00%	4.00%
Retiring age (in years)	60	60

The DBO represents the Association's best estimate of the liability as at December 31, 2024 and 2023. The Association intends to engage an independent actuary in the future to refine these estimates.





The movement in the DBO as presented in the statements of financial condition are as follows:

	<u>2024</u>	<u>2023</u> (As Restated)
Balance at January 1	P 4,493,040	P 1,820,898
Current service cost	334,453	2,492,420
Interest cost	<u>201,146</u>	<u>179,722</u>
Balance at December 31	<u>P 5,028,639</u>	<u>P 4,493,040</u>

The retirement expense recognized in profit or loss in respect of the defined benefit post-employment plan are as follows:

	<u>2024</u>	<u>2023</u> (As Restated)
Current service cost	P 334,453	P 2,492,420
Interest cost	<u>201,146</u>	<u>179,722</u>
	<u>P 535,599</u>	<u>P 2,672,142</u>

As at December 31, 2024 and 2023, the Association has not set aside any assets specifically for this obligation.

## 20. 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 P332,455 in 2024 and P453,624 in 2023 on interest income on deposits with banks.



## 21. FUND BALANCE

### *Assigned Fund Balance*

Assigned fund balance consists of the following:

	2024	2023
Pension benefit fund	P 69,012,247	P -
Educational fund	40,000,000	33,818,099
Sickness benefit fund	40,000,000	30,000,000
Members' benefit fund	33,112,084	95,595,996
Contingency fund	30,000,000	30,000,000
Calamity fund	20,000,000	20,000,000
Retirement fund	30,000,000	20,000,000
Building fund	30,000,000	20,000,000
Guaranty fund	6,508,456	6,226,498
	<u>P 298,632,787</u>	<u>P 255,640,593</u>

The movement of assigned fund balance is shown below:

	2024	2023
Balance at beginning of year	P 255,640,593	P 216,981,691
Appropriations for the year	138,407,333	77,747,074
Distribution during the year	( 95,697,097)	( 39,477,427)
Adjustments for the year	78,483	180,867
Contributions for the year	203,475	208,388
	<u>P 298,632,787</u>	<u>P 255,640,593</u>

The Board of Trustees approved the distribution of the member's benefit fund amounted to P95,697,097 and P39,477,427 in 2024 and 2023, respectively, to its members and contributors. The distribution is computed proportionately on their individual equity value, members deposit and capital contributions.

*Pension benefit fund* fund set aside for the pension benefits of the employees.

*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.

*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%.

*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.

### ***Prior Period Adjustment***

The Association's 2023 financial statements were restated to reflect the adjustment of retirement benefit obligation. The following are the impact on these adjustments:

	<u>As Previously Reported</u>		<u>Adjustment</u>		<u>As Restated</u>	
<b><i>Statement of Financial Condition</i></b>						
Total liabilities						
Retirement benefit obligation	P	1,820,89	P	2,672,142	P	4,493,040
<b><i>Statement of Changes in Fund Balance</i></b>						
Free and unassigned fund balance		206,048,716	(	2,672,142)		203,376,574
<b><i>Statement of Operations</i></b>						
Operating expenses		45,720,831		2,672,142		48,392,973

## **22. 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:

	<u>2024</u>		<u>2023</u>	
	<u>Amount of Transactions</u>	<u>Outstanding Balance</u>	<u>Amount of Transactions</u>	<u>Outstanding Balance</u>
Key Management Compensation	<u>P 3,108,128</u>	<u>P -</u>	<u>P 3,108,128</u>	<u>P -</u>

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 P3,108,128 in 2024 and 2023.

## **23. 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, 2024 and 2023, 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.



## 24. 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 25. 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 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:

		2024			
		Increase (Decrease) in Basic Points			
		23	68	(23)	(68)
Change on net interest income:					
Cash	P	396,598	P 1,172,551	( P 396,598 )	( P 1,172,551 )
Short-term investment		-	-	-	-
Financial assistance receivables		9,577,604	28,316,395	( 9,577,604 )	( 28,316,395 )
Financial assets at amortized cost		16,256	48,060	( 16,256 )	( 48,060 )
	P	<u>9,990,458</u>	<u>P 29,537,006</u>	<u>( P 9,990,458 )</u>	<u>( P 29,537,006 )</u>



		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		-	-	-	-
Financial assistance receivables		14,242,741	42,108,975	( 14,242,741)	( 42,108,975)
Financial assets at amortized cost		394	1,165	( 394)	( 1,165)
	P	<u>14,811,096</u>	<u>P 43,789,329</u>	<u>(P 14,811,096)</u>	<u>(P 43,789,329)</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 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:

	2024	2023
Cash in banks	P 123,950,508	P 925,907,167
Short-term investment	1,077,467	1,051,468
Receivables	644,772,328	869,242,207
Financial asset at amortized cost	1,503,167	965,945
Other non-currents:		
Guaranty fund (presented as long-term investment)	5,100,000	5,100,000
Security deposits	90,735	90,735
	<u>P 776,494,205</u>	<u>P 1,802,357,522</u>

The Association's concentration of credit risk arises from its Receivables which amounted to P629,752,474 and P842,611,266 representing 83% and 47% of its total assets as at December 31, 2024 and 2023, respectively.



The credit risk for cash in banks, short-term investment and guaranty funds (presented as long-term investment) 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. The insurance coverage was further increase to P1,000,000 effective March 15, 2025. 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:

	2024					
	Neither Past Due Nor Impaired			Past Due But Not Yet Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks	P 123,930,508	P -	P -	P -	P -	P 123,930,508
Short-term investment	1,077,467	-	-	-	-	1,077,467
Receivables:						
Financial assistance	-	622,905,620	-	-	15,019,854	637,925,474
Accrued interest receivables	6,107,954	-	-	-	-	6,107,954
Members' contribution due and uncollected	-	679,000	-	-	-	679,000
Unremitted members contributions	-	59,400	-	-	-	59,400
Financial asset at amortized cost	1,503,167	-	-	-	-	1,503,167
Other non-current assets:						
Guaranty fund	5,100,000	-	-	-	-	5,100,000
Security deposits	90,735	-	-	-	-	90,735
	<u>P 137,809,831</u>	<u>P 623,644,020</u>	<u>P -</u>	<u>P -</u>	<u>P 15,019,894</u>	<u>P 776,473,745</u>

	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
Receivables:						
Financial assistance	-	831,828,613	-	-	26,630,941	858,459,554
Accrued interest receivables	10,057,203	-	-	-	-	10,057,103
Members' contribution due and uncollected	-	673,500	-	-	-	673,500
Unremitted 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
	<u>P 943,173,368</u>	<u>P 832,553,313</u>	<u>P -</u>	<u>P -</u>	<u>P 26,630,941</u>	<u>P 1,802,357,622</u>

The Association provides collectively allowance for impairment losses of P15,019,854 and P26,630,941 as at December 31, 2024 and 2023, 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 Officer. 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:

	2024				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 year	Total
Financial assets:					
Cash	P 123,950,508	P -	P -	P -	P 123,950,508
Receivables	679,500	59,400	21,127,808	622,905,620	644,772,328
Short-term investment	-	-	1,077,467	-	1,077,467
Financial asset at amortized cost	-	-	1,503,167	-	1,503,167
Other non-current assets:					
Guaranty fund	-	-	-	5,100,000	5,100,000
Security deposits	-	-	-	90,735	90,735
	<u>124,630,008</u>	<u>59,400</u>	<u>23,708,442</u>	<u>628,096,355</u>	<u>776,494,205</u>
Financial liabilities:					
Members' deposits	7,073,228	-	-	-	7,073,228
Liability on individual equity value	19,525,092	-	-	-	19,525,092
Basic contingent benefit reserves	498,625	-	-	-	498,625
Optional benefit reserves	210,869	-	-	-	210,869
Accounts payable and other liabilities	-	-	353,338,743	32,000	353,370,743
	<u>27,307,814</u>	<u>-</u>	<u>353,338,743</u>	<u>32,000</u>	<u>380,678,557</u>
Cumulative total gap	<u>P 97,322,194</u>	<u>P 59,400</u>	<u>(P 329,630,301)</u>	<u>P 628,064,355</u>	<u>P 395,815,648</u>





	2023				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 year	
Financial assets:					
Cash	P 925,927,167	P -	P -	P -	P 925,927,167
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>926,600,667</u>	<u>51,200</u>	<u>38,706,307</u>	<u>837,019,348</u>	<u>1,802,377,522</u>
Financial liabilities:					
Members' deposits	6,999,591	-	-	-	6,999,591
Liability on equity value	17,796,519	-	-	-	17,796,519
Basic contingent benefit reserves	498,250	-	-	-	498,250
Optional benefit reserves	99,744	-	-	-	99,744
Accounts payable and other liabilities	-	-	1,285,961,744	32,000	1,285,993,744
Members' equity contributions	-	-	-	865,900	865,900
Lease liabilities	-	-	112,499	-	112,499
	<u>25,394,104</u>	<u>-</u>	<u>1,286,074,243</u>	<u>897,900</u>	<u>1,312,366,247</u>
Cumulative total gap	<u>P 901,206,563</u>	<u>P 51,200</u>	<u>(P 1,247,367,936)</u>	<u>P 836,121,448</u>	<u>P 490,011,275</u>

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.

## 25. 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:

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	P 123,950,508	P 123,950,508	P 925,927,167	P 925,927,167
Short-term investment	1,077,467	1,077,467	1,051,468	1,051,468
Receivables	644,772,328	629,752,474	869,242,207	842,611,266
Financial assets at amortized cost	1,503,167	1,503,167	965,945	999,497
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 776,494,205</u>	<u>P 761,474,351</u>	<u>P 1,802,377,522</u>	<u>P 1,775,780,133</u>



	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>				
Members' deposits	P 7,073,228	P 7,073,228	P 6,999,591	P 6,999,591
Liability on individual equity value	19,525,092	19,525,092	17,796,519	17,796,519
Basic contingent benefit reserves	498,625	498,625	498,250	498,250
Optional benefit reserves	210,869	210,869	99,744	99,744
Account payable and other liabilities	353,370,743	353,370,743	1,285,993,744	1,285,993,744
Members' equity contributions	-	-	865,900	865,900
Lease liabilities	-	-	112,499	112,499
	<u>P 380,678,557</u>	<u>P 380,678,557</u>	<u>P 1,312,366,247</u>	<u>P 1,312,366,247</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. Receivables*

Receivables are net impairment losses. The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Long-term interest-bearing receivables 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.

*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.

As at December 31, 2024 and 2023, there were no financial assets and liabilities measured at fair value.

**26. 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>2024</u>	<u>2023</u>
Total liabilities	P 385,707,196	P 1,316,859,287
Total equity	<u>375,774,246</u>	<u>459,017,167</u>
Debt-to-equity ratio	<u>1.03:1</u>	<u>2.87:1</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, 2024 and 2023, the Association's RBC is above the minimum statutory ratio.

## 27. 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>2024</u>	<u>2023</u>
Property and equipment	P 71	P 26,401
Other non-current assets	<u>97,735</u>	<u>97,735</u>
	<u>P 97,806</u>	<u>P 124,136</u>

## 28. STATEMENT OF CASH FLOWS

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

The Association's recognized right-of-use assets amounting to nil in 2024 and P96,472 in 2023, and lease liabilities amounting to nil in 2024 and P112,499 in 2023.



**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 Contribution Payables	Lease Liabilities	Guaranty Fund	Total
Balance at January 1, 2024	P 865,900	P 1,284,980,744	P 112,499	P 6,226,499	P 1,292,185,642
Cash flows from financing activities					
Additions		-	-	281,957	281,957
Withdrawals	( 865,900 )	( 932,803,113 )	-	-	( 933,669,013 )
Repayment of lease liabilities	-		( 117,129 )	-	( 117,129 )
Non-cash financing activity					
Interest amortization on lease liabilities	-	-	4,630	-	4,630
Balance at December 31, 2024	<u>P -</u>	<u>P 352,177,631</u>	<u>P -</u>	<u>P 6,508,456</u>	<u>P 358,686,087</u>
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	43,110,512
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 1,292,185,642</u>

**29. RECLASSIFICATION OF ACCOUNTS**

Certain accounts in the 2023 comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. The effect of the foregoing reclassification is shown below:

	As Previously Reported	Reclassification	As Restated
<b>Statement of Financial Condition</b>			
Current Liabilities:			
Capital contributions	P 1,284,980,744	(P 1,284,980,744)	P -
Accounts payable and other Liabilities	981,000	1,284,980,744	1,285,961,744

**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 Accounting Standards 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 2024.

*f. Taxes and Licenses*

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

Renewal of license to Insurance Commission	P	90,900
Business permits and licenses		73,832
Community tax certificate		3,801
Documentary stamp tax		1,430
Annual registration		500
Others		<u>6,273</u>
	P	<u>176,736</u>

*g. Withholding Taxes*

The Association paid withholding tax on compensation amounting to P1,598,081 in 2024.

*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 remains on-going as at report date.



***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, 2024, the Association is not covered by the requirements and procedures for related party transactions provided under this RR.