

Financial Statements of
Mindanao Educators Mutual
Benefit Association, Inc.

December 31, 2024 and 2023

And

Report of Independent Auditors



**QUILAB &
GARSUTA**

Certified Public Accountants

Contact Information

2F, Executive Centrum Building, J.R. Borja Street
Cagayan de Oro City, Philippines, 9000
(063) 88-856-4401, 0917-7121352
quilabgarsuta.com

Current Accreditations

BOA, BIR, SEC, BSP, IC
CDA, NEA, MISEREOR, KNH

CERTIFICATION BY EXTERNAL AUDITORS

INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Gentlemen:

In connection with our engagement in the audit of the financial statements of Mindanao Educators Mutual Benefit Association, Inc., for the year ended December 31, 2024, we hereby certify:

1. That there were no weakness or breach in the internal control and risk management of the Association that are material enough to warrant modifications of our report nor were there matters that came to our attention that need our direct reporting to the Insurance Commission (IC);
2. That have nothing to report to the Insurance Commission (IC) with regard to items enumerated under Section 4.3 of Circular No. 2019-39, that came to our attention during the audit, e.g. (1) fraud or error; (2) losses aggregating 10% of consolidated assets of the Association; (3) significant going-concern issues; (4) material breach of IC rules and regulations; (5) material internal control weaknesses, and (6) findings on matters related to corporate governance), and
3. That the engagement partner, manager and auditor-in-charge of the engagement and the members of their immediate families do not have any direct or indirect financial interest with the Association, and their independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.

This certification is issued in compliance with the requirements mandated by the Insurance Commission (IC) in its Circular Letter No. 2024-03, dated January 29, 2024.

Done this 26th day of April 2025 at Cagayan de Oro City, Philippines.

ANA MARIAE MICHELLE D. QUILAB-ARRABACA
Engagement Partner

SUBSCRIBED AND SWORN to before me this 26th day of April 2025 affiant exhibited to me her PRC Identification Number 0121076 valid until June 28, 2026.

Doc. No. 431
Page No. 2
Book No. 17
Series of 2025.

ATTY. MARILEN LEZADA-ROSABAL
Notary Public until December 31, 2026
Notarial Commission No. 2025-11
IBP No. 487549/Dec. 26, 2024
PTR Receipt No. 5077742A/Dec. 6, 2024
MCLE No. 000014509/Roll No. 83682
Tax No. 948-407-483

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**



STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Mindanao Educators Mutual Benefit Association, Inc. is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2024 and 2023, in accordance with Philippine Financial Reporting Standards (PFRSs), 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 and submits the same to the members of the Association.

Quilab & Garsuta, CPAs, the independent auditors appointed by the Board of Trustees for the periods December 31, 2024 and 2023, have audited the financial statements of the Association in accordance with Philippine Standards on Auditing (PSAs), and in its report to the Board of Trustees, have expressed their opinions on the fairness of presentation upon completion of such audits.

April 25, 2025, General Santos City, Philippines.


JUAN ANDRE TERENCE R. LACSON
President


LEIZEL A. SORIA
Operations Manager


EUNICE C. LACSON
Treasurer

REPORT OF INDEPENDENT AUDITORS

Contact Information

2F, Executive Centrum Building, J.R. Borja Street
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(063) 88-856-4401, 0917-7121352
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CDA, NEA, MISEREOR, KNH

The Board of Trustees and Members
Mindanao Educators Mutual Benefit Association, Inc.
Laiz Building, Narangita Street Corner Casquejo Street
General Santos City

Report on the Financial Statements

Opinion

We have audited the financial statements of Mindanao Educators Mutual Benefit Association, Inc., which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit or loss, statements of changes in fund balances and statements of cash flows for the years then ended, and notes to financial statements comprising of a summary of material accounting policy information and other explanatory notes, collectively referred to as 'financial statements.'

In our opinion, the accompanying financial statements present fairly, in all materials respects, the financial position of Mindanao Educators Mutual Benefit Association, Inc. as of December 31, 2024 and 2023, and of its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, licenses and fees in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

QUILAB & GARSUTA, CPAs

By:



ANA MARIAE MICHELLE D. QUILAB-ARRABACA

Partner

CPA Cert. No. 121076

TIN No. 948-844-710

CDA CEA No. 1883-SP, 2024-2029

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

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

121076-SEC Group B, 2020-2024

121076-BSP Group B, 2020-2024

121076-IC Group A, 2020-2024

PTR No. 6133948 A

January 2, 2025

Cagayan de Oro City

April 25, 2025

Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Mindanao Educators Mutual Benefit Association, Inc.

December 31,

2024

2023

ASSETS

Current Assets

Cash and cash equivalents (Note 5)	₱29,356,287	₱109,565,904
Loans and other receivables (Note 6)	236,277,437	275,406,317
Investment in debt securities at amortized cost (Note 10)	9,985,198	8,115,415
Prepayments and other current assets (Note 7)	1,702,636	1,518,943
Total Current Assets	277,321,558	394,606,579

Non-Current Assets

Loans and other receivables (Note 6)	669,001,462	577,245,659
Property and equipment – net (Note 8)	81,243,472	78,443,728
Right-of-use asset – net (Note 9)	11,364,202	4,193,349
Investments in debt securities at amortized cost (Note 10)	5,051,006	5,067,474
Total Non-Current Assets	766,660,142	664,950,210

₱1,043,981,700 ₱1,059,556,789

LIABILITIES AND FUND BALANCES

Current Liabilities

Loans and borrowings (Note 11)	₱76,869,512	₱51,851,330
Trade and other payables (Note 12)	14,508,406	51,846,058
Lease liabilities (Note 9)	4,216,098	3,375,384
Total Current Liabilities	95,594,016	107,072,772

Non-Current Liabilities

Trust fund – members' deposits (Note 13)	571,685,609	609,677,256
Loans and borrowings (Note 11)	86,571,825	123,148,670
Aggregate reserves for unexpired risks (Note 14)	85,304,360	71,338,700
Lease liabilities (Note 9)	7,880,021	891,913
Trade and other payables (Note 12)	503,316	503,316
Total Non-Current Liabilities	751,945,131	805,559,855
Total Liabilities	847,539,147	912,632,627

Fund Balances

Guaranty Fund (Note 17)	15,770,025	14,254,452
General Fund – Unassigned (Note 15)	180,672,528	132,669,710
Total Fund Balances	196,442,553	146,924,162

₱1,043,981,700 ₱1,059,556,789

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS

Mindanao Educators Mutual Benefit Association, Inc.

<i>Years Ended December 31,</i>	2024	2023
REVENUE		
Members' gross premium contributions <i>(Note 16)</i>	₱30,311,460	₱27,956,820
Less contributions to Guaranty Fund <i>(Note 17)</i>	1,515,573	1,397,841
Net members' premium contributions	28,795,887	26,558,979
Interest and servicing fees on loans <i>(Note 6)</i>	125,940,700	102,545,192
Membership fees and dues <i>(Note 16)</i>	5,051,910	4,659,470
Interest on bank deposits and investments income <i>(Notes 5 and 10)</i>	918,301	493,513
Other income	527,700	531,952
Total Revenue	161,234,498	134,789,106
BENEFITS AND OPERATING EXPENSES		
Increase in aggregate reserves for unexpired risks <i>(Note 14)</i>	13,965,660	3,783,199
Benefits and claims paid to members <i>(Note 16)</i>	4,700,000	5,150,000
Benefit expense for equity value <i>(Note 16)</i>	1,456,320	886,343
Net insurance benefits and claims	20,121,980	9,819,542
General and administrative expenses <i>(Note 19)</i>	45,437,763	30,129,760
Compensation and employees' benefits <i>(Note 18)</i>	41,641,861	40,921,526
Depreciation <i>(Notes 8 and 9)</i>	6,030,076	4,663,206
Total Benefits and Operating Expenses	113,231,680	85,534,034
NET SURPLUS FOR THE YEAR	₱48,002,818	₱49,255,072

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN FUND BALANCES

Mindanao Educators Mutual Benefit Association, Inc.

December 31,	2024	2023
GUARANTY FUND (Note 17)		
Opening balances	₱14,254,452	₱12,856,611
Contributions from members during the year	1,515,573	1,397,841
Closing balances	15,770,025	14,254,452
GENERAL FUND – UNASSIGNED (Note 15)		
Opening balances	132,669,710	83,414,638
Net surplus for the year	48,002,818	49,255,072
Closing balances	180,672,528	132,669,710
	₱196,442,553	₱146,924,162

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Mindanao Educators Mutual Benefit Association, Inc.

Years Ended December 31,

2024

2023

CASH FLOWS FROM OPERATING ACTIVITIES

Net surplus for the year	₱48,002,818	₱49,255,072
Add (deduct) adjustments for:		
Increase in aggregate reserves for unexpired risks (Note 14)	13,965,660	3,783,199
Provision for expected credit losses (ECL) (Note 6)	536,186	1,213,326
Depreciation – property and equipment (Note 8)	1,038,438	902,553
Depreciation – right-of-use asset (Note 9)	4,991,638	3,760,653
Payment of principal and interest on lease liabilities (Note 9)	(5,525,103)	(4,274,719)
Interest expense on lease liabilities (Note 9)	1,191,434	554,894
Interest on bank deposits and investment income (Notes 5 and 10)	(918,301)	(493,513)
Operating surplus before changes in working capital	68,807,873	54,701,465
Add (deduct) changes in working capital, excluding cash and cash equivalents:		
Increase in loans and other receivables (Note 6)	(53,163,109)	(121,894,030)
Increase in prepayments and other current assets (Note 7)	(183,693)	(498,925)
Increase (decrease) in trade and other payables (Note 12)	(37,337,652)	37,498,322
Net Cash Used for Operating Activities	(27,401,684)	(30,193,168)

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in investment in debt securities at amortized cost (Note 10)	(1,853,315)	(1,707,272)
Interest on bank deposits and investment income (Notes 5 and 10)	918,301	493,513
Additions to property and equipment (Note 8)	(3,838,182)	(78,054,319)
Net Cash Used for Investing Activities	(4,773,196)	(79,268,078)

CASH FLOWS FROM FINANCING ACTIVITIES

Additional loans availed during the year (Note 11)	33,300,000	175,000,000
Payments of principal amortizations during the year (Note 11)	(44,858,663)	–
Increase in trust fund – members' deposits (Note 13)	(37,991,647)	24,238,932
Increase in guaranty fund (Note 17)	1,515,573	1,397,841
Net Cash Provided from Financing Activities	(48,034,737)	200,636,773

NET(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(80,209,617)	91,175,527
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OPENING CASH AND CASH EQUIVALENTS	109,565,904	18,390,377
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CLOSING CASH AND CASH EQUIVALENTS (Note 5)	₱29,356,287	₱109,565,904
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See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Mindanao Educators Mutual Benefit Association, Inc.
As of and the Years Ended December 31, 2024 and 2023

Note 1

Organization and Tax Exemption

The Mindanao Educators Mutual Benefit Association, Inc. (referred to as 'Association' in the following sections) was organized primarily for Mindanao educators, 'to provide its members with financial assistance in a form of benefits in case of sickness, disability or death of members by accumulating funds through the collection of fees or dues, at either stated or irregular intervals, as well as the accumulation and lending of money to its members by lending the capital of the Association and such other funds as it may from time to time lawfully acquire from various member-borrowers on such personal security or security of personal property as may be agreed on between the Association and member-borrower, and by re-lending in like manner the funds arising from the loans when paid.'

The Association was incorporated on August 4, 2011, and officially accepted members during the second quarter of 2013. It obtained its secondary license from the Insurance Commission (IC) initially in 2011 and renewed its license on July 5, 2013 which was valid until December 31, 2015. It is operating under IC License No. 2022-10-R from January 1, 2022 to December 31, 2024.

By virtue of the Amended Implementing Rules and Regulations (IRR) of the Association approved by the IC on March 13, 2019, the Association accepted supplemental contributions from members which contributions are also used by the Association in extending financial assistance to members. (See Note 6.) These voluntary contributions from members (which are in the nature of members deposits) are in addition to the monthly premium payments contributed by members every month. These deposits earn 5% per annum (since the provision for interest is computed around 2%) and cannot be withdrawn for as long as the particular members have outstanding loan balances in the Association.

As of December 31, 2024, the Association has 43,691 members.

The registered Head Office address of the Association is located at Laiz Building, Narangita Street corner Casquejo Street, General Santos City. The Association maintain branches in the following locations:

- Agusan del Norte, in the City of Butuan
- Agusan del Sur, in the Municipality of San Francisco
- Bukidnon, in the Cities of Malaybalay and Valencia
- Camiguin Province, in the Municipality of Mambajao
- Davao del Norte, in the City of Tagum
- Davao Oriental, in the City of Mati
- Davao del Sur, in the Cities of Davao and Digos
- Davao de Oro, in the Municipality of Nabunturan
- Davao Occidental, in the Municipality of Malita
- Lanao del Norte, in the City of Iligan and in the Municipality of Maranding
- Misamis Occidental, in the City of Ozamis
- Misamis Oriental, in the Cities of Cagayan de Oro and Gingoog
- National Capital Region, in the District of Sta. Mesa and Malabon, Manila City
- North Cotabato, in the City of Kidapawan and in the Municipality of Midsayap

- South Cotabato, in the City of Koronadal and General Santos City
- Sultan Kudarat, in the City of Tacurong
- Surigao del Norte, in the City of Surigao and in Siargao Island
- Surigao del Sur, in the City of Tandag
- Zamboanga del Norte, in the City of Dipolog in the Municipality of Sindangan
- Zamboanga del Sur, in the Cities of Pagadian and Zamboanga
- Zamboanga Sibugay, in the Municipality of Ipil

The Association is exempt from the payment of income tax, under Section 30 (C) of the National Internal Revenue Code of 1997, as amended, being an association incorporated as a nonstock corporation for the exclusive benefit of the members operating under a mutual aid association providing for the payment of life, sickness, accident, or other benefits exclusively to the members of the Association. Notwithstanding the provisions of the Tax Code, the Association is liable to taxes on income of whatever kind and character from any of its properties or from any of its activities conducted for profit regardless of the disposition made of such income. The Association, however, has not undertaken any activity outside of its primary objectives.

Note 2

Statement of Compliance with Philippine Financial Reporting Standards (PFRSs)

Statement of Compliance

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

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

Because the Association is a supervised entity by the Insurance Commission (IC), it also abides by the regulations of the Commission particularly those that are set forth under Section 189 of The Amended Insurance Code and with IC Circular Letter No. 2014-41 *Standard Chart of Accounts (SCA) for MBAs*, and all applicable IC Circular Letters and accounting requirements. These regulations and requirements are substantially compliant with PFRSs and the Revised SRC Rule 68 (2019).

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

In the current year, the Association has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the FSRSC (as Philippine Financial Reporting Standards) that are mandatorily effective for an accounting period that begins on or after January 1, 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to PAS/IAS 7 Statement of Cash Flows and

PFRS 7 Financial Instruments: Disclosures titled 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 amendments contain specific transition provisions for the first annual reporting period in which the Association applies the amendments. Under the transitional provisions an entity is not required to disclose:

- Comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments
- The information otherwise required by PAS/IAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Association has no supplier finance arrangements.

Amendments to PAS/IAS 1 Classification of Liabilities as Current or Non-current

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

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

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

The Association has adopted the amendments to PAS/IAS 1, published in November 2022, for the first time in the current year. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g., a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The Association has no non-current liabilities with covenants.

Amendments to PFRS 16 Leases—Lease Liability in a Sale and Leaseback

The Association has adopted the amendments to PFRS 16 for the first time in the current year. The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

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

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

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

A seller-lessee applies the amendments retrospectively in accordance with PAS/IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied PFRS 16.

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

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

- PFRS 17 *Insurance Contracts* (including the June 2020 and December 2021 amendments to IFRS 17)
- Amendments to PAS 7 *Statement of Cash Flows* and PFRS 7 *Financial Instruments: Disclosures* titled *Supplier Finance Arrangements*
- Amendments to IAS 21 *Lack of Exchangeability*
- IFRS 18 *Presentation and Disclosures in Financial Statements*
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The Board of Directors does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Association in future periods, except if indicated below, when applicable.

IFRS 17 Insurance Contracts

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

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

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. IFRS 17 must

be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

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

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

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

Amendments to PAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements

The FSRSC has adopted the amendments to IAS 7 and IFRS 7 on June 19, 2023, to be effective beginning January 1, 2025. 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 amendments contain specific transition provisions for the first annual reporting period in which the Association applies the amendments. Under the transitional provisions an entity is not required to disclose:

- Comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments
- The information otherwise required by PAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Association has no supplier finance arrangements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not. The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include: (a) a spot exchange rate for a purpose other than that for which an entity assesses exchangeability, and (b) the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of IAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying IAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

In addition, the IASB made consequential amendments to IFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

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

IFRS 18 Presentation and Disclosures in Financial Statements

The FSRSC has adopted PFRS 18 on October 10, 2024, to be effective beginning January 1, 2027. PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some PAS 1 paragraphs have been moved to PAS 8 and PFRS 7. Furthermore, minor amendments were made to PAS 7 and PAS 33 *Earnings per Share*.

PFRS 18 introduces new requirements to: (1) present specified categories and defined subtotals in the statement of profit or loss, (2) provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements, and (3) improve aggregation and disaggregation.

An entity is required to apply PFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

The Board of Directors of the Association anticipates that the application of these amendments may have an impact on the Association's financial statements in future periods.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply PFRS 19 if, at the end of the reporting period: (1) it is a subsidiary (this includes an intermediate parent), (2) it does not have public accountability, and (3) its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

A subsidiary has public accountability if: (1) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or (2) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted. If an entity elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19. If an entity elects to apply IFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in IFRS 19 with regard to Lack of Exchangeability.

The Board of Directors of the Association does not anticipate that IFRS 19 (to become PFRS 19 in the Philippines) will be applicable to the financial statements of the Association.

Note 3

Summary of Material Accounting Policy Information

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

Going Concern

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

Basis of Preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability,

the Association takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such basis, except for leasing transactions that are within the scope of PFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS/IAS 2 or value in use in PAS/IAS 36.

The financial statements are presented in Philippine peso, which is the Association's functional and presentation currency, and all values are recorded to the nearest peso except when otherwise indicated. The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at statement of financial position date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at statement of financial position date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Fair Value Measurement

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

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

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

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

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

Financial instruments

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

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

the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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

Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Classification of Financial Assets

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

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

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

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

(i) Amortized Cost and Effective Interest Method

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

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

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

allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents are carried in the financial statements at cost. Cash comprise unrestricted cash on hand, deposits held at call with banks, and time deposits with banks that can be pre-terminated anytime without significant risk of change in value. Cash equivalents (including those invested in a trust fund) represent short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and Other Receivables

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

Investments in Debt Securities at Amortized Costs

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

(ii) Debt Instruments Classified as at FVTOCI

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

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

(iii) Equity Instruments Designated as at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with PFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

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

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

(iv) Financial Assets at FVTPL

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

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

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

Impairment of Financial Assets

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

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

For all other financial instruments, the Association recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Association measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant Increase in Credit Risk

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

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

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

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

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

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

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

(ii) Definition of Default

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

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

(iii) Credit-impaired financial assets

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

(iv) Write-Off Policy

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

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

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Association in accordance with the contract and all the cash flows that the Association expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16.

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

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

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

Derecognition of Financial Assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

In contrast, on derecognition of an investment in an equity instrument which the Association has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial Liabilities and Equity

Classification as Debt or Equity

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

Equity Instruments

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

Financial Liabilities

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

Financial Liabilities at FVTPL

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

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

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

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

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

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

Financial Liabilities Measured Subsequently at Amortized Cost

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

Derecognition of Financial Liabilities

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

When the Association exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Association accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Prepayments

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

Property and Equipment

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

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

- (1) Office furniture, fixtures and equipment, 1 year to 5 years;
- (2) Information Technology (IT) equipment, 1 year to 5 years;
- (3) Land is not depreciated.

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of Association's furniture, fixtures and office equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of Association's furniture, fixtures and office equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.

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

Impairment of Non-Financial Assets

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

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

Actuarial Policies

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

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

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

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

Recording of Claims from Policyholders

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

Loans and Borrowings

Loans and borrowings are recognized initially at the transaction price (that is, the present value of cash payable to the lender, including transaction costs). Loans and borrowings are subsequently stated at amortized cost. Interest expense is recognized based on the effective interest method and is included in finance costs. Loans and borrowings are classified as current liabilities unless the Cooperative has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Revenue and Cost Recognition

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

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

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

The Association recognizes revenue as follows:

(1) Members' Premium Contributions

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

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

The members' gross premium contributions are allocated as follows:

- 50% goes to the reserve for members' equity, intended for members' entitlements of equity value after three (3) full years of continuous membership in the Association, representing 50% of the total membership dues collected less claims paid;
- 30% goes to cover basic benefits of members
- 5% goes to guarantee fund, and
- the remaining 15% goes to general operations, to cover administrative costs.

The Association collects its premiums through its branches.

(2) Interest and Servicing Fees on Loans

Interest income is computed using the effective interest method. In accordance with PFRS 9, interest income on loans should be recognized using the effective interest method, a method of calculating the amortized cost of a financial asset or a group of financial assets and of allocating the interest income over the relevant period. The effective interest rate is a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, which appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. In implementing this policy, however, the Association does not accrue income on interest of uncollected loans; it only recognizes interest income when the interest is collected.

The following incomes related to loans are accounted for as follows:

(a) Loan servicing fees

A servicing fee is charged to each borrower as a percentage of the loan to cover the costs for keeping records of payments, collecting, and loan-related communications with the borrowers.

Loan service fees are recognized when loans are released to members rather than amortized over the life of the loan as required under PFRS 15.

(b) Fines and penalties

Fines and penalties are levied on member/borrowers with delinquent accounts and are based on rates established by the Board of Trustees. Fines and penalties are computed and collected at the time of payment, therefore recognized in the books of the Association on the cash method.

(3) Investments Income

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

(4) Non-Insurance Revenues

The Association recognizes non-insurance revenues in accordance with PFRS 15 at an amount that reflects the consideration to which the Association is expected to be entitled to in exchange for transferring goods or services to a customer. For each contract with a customer, the Association:

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

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

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

(5) Cost and Expenses

Costs and expenses are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen, which can be measured reliably. Costs and expenses are recognized in the statement of profit or loss: i) on the basis of a direct association between the cost incurred and the earnings of specific items of income; ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Insurance-related costs are accounted as follows:

- Changes in the required actuarial and other reserves are recognized as expense during the period.

- Plan benefits and claims paid to members, including refund of members' equity value, are recognized for benefits availed of by members/beneficiaries.
- Collection costs (representing commissions to collecting affiliate) are due and payable for every premium income recognized. Commission rates are based on IC-approved rates.

(6) Grants, Donations and Other Income

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

Compensation and Employees Benefits Expense

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

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

- Short-Term Employee Benefits

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

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

- Post-Employment Benefit Plans

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

The Association has not yet computed its retirement benefit obligations at the end of the reporting periods as it considers its retirement liability to be still immaterial considering that the operations of the Association is just less than five years old and just three years under operating status. The Association's work force is considered young. The Board of Trustees is cognizant of the need to provide post-employment benefits to its employees; however, the cost-benefit estimate favors postponement of any action at this time on the issue of the immateriality of the amount involved.

- Termination Benefits

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

Leases – The Association as Lessee

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

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

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

Whenever the Association incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS/IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Association expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

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

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

Leases – The Association as Lessor

The Association is not a lessor of properties.

Related Party Relationships and Transactions

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

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

Contingencies

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

Contingent liabilities are not recognized either, but these are generally disclosed unless the possibility of an outflow of resources is remote.

Provisions

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

Events After Reporting Date

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

Note 4

Significant Critical Accounting Judgment and Key Sources of Estimation Uncertainty

In applying the Association's accounting policies, which are described in Note 2, *Summary of Material Accounting Policy Information*, the management of the Association are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern

In the process of applying the Association's accounting policies, management has made an assessment of the Association's ability to continue as a going concern and is satisfied that the Association has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Association's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Critical Judgements in Applying the Association's Accounting Policies

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

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Association determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Association monitors financial assets measured at amortized cost or fair value

through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Association's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant Increase in Credit Risk

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

Key Sources of Estimation Uncertainty

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

Calculation of Loss Allowance

When measuring ECL the Association uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Fair Value Measurements and Valuation Processes

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

Estimating Useful Lives of Property and Equipment

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

Impairment of Non-Financial Assets

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

Retirement Benefits

The determination of the Association's obligation and cost for pension and other employee benefits is dependent

on the selection of certain assumptions used by management in calculating such amounts. While the Association believes that the assumptions used are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect employee benefit obligations.

Determining the Terms of the Lease After Expiry of the Lease

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

Provisions and Contingencies

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

Note 5

Cash and Cash Equivalents

This account is composed of the following:

<i>December 31,</i>	2024	2023
Cash in banks	₱29,280,787	₱109,490,404
Petty cash fund	75,500	75,500
	₱29,356,287	₱109,565,904

The cash in banks include the Guaranty Fund required by the Insurance Commission to be maintained by the Association. The cash in banks earn interest at the prevailing market rates. The effective interest rate on short-term investments ranges from 1.75% to 2.5%, maturing in 365 days in 2022. Interest earned on cash and cash equivalents amounted to ₱99,079 in 2024 and ₱57,053 in 2023.

Note 6

Loans and Other Receivables

This account consists of the following:

<i>December 31,</i>	2024	2023
Loans receivable (financial assistance loans)	₱911,342,826	₱858,445,087
Members' contributions due and uncollected	2,607,180	2,379,720
Accounts receivable – others	434,530	396,620
Total	914,384,536	861,221,427
Less allowance for expected credit losses (ECL)	9,105,637	8,569,451
Net	905,278,899	852,651,976
Less presented under current assets	236,277,437	275,406,317
Presented under non-current assets	₱669,001,462	₱577,245,659

Loans Receivables

Starting 2016, as part of its strategies to attract members, the Association started extending financial assistance loans to members. At the beginning, all the loans bear annual interest rates at 7% per annum and are collectible over a period of three (3) years. These loans, which started to be given to members in 2014, range from ₱5,000 to ₱10,000, and are basically secured by the voluntary deposits of members and equity value of members. By July 2021, the Association adopted the new interest rates on loans: 1 year – 6%, 2 years – 7%, and 3 years –

8%. The rates are within the maximum ceiling of interest rate given by the Department of Education (DepEd) which is 9.66%. Starting 2022, the Association allows all teachers to obtain loans at a maximum period of five (5) years at 9% interest per annum. The loans are guaranteed by the monthly collections supported by an agreement with the DepEd to effect automatic payroll deduction system (APDS) on the members' payrolls.

Interest and Loan Servicing Fees

<i>December 31,</i>	2024	2023
Interest income	₱71,511,874	₱61,306,470
Loan servicing fees	54,428,826	41,238,722
	₱125,940,700	₱102,545,192

The members are assessed (one time) an amount proportionate to their equity value to help the Association meet its Risk-Based Capital requirement.

By Age of the Accounts in 2024

<i>December 31, 2024 Current</i>	<i>Past Due</i>	<i>Total</i>
Loans receivable (financial assistance loans)	₱911,342,826	₱—
Members' contributions due and uncollected	2,607,180	2,607,180
Accounts receivable – others	434,530	434,530
	₱914,384,536	₱—
		₱914,384,536

By Age of the Accounts in 2023

<i>December 31, 2023 Current</i>	<i>Past Due</i>	<i>Total</i>
Loans receivable (financial assistance loans)	₱858,445,087	₱—
Members' contributions due and uncollected	2,379,720	2,379,720
Accounts receivable – others	396,620	396,620
	₱861,221,427	₱—
		₱861,221,427

Allowance for Expected Credit Losses (ECL)

The receivables are provided with 12-month ECL at 1% of principal for current 30 days and 34% for past due less than one year. Accounts past due for over 1 year have been provided with lifetime ECL at 100%. A total ECL of ₱536,186 in 2024 and ₱1,213,326 in 2023.

The accounting of the movements of the allowance for expected credit losses is as follows:

<i>December 31,</i>	2024	2023
Opening balances	₱8,569,451	₱7,356,125
Provision for expected credit losses for the year	536,186	1,213,326
Closing balances	₱9,105,637	₱8,569,451

Management is of the opinion that the loans and other receivables are fairly stated at the end of the year and are collectible from members.

Note 7

Prepayments and Other Current Assets

This account consists of the following:
(Please see table next page.)

<i>December 31,</i>	2024	2023
Unused office supplies	₱1,334,556	₱1,154,498
Rental deposit	272,457	319,981
Prepaid insurance and others	95,623	44,464
	₱1,702,636	₱1,518,943

Management believes that these assets were not impaired at the end of the year.

Note 8
Property and Equipment – At Cost

This consists of the following items:

<i>December 31,</i>	2024	2023
Land	₱76,164,000	₱76,164,000
IT equipment	8,058,782	4,434,947
Furniture, fixtures and office equipment	1,393,887	1,179,540
Total	85,616,669	81,778,487
Less accumulated depreciation	4,373,197	3,334,759
Net Book Value	₱81,243,472	₱78,443,728

Reconciliation of the Movements of Property and Equipment

<i>December 31, 2024</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirement</i>	<i>Closing Balances</i>
Land	₱76,164,000	₱ –	₱ –	₱76,164,000
IT equipment	4,434,947	3,623,835		8,058,782
Furniture, fixtures and equipment	1,179,540	214,347		1,393,887
Total	81,778,487	3,838,182		85,616,669

Accumulated Depreciation

IT equipment	2,131,995	1,038,438		3,170,433
Furniture, fixtures and equipment	1,202,764	–		1,202,764
Total	3,334,759	1,038,438		4,373,197
Net Book Value	₱78,443,728	₱2,799,744	₱ –	₱81,243,472

December 31, 2023

Land	₱ –	₱76,164,000	₱ –	₱76,164,000
IT equipment	3,121,305	1,313,642		4,434,947
Furniture, fixtures and equipment	503,670	675,870		1,179,540
Leasehold improvement	99,193		(99,193)	–
Total	3,724,168	78,153,512	(99,193)	81,778,487

Accumulated Depreciation

IT equipment	1,390,451	741,544		2,131,995
Furniture, fixtures and equipment	1,041,755	161,009		1,202,764
Total	2,432,206	902,553		3,334,759
Net Book Value	₱1,291,962	₱77,250,959	(₱99,193)	₱78,443,728

On November 20, 2023, the Association acquired a 3,462-square meter lot located in Barangay Iponan, Cagayan de Oro City, which the Association intends to construct the proposed principal office of the Association in Region 10. The Association purchased the lot for ₱76,164,000 with the initial first installment payment of ₱19,041,000 made upon execution of the Deed of Conditional Sale. The remaining three (3) installments were

payable from December 20, 2023 until February 20, 2024. As at end of 2023, there were two (2) remaining installment payments totaling ₱38,082,000. (See Note 12.) All of four Installment payments were covered with post-dated checks. As at end of 2024, the acquired lot was fully paid.

During 2024, the Association entered into a 20-year lease agreement with Amaara Corporation for the development of the property and the construction of an office building for use by the Lessor as the permanent location for the operations of its Cagayan de Oro City Branch. The monthly lease shall be initially at ₱50 per square meter or a total of ₱173,100 effective July 1, 2025. Beginning on the second year of this lease or on July 1, 2026 and every July 1 thereafter, the rentals shall be subject to a ten percent (10%) escalation based on the rental of the previous year, until the end of this Lease Agreement.

Note 9

Right-of-Use Asset

This account consists of the following:

<i>December 31,</i>	2024	2023
Right-of-use asset	₱17,421,604	₱13,057,629
Less accumulated depreciation	6,057,402	8,864,280
Net Book Value	₱11,364,202	₱4,193,349

The Association has various lease contracts for the use of office spaces of its Head Office, branches and satellite offices, ranging from one (1) year to five (5) years, at a monthly rate ranging from ₱4,000 to ₱75,840.

The Association recognized the following balances:

- (a) Right-of-use asset amounting to ₱17,421,603 in 2024 and ₱13,057,629 in 2023;
- (b) Corresponding depreciation expense amounting to ₱4,991,638 in 2024 and ₱3,760,653 in 2023;
- (c) Lease liabilities amounting to ₱12,096,119 in 2024 and ₱4,267,297 in 2023;
- (d) The interest incurred amounted to ₱1,191,434 in 2024 and ₱554,894 in 2023.
- (e) Total lease payments amounted to ₱5,525,103 in 2024 and ₱4,274,719 in 2023.

Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

<i>December 31,</i>	2024	2023
Current (portion due for the next 12 months)	₱4,216,098	₱3,375,384
Non-current (portion due in excess of 12 months)	7,880,021	891,913
Total Lease Liabilities	₱12,096,119	₱4,267,297

Accounting of the Movement of Right-of-Use Asset

<i>December 31, 2024 Openi</i>	<i>ng Balances</i>	<i>Additions</i>	<i>Retirement</i>	<i>Closing Balances</i>
Right-of-use asset	₱13,057,629	₱13,366,815	(₱9,002,840)	₱17,421,604
Less accumulated depreciation	8,864,280	4,991,638	(7,798,516)	6,057,402
Net Book Value	₱4,193,349	₱8,375,177	(₱1,204,324)	₱11,364,202
<i>December 31, 2023</i>				
Right-of-use asset	₱13,716,040	₱4,136,329	(₱4,794,740)	₱13,057,629
Less accumulated depreciation	9,898,367	3,760,653	(4,794,740)	8,864,280
Net Book Value	₱3,817,673	₱375,676	₱—	₱4,193,349

Note 10

Investment in Debt Securities at Amortized Cost

This account consists of treasury bonds and treasury bills purchased through Rizal Commercial & Banking Corporation (RCBC) as follows:

- a) A twenty (20)-year retail treasury bonds purchased with face value of ₱5 million, purchased on bond premium on March 1, 2012 and it will mature on March 1, 2032. The bonds bear interest at 5.60% per annum;
- b) A one (1) treasury bill purchased with face value of ₱6,130,000 and with discount yield rates at 5.733372% that will mature on July 23, 2025;
- c) A one (1)-year treasury bills purchased with face value of ₱4,240,000 discount yield rates at 5.4527522% that will mature on November 12, 2025.

The roll forward analysis of this account is as follows:

<i>December 31,</i>	2024	2023
Face value	₱15,370,000	₱13,520,000
Add premiums	59,424	67,474
Less discounts	393,220	404,585
Carrying amount	15,036,204	13,182,889
Less presented under current asset	9,985,198	8,115,415
Presented under non-current asset	₱5,051,006	₱5,067,474

The Association assigned the whole amount to the Insurance Commission (IC) for the benefit and security of policy holders and creditors of the Association, in accordance with the provisions of the Insurance Code of the Philippines. The Association assigned Government investments at carrying value of ₱15,036,204 (with face value of ₱15,370,000). The difference between the Guaranty Fund of ₱15,770,025, amounting to ₱733,821, represent portion of the contributions during the year not yet invested in financial instruments. The Association's management has determined that none of the invested funds are presently impaired.

Interest income earned from investments in treasury instruments amounted to ₱819,222 in 2024 and ₱436,460 in 2023.

Note 11

Loans and Borrowings

This consist of the following:

<i>December 31,</i>	2024	2023
Loans availed during the year	₱163,441,337	₱175,000,000
Less portion due in one year (current)	76,869,512	51,851,330
Portion due in more than one year (non-current)	₱86,571,825	₱123,148,670

The Association obtained loans from a commercial bank intended to finance the lot acquisition (See Note 8.) and for additional working capital for loan services to members. The three (3) loans availed from Rizal Commercial Banking Corporation (RCBC) totaling ₱175 million carry interest rates at 8.25 % per annum payable monthly, with maturity dates in three (3) to five (5) years. These loans are secured by promissory notes and its monthly amortization payments (including the interest expense) are automatically debited from the

Association's designated savings account with the Bank. Interest and other charges incurred on borrowings amounted to ₱13,880,732 in 2024 and ₱2,397,452 in 2023.

Note 12**Trade and Other Payables**

This account consists of the following:

<i>December 31,</i>	2024	2023
Accrued interest on member's deposits (supplemental contributions)	₱14,508,406	₱13,744,058
Retirement benefit obligation	503,316	503,316
Accounts payable to lot owner (<i>Note 8</i>)	–	38,082,000
Accounts payable (for EDP System)	–	20,000
Total	15,011,722	52,349,374
Less portion due in one year (current)	14,508,406	51,846,058
Portion due in more than one year (non-current)	₱503,316	₱503,316

Accrued interest on member's deposits (supplemental contributions) represents the 2.25% computation from the members' deposits. Accounts payable for the EDP System represents payable to the Association's software supplier. It is expected to be fully paid off by March 2025.

Retirement Benefit Obligation

The Association's regular/permanent employees are provided with retirement benefits beginning 2023 based on the 67% of the gross salaries of the entitled employees' plus one-twelfth (1/12) of the 13th month pay. No additional pension expenses charged to operations amounted in both years. (See Note 18.)

The policy defines the amount of retirement benefit an employee will receive at the time of retirement or separation from service. The legal obligation on the payment of the retirement benefits to the employees remains with the Association. The retirement plan is non-contributory and unfunded.

The management of the Association recognizes the fact that the recorded retirement benefit liability is not based on actuarial valuations; but it considers the effect of the matter presently to be immaterial. The Association will endeavor to secure the services of an Actuary to determine properly the retirement benefit obligation.

Note 13**Trust Fund – Members' Deposits (Supplemental Contributions)**

This represents the voluntary contributions of members in addition to the monthly premium payments, which form part of the funds that are being lent to members at certain interest rates. These deposits earn 5% per annum (since the provision for interest is computed around 2%) and could not be withdrawn for as long as the particular members have outstanding loan balances.

The Insurance Commission (IC) stopped the collection of the Association's members' deposit in 2017 for the reason that some transactions were outside the Implementing Rules and Regulations (IRR) of the Association. However, the Amended Implementing Rules and Regulations (IRR) of the Association approved by the IC on March 13, 2019, allowed the members to contribute supplemental funds to the Association. The Association resumed the supplemental contributions beginning 2019.

The members have the option to pay an initial member's supplemental contribution at the inception of their membership, amounting to ₱100 and ₱200 every month thereafter. The said contributions shall earn interest at the rate that the Association, through its Board of Trustees shall decide from time to time and which will be returned to them upon the termination of their memberships in the Association.

As of December 31, 2024, the Association has accrued interest on members' deposits (supplemental contributions) amounting to ₱14,508,406, which schedule their release on March 2025.

Note 14

Aggregate Reserves for Unexpired Risks

This consists of the following reserves:

<i>December 31,</i>	2024	2023
Reserves for members' equity	₱83,993,630	₱70,141,490
Reserves for life policies	1,310,730	1,197,210
	₱85,304,360	₱71,338,700

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

<i>December 31, 2024</i>	<i>Reserves for Members' Equity</i>	<i>Reserves for Life Policies</i>	<i>Total</i>
Opening balances 2016	₱1,370,465	₱307,110	₱1,677,575
Provisions during 2016	4,195,920	27,600	4,223,520
Provisions during 2017	5,864,460	518,040	6,382,500
Provisions during 2018	9,680,820	129,810	9,810,630
Provisions during 2019	9,999,570	209,940	10,209,510
Provisions during 2020	14,256,060	117,930	14,373,990
Provisions during 2021	16,043,940	66,960	16,110,900
Provisions during 2022	5,011,856	(244,980)	4,766,876
Provisions during 2023	3,718,399	64,800	3,783,199
Balance as of December 31, 2023	70,141,490	1,197,210	71,338,700
Provisions during 2024	13,852,140	113,520	13,965,660
Balance as of December 31, 2024	₱83,993,630	₱1,310,730	₱85,304,360

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

In accordance with the provisions of the Insurance Code, every outstanding membership certificate must have, after three (3) full years of being continuously in force, an equity value to at least 50% of the total membership dues collected from the member. The equity is payable to the members upon termination of their membership in the Association. In accordance with the same Code, the Association is required to put up a reserve liability not lower than the equity value of all in-force, active certificates as at the end of each calendar year; hence, the Association sets up the 50% of its gross premium collections as its reserves for members' equity.

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

The amounts of aggregate reserves for members' equity, credit policies and reserves for life policies for the years ended December 31, 2024 and 2023, have been computed and certified by the Consulting Actuary of the Association to be in accordance with commonly accepted actuarial standards and with the Guidelines and Standards of the Actuarial Society of the Philippines consistently applied and are fairly stated in accordance with sound actuarial principles.

Note 15
General Fund

This represents a portion of the fund balance that is not restricted. According to Section 408, paragraph 3 of the Insurance Code, as amended (R.A. No. 10607), a mutual benefit association shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. In addition, subject to the approval of the Commissioner, a mutual benefit association may allocate a portion for capacity building and research and development, upgrading and improving operating systems and equipment, and continuing member education.

The Association's General Fund already breached the 20% threshold of its total liabilities at the end of 2024, amounting to ₱11,164,699. The Association's management, however, has not yet assigned the excess surplus but will propose to the Insurance Commission (IC) the establishment of special funds to absorb the excess portion of the Fund.

Note 16
Members' Premium Contributions

The Association's members are charged sixty pesos (₱60.00) per month during their active membership in the Association plus ten pesos (₱10.00) membership fees and dues. In accordance with its policies, the Association allocates the contributions as follows:

- (a) 50% of the premium payment is allocated as reserve for members' equity intended for the members' entitlements of equity value after three (3) full years of continuous membership in the Association, representing 50% of the total membership dues collected less claims paid. The equity value, plus minimal interest per annum is payable to the members upon termination of their membership with the Association.

Every year, a number of members withdrew their equity from the Association. The members' withdrawal of equity value, presented in the statement of profit or loss as part of benefits paid to members, ₱1,456,320 in 2024 and ₱886,343 in 2023.

- (b) 25% is intended to cover basic benefits such as payments for death or permanent disability claims of a member or its legal spouse, or three (3) single and biological and/or legally adopted children at least two (2) weeks old but not more than twenty-one (21) years old, or three (3) biological children over twenty-one (21) years old, single, who are disabled and incapacitated to work. If single without biological children, the member's legal dependents include the member's biological parents less than sixty (60) years old, and when both parents are already dead, one of the member's younger brother or sister who is still single and not more than 21 years old or more than 21 years old but disabled and incapacitated will be the member's dependent. Total benefits and claims paid to members amounted to ₱4,700,000 in 2024 and ₱5,150,000 in 2023.
- (c) 5% is intended as additional guaranty fund, and
- (d) 20% is intended to cover administrative costs and expenses.

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

Membership Fees

The members are also charged with membership fees of ₱10 per month, which is non-refundable and does not form part of the members' accumulated and refundable contributions. The membership fee is intended to cover expenses incurred in processing the membership application. The amount is treated as income to finance part of the requirements for general and administrative expenses not covered by the 20% allocation from gross premium contributions.

Total membership fees collected amounted to ₱5,051,910 in 2024 and ₱4,659,470 in 2023.

Note 17

Guaranty Fund

This represents the amount required by the Insurance Commission (IC) to be established to guaranty the benefits and security of policyholders and creditors of the Association, in accordance with the provisions of The Amended Insurance Code (R.A. No. 10607). The fund is increased by the monthly contributions of members representing 5% of their premium contributions.

The following is the accounting of the Fund:

<i>December 31,</i>	2024	2023
Opening balances	₱14,254,452	₱12,856,611
Members' contributions representing 5% of total premiums received	1,515,573	1,397,841
Closing balances	₱15,770,025	₱14,254,452

The Guaranty Fund is funded by the Investment in Debt Securities at Amortized Cost assigned to the Insurance Commission (IC). (See Note 10.) The excess in value of debt instruments over the amount of Guaranty Fund is considered as part of the Association's investments of its General Fund.

Note 18

Details of Compensation and Employees' Benefits

<i>Years Ended December 31,</i>	2024	2023
Short-term employee benefits	₱41,641,861	₱40,921,526
Post-employment benefits (Note 12)	—	—
	₱41,641,861	₱40,921,526

Note 19

Details of General and Administrative Expenses

<i>Years Ended December 31,</i>	2024	2023
Interest expense on members' deposits (supplemental contributions)	₱14,508,407	₱13,744,059
Interest and other charges on loans and borrowings (Note 11)	13,880,732	2,397,452
Security services	3,467,315	—
Collection cost	2,685,619	2,632,594
Light and water	2,583,668	2,752,874
Rent (Note 9)	1,633,759	2,692,438
Professional and technical fees	1,287,890	669,252
Taxes, licenses and fees (Note 25)	1,286,079	1,253,880
Interest expense on lease liabilities (Note 9)	1,191,434	554,894
(Carried Forward.)		

(Brought Forward.)

Years Ended December 31,	2024	2023
Supplies and materials	992,739	817,175
Provision for expected credit losses (Note 6)	536,186	1,213,326
Transportation and travel	402,159	448,378
Repairs and maintenance	191,054	302,253
Insurance	77,800	41,430
Annual general assembly	62,579	32,080
Miscellaneous	650,343	577,675
	P45,437,763	P30,129,760

Note 20

Fair Value Measurement

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

The following table summarizes the fair value hierarchy of the Association's financial assets and liabilities which are not measured at fair value in the 2024 statement of financial position but for which fair value is disclosed.

December 31, 2024 Lev	el 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Cash and cash equivalents (Note 5)	P29,356,287	P—	P—	P29,356,287
Loans and other receivables (Note 6)			905,278,899	905,278,899
Investment in debt securities (Note 10)			15,036,204	15,036,204
	P29,356,287 P	=—	P920,315,103	P949,671,390
<u>Financial liabilities</u>				
TF— members' deposits (Note 13)	P—	P—	P571,685,609	P571,685,609
Loans and borrowings (Note 11)			163,441,337	163,441,337
Aggregate reserves for risks (Note 14)			85,304,360	85,304,360
Lease liabilities (Note 9)			12,096,119	12,096,119
Trade and other payables (Note 12)			15,011,722	15,011,722
	P— P	=— P	=847,539,147	P847,539,147

December 31, 2023

Financial assets

Cash and cash equivalents (Note 5)	P109,565,904	P—	P—	P109,565,904
Loans and other receivables (Note 6)			852,651,976	852,651,976
Investment in debt securities (Note 10)			13,182,889	13,182,889
	P109,565,904	P—	P865,834,865	P975,400,769

Financial liabilities

TF— members' deposits (Note 13)	P—	P—	P609,677,256 P	=609,677,256
Loans and borrowings (Note 11)			175,000,000	175,000,000
Aggregate reserves for risks (Note 14)			71,338,700	71,338,700
Lease liabilities (Note 9)			4,267,297	4,267,297
Trade and other payables (Note 12)			52,349,374	52,349,374
	P— P	=—	P912,632,627	P912,632,627

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of

another instrument which is substantially the same after taking into account the related credit risk of counter-parties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. When the Association uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Fair Value Measurement for Non-Financial Assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2024 and 2023.

<i>December 31, 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Property, equipment /ROUA – net (Note 8)	₱–	₱–	₱81,243,472	₱81,243,472
Right-of-use asset (Note 9)			11,364,202	11,364,202
Prepayments/other current assets (Note 7)			1,702,636	1,702,636
	₱– P	=– P	=94,310,310	₱94,310,310
<i>December 31, 2023</i>				
Property, equipment /ROUA – net (Note 8)	₱–	₱–	₱78,443,728 P	=78,443,728
Right-of-use asset (Note 9)			4,193,349 4,1	93,349
Prepayments/other current assets (Note 7)		1,5	18,943 1,5	18,943
	₱– P	=– P	=84,156,020 P	=84,156,020

The Level 3 fair value of the buildings and improvements included under the Property and Equipment account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.

These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

Note 21

Capital Management Objectives, Policies and Procedures

The Association maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its members. The level of capital maintained is always aimed to be higher than the minimum capital requirements of the IC. The Association considers the entire equity in determining the capital.

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

Compliance with Capitalization Requirements

In accordance with the provisions of Chapter VII, Title 1, Section 405 of R.A. 10607, *The Amended Insurance Code*, a mutual benefit association incorporated after the effectivity of the Code shall constitute and establish a Guaranty Fund with initial amount of ₱5 million, in cash or in government securities, to answer for any valid benefit claim of any of its members.

The Association has complied with this requirement by having established its Guaranty Fund of ₱15,770,025 (See Note 17.) and having funded it with investments in financial instruments of ₱15,026,204 (with face value of ₱15,370,000); (See Note 10.) and the balance co-mingled with unrestricted bank deposits amounting to ₱733,821. (See Note 5.) These funds are intended to be higher than the required level of Guaranty Fund to allow the Association adequate flexibility in dealing with certain contingencies. The Association will increase these deposits at the beginning of the year 2025 to match with the reported Guaranty Fund.

Note 22

Risk Management Objectives and Policies

The Association is exposed to various risks in relation to financing instruments. The Association's principal financial instruments are its cash (Note 5), trade and other receivables (Note 6), investment in debt securities at amortized cost (Note 10), loans and other payables (Note 12), and aggregate reserves for unexpired risks (Note 14). The main types of risks are insurance risk, credit and concentrations risks, market risk and liquidity risk. The Association is not exposed to foreign currency risk since it has no foreign currency deposits. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Association's financial performance and financial position. The Association actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

Risk Management Structure

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

Credit and Concentration Risks

Credit risk refers to the risk that counterparty will default and/or not honor its financial or contractual obligations resulting in financial losses to the Association. The Association is exposed to credit risk from financial assets including its cash held in banks and investments in financial instruments.

The credit risk in respect of cash balances held with banks and time deposit with bank are managed via diversification of bank deposits and are only with major reputable financial institutions and are regularly monitored. Trade receivables consist of loans receivable (salary loans).

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

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

<i>December 31, 2024</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Total</i>
Cash and cash equivalents (Note 5)	₱29,356,287	₱—	₱29,356,287
Loans and other receivables (Note 6) 90	5,278,899		905,278,899
Investment in debt securities (Note 10)	15,036,204		15,036,204
	₱949,671,390	₱—	₱949,671,390
	100.00%		100%

(Carried Forward.)

<i>(Brought Forward.) December 31, 2023</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Total</i>
Cash and cash equivalents <i>(Note 5)</i>	₱109,565,904	₱–	₱109,565,904
Loans and other receivables <i>(Note 6) 85</i>	2,651,976		852,651,976
Investment in debt securities <i>(Note 10)</i>	13,182,889	13,	182,889
	₱975,400,769	₱–	₱975,400,769
	100.00%	10	0.00%

The following table shows the credit quality by class of financial assets based on the Association's rating system:

<i>December 31, 2024 High</i>	<i>Grade</i>	<i>Standard Grade</i>	<i>Impaired</i>	<i>Total</i>
Cash and cash equivalents <i>(Note 5)</i>	₱29,356,287 P	=– P	=–	₱29,356,287
Loans and other receivables <i>(Note 6)</i>	905,278,899			905,278,899
Investment in debt securities <i>(Note 10)</i>		15,036,204		15,036,204
	₱934,635,186	₱15,036,204	₱–	₱949,671,390
<i>December 31, 2023</i>				
Cash and cash equivalents <i>(Note 5)</i>	₱109,565,904	₱–	₱–	₱109,565,904
Loans and other receivables <i>(Note 6)</i>	852,651,976			852,651,976
Investment in debt securities <i>(Note 10)</i>		13,182,889	13,	182,889
	₱962,217,880	₱13,182,889	₱–	₱975,400,769

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

Liquidity Risks

Liquidity risk is that the Association might be unable to meet its obligations. The Association's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The Association manages its liquidity by carefully monitoring its scheduled servicing payments for financial liabilities as well as its cash flows due on its day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis in the following table. Net cash requirements are compared to available cash position in order to determine headroom or any shortfalls. This analysis shows that available cash position is expected to be sufficient over the lookout period.

The Association considers its expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Association's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from receivables from agents and others are all contractually due within six months.

The maturity profile of the Association's financial liabilities is as follows:

<i>December 31, 2024 Due</i>	<i>in One Year</i>	<i>Due Over One Year</i>	<i>Total</i>
Trust fund – members' deposits <i>(Note 13)</i>	₱571,685,609	₱–	₱571,685,609
Aggregate reserves for unexpired risks <i>(Note 14) –</i>		85,304,360	85,304,360
Lease liabilities <i>(Note 9) 4,2</i>	16,098	7,880,021	12,096,119
Trade and other payables <i>(Note 12) 14,</i>	508,406	503,316	15,011,722
	₱590,410,113	₱93,687,697	₱684,097,810
86.	30%	13.70%	100.00%

Market Risks

Market risk is the possibility that changes in equity prices or interest rates will adversely affect the value of the Association's assets, liabilities or expected future cash flows. The Association has no exposure arising from complex investments since it is not engaging in high-risk investments, forward contracts, hedging, and the likes, whether local or foreign transactions.

(a) Price risk.

The Association has no exposure to price risks as its investments in quoted equity and debt securities are of fixed interest rates.

(b) Interest rate risk.

The Association's interest rate risk arises from its time deposits with banks. The Association invested in fixed rate deposits to mitigate the risks.

Insurance Risk

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

Note 23

Commitments and Contingencies

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

Note 24

Authorization of Financial Statements

The Association's financial statements as of and for the year ended December 31, 2024 were authorized for issue by the President of the Board of Trustees on April 25, 2025.

Note 25

Details of Taxes, Licenses and Fees

<i>Years Ended December 31,</i>	2024	2023
BIR remittances for VAT and withheld taxes	₱605,411	₱583,700
Business permits and other taxes	416,310	543,930
License renewal and filing fees	146,450	126,250
Real property and other taxes	117,908	—
	₱1,286,079	₱1,253,880

There are no pending assessments related to tax deficiencies at the end of the year.

**LETTER OF RECOMMENDATIONS
AUDIT YEAR 2024**

Letter of Recommendations to

**Mindanao Educators Mutual
Benefit Association, Inc.**

Audit Year December 31, 2024

Recommended by:

April 25, 2025

The Board of Trustees
Mindanao Educators Mutual Benefit Association, Inc.
Laiz Building, Narangita Street Corner Casquejo Street, General Santos City

Attention: **Juan Andre Terence R. Lacason**, President,
Leizel A. Soria, Operations Manager, and
Eunice C. Lacson, Treasurer

Gentlemen:

We have audited the financial statements of **Mindanao Educators Mutual Benefit Association, Inc.** as of and for the year ended December 31, 2024 and have issued our report dated April 25, 2025. As part of our engagement, we made a study and evaluation of the Association's system of internal accounting control to the extent we considered necessary to obtain understanding of internal control over financial reporting, to assess the risk that a material weakness exists, and to test and evaluate the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances.

Management's Responsibility Over Internal Control

The management of the Association is responsible for establishing and maintaining the internal control structures of the Association. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control procedures. An internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Philippine Financial Reporting Standards (PFRSs). An internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Association; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with PFRSs, and that receipts and disbursements are being made only in accordance with budgets and authorizations of management; and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on the financial statements in general.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Our objective is to use our knowledge of the Association gained during our routine audit work to make useful comments and suggestions for you to consider. However, you will appreciate that our routine audit work is designed to enable us to form an opinion on the financial statements of the Association and it should not be relied upon to disclose all irregularities that may exist or to disclose errors that are not material in relation to the financial statements. Accordingly, we do not express an opinion on the system of internal accounting control of **Mindanao Educators Mutual Benefit Association, Inc.**, taken as a whole.

The purpose of this letter is to set out certain matters that came to our attention during the course of our audit of the financial statements of the Association for the year ended December 31, 2024. Our report is designed to include useful recommendations that may help improve performance and avoid weaknesses that could lead to material loss or misstatement. It is your obligation to take the actions needed to remedy those weaknesses and should you fail to do so we shall not be held responsible if loss or misstatement occurs as a result.

FINDINGS, COMMENTS AND RECOMMENDATIONS

General Findings

Generally, the internal controls tested were found to be working. We did not identify any reportable conditions or material weakness in internal control, or instances of non-compliance with significant laws and regulations. In accordance with Philippine Standards on Auditing (PSAs), reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Cooperative's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Suggestions to Improve Internal Controls

During our audit, we noted the following matters where management may have to give attention to improve internal control:

Item 1

Engage the Services of an Actuary to Perform the Actuarial Valuation of Retirement Benefit Obligation

The Association has no actuarial valuation on the retirement benefits of its employees. While we consider this matter presently as within our materiality threshold, in the coming years the matter of the retirement liability not determined by actuarial computation may become an issue that will qualify our audit opinion. We recommend that the Association seek the professional assistance of an actuary (the same actuary involved in determining the actuarial liabilities at every end of each year can also perform such services) so that the Association's financial statements are full compliant with PFRSs requirements.

Item 2

Maintain the General Fund at Its Minimum Requirement

We noted that the General Fund of the Association has been maintained at more than 20% of the total liabilities of the Association. As at December 31, 2024, the General Fund had an excess of ₱11,276 million.

We present below our computation of the excess which the Association can appropriate for special purposes, subject to the approval from the IC.

<i>December 31,</i>	2024	2023
Unadjusted free and unassigned fund balances	₱132,669,710	₱83,414,638
Net surplus for the year	48,085,144	49,255,072
Appropriations to Special Funds	—	—
Adjusted free and unassigned fund balances	180,754,854	132,669,710
20% limitation on total liabilities	169,477,888	182,526,525
Total excess on 20% limitation for savings allocations (deficit)	₱11,276,966	(₱49,856,815)

We recommend that management consider utilizing the excess General Fund for allocations to projects, activities, advocacies and other member-development-related activities that are approved by the IC. We also suggest that management consider returning the excess General Fund by way of dividends or enhancing the members' equity value or providing benefits in kind and other relevant services. We recommend that management consider preparing a budget plan of possible activities and that such a plan be presented to the Board of Trustees for approval. Allocations for special-purpose funds are approved by the Insurance Commission.

Item 3

Ensure to Regularly Monitor Funding of Guaranty Fund

We noted that at the end of 2024, the Association's restricted investments to cover for the Guaranty Fund was deficient by ₱733,821, i.e., Guaranty Fund of ₱15,770,025 less restricted investments of ₱15,036,204. The difference could be attributed to the increase of the premium contributions during the year. In view thereof, we recommend that the Association allocate funds for restricted investments approximating the deficiency.

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This report is submitted solely for the information of the Board of Directors and management and should not be quoted or shown to other parties outside of the Association because of the possibility of misunderstanding by persons who may not be aware of the objectives and limitations, as well as the special circumstances surrounding our examination of the Association's financial statements. We will accept no responsibility to any third party in relation to it.

Please let us know should you have queries on the foregoing matters.

Very truly yours,



PTB No. 6133948 A

January 2, 2025

Cagayan de Oro City