QUILAB & GARSUTA
Certified Public Accountants
quilabgarsuta.com

Accreditations, Expiry
PRC/BOA 7787, 07.05.23
BIR 16-007506-000-2022, 04.13.25
NEA 2020-12-00070, 12.10.23
7787-SEC Group B, 12.17.25
7787-BSP Group B, 12.10.25
7787-IC Group A, 12.10.25
CDA 119-AF, 03.01.24
MISEREOR

CERTIFICATION

INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Gentlemen:

In connection with our engagement in the audit of the financial statements of KCCDFI Mutual Benefit Association, Inc. for the year ended December 31, 2021, we hereby certify:

(1) That there were no weaknesses 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 we 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., (i) fraud or error; (ii) losses aggregating 10% of consolidated assets of the Association; (iii) significant going-concern issues; (iv) material breach of IC rules and regulations; (v) material internal control weaknesses, and (vi) 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 No. 2019-39, dated August 8, 2019.

Done this 27th day of April 2022 at Cagayan de Oro City, Philippines.

ANA MARIAE MICHELLE D. QUILAB-ARRABACA
Engagement Partner

SUBSCRIBED AND SWORN to before me this 27th day of April 2022 affiant exhibited to me her PRC Identification Number 0121076 valid until June 28, 2023.

ATTY. MARLEN LEZADA-ROSABAL
Notary Public until December 31, 2022
NC-2021-10_/TIN No. 947-407-463
IBP Receipt No. 191370 /01-10-22
PTR Receipt No. 5187810 / 12-16-2021
MCLE No. VI-0003973 /Roll No. 53882

NOTARY PUBLIC
Doc. No. 138
Page No. 27
Book No. 02
Series of 2022.

2F KCCDFI Building
MCLL Highway, Guiwan
7000 Zamboanga City, Philippines
Tel. No. (062) 990-2429
Email: kccdfi_mba@yahoo.com

KCCDFI Mutual Benefit Association, Inc.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of KCCDFI Mutual Benefit Association, Inc. is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, have audited the financial statements of the Association in accordance with Philippine Standards on Auditing (PSAs), and in their reports to the Board of Trustees, have expressed its opinion on the fairness of presentation upon completion of such audits.

April 23, 2022, in the City of Zamboanga, Philippines.

MARY ANN R. CANDOY
President

MARIA TERESA C. GONZALES
General Manager

JESSICA A. ARANETA
Treasurer

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Certified Public Accountants
quilabgarsuta.com

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CDA 119-AF, 03.01.24
MISEREOR

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members
KCCDFI Mutual Benefit Association, Inc.
2nd Floor, KCCDFI Building, MCLL Highway
Guiwan, Zamboanga City

Report on the Financial Statements

Opinion
We have audited the financial statements of KCCDFI Mutual Benefit Association, Inc. which comprise the statements of financial position as at December 31, 2021 and 2020, the statements of profit or loss and other comprehensive income, 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 significant accounting policies and other explanatory notes (collectively referred to as 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KCCDFI Mutual Benefit Association, Inc. as of December 31, 2021 and 2020, 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 *Auditor's 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 audits 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 audit. We also:

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our 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 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements, taken as whole.

QUILAB & GARSUTA, CPAs
By:

ANA MARIAE MICHELLE D. QUILAB-ARRABACA
Partner
CPA Cert. No. 121076
TIN No. 948-844-710
PRC/BOA Cert. No. 7787 (7.05.2023)
BIR No. 16-007506-001-2022 (4.13.2025)
121076-SEC Group B (12.17.2025)
121076-BSP Group B (12.10.2025)
121076-IC Group A (12.10.2025)
PTR No. 5222006 A
January 3, 2022

April 23, 2022
Cagayan de Oro City, Philippines

RDO ZAMBOANGA RDO 9A ZAMBO. CITY
RECEIVED
APR 29 2022

STATEMENTS OF FINANCIAL POSITION
KCCDFI Mutual Benefit Association, Inc.

December 31,	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents *(Note 4)*	₱9,342,403	₱25,718,002
Investments in debt and equity securities *(Note 7)*	41,627,670	45,991,550
Receivables from agents and others *(Note 5)*	615,950	1,579,638
Prepayments and other assets *(Note 6)*	103,375	27,583
Total Current Assets	51,689,398	73,316,773
Non-Current Assets		
Investments in debt and equity securities *(Note 7)*	62,239,313	39,254,264
Property and equipment – net *(Note 8)*	359,335	511,385
Right-of-use asset – net *(Note 8)*	717,852	840,913
Total Non-Current Assets	63,316,500	40,606,562
	₱115,005,898	₱113,923,335
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Trade and other payables *(Note 9)*	₱1,648,052	₱1,425,213
Insurance contract liabilities *(Note 10)*	744,194	442,586
Lease liability *(Note 8)*	111,893	103,127
Total Current Liabilities	2,504,139	1,970,926
Non-Current Liabilities		
Aggregate reserves for unexpired risks *(Note 11)*	38,434,769	42,508,491
Retirement Trust Fund *(Note 12)*	35,579,410	33,869,159
Lease liability *(Note 8)*	689,365	801,258
Total Non-Current Liabilities	74,703,544	77,178,908
Total Liabilities	77,207,683	79,149,834
Fund Balances		
Guaranty Fund *(Note 13)*	17,892,540	17,029,019
Members' Benefits Fund *(Note 14)*	439,038	–
General Fund *(Note 15)*	18,427,086	16,820,676
Revaluation reserve on investments at FVTOCI *(Note 7)*	1,039,551	923,806
Total Fund Balances	37,798,215	34,773,501
	₱115,005,898	₱113,923,335

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

KCCDFI Mutual Benefit Association, Inc.

Years Ended December 31,	2021	2020
REVENUE		
Gross members' premium contributions *(Note 16)*	₱17,270,421	₱14,914,031
Less contributions to Guaranty Fund *(Note 13)*	863,521	745,702
Net members' premium contributions	16,406,900	14,168,329
Interest and investment income *(Notes 4 and 7)*	1,736,060	1,740,568
Interest income on unremitted collections *(Note 5)*	538,375	1,221,120
Membership fees *(Note 16)*	361,900	242,850
Other income *(Note 17)*	919,415	490,320
Total Revenue	19,962,650	17,863,187
BENEFITS AND OPERATING EXPENSES		
Gross benefits and claims paid to members *(Notes 10 and 16)*	14,489,443	10,698,464
Increase (decrease) in aggregate reserves for unexpired risks *(Note 11)*	(4,073,722)	1,860,484
Collection expenses *(Note 20)*	1,567,786	1,323,939
Interest expense *(Note 12)*	282,135	332,258
Membership enrolment and marketing expenses	186,331	205,430
Total Members' Benefits and Expenses	12,451,973	14,420,575
Compensation and employees' benefits *(Note 18)*	3,231,261	3,250,410
General and administrative expenses *(Note 19)*	1,918,117	2,041,873
Depreciation *(Note 8)*	315,851	334,157
Total Benefits and Operating Expenses	17,917,202	20,047,015
NET SURPLUS (DEFICIT) FOR THE YEAR	2,045,448	(2,183,828)
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may not be subsequently reclassified to profit or loss:		
Changes in value of investments at FVTOCI *(Note 7)*	1,039,551	923,806
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	₱3,084,999	(₱1,260,022)

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN FUND BALANCES

KCCDFI Mutual Benefit Association, Inc.

December 31,	2021	2020
GUARANTY FUND *(Note 13)*		
Opening balances	₱17,029,019	₱16,283,317
Contributions from members during the year	863,521	745,702
Closing balances	17,892,540	17,029,019
MEMBERS' BENEFITS FUND *(Note 14)*		
Opening balances	–	–
Allocation from General Fund *(Note 15)*	439,038	–
Closing balances	439,038	–
GENERAL FUND *(Note 15)*		
Opening balances	16,820,676	19,004,504
Allocation to Members' Benefits Fund	(439,038)	–
Opening balances, as restated	16,381,638	19,004,504
Net surplus (deficit) for the year	2,045,448	(2,183,828)
Closing balances	18,427,086	16,820,676
REVALUATION RESERVE ON INVESTMENTS AT FVTOCI *(Note 7)*		
Opening balances	923,806	440,400
Changes in value of investments during the year	115,745	483,406
Closing balances	1,039,551	923,806
	₱37,798,215	₱34,773,501

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

KCCDFI Mutual Benefit Association, Inc.

Years Ended December 31,	2021	2020
CASH FLOWS FOR OPERATING ACTIVITIES		
Net surplus (deficit) for the year	₱2,045,448	(₱2,183,828)
Add (deduct) adjustments for:		
Depreciation – property and equipment *(Note 8)*	192,790	211,096
Depreciation – right-of-use assets *(Note 8)*	123,061	123,061
Increase in aggregate reserves for risks *(Note 11)*	(4,073,722)	1,860,484
Interest on lease liability *(Note 8)*	76,873	84,952
Interest and investment income *(Notes 4 and 7)*	(1,736,060)	(1,740,568)
Operating deficit before changes in working capital	(3,371,610)	(1,644,803)
Add (deduct) changes in working capital, excluding cash and cash equivalents:		
Decrease in receivables from agents and others *(Note 5)*	963,688	29,393,306
Decrease (increase) in prepayments and other current assets *(Note 6)*	(75,792)	27,967
Increase in trade and other payables *(Note 9)*	222,839	64,234
Increase (decrease) in insurance contract liabilities *(Note 10)*	301,608	(166,295)
Net Cash (Used for) Provided from Operating Activities	(1,959,267)	27,674,409
CASH FLOWS FOR INVESTING ACTIVITIES		
Additions to property and equipment *(Note 8)*	(40,740)	(25,550)
Increase in investments in debt and equity securities *(Note 7)*	(18,505,424)	(10,551,846)
Interest and investment income *(Notes 4 and 7)*	1,736,060	1,740,568
Net Cash Used for Investing Activities	(16,810,104)	(8,836,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Retirement Trust Fund *(Note 12)*	1,710,251	1,409,882
Increase in contributions to Guaranty Fund *(Note 13)*	863,521	745,702
Payment of lease principal and interest *(Note 8)*	(180,000)	(180,000)
Net Cash Provided from Financing Activities	2,393,772	1,975,584
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,375,599)	20,813,165
OPENING CASH AND CASH EQUIVALENTS	25,718,002	4,904,837
CLOSING CASH AND CASH EQUIVALENTS *(Note 4)*	₱9,342,403	₱25,718,002

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

KCCDFI Mutual Benefit Association, Inc.

As of and for the Years Ended December 31, 2021 and 2020

Note 1

Organization and Tax Exemption

The KCCDFI Mutual Benefit Association, Inc. (henceforth referred to as "Association") is a mutual benefit association organized by the Kasanyangan Center for Community Development Foundation, Inc. (KCCDFI) for the primary purpose of providing life insurance and other allied services to the Foundation's members and beneficiaries. It was registered with the Securities and Exchange Commission (SEC) on June 12, 2008 and started operations on September 1, 2008, while still obtaining its secondary license from the Insurance Commission (IC), which the Association subsequently obtained on October 15, 2009.

The Association has 17,383 members at the end of 2021.

The Association was organized to: (1) extend financial assistance to its members, their spouses, children and parents in the form of death and sickness benefits, provident savings and loan redemption assistance; and (2) ensure continued access to benefits/resources by actively involving the members in the management of the Association that would include implementation of policies and procedures geared towards sustainability and improved services.

Besides providing benefits to members through the mutual benefit fund, the Association also undertakes the provision of micro-insurance and retirement savings to members. Its loan insurance package aims to cover members' loan payments to all accredited lending institutions in case of death or physical disability of member/borrower. The member-borrower contributes 1.5% of his principal loans payable in one (1) year, or 0.08% to 0.75% of his principal for loans payable in six (6) months, or 0.04% to 0.38% of his principal for loans payable in three (3) months. The coverage of the Fund is co-terminus with the term of the loan.

The Retirement Savings Fund is a regular feature in the membership requirements of the Association. A member is required to pay a weekly contribution of ₱5.00, which is refunded to the member upon reaching the age of 65 or if a member resigns from the Association prior to reaching 65. The member is entitled to the payment of 100% of his total contributions plus interest earnings. Interest shall be credited to the fund every anniversary at 2% per annum.

The Association maintains its Head Office at the Second Floor of KCCDFI Building located along Ma. Clara L. Lobregat Highway, Guiwan, Zamboanga City. The Head Office and the branches of KCCDFI act as the collecting agents of the Association for certain collection fees.

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

Note 2

Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

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) and adopted by the Board of Accountancy of the Professional Regulation Commission (BOA/PRC) and 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 Standards that are Effective for the Current Year
The following Standards were developed and issued by the International Accounting Standards Board (IASB), an independent, private-sector body that develops and approves International Financial Reporting Standards (IFRSs). The IASB was formed in 2001 to replace the International Accounting Standards Committee (IASC).

The Philippine Financial Reporting Standards Council (FRSC) was established under the Implementing Rules and Regulations of the Philippine Accountancy Act of 2004 to assist the Board of Accountancy (BOA) in carrying out its power and function to promulgate accounting standards in the Philippines. The FRSC's main function is to establish generally accepted accounting principles in the Philippines through its review and adoption of the Standards issued by the IASB. The FRSC formed the PIC in August 2006 to assist the FRSC in establishing and improving financial reporting standards in the Philippines. The role of the PIC is principally to issue implementation guidance on PFRSs. Implementation guidance approved by the PIC shall be forwarded to the FRSC and BOA/PRC for approval before issuance to the public as final guidance.

The Securities and Exchange Commission (SEC) has the authority to prescribe the financial reporting framework to be used by corporations in the Philippines. These general financial reporting requirements are set out in Rule 68 of the Securities Regulation Code (SRC). The Bangko Sentral ng Pilipinas (BSP) and the Insurance Commission (IC) are the primary regulators of banking institutions and insurance companies, respectively, which issue rules and guidelines that include financial reporting matters.

The following new and amended IFRS Standards have been reviewed and/or adopted in the Philippines by the FRSC for the BOA/PRC.

Impact of the Initial Application of Interest Rate Benchmark Reform
These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the prior year, the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to PFRS 9/PAS 39 and PFRS 7 were implemented. In the current year, the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16 were also implemented. By adopting these amendments an entity will be able to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments are not relevant to the Association as it has no hedge instruments

Impact of the Initial Application of COVID-19-Related Rent
<u>Concessions Beyond 30 June 2021 — Amendment to PFRS 16</u>

In the prior year, the Association adopted Covid-19-Related Rent Concessions (Amendment to PFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In March 2021, the IASB issued Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022. This Amendment was adopted by the FRSC for the (BOA/PRC) on April 14, 2021 and made effective beginning April 1, 2021.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease

In the current year, the Association has applied the amendment to PFRS 16. The impact however on this Amendment was nil as the Association's lease of its office space is renewable annually and it has not received any rent concessions related to COVID-19 Pandemic.

<u>New and Revised IFRS Standards in Issue but not yet Effective</u>

At the date of authorization of these financial statements, the Association has not applied the following new and revised PFRS Standards that have been issued but are not yet effective [and in some cases] had not yet been adopted by the FRSC:

PFRS 17 (including the June 2020 Amendments)	Insurance Contracts
Amendments to PFRS 10 and PAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to PAS 1	Classification of Liabilities as Current or Non-current
Amendments to PFRS 3	Reference to the Conceptual Framework
Amendments to PAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to PAS 37	Onerous Contracts—Cost of Fulfilling a Contract
Annual Improvements to PFRS Standards 2018-2020 Cycle	Amendments to PFRS 1 First-time Adoption of International Financial Reporting Standards, PFRS 9 Financial Instruments, PFRS 16 Leases, and PAS 41 Agriculture
Amendments to PAS 1 and PFRS Practice Statement 2	Disclosure of Accounting Policies

Amendments to PAS 8	Definition of Accounting Estimates
Amendments to PAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Corporation's Board of Trustees do 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 as noted below:

PFRS 17 Insurance Contracts
PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 *Insurance Contracts*. PFRS 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 Board 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 Board 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.

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.

In the Philippines, the Insurance Commission (IC) approved to defer the implementation of IFRS 17 (it will become PFRS 17) to January 1, 2023, per IC Circular Letter No. 218-69, dated December 28, 2018. This Circular was further amended by Circular Letter No. 2020-62, dated May 18, 2020, further extending the implementation of IFRS 17 to January 1, 2025.

The Association anticipates no impact on PFRS 17 in its 2021 financial statements.

Amendments to PFRS 10 Consolidated Financial Statements and PAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB Board; however, earlier application of the amendments is permitted. The Association's Board of Trustees anticipate that the application of these amendments may have an impact on the Association's financial statements in future periods should such transactions arise.

Amendments to PAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to PAS 1 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.

The amendments were adopted by the FRSC on February 12, 2020 and August 19, 2020 and are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to PFRS 3 Business Combinations—Reference to the Conceptual Framework

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments were adopted by the FRSC ON August 19, 2020 and are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to PAS 16 Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments were adopted by the FRSC on August 19, 2020 and are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to PAS 37 Provisions, Contingent Liabilities and
Contingent Assets—Onerous Contracts—Cost of Fulfilling a Contract
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments were adopted by the FRSC on August 19, 2020 and are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to PFRS Standards 2018-2020
The Annual Improvements include amendments to four Standards, which were adopted by the FRSC on August 19, 2020 and are effective for annual periods beginning on or after 1 January 2022, with early application permitted. These are as follows:

PFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

PFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

PFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to PFRS 16 only regards an illustrative example, no effective date is stated.

PAS 41 Agriculture
The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e., for fair value measurements on or after the date an entity initially applies the amendment.

Amendments to PAS 1 Presentation of Financial Statements and
PFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies
The amendments change the requirements in PAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

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

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in PFRS Practice Statement 2.

The amendments to PAS 1 were adopted by the FRSC on April 14, 2021 and are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to PFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to PAS 8 Accounting Policies, Changes in
Accounting Estimates and Errors—Definition of Accounting Estimates
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing PAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments were adopted by the FRSC on April 14, 2021 and are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to PAS 12 Income Taxes—Deferred Tax
related to Assets and Liabilities arising from a Single Transaction
The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying PFRS 16 at the commencement date of a lease.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to PAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:

  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments were adopted by the FRSC on June 9, 2021 and are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Basis of Preparation
The financial statements have been prepared using the 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.

Significant Accounting Policies
The principal accounting policies adopted are set out below.

Going Concern
The Board of Trustees has, at the time of approving the financial statements, a reasonable expectation that the Association 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.

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.

Financial Assets
All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets

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

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

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

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

(i) *Amortized Cost and Effective Interest Method*

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

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

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

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

For purchased or originated credit-impaired financial assets, the Association recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the 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 the Association's significant accounting policies.

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, which is five (5) years.

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

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

The carrying values of 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.

Right-of-Use Assets
Right-of-use assets are depreciated over the shorter period of the lease term and the 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.

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 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.

Revaluation Reserves on FVTOCI Investments
The accumulated other comprehensive income account is an equity category comprised of the cumulative amounts of other comprehensive income (OCI). OCI presently comprises the change in the fair value of the investments in FVTOCI.

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

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

PFRS 4 defines an insurance contract as a 'contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.' PFRS 4 temporarily exempts the

Association from some requirements of other PFRSs until the efficacy of PFRS 17, beginning January 1, 2023. (Per IC Circular Letter No. 218-69, dated December 28, 2018) This Circular was further amended by Circular Letter No. 2020-62, dated May 18, 2020, further extending the implementation of IFRS 17 to January 1, 2025. However, the Standard: (a) prohibits provisions for possible claims under contracts that are not in existence at the reporting date; (b) requires a test for the adequacy of recognized insurance liabilities and an impairment test for reinsurance assets, and (c) requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and prohibits offsetting insurance liabilities against related reinsurance assets and income or expense from reinsurance contracts against the expense or income from the related insurance contract.

The Association recognizes revenue as follows:

(1) *Premium Contributions*
This represents considerations given by the member in exchange for the promises of the MBA to pay a stipulated sum in the event of a loss covered under the basic benefits indicated in the Internal Rules and Regulations (IRR) of the MBA and/or membership certificates. 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 upon payment of the first contribution to the Association, representing 50% of the total membership dues collected;
- 35% goes to cover basic benefits of members;
- 5% goes to Guaranty Fund; and
- the remaining 10% goes to general operations, to cover administrative costs.

The Association collects its premiums through KFI Center for Community Development Foundation, Inc. (KCCDFI), an affiliate.

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

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

For each contract with a customer, the Association:

(1) Identifies the contract with a customer;
(2) Identifies the performance obligations in the contract;
(3) Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
(4) Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and

(5) Recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

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

(4) *Cost and Expenses*

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

Insurance-related costs are accounted as follows:

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

- Plan benefits and claims paid to members, including refund of members' equity value, are recognized for benefits availed of by members/beneficiaries.

- Collection costs (representing commissions to collecting affiliate) are due and payable for every premium income recognized. Commission rates are based on IC-approved rates.

(5) *Grants, Donations and Other Income*

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

Compensation and Employees Benefits Expense

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

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

- *Short-Term Employee Benefits*

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

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

- *Post-Employment Benefit Plans*
  Post-employment benefit plans that are provided to employees only cover their retirement benefits, which are paid in lump sum payments at the time of their retirements. The retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an 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 than12 months after the statement of financial position date are discounted to present value.

Leases
The Association has applied PFRS 16 *Leases* beginning January 1, 2019. PFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Applying PFRS 16, for all leases, the Association: (a) recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments; (b) recognizes depreciation of right-of-use assets and interest on lease liabilities in profit or loss, and (c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows. Lease incentives (e.g., rent-free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under PAS/IAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses generally on a straight-line basis.

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

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 and the corresponding lease liability are presented separately in the statement of financial position as required under IC Circular Letter No. 2019-70, dated December 2, 2019.

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 'Property and 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

Leases, for which the Association is a lessor, are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Association is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Association's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Association's net investment outstanding in respect of the leases. Subsequent to initial recognition, the Association regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of PFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance). When a contract includes both lease and non-lease components, the Association applies PFRS 15 to allocate the consideration under the contract to each component.

The Association is not a lessor of properties.

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 and Contingent Liabilities
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 Bank 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 3
Significant Accounting Estimates and Judgments

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

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

Business Model Assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model tests. 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.

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

Note 4
Cash and Cash Equivalents

This account consists of the following:

December 31,	2021	2020
Petty cash fund	₱10,000	₱10,000
Cash in banks	4,257,574	21,694,830
Cash equivalents	5,074,829	4,013,172
	₱9,342,403	₱25,718,002

The cash in banks earn interest at the prevailing market rates. The cash equivalents represent time deposits in commercial banks with maturity dates ranging from 30 to 90 days but can be withdrawn at any time before maturity. Interest income earned from bank deposits amounted ₱72,272 in 2021 and ₱19,065 in 2020.

Note 5
Receivables from Agents and Others

This account consists of the following:

December 31,	2021	2020
Accounts receivable – agents	₱435,235	₱1,631,609
Advances to officers and employees	429,840	201,102
Accrued interest receivable	8,883	4,935
Total	873,958	1,837,646
Less allowance for expected credit losses (ECL)	258,008	258,008
Net	₱615,950	₱1,579,638

Nature of the Receivables
The receivable from agent consists principally of receivables from KFI Center for Community Development Foundation, Inc. (KCCDFI), a micro-finance NGO based in Zamboanga City, whose main office and branches serve as the collecting agents of the Association. The receivables represents actual collections of agents at the end of the year but are subsequently remitted to the Association on a staggered basis. The Association recognizes the delay in the remittances of the agents of its collection of members' contributions, and as agreed, interest at 6% per annum are charged on the unremitted amount. Total interest income earned on the unremitted collections amounted ₱538,375 in 2021 and ₱1,221,120 in 2020.

By Age of the Accounts

December 31, 2021	*Current*	*Past Due*	*Total*
Accounts receivable – agents	₱435,235	₱–	₱435,235
Advances to officers and employees	429,840	–	429,840
Accrued interest receivable	8,883	–	8,883
	₱873,958	₱–	₱873,958

December 31, 2020	*Current*	*Past Due*	*Total*
Accounts receivable – agents	₱1,631,609	₱–	₱1,631,609
Advances to officers and employees	201,102	–	201,102
Accrued interest receivable	4,935	–	4,935
	₱1,837,646	₱–	₱1,837,646

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 reconciliation of the allowance for expected credit losses during the period is presented as follows:

December 31,	2021	2020
Opening balances	₱258,008	₱363,199
Accounts written-off	–	(105,191)
Closing balances	₱258,008	₱258,008

No ECL was provided during the year as the existing allowance already covers the required ECL.

The accounts written-off in 2020 represent the loans that have been uncollected over long periods of time and have been recommended by management for write-off after exhausting all possible collection strategies. The accounts written-off have been approved by the Board of Directors.

Management believes the remaining receivables were not impaired at the end of the year.

Note 6
Details of Prepayments and Other Current Assets

December 31,	2021	2020
Unused office supplies	₱15,000	₱27,583
Prepaid taxes and licenses	88,375	–
	₱103,375	₱27,583

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

Note 7
Investments in Debt and Equity Securities

This account consists of the following investments in:

December 31,	2021	2020
Investment in debt securities at amortized cost	₱92,827,432	₱74,322,008
Investment in equity securities at FVTOCI	11,039,551	10,923,806
Total	103,866,983	85,245,814
Less presented under current portion	41,627,670	45,991,550
Presented under non-current portion	₱62,239,313	₱39,254,264

Investment in Debt Securities Accounted at Amortized Cost
These investments were acquired through the following banks:

December 31,	2021	2020
Treasury Bills		
Land Bank of the Philippines (LBP)	₱16,847,808	₱8,607,893
Metropolitan Bank and Trust Company (MBTC)	19,961,084	14,257,423
Total	36,808,892	22,865,316
Retail Treasury Bonds		
Metropolitan Bank and Trust Company (MBTC) – unrestricted	17,859,381	26,347,598
Metropolitan Bank and Trust Company (MBTC) – restricted	20,096,112	-
Land Bank of the Philippines (LBP) – unrestricted	18,063,047	8,312,072
Land Bank of the Philippines (LBP) – restricted	-	16,797,022
Total	56,018,540	51,456,692
	₱92,827,432	₱74,322,008

The Association earned interest income from the investments amounting ₱1,663,788 in 2021 and ₱1,721,503 in 2020.

Treasury Bills
Treasury bills represent short-term, zero-coupon investments in quoted government debt securities which are typically issued at a discount on its face value. The treasury bills purchased through LBP and MBTC will mature on various dates in 2022.

The roll forward analysis of this account is as follows:

December 31,	2021	2020
Face value	₱36,891,000	₱22,914,000
Net discount	(82,108)	(48,684)
Carrying amount	₱36,808,892	₱22,865,316

Retail Treasury Bonds
Retail treasury bonds are medium- to long-term, coupon investments in quoted government debt securities which are issued either at a premium or discount on its face value.

The retail treasury bonds purchased through LBP have coupon rates ranging from 2.375% to 4.625% that will mature on February 11, 2023 and June 2, 2027. The retail treasury bonds purchased through MBTC have coupon rates ranging from 2.625% to 4.875% that will mature on December 4, 2022, February 11, 2023, March 9, 2024, August 12, 2025, and June 2, 2027.

The roll forward analysis of the unrestricted account is as follows:

December 31,	2021	2020
Face value	₱55,570,000	₱51,258,000
Net premium	448,540	198,692
Carrying amount	₱56,018,540	₱51,456,692

Restrictions on Investments in Debt Securities
The Association assigns to the Insurance Commission (IC) its investments in debt securities 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 Association assigned retail treasury bonds purchased through MBTC amounting to ₱20,096,112, with face value of ₱20,070,000, to cover the Guaranty Fund of ₱17,892,540. (See Note 13.)

Investment in Equity Securities Accounted at Fair Value through Other Comprehensive Income (FVTOCI)
This consists of Unit Investment Trust Fund (UITF) investments in BPI's Bayanihan Balanced Fund, initially purchased at ₱10 million, with fair value at the end of 2021 amounted ₱11,039,551. The increase in value of the investment, amounting ₱1,039,551, was recorded in the other comprehensive income for the year.

Note 8
Property and Equipment and Right-of-Use Asset – Net

Details of Property and Equipment – Net

December 31,	2021	2020
Property and Equipment		
Furniture, fixtures and office equipment	₱1,085,060	₱1,044,320
Transportation equipment	709,000	709,000
Leasehold improvements	111,558	111,558
Total	1,905,618	1,864,878
Less accumulated depreciation	1,546,283	1,353,493
Net Book Value	₱359,335	₱511,385

Reconciliation of the Movements of the Accounts

December 31, 2021	*Opening Balances*	*Additions*	*Retirements*	**Closing Balances**
Cost				
Furniture, fixtures & office equipment	₱1,044,320	₱40,740	₱–	₱1,085,060
Transportation equipment	709,000	–	–	709,000
Leasehold improvements	111,558	–	–	111,558
Total	1,864,878	40,740	–	1,905,618
Less accumulated depreciation				
Furniture, fixtures & office equipment	995,034	43,067	–	1,038,101
Transportation equipment	266,833	141,800	–	408,633
Leasehold improvements	91,626	7,923	–	99,549
Total	1,353,493	192,790	–	1,546,283
Net Book Value	₱511,385	(₱152,050)	₱–	₱359,335
December 31, 2020				
Cost				
Furniture, fixtures & office equipment	₱1,018,770	₱25,550	₱–	₱1,044,320
Transportation equipment	709,000	–	–	709,000
Leasehold improvements	111,558	–	–	111,558
Total	1,839,328	25,550	–	1,864,878
Less accumulated depreciation				
Furniture, fixtures & office equipment	933,661	61,373	–	995,034
Transportation equipment	125,033	141,800	–	266,833
Leasehold improvements	83,703	7,923	–	91,626
Total	1,142,397	211,096	–	1,353,493
Net Book Value	₱696,931	(₱185,546)	₱–	₱511,385

Right-of-Use Assets – Net

This consists of the following:

December 31,	2021	2020
Right-of-use asset	₱1,087,035	₱1,087,035
Less accumulated depreciation	369,183	246,122
Net Book Value	₱717,852	₱840,913

The Association has a lease contract for the use of its office space which covers ten (10) years, effective from November 1, 2017 to October 31, 2027, at a monthly rate of ₱15,000. In view thereof, the Association recognizes right-of-use asset for eight (8) years, and it is reflected in the statement of financial position as a right-of-use asset and a lease liability.

The Association discounted the future lease payments at 8.50% per annum, the incremental borrowing rate based on an actual offer of a bank for a loan that is collateralized by the investment in financial instruments invested in the same bank. The observable rate was no longer adjusted for credit risk and other factors as management determined that any adjustments are immaterial. Total interest expense amounted ₱76,873 in 2021 and ₱84,952 in 2020.

The Association initially recognized in 2019 the right-of-use asset at ₱1,087,035 and recognized the corresponding lease liability amounting ₱999,433. The depreciation was computed at ₱123,061 both in 2021 and 2020.

Total lease payments (including interest) amounted ₱180,000 both in 2021 and 2020.

Accounting of the Movement of Right-of-Use Assets

December 31, 2021	*Opening Balances*	*Additions*	*Retirement*	*Closing Balances*
Right-of-use asset	₱1,087,035	₱–	₱–	₱1,087,035
Less accumulated depreciation	246,122	123,061	–	369,183
Net Book Value	₱840,913	(₱123,061)	₱–	₱717,852
December 31, 2020				
Right-of-use asset	₱1,087,035	₱–	₱–	₱1,087,035
Less accumulated depreciation	123,061	123,061	–	246,122
Net Book Value	₱963,974	(₱123,061)	₱–	₱840,913
Total Net Book Value	₱1,087,035	₱–	₱–	₱1,087,035

Details of Lease Liability

December 31,	2021	2020
Current (portion due for the next 12 months)	₱111,893	₱103,127
Non-current (portion due in excess of 12 months, until October 31, 2027)	689,365	801,258
Total Lease Liability	₱801,258	₱904,385

Each lease generally imposes a restriction that, unless there is a contractual right for the Association to sublet the asset to another party, the right-of-use asset can only be used by the Association. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Association is prohibited from selling or pledging the underlying leased assets as security.

For leases over office spaces premises, the Association must keep the properties in good states of repair and return the properties in their original condition at the end of the lease. Further, the Association must insure items of property and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Note 9
Trade and Other Payables

This account consists of the following:

December 31,	2021	2020
Accrued expenses	₱831,769	₱758,490
Retirement benefit obligations (See paragraph below.)	613,433	456,733
Accounts payable – others	200,000	200,000
Unearned premiums	2,850	9,990
	₱1,648,052	₱1,425,213

Accrued expenses include unpaid commissions to agents; accounts payable – others represents a trust fund payable.

Retirement Benefit Obligation
The Association's regular/permanent employees are provided with retirement benefits beginning 2021, based on the 67% of the gross salaries of the entitled employees plus one-twelfth (1/12) of the 13th month pay. 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 noncontributory and is presently unfunded.

Total pension expenses charged to operations amounted to ₱210,977 in 2021.

The management of the Association recognizes the fact that the recorded retirement benefit liability is not based on actuarial valuations, it considers the anticipated effect of the matter to be presently immaterial. The management will access the services of an Actuary as soon as there is need to do so.

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

Note 10
Insurance Contract Liabilities

This account consists of the following:

December 31,	2021	2020
Incurred but not reported claims	₱469,182	₱347,416
Claims due and unpaid	149,512	81,976
Claims in the course of settlement	125,500	13,194
	₱744,194	₱442,586

Incurred but not reported claims is the sum of individual claims on membership certificates that have already occurred, but notice has not been received by MBA before reporting date. These refers to deaths which occurred before December 31, 2021 but were reported after December 31, 2021.

Incurred but not reported claims are claims reported beyond the reporting date whose date of claim happened three months before the reporting date. For 2021, claims reported in the months of November 2021, December 2021 and January 2022 whose date of death/claim is before November 1, 2021 are included in this category.

Claims due and unpaid benefits represent claim benefits that have been processed and that the Association recognizes liability on the claims by the member or its beneficiaries. The aggregate liability includes checks payments that are still outstanding at the accounting office for various reasons like returned/staled checks, undelivered checks to addressees either because the addressees changed addresses or refused to accept payment, etc.

Claims in the course of settlement are claims reported and unpaid at the end of the year pending submission of documentary requirements. No decision has yet been made whether to deny or to pay the claim. Resisted or denied claims, if any, are claim benefit applications whose benefit payments are being contested/resisted by the Association due to infraction(s) of the Association's Rules and Regulations.

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

Total basic and optional benefits paid to members amounted ₱9,952,986 in 2021 and ₱6,321,465 in 2020.

Note 11
Aggregate Reserves for Unexpired Risks

This consists of the following reserves:

December 31,	2021	2020
Aggregate reserves for members' equity	₱37,764,873	₱41,942,957
Aggregate reserves for credit policies	494,464	389,615
Aggregate reserves for life policies	175,432	175,919
	₱38,434,769	₱42,508,491

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

December 31, 2021	*Reserves for Credit Policies*	*Reserves for Members' Equity*	*Reserves for Life Policies*	*Total*
Provisions during 2008	₱–	₱13,562,425	₱–	₱13,562,425
Provisions during 2009	608,497	7,044,721	199,282	7,852,500
Provisions during 2010	201,500	6,241,570	84,297	6,527,367
Provisions during 2011	315,117	5,361,161	(71,374)	5,604,904
Provisions during 2012	(108,107)	5,318,774	8,659	5,219,326
Provisions during 2013	(300,315)	4,374,946	(14,421)	4,060,210
Provisions during 2014	(251,350)	2,355,337	1,397	2,105,384
Provisions during 2015	(142,161)	(146,676)	(37,897)	(326,734)
Provisions during 2016	9,256	1,409,321	(14,226)	1,404,351
Provisions during 2017	27,268	1,186,534	7,436	1,221,238
Provisions during 2018	30,118	(9,714,420)	(13,243)	(9,697,545)
Provisions during 2019	99,066	2,965,910	49,605	3,114,581
Provisions during 2020	(99,274)	1,983,354	(23,596)	1,860,484
Balances, January 1, 2021	389,615	41,942,957	175,919	42,508,491
Provisions during 2021	104,849	(4,178,084)	(487)	(4,073,722)
Balances, December 31, 2021	₱494,464	₱37,764,873	₱175,432	₱38,434,769

The aggregate policy reserves 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.

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 less claims paid. The equity is payable to the members upon termination of their membership in the Association. In accordance with the same Code, the Association is required to put up a reserve liability not lower than the equity value of all in-force, active certificates as at the end of each calendar year, hence, the Association sets up the 50% of its gross premium collections as its reserves for members' equity.

The reserve for credit life insurance represents the amount which is considered adequate to cover future guaranteed benefits on a debtor pursuant to or in connection with his/her specific loans and other credit transactions with the members of the Association.

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 reported 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.

In accordance with its policies, those that withdrew their equity and were below the required three (3) full years of being continuously in force were charged with 40% surcharges.

The Association recognized other income on the surrender charges amounting ₱360,167 during 2021 and ₱363,676 during 2020.

Note 12
Retirement Trust Fund

The ₱5.00 contributions for retirement savings fund (See Note 16.) and any interest accruals thereon shall go to the Retirement Savings Account which is intended to finance the retirement obligations in the event of the members' resignation and termination of coverage. The fund incurs interest at 2% per annum which was reduced to 1% in 2021 as per Board Resolution No. 02, Series of 2021.

The cumulative retirement trust fund amounted ₱35,579,410 at the end of 2021 and ₱33,869,159 at the end of 2020. Interest incurred amounted ₱282,135 in 2021 and ₱332,258 in 2020.

The interest income or capital gains net of investment expenses that would be derived from the prudent account management of the Association's funds is allocated to the Investment Income Account which may be distributed to the Equity Account. After satisfying the minimum interest that must be credited to the Equity Account the remaining Investment Account may be allocated to the General Account.

Note 13
Guaranty Fund

This represents the amount required by the Insurance Commission (IC) to be established to guaranty the benefits and security of policyholders and creditors of the Association, in accordance with the provisions of The Amended Insurance Code (R.A. No. 10607). Every member of the Association is required to contribute equivalent to 5% of its weekly premium contribution as its contribution to the Guaranty Fund.

The Guaranty Fund is invested in quoted government debt securities held by the Bureau of the Treasury and is restricted in accordance with the policies set forth by the IC. (See Note 7.)

The following is the accounting of the Guaranty Fund:

December 31,	2021	2020
Opening balances	₱17,029,019	₱16,283,317
Contribution from members representing 5% of total premiums received	863,521	745,702
Closing balances	₱17,892,540	₱17,029,019

Note 14
Members' Benefits Fund

This account is composed of the Members' Benefits Fund, which are appropriations from the General Fund as per the recommendation of the Insurance Commission. The Fund represents portion of the fund balance that shall be used to provide benefits to members.

During the year, the Association's Board of Trustees approved the initial appropriation of ₱439,038 from the General Fund to the Members' Benefits Fund.

Note 15
General Fund

This represents portion of the fund balance that is not restricted. In accordance with 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 2021. 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 twenty pesos (₱20.00) per week, during their active membership in the Association for basic life insurance (₱15.00) and for retirement savings fund (₱5.00). Total premiums collected are as follows:

Years Ended December 31,	2021	2020
Gross members' premium contributions on life	₱12,704,843	₱11,529,402
Gross members' premium contributions for credit life policies	4,565,578	3,384,629
	₱17,270,421	₱14,914,031

In accordance with the Implementing Rules and Regulations of the Association's Basic Life Insurance Plan approved by the Insurance Commission (IC) on October 29, 2010, the Association disaggregates the members' contributions for basic life insurance of ₱15.00 into the following funds:

(a) 50% for Equity Account which is intended to support the members' equity or termination value and any other promised accrued interest earnings on equity value;

(b) 35% for Benefit Account which is intended to cover contractual benefits in the insurance plan such as death, disability or hospitalization;

(c) 5% for Guaranty Fund which is intended to build-up the guaranty fund as required by the Insurance Commission; and

(d) 10% for General Account which is intended to finance the general administrative costs and expenses in administering the insurance program.

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.

Every year, a number of members withdrew their equity from the Association. During 2021 and 2020, the total value of equity withdrawn amounted ₱3,792,264 and ₱3,934,414, respectively. The withdrawal of equity is treated as part of the benefits paid to members.

Gross premiums on credit life insurance plan are income from loans from members which are deducted upfront in the payment of the loan. The amount of contribution is based on the principal amount and term of loans.

Membership Fees

The members are also charged with one-time membership fee of ₱50.00, 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.

Total membership fees collected amounted ₱361,900 in 2021 and ₱242,850 in 2020.

Note 17

Details of Other Income

Years Ended December 31,	2021	2020
Penalties and surcharges	₱360,168	₱363,676
Others	559,247	126,644
	₱919,415	₱490,320

Note 18

Details of Compensation and Employees' Benefits

Years Ended December 31,	2021	2020
Compensation and employees' benefits	₱3,074,561	₱3,088,010
Post-employment benefits *(Note 9)*	156,700	162,400
	₱3,231,261	₱3,250,410

Note 19

Details of General and Administrative Expenses

Years Ended December 31,	2021	2020
Meetings and conferences	₱377,981	₱375,914
Dues and subscriptions	179,314	225,382
Coordinators' honorarium and allowances	172,039	209,710

(Carried Forward.)

(Brought Forward.) *Years Ended December 31,*	**2021**	2020
Utilities expense	**165,484**	151,039
Representations	**164,069**	141,683
Taxes, licenses and fees *(Note 27)*	**133,815**	182,668
Technical and professional fees	**99,600**	103,136
Office supplies	**89,612**	61,425
Bank and other charges	**88,822**	137,815
Other members' benefits expense	**84,415**	82,172
Interest expense on lease liability *(Note 8)*	**76,873**	84,952
General assembly expenses	**76,093**	59,926
Board honorarium, allowances and benefits	**67,542**	70,000
Repairs and maintenance	**29,611**	46,660
Travel and transportation	**29,565**	31,060
Service fees	**23,834**	22,404
Insurance	**17,887**	17,887
Miscellaneous	**41,561**	38,040
	₱1,918,117	₱2,041,873

Reclassifications of 2020 Figures

(1) The Board and management meetings and related expenses as originally reported in 2020 have been restated from the amount previously reported in order to present separately the expenses 'representation' and 'meetings and conferences', to conform to the presentation in 2021.

(2) The professional fees as originally reported in 2020 have been restated from the amount previously reported in order to present separately the expenses 'technical and professional fees' and 'Board honorarium, allowances and benefits', to conform to the presentation in 2021.

(3) The miscellaneous expenses as originally presented in 2020 has been restated from the amount originally reported to separately present the bank and other charges and insurance, amounting to ₱137,815 and ₱17,887, respectively, to conform to the presentation in 2021.

The foregoing reclassifications did not affect the statement of financial position, the statement of changes in equity and the statement of cash flows.

Note 20
Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions with related parties are made at normal market prices. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash.

Significant of these related party transactions are as follows:

1) In the ordinary course of trade or business, the Association accepts insurance business from the members of KFI Center for Community Development Foundation, Inc. (KCCDFI). Total annual gross members' premium contributions for life and credit life policies amounted ₱17,270,421 in 2021 and ₱14,914,031 in 2020. (See Note 16.)

2) The Head Office and branches of KCCDFI act as the collecting agents of the Association for certain

collection fees. Total collection costs incurred amounted ₱1,567,785 in 2021 and ₱1,323,939 in 2020.

3) The collecting agent has unremitted collections from Association's members amounting ₱435,235 in 2021 and ₱1,631,609 in 2020, of which, interest is charged to the collecting agent for the period the accounts remain unremitted. Total interest earned from the receivables amounted ₱538,375 in 2021 and ₱1,221,120 in 2020. (See Note 5.)

4) The key management personnel of the Association include all personnel having a position of General Manager and above. The key management compensation follows:

Years Ended December 31,	2021	2020
Compensation and employees' benefits	₱538,360	₱628,000
Post-employment benefits	33,000	38,700
	₱571,360	₱666,700

Note 21
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 2021 and 2020 statement of financial condition but for which fair value is disclosed.

December 31, 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents *(Note 4)*	₱9,342,403	₱–	₱–	₱9,342,403
Receivable from agents, etc. *(Note 5)*	–	–	615,950	615,950
Invstmnts in debt/equity secu. *(Note 7)*	103,866,983	–	–	103,866,983
	₱113,209,386	₱–	₱615,950	₱113,825,336
Financial liabilities				
Lease liability *(Note 8)*	₱–	₱–	₱801,258	₱801,258
Trade and other payables *(Note 9)*	–	–	1,648,052	1,648,052
Insurance contract liab. *(Note 10)*	–	–	744,194	744,194
Retirement trust fund *(Note 12)*	–	–	35,579,410	35,579,410
	₱–	₱–	₱38,772,914	₱38,772,914
December 31, 2020				
Financial assets				
Cash and cash equivalents *(Note 4)*	₱25,718,002	₱–	₱–	₱25,718,002
Receivable from agents, etc. *(Note 5)*	–	–	1,579,638	1,579,638
Invstmnts in debt/equity secu. *(Note 7)*	85,245,814	–	–	85,245,814
	₱110,963,816	₱–	₱1,579,638	₱112,543,454
Financial liabilities				
Lease liability *(Note 8)*	₱–	₱–	₱904,385	₱904,385
Trade and other payables *(Note 9)*	–	–	1,425,213	1,425,213
Insurance contract liab. *(Note 10)*	–	–	442,586	442,586
Retirement trust fund *(Note 12)*	–	–	33,869,159	33,869,159
	₱–	₱–	₱36,641,343	₱36,641,343

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Association uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Fair Value Measurement for Non-Financial Assets
The table in the following page shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2021 and 2020.

December 31, 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Property and equipment *(Note 8)*	₱–	₱–	₱359,335	₱359,335
Right-of-use asset *(Note 8)*	–	–	717,852	717,852
	₱–	₱–	₱1,077,187	₱1,077,187
December 31, 2020				
Property and equipment *(Note 8)*	₱–	₱–	₱511,385	₱511,385
Right-of-use asset *(Note 8)*	–	–	840,913	840,913
	₱–	₱–	₱1,352,298	₱1,352,298

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 22
Capital Management Objectives, Policies and Procedures

The Association's capital management objectives are: (1) to ensure the Association's ability to continue as a going concern, and (2) to ensure sufficient solvency margins to adequately protect its members. To attain these objectives, the Association maintains a certain level of capital that is usually higher than the minimum requirements set by the Insurance Commission (IC). To ensure compliance with IC-imposed capital requirements, it is the Association's policy to monitor its entire equity (fund balance section of its statement of financial position) on a quarterly basis as part of the Association's internal financial reporting process.

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 ₱17,892,540 (See Note 13) and having funded it with investments in debt securities amounting to ₱20,096,112 (with face value of ₱20,070,000, See Note 7). These funds are intended to be higher than the required level of Guaranty Fund to allow the Association adequate flexibility in dealing with certain contingencies.

Note 23
Risk Management Objectives and Policies

The Association is exposed to various risks in relation to financial instruments. The Association's principal financial instruments are its cash and cash equivalents (Note 4), receivables from agents and others (Note 5), investments in debt and equity securities (Note 7), trade and other payables (Note 9), insurance contract liabilities (Note 10), and retirement trust fund (Note 12). The main types of risks are insurance risk, credit and concentration risks, market risk and liquidity risk. The Association is not exposed to foreign currency risk since it has no foreign currency deposits. In 2021, the Association purchased financial instruments as part of its investment strategies. The Association is now exposed to investment risks beginning 2021.

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

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

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

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

The credit risk in respect of cash balances held with banks and time deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions and are regularly monitored. Trade receivables consist of premiums receivable from active members and from the unremitted premium collections by the agent-affiliate. The Association does not hold any security on the receivables from agents and others balance and the accounts are monitored on an ongoing basis with the result that the Association's exposure to impairment is not significant.

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

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

December 31, 2021	Neither Past Due Nor Impaired	Past Due But Not Impaired	Total
Cash and cash equivalents *(Note 4)*	₱9,342,403	₱–	₱9,342,403
Receivable from agents and others *(Note 5)*	615,950	–	615,950
Investments in debt and equity securities *(Note 7)*	103,866,983	–	103,866,983
	₱113,825,336	₱–	₱113,825,336
	100.00%	0.00%	100.00%
December 31, 2020			
Cash and cash equivalents *(Note 4)*	₱25,718,002	₱–	₱25,718,002
Receivable from agents and others *(Note 5)*	1,579,638	–	1,579,638
Investments in debt and equity securities *(Note 7)*	85,245,814	–	85,245,814
	₱112,543,454	₱–	₱112,543,454
	100%	0.00%	100%

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

December 31, 2021	High Grade	Standard Grade	Impaired	Total
Cash and cash equivalents *(Note 4)*	₱9,342,403	₱–	₱–	₱9,342,403
Receivable from agents & others *(Note 5)*	615,950	–	–	615,950
Investments in securities *(Note 7)*	–	₱103,866,983	–	103,866,983
	₱9,958,353	₱103,866,983	₱–	₱113,825,336

December 31, 2020	High Grade	Standard Grade	Impaired	Total
Cash and cash equivalents *(Note 4)*	₱25,718,002	₱–	₱–	₱25,718,002
Receivable from agents & others *(Note 5)*	1,579,638	–	–	1,579,638
Investments in securities *(Note 7)*	–	85,245,814	–	85,245,814
	27,297,640	85,245,814	₱–	₱112,543,454

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

Market Risks

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

(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.

(c) *Foreign currency exchange rate risk.*
The Association is not exposed to foreign currency risks as it has no assets nor liabilities denominated in foreign currency.

Liquidity Risks

Liquidity risk is that the Association might be unable to meet its obligations. The Association's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost. The Association manages its liquidity by carefully monitoring its scheduled servicing payments for financial liabilities as well as its cash flows due on its day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis in the following table. Net cash requirements are compared to available cash position in order to determine headroom or any shortfalls. This analysis shows that 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.

Maturity Profile of the Association's Financial Liabilities

December 31, 2021	*Due in One Year*	*Due Over One Year*	***Total***
Lease liability *(Note 8)*	₱111,893	₱689,365	**₱801,258**
Trade and other payables *(Note 9)*	1,648,052	–	**1,648,052**
Insurance contract liabilities *(Note 10)*	744,194	–	**744,194**
Retirement trust fund *(Note 12)*	–	35,579,410	**35,579,410**
	₱2,504,139	₱36,268,775	**₱38,772,914**
	6.46%	93.54%	**100.00%**

Note 24
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 25
Events After Reporting Date – Onslaught of the Coronavirus Disease (2019)

At the time of the authorization of these financial statements, the Philippine Government continues to implement quarantine protocols nationwide as its effective measures against the spread of the Corona Virus (COVID-19). By April 8, 2022, the Inter-Agency Task Force for the Management of Emerging Infection Diseases (IATF) has placed Region X and many other areas under Alert Level 1. This risk classification is implemented on a two-week period and the government may once again raise the alert level if cases and hospital utilization rates increase.

Under Alert Level-1, conditions that qualifies an area are 1) minimal to low-risk classification of case transmission; 2) total hospital beds utilization is less than 50%; 3) 70% of area's target population has been fully vaccinated and; 4) 80% of area's target Senior citizens population has been fully vaccinated. The Philippines is still at a level where it is transitioning to a new normal and the state of public emergency is still in effect.

Under Alert Level-1, all business establishments can operate at full capacity with the required minimum health and safety protocols (vaccination, ventilation, social distancing, amongst others) strictly observed such as: (1) wearing of well-fitted face masks at all times, whether outdoors or in indoor private or public establishments, including in all public transportation; (2) 100% on-site workforce for agencies and instrumentalities of the Government; (3) all private offices and workplaces, including public and private construction sites, may operate at full 100% capacity; however, flexible and alternative work arrangements may continue as deemed appropriate based on function or individual risk; (4) public transportation in areas under Alert Level 1 shall be at full seating capacity, and (5) presentation of proof of full vaccination is required before entry into indoor establishments and or participation in mass gathering(s) (children ages 17 and below shall not be required to present proof of vaccination status).

The Alert Level System is actually a community quarantine classification system that assigns numbers to the level of measurable factors signifying transmission cases, where Alert Level 1 indicates low and decreasing transmission, low total bed utilization rate, and low intensive care unit utilization rate, and where Alert Level 5 signifies alarming case counts, and where the bed utilization rate and intensive care unit utilization rate are at critical utilization levels. (Source: https://www.flandersinvestmentandtrade.com/export/nieuws/coronavirus-situation-philippines)

The Association's management has determined that the COVID-19 Pandemic has affected its operations along the following aspects: (a) the planned recruitment of new members has not been realized due to COVID health protocol restrictions; and (b) the collection target has not been accomplished.

The Association has determined that the impact of COVID-19 will continue to be felt in 2022 and that there have been no adjustments necessary on its 2021 financial statements.

Note 26
Authorization of Financial Statements

The Association's financial statements as of December 31, 2021, and for the year then ended, were authorized for issue by its Executive Committee on April 23, 2022.

Note 27
Details of Taxes, Licenses and Fees

In accordance with the supplementary information required under Revenue Regulations No. 15-2010, the Association discloses the following:

Years Ended December 31,	2021	2020
Insurance annual filing fee and renewal of license	**₱118,675**	₱171,700
Business permits	**6,957**	6,947
Motor vehicle renewal	**4,956**	3,391
Chattel mortgage cancellation fee	**2,047**	–
AS wrong data entry penalty	**1,000**	–
Documentary stamp	**180**	130
Penalties and surcharges	**–**	500
	₱133,815	₱182,668

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