

## Fw: Your BIR AFS eSubmission uploads were received

Ellaine Carla Pasco <ellainecarlapasco@yahoo.com>

Mon 5/2/2022 1:56 PM

To: Rechel Cheong <rfcheong@amc-associates.com>

### Ellaine

----- Forwarded Message -----

**From:** "eafs@bir.gov.ph" <eafs@bir.gov.ph>

**To:** "praxisfides@gmail.com" <praxisfides@gmail.com>

**Cc:** "ellainecarlapasco@yahoo.com" <ellainecarlapasco@yahoo.com>

**Sent:** Monday, May 2, 2022, 01:54:45 PM GMT+8

**Subject:** Your BIR AFS eSubmission uploads were received

Hi PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC.,

### Valid files

- EAFS002838406ITRTY122021.pdf
- EAFS002838406AFSTY122021.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-MP4M1MNX0C95G9CD8MXN4S44T0ABHCJG55**

Submission Date/Time: **May 02, 2022 01:38 PM**

Company TIN: **002-838-406**

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

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=====  
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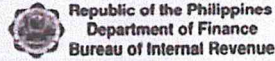
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For BIR BCS/ Use Only Item.

BIR Form No. <b>1702-MX</b> January 2018 (ENC5) Page 1		<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE <small>Enter all required information in CAPITAL LETTERS using BLACK ink. Mark applicable boxes with an "X".</small> Two copies MUST be filed with the BIR and one held by the taxpayer.		 1702-MX 01/18ENC5 P1	
1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal	3 Amended Return? <input checked="" type="radio"/> Yes <input type="radio"/> No	4 Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	5 Alphanumeric Tax Code (ATC) IC 055 - Minimum Corporate Income Tax (MCIT)   IC 010 - In General <input type="radio"/>		
2 Year Ended (MM/YYYY) 12/20	<b>Part I - Background Information</b>				

6 Taxpayer Identification Number (TIN) 7 RDO Code  25A

8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS)  
 PRANSISTERS MUTUAL BENEFIT ASSOCIATION INC.

9 Registered Address (Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905)  
 28 PASEO DEL CONGRESO CANTON MALCOLM BUCACAN 9A ZIP Code  0000

10 Date of Incorporation/Organization (MM/DD/YYYY)  01/01/2018 11 Contact Number  09171234

12 Email Address  pransistone@gmail.com

13 Method of Deductions  
 Simplified Deductions (Section 34, as to: N/A)  Detailed Statement Deduction (Section 34, as to: N/A) or (Section 34(L) (N/A) - see instructions)

**Part II - Total Tax Payable**

14 Total Tax Due/(Overpayment) (From Part IV, Schedule 2, Item 19D) 578,005

15 Less: Total Tax Credits/Payments (From Part IV, Schedule 3, Item 32D) 578,005

16 Net Tax Payable / (Overpayment) (Item 14 Less Item 15) (From Part IV, Item 33D) 0

Add: Penalty

17 Surcharge 0

18 Interest 0

19 Compromise 0

20 Total Penalties (Sum of Items 17 to 19) 0

21 TOTAL AMOUNT PAYABLE / (Overpayment) (Sum of Items 16 to 20) 0

If overpayment, mark one (1) box only. (Once the choice is made, the same is irrevocable)  
 To be refunded  To be issued a Tax Credit Certificate (TCC)  To be carried over as a tax credit for next year/quarter

We declare under the penalties of perjury that this return, and all its attachments, have been made in good faith, written by us, and to the best of our knowledge and belief, are true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If signed by an Authorized Representative, indicate TIN and attach authorization letter)

*Gener C. Luciano* 22 Number of Attachments  01

Signature over Printed Name of President/Principal Officer/Authorized Representative Signature over Printed Name of Treasurer/Assistant Treasurer

Title of Signatory  President TIN  123-456789 Title of Signatory  TRN

Part III - Details of Payment				
Particulars	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
23 Cash/Bank Debit Momo				0
24 Check				0
25 Tax Debit Memo				0
26 Others (Specify Below)				0

Machine Validation / Revenue Official Receipt Details (if not filed with an Authorized Agent Bank) Stamp of Receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)



**Annual Income Tax Return**  
Corporation, Partnership and Other Non-Individual  
with MIXED Income Subject to Multiple Income Tax Rates or  
with Income Subject to SPECIAL/PREFERENTIAL RATE



1702-MX 01/18ENCS P2

Taxpayer Identification Number (TIN)				Registered Name			
002	838	406	00006	PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC.			

**Part IV - Schedules**

**Instructions:** (mark appropriate box)  
 A. Only one activity/project under EXEMPT and/or SPECIAL Tax Regimes, fill-out the applicable columns below.  
 B. Two or more activities/projects under EXEMPT and/or SPECIAL Tax Regimes, accomplish Part V-Mandatory Attachments per activity and reflect consolidated amounts from Part V on the corresponding columns below.

**Schedule 1 - Basis of Tax Relief**

Particulars	A. Exempt	B. Special	C. Special Tax Relief (Under Regular/Normal Rate)
1 Investment Promotion Agency (IPA)/ Implementing Government Agency	BIR		
2 Legal Basis	SEC 30 NIRC		
3 Registered Activity/Program (Reg. No.)	NA		
4 Special Tax Rate		0.0%	
5 Effectivity Date of Tax Relief/Exemption From (MM/DD/YYYY)	01/29/1997		
6 Expiration Date of Tax Relief/Exemption To (MM/DD/YYYY)	01/29/2047		

**Schedule 2 - Computation of Income Tax per Tax Regime** (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Sales/Receipts/Revenues/Fees <i>(From all of Part V-Sched B Item 1, if letter B of instructions above is marked)</i>	20,404,785	0	0	20,404,785
2 Less: Sales Returns, Allowances and Discounts <i>(From all of Part V-Sched B Item 2, if letter B of instructions above is marked)</i>	0	0	0	0
3 Net Sales/Receipts/Revenues/Fees <i>(Item 1 Less Item 2)</i>	20,404,785	0	0	20,404,785
4 Less: Cost of Sales/Services <i>(From all of Part V-Sched B Item 4, if letter B of instructions above is marked)</i>	0	0	0	0
5 Gross Income from Operation <i>(Item 3 Less Item 4)</i>	20,404,785	0	0	20,404,785
6 Add: Other Taxable Income not subjected to Final Tax <i>(From all of Part V-Sched B Item 6, if letter B of instructions above is marked)</i>	77,687,889	0	2,314,661	80,002,550
7 Total Taxable Income <i>(Sum of Items 5 and 6)</i>	98,092,674	0	2,314,661	100,407,335
<b>Less: Deductions Allowable under Existing Law</b>				
8 Ordinary Allowable Itemized Deductions <i>(From Sched 5 Item 18) &amp;/or (From all of Part V-Sched B Item 8, if letter B of instructions above is marked)</i>	58,542,927	0	0	58,542,927
9 Special Allowable Itemized Deductions <i>(From Sched 6 Item 9) &amp;/or (From all of Part V-Sched B Item 9, if letter B of instructions above is marked)</i>	0	0	0	0
10 NOLCO <i>(Only for those taxable under Sec. 27 (A to C)); Section 28(A)(1)(A)(6)(b) of the Tax Code, as amended)</i> <i>(For Special Rate: If w/ only 1 activity, From Schedule B.1 Item 8; if with 2 or more activities, From all of Part V-Sched B Item 10; For Reg. Rate: From Sched 7.1 Item 8)</i>		0	0	0
11 Total Itemized Deductions <i>(Sum of Items 8 to 10)</i>	58,542,927	0	0	58,542,927
<b>OR [in case taxable under Sec 27(A) &amp; 28(A)(1)]</b>				
12 Optional Standard Deduction (OSD) <i>(40% of Item 7)</i>			0	0
13 Net Taxable Income/(Loss) <i>(If Itemized: Item 7 Less Item 11; If OSD: Item 7 Less Item 12)</i>	39,549,747	0	2,314,661	41,864,408
14 Applicable Income Tax Rate <i>(i.e. Special or Regular/Normal Rate)</i>	0%	0.00%	25.00%	
15 Income Tax Due other than MCIT <i>[For Special Rate: If with only 1 activity, (Item 3 OR Item 7) X Item 14; if with 2 or more activities, from all of Part V-Sched B Item 14; For Regular Rate Item 13 X Item 14]</i>	0	0	578,665	578,665
16 Less: Share of Other Government Agency, if remitted directly		0	0	0
17 Net Income Tax Due to National Government <i>(Item 15 Less Item 16)</i>		0	578,665	578,665
18 MCIT <i>(2% of Gross Income in Item 7)</i>			45,155	45,155
19 Total Income Tax Due / (Overpayment) <i>(Item 19B = Item 17B) (Item 19C = Normal Income Tax in Item 15C OR MCIT in Item 18C, whichever is higher) (Item 18D = Sum of Items 19B and 19C) (Item 19D to Part II Item 14)</i>		0	578,665	578,665

**Schedule 3 - Tax Credits/Payments (attach proof)**

20 Prior Year's Excess Credits Other Than MCIT	0	0	0	0
21 Income Tax Payments under MCIT from Previous Quarter/s			0	0
22 Income Tax Payments under Regular Rate from Previous Quarter/s			417,820	417,820
23 Excess MCIT Applied this Current Taxable Year <i>(From Schedule 9 Item 4)</i>			0	0
24 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307			40,212	40,212
25 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Qtr			0	0
26 Foreign Tax Credits, if applicable			0	0
27 Tax Paid in Return Previously Filed, if this is an Amended Return			120,633	120,633
28 Income Tax Payments under Special Rate from Previous Qtr/s			0	0
29 Special Tax Credits <i>(To Part IV-Schedule 4 Item 6)</i>			0	0
Other Tax Credits/Payments (specify)				
30			0	0
31 <i>(Add more...)</i>			0	0
32 Total Tax Credits/Payments <i>(Sum of Items 20 to 31) (Item 32D to Part II Item 15)</i>			578,665	578,665
33 Net Tax Payable / (Overpayment) <i>(Item 19 Less Item 32) (Item 33D to Part II Item 16)</i>	0	0	0	0



**Annual Income Tax Return**  
Corporation, Partnership and Other Non-Individual  
with MIXED Income Subject to Multiple Income Tax Rates or  
with Income Subject to SPECIAL/PREFERENTIAL RATE



1702-MX 01/18ENCS P3

<b>Taxpayer Identification Number (TIN)</b>		<b>Registered Name</b>	
002	838	406	000000
		PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC.	

**Schedule 4 – Tax Relief Availment** (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Regular Income Tax Otherwise Due (Item 13A/B of Part IV-Schedule 2 X applicable regular income tax rate)	9,887,437	0		9,887,437
2 Tax Relief on Special Allowable Itemized Deductions (Item 9A/B/C of Part IV-Sched 2 X applicable regular income tax rate)	0	0	0	0
3 Sub-Total – Tax Relief (Sum of Items 1 and 2)	9,887,437	0	0	9,887,437
4 Less: Income Tax Due (From Part IV-Schedule 2 Item 15B)	0	0		0
5 Tax Relief Availment before Special Tax Credit (Item 3 Less Item 4)	9,887,437	0	0	9,887,437
6 Add: Special Tax Credit, if any (From Part IV-Schedule 3 Item 29)	0	0	0	0
7 <b>Total Tax Relief Availment (Sum of Items 5 &amp; 6)</b>	9,887,437	0	0	9,887,437

**Schedule 5 - Ordinary Allowable Itemized Deductions (attach additional sheet/s, if necessary)**  
*(If with only one activity, fill-out the applicable columns below: if with two or more activities, amount for each expense shall come from all of Part V-Schedule D)*

1 Amortizations	0	0	0	0
2 Bad Debts	3,300,000	0	0	3,300,000
3 Charitable and Other Contributions	0	0	0	0
4 Depletion	0	0	0	0
5 Depreciation	1,444,389	0	0	1,444,389
6 Entertainment, Amusement and Recreation	0	0	0	0
7 Fringe Benefits	0	0	0	0
8 Interest	0	0	0	0
9 Losses	0	0	0	0
10 Pension Trusts	0	0	0	0
11 Rental	0	0	0	0
12 Research and Development	0	0	0	0
13 Salaries, Wages and Allowances	21,914,414	0	0	21,914,414
14 SSS, GSIS, Philhealth, HDMF and Other Contributions	0	0	0	0
15 Taxes and Licenses	532,809	0	0	532,809
16 Transportation and Travel	4,864,547	0	0	4,864,547
17 Others (Deductions Subject to Withholding Tax and Other Expenses) [Specify below; Add additional sheet(s), if necessary]				
a. Janitorial and Messengerial Services	0	0	0	0
b. Professional Fees	552,624	0	0	552,624
c. Security Services	0	0	0	0
d. INSURANCE	15,770,000	0	0	15,770,000
e. MEETING AND CONFERENCE	2,289,221	0	0	2,289,221
f. ADMINISTRATIVE EXPENSE	1,078,420	0	0	1,078,420
g. OFFICE SUPPLIES	1,163,132	0	0	1,163,132
h. COMMUNICATION, LIGHT AND WATER	1,119,380	0	0	1,119,380
i. OTHERS (Add more...)	4,513,991	0	0	4,513,991
18 <b>Total Ordinary Allowable Itemized Deductions</b> (Sum of Items 1 to 17i) (To Part IV-Schedule 2 Item 8)	58,542,927	0	0	58,542,927

**Schedule 6 – Special Allowable Itemized Deductions (attach additional sheet/s, if necessary)**  
*(If with only one activity, fill-out the applicable columns below: if with two or more activities, amount for each expense shall come from all of Part V-Schedule E)*

Description	Legal Basis	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1		0	0	0	0
2		0	0	0	0
3		0	0	0	0
4		0	0	0	0
	(Add more...)				
5 <b>Total Special Allowable Itemized Deductions</b> (Sum of Items 1 to 4) (To Part IV-Schedule 2 Item 9)		0	0	0	0

**Schedule 7 - Computation of Net Operating Loss Carry Over (NOLCO) for Regular Rate (Attach Additional Sheet/s, if necessary)**

1 Gross Income (From Part IV-Schedule 2 Item 7C)	0
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law (From Part IV-Schedule 2 Item 8C)	0
3 <b>Net Operating Loss (Item 1 Less Item 2) (To Part IV-Schedule 7.1, Item 7A)</b>	0



**Annual Income Tax Return**  
Corporation, Partnership and Other Non-Individual  
with MIXED Income Subject to Multiple Income Tax Rates or  
with Income Subject to SPECIAL/PREFERENTIAL RATE



1702-MX 01/18ENCS P4

<b>Taxpayer Identification Number (TIN)</b>				<b>Registered Name</b>			
002	838	406	00000	PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC.			

**Schedule 7.1 - Computation of Available Net Operating Loss Carry Over (NOLCO) for Regular Rate**  
*(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

Year Incurred	Net Operating Loss A. Amount	B. NOLCO Applied Previous Year/s	C. NOLCO Expired	D. NOLCO Applied Current Year	E. Net Operating Loss (Unapplied) [(E)=A-(B+C+D)]
4	0	0	0	0	0
5	0	0	0	0	0
6	0	0	0	0	0
7	0	0	0	0	0
<b>8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV-Schedule 2 Item 10C)</b>				0	0

**Schedule 8 - Computation of Net Operating Loss Carry Over (NOLCO) for Special Rate (except those availing fiscal incentives)**  
*(Attach Additional Sheet/s, if necessary)*

<b>1 Gross Income (From Part IV-Schedule 2 Item 7B)</b>	0
<b>2 Less: Ordinary Allowable Itemized Deductions (From Part IV-Schedule 2 Item 8B)</b>	0
<b>3 Net Operating Loss (Item 1 Less Item 2) (To Part IV-Schedule 8.1 Item 7A)</b>	0

**Schedule 8.1 - Computation of Available Net Operating Loss Carry Over (NOLCO) for Special Rate**  
*(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

Year Incurred	Net Operating Loss A. Amount	B. NOLCO Applied Previous Year/s	C. NOLCO Expired	D. NOLCO Applied Current Year	E. Net Operating Loss (Unapplied) [(E)=A-(B+C+D)]
4	0	0	0	0	0
5	0	0	0	0	0
6	0	0	0	0	0
7	0	0	0	0	0
<b>8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV-Schedule 2 Item 10B)</b>				0	0

**Schedule 9 - Computation of Minimum Corporate Income Tax (MCIT)**

Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	0	0	0
2	0	0	0
3	0	0	0

**Continuation of Schedule 9 (Item numbers continue from table above)**

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [ G = C Less (D + E + F) ]
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0

**4 Total Excess MCIT Applied (Sum of Items 1F to 3F) (To Part IV-Schedule 3 Item 23)** align="right">0

**Schedule 10 - Reconciliation of Net Income per Books Against Taxable Income (attach additional sheet/s, if necessary)**

Particulars	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
<b>1 Net Income/(Loss) per Books</b>	50,853,798	0	1,735,996	52,589,794
<b>Add: Non-Deductible Expenses/Taxable Other Income (specify below)</b>				
<b>2 TAX EXPENSE</b>	1,172,142	0	578,665	1,750,807
<b>3</b>	0	0	0	0
<i>(Add more...)</i>				
<b>4 Total (Sum of Items 1 to 3)</b>	52,025,940	0	2,314,661	54,340,601
<b>Less: A) Non-Taxable Income and Income Subjected to Final Tax (specify below)</b>				
<b>5 INTEREST INCOME</b>	12,476,193	0	0	12,476,193
<b>6</b>	0	0	0	0
<i>(Add more...)</i>				
<b>B) Special Deductions (specify below)</b>				
<b>7</b>	0	0	0	0
<b>8</b>	0	0	0	0
<i>(Add more...)</i>				
<b>9 Total (Sum of Items 5 to 8)</b>	12,476,193	0	0	12,476,193
<b>10 Net Taxable Income/(Loss) (Item 4 Less Item 9)</b>	39,549,747	0	2,314,661	41,864,408



## Fw: Tax Return Receipt Confirmation

Ellaine Carla Pasco <ellainecarlapasco@yahoo.com>

Thu 4/28/2022 10:30 PM

To: Eloise Gail Gatchalian Dionisio <eggdionisio@amc-associates.com>

Cc: Rechel Cheong <rfcheong@amc-associates.com>; Annjanet Bautista <acbautista@amc-associates.com>; Maricel De Torres <mbdetorres@amc-associates.com>

forwarding po..

**Ellaine**

----- Forwarded Message -----

**From:** Praxis Fides Malolos <praxisfides@gmail.com>  
**To:** Ellaine Carla Pasco <ellainecarlapasco@yahoo.com>  
**Sent:** Thursday, April 28, 2022, 10:29:35 PM GMT+8  
**Subject:** Fwd: Tax Return Receipt Confirmation

----- Forwarded message -----

From: <ebirforms-noreply@bir.gov.ph>  
Date: Thu, Apr 28, 2022 at 9:31 PM  
Subject: Tax Return Receipt Confirmation  
To: <praxisfides@gmail.com>

This confirms receipt of your submission with the following details subject to validation by BIR:

File name: 002838406000-1702MXv2018C-1221.xml

Date received by BIR: 28 April 2022

Time received by BIR: 09:07 PM

Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

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Please print this e-mail together with the RETURN and proceed to pay through the Authorized Agent Bank / Collection Agent / GCASH or use other payment options.

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Bureau of Internal Revenue

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Bureau of Internal Revenue  
Republic of the Philippines

BIR eFPS has received the payment confirmation for your tax return from LBP.

TIN	002 - 838 - 406 - 000
Taxpayer's Name	PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC
Tax Type	IT
Return Period	12/31/2021
Transacting Bank	LBP (086000)
Reference Number	292200047283293
Payment Transaction Number	227203135
Payment Transaction Date	04/17/2022
Actual Amount Paid	120633.00
LBP's Confirmation Number	00041720221340273620

Please refer to the Tax Return Inquiry facility to check the status of your payment.

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REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

## FILING REFERENCE NO.

<b>TIN</b>	: 002-838-406-000
<b>Name</b>	: PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC
<b>RDO</b>	: 25A
<b>Form Type</b>	: 0605
<b>Reference No.</b>	: 292200047283293
<b>Amount Payable (Over Remittance)</b>	: 120,633.00
<b>Accounting Type</b>	: C - Calendar
<b>For Tax Period</b>	: 12/31/2021
<b>Quarter</b>	: 0
<b>Date Filed</b>	: 04/17/2022
<b>Tax Type</b>	: IT


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 Reference No:292200047293293  
 Date Filed:April 17 2022 01:09 PM  
 Batch Number:0

PSOC:  PSIC:

	Republika ng Pilipinas Kagawaran ng Pananalapi Kawanihan ng Rentas Internas	<h2 style="margin:0;">Payment Form</h2>	BIR Form No. <h1 style="margin:0;">0605</h1> September 2003(ENCS)
<p> <b>1</b> For the <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal                          <b>3</b> Quarter <u>Clear Quarter</u>                          <b>4</b> Due Date (MM/DD/YYYY)                          <b>5</b> No. of Sheets Attached <b>6</b>ATC                 </p> <p> <b>2</b> Year Ended 12 - December <input type="text" value="2021"/>                          <input type="radio"/> 1st <input type="radio"/> 2nd <input type="radio"/> 3rd <input type="radio"/> 4th                          <input type="text" value="0"/>                          <input type="text" value="MC200"/> </p> <p> <b>7</b> Return Period (MM/DD/YYYY) <input type="text" value="12"/> <input type="text" value="31"/> <input type="text" value="2021"/>                          <b>8</b> Tax Type Code <input type="text" value="IT"/> </p>			
<b>Part I Background Information</b>			
<p> <b>9</b> Taxpayer Identification No.                          <b>10</b> RDO Code                          <b>11</b> Taxpayer Classification                          <b>12</b> Line of Business/Occupation                 </p> <p> <input type="text" value="002"/> <input type="text" value="838"/> <input type="text" value="406"/> <input type="text" value="000"/>                          <input type="text" value="25A"/>                          <input type="radio"/> I <input checked="" type="radio"/> N                          <input type="text" value="ACTIVITIES OF OTHER MEMBER"/> </p> <p> <b>13</b> Taxpayer's Name (Last Name, First Name, Middle Name for Individuals)/(Registered Name for Non-Individuals)                          <b>14</b> Telephone Number                 </p> <p> <input type="text" value="PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC"/>                          <input type="text"/> </p> <p> <b>15</b> Registered Address                          <b>16</b> Zip Code                 </p> <p> <input type="text" value="35 PASEO DEL CONGRESO CATMON BULACAN"/>                          <input type="text" value="3000"/> </p>			
<b>17 Manner of Payment</b>			<b>18 Type of Payment</b>
Voluntary Payment		Per Audit/Delinquent Account	<input type="radio"/> Installment <input type="text"/> No. of Installment <input type="radio"/> Partial Payment <input type="radio"/> Full Payment
<input type="radio"/> Self-Assessment <input type="radio"/> Penalties <input type="radio"/> Tax Deposit/Advance Payment <input type="radio"/> Income Tax Second Installment (Individual) <input type="radio"/> Others (Specify)		<input type="radio"/> Preliminary/Final Assess/Deficiency Tax <input type="radio"/> Accounts Receivable/Delinquent Account	
<b>Part II Computation of Tax</b>			
<b>19</b> Basic Tax/Deposit/Advance Payment			<b>19</b> <input type="text" value="120,633.00"/>
<p> <b>20</b> Add Penalties      Surcharge      Interest      Compromise                 </p> <p> <b>20A</b> <input type="text" value="0.00"/>                          <b>20B</b> <input type="text" value="0.00"/>                          <b>20C</b> <input type="text" value="0.00"/>                          <b>20D</b> <input type="text" value="0.00"/> </p>			
<b>21</b> Total Amount Payable (Sum of Items 19 & 20D)			<b>21</b> <input type="text" value="120,633.00"/>
For Voluntary Payment		Payment of Deficiency Taxes From Audit/Investigation Delinquent Accounts	
I declare, Under the penalties of perjury, that this document has been made in good faith, verified by me, and to the best of my knowledge and belief, is true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof.		<input type="radio"/> Pre-approved by Investigating Office <input type="radio"/> Not approved by Investigating Office	
<input type="button" value="Print"/>		<input type="button" value="Payment Details"/>	<input type="button" value="Proceed to Payment"/>
[ <a href="#">BIR Main</a>   <a href="#">Tax Return Inquiry</a>   <a href="#">User Menu</a>   <a href="#">Guidelines and Instructions</a>   <a href="#">Help</a> ]			





# PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.

#35 Paseo del Congreso, Catmon, City of Malolos, Bulacan  
Tel. No. (044) 791-3558; (044) 662-4288

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

The management of **Praxis Fides Mutual Benefit Association, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Praxis Fides Mutual Benefit Association, Inc.**, complete and correct in all material respects. Management likewise affirms that:

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

**FR. ROMUALDO C. GO**  
Chairman

**MR. GENER C. LUCIANO**  
President

**MR. ALLAN C. MARTIN**  
Treasurer





*Certified Public Accountants*

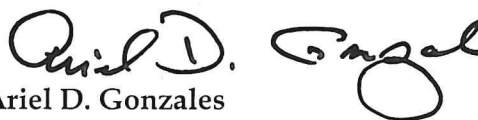
**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
TO ACCOMPANY INCOME TAX RETURN**

**The Board of Trustees**  
**Praxis Fides Mutual Benefit Association, Inc.**  
*(A Non-Stock, Non-Profit Organization)*  
35 Paseo del Congreso, Catmon  
Malolos, Bulacan

We have audited the financial statements of **Praxis Fides Mutual Benefit Association, Inc.** for the year ended December 31, 2021, on which we have rendered the attached report dated April 26, 2022.

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

**AMC & ASSOCIATES**

By:   
Ariel D. Gonzales  
Partner  
CPA Certification No. 89570  
TIN 169-688-077-000  
PTR No. 8857523, Jan. 6, 2022, Makati City  
BIR Accreditation No. 08-003584-1-2021  
(valid until Dec. 19, 2024)  
SEC Accreditation No. 89570 (Group A)  
(valid until Dec. 31, 2025)  
IC Accreditation No. 89570-IC (Group A)  
(valid until Dec. 31, 2024)  
BSP Accreditation No. 89570-BSP (Group B)  
(valid until Dec. 31, 2025)

April 26, 2022

**FIRM ACCREDITATION**

**Aquino, Mata, Calica & Associates**

BOA Accreditation No. 4275 - valid until June 28, 2023  
BIR Accreditation No. 08-002582-001-2020 - valid until October 7, 2023  
SEC Accreditation No. 0390-F (Group A) - January 16, 2020 to January 15, 2023  
IC Accreditation No. 4275-IC (Group A) - valid until December 31, 2024  
BSP Accreditation No. 4275-BSP (Group B) - valid until December 31, 2025  
CDA CEA No. 075-AF - June 2, 2021 to June 1, 2024

*Suite 1801 - 1807 Cityland Condominium 10 Tower 2, H.V. Dela Costa St., Makati City, Philippines*

*Tel. No.: (02) 8841.0462 • Fax No.: (02) 8893.0287*





*Certified Public Accountants*

## REPORT OF INDEPENDENT AUDITORS

**The Board of Trustees**  
**Praxis Fides Mutual Benefit Association, Inc.**  
*(A Non-Stock, Non-Profit Organization)*

35 Paseo del Congreso, Catmon  
Malolos, Bulacan

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of **Praxis Fides Mutual Benefit Association, Inc.** (the Association), which comprise the statements of financial position as at December 31, 2021, 2020 and 2019, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years ended December 31, 2021 and 2020, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2021, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS) applicable to Mutual Benefit Associations (MBAs).

#### *Basis for Opinion*

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

We also audited the adjustments described in Note 19 to the financial statements that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

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

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



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

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

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





### Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2021 required by the Bureau of Internal Revenue as disclosed in Note 31 of the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS applicable to MBAs. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### AMC & ASSOCIATES

By:  Ariel D. Gonzales

Partner

CPA Certification No. 89570

TIN 169-688-077-000

PTR No. 8857523, Jan. 6, 2022, Makati City

BIR Accreditation No. 08-003584-1-2021

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IC Accreditation No. 89570-IC (Group A)

(valid until Dec. 31, 2024)

BSP Accreditation No. 89570-BSP (Group B)

(valid until Dec. 31, 2025)

April 26, 2022

#### FIRM ACCREDITATION

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

BOA Accreditation No. 4275 - valid until June 28, 2023


BIR Accreditation No. 08-002582-001-2020 - valid until October 7, 2023

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CDA CEA No. 075-AF - June 2, 2021 to June 1, 2024



**PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.**

(A Non-Stock, Non-Profit Organization)


**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2021, 2020 and 2019

(Amounts in Philippine Peso)

	2021	2020 (As Restated)	2019 (As Restated)
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 5)	P 212,937,172	P 167,988,556	P 171,752,395
Short-term financial assets (Note 6)	77,029,027	63,433,354	98,902,404
Loans and other receivables (Note 7)	258,723,297	257,816,547	247,164,954
Financial assets at amortized cost (Note 8)	45,921,024	30,084,821	7,956,705
Financial assets at fair value through profit and loss (Note 9)	295,844,674	285,416,597	212,096,983
Prepayments	783,502	1,097,334	1,818,280
Total Current Assets	891,238,696	805,837,209	739,691,721
<b>NON-CURRENT ASSETS</b>			
Long-term financial assets (Note 6)	52,664,856	100,367,749	72,483,856
Loans and other receivables (Note 7)	79,519,878	88,455,373	141,836,402
Financial assets at fair value through other comprehensive income (Note 10)	50,650,000	27,500,000	27,500,000
Property and equipment (Note 11)	14,964,296	13,292,081	14,117,616
Investment property (Note 12)	75,592,563	78,309,380	86,847,942
Total Non-current Assets	273,391,593	307,924,583	342,785,816
<b>TOTAL ASSETS</b>	<b>P 1,164,630,289</b>	<b>P 1,113,761,792</b>	<b>P 1,082,477,537</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other liabilities (Note 13)	P 20,822,697	P 8,795,646	P 9,240,892
Liability on individual equity value (Note 14)	725,287,939	710,178,628	712,223,930
Basic contingent benefit reserve (Note 15)	1,338,942	1,294,455	1,236,053
Claims payable on basic contingent benefit (Note 16)	3,125,000	1,980,000	1,890,000
Income tax payable	120,633	375,827	130,505
Total Current Liabilities	750,695,211	722,624,556	724,721,380
<b>NON-CURRENT LIABILITIES</b>			
Accounts payable and other liabilities (Note 13)	4,350	16,162	87,824
Retirement benefit obligation (Note 21)	7,543,695	7,528,723	13,030,720
Total Non-Current Liabilities	7,548,045	7,544,885	13,118,544
Total Liabilities	758,243,256	730,169,441	737,839,924
<b>FUND BALANCE</b>			
Free and unassigned fund balance	290,473,424	294,164,085	272,515,244
Assigned fund balance (Note 19)	123,111,971	96,737,576	87,087,420
Accumulated other comprehensive loss (Note 19)	( 7,198,362 )	( 7,309,310 )	( 14,965,051 )
Total Fund Balance	406,387,033	383,592,351	344,637,613
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>P 1,164,630,289</b>	<b>P 1,113,761,792</b>	<b>P 1,082,477,537</b>

See Notes to Financial Statements.




**PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.**  
*(A Non-Stock, Non-Profit Organization)*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Peso)*

	2021	2020
<b>REVENUES</b>		
Member's contribution <i>(Note 18)</i>	P 189,187,871	P 185,003,916
Interest income on:		
Loans <i>(Note 7)</i>	20,404,785	30,790,509
Investment securities and deposits with banks <i>(Notes 5, 6, 8 and 10)</i>	12,476,193	17,423,073
Gain on sale of financial assets at fair value through profit or loss <i>(Note 9)</i>	5,906,225	4,704,777
Service charges and fees <i>(Note 7)</i>	5,405,264	5,192,088
Membership fees <i>(Note 18)</i>	907,850	562,500
Others <i>(Note 17)</i>	27,415,723	6,485,366
	<b>261,703,911</b>	<b>250,162,229</b>
<b>EXPENSES</b>		
Allocation for liability on individual equity value <i>(Notes 14 and 17)</i>	131,718,587	134,106,440
Operating expenses <i>(Note 17)</i>	42,772,927	42,380,505
Benefit expenses <i>(Note 17)</i>	16,780,000	11,720,000
Fair value loss on financial assets at fair value through profit or loss <i>(Note 9)</i>	4,559,664	8,170,431
Increase in reserve for basic contingent benefit <i>(Notes 15 and 17)</i>	44,487	58,402
	<b>195,875,665</b>	<b>196,435,778</b>
<b>PROFIT BEFORE TAX</b>	<b>65,828,246</b>	<b>53,726,451</b>
<b>TAX EXPENSE</b> <i>(Note 22)</i>	<b>1,750,807</b>	<b>2,726,135</b>
<b>NET PROFIT</b>	<b>64,077,439</b>	<b>51,000,316</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Remeasurements of post-employment defined benefit obligation <i>(Notes 19 and 21)</i>	110,948	7,655,741
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P 64,188,387</b>	<b>P 58,656,057</b>

*See Notes to Financial Statements.*





PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.  
(A Non-Stock, Non-Profit Organization)  
STATEMENTS OF CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Amounts in Philippine Peso)

	<u>Free and Unassigned Fund balance</u>	<u>Assigned Fund Balance</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total (As Restated)</u>
Balance at January 1, 2021				
As previously reported (Notes 18 and 19)	P 289,972,515	P 96,737,576	( P 7,309,310 )	P 379,400,781
Prior period adjustments (Note 19)	<u>4,191,570</u>	<u>-</u>	<u>-</u>	<u>4,191,570</u>
As restated (Notes 18 and 19)	294,164,085	96,737,576	( 7,309,310 )	383,592,351
Reversal of appropriation during the year (Note 19)	5,000,000	( 5,000,000 )	-	-
Appropriation during the year (Note 19)	( 50,734,534 )	50,734,534	-	-
Withdrawals during the year (Note 18)	( 16,161,050 )	( 19,360,139 )	-	( 35,521,189 )
Recovery of delisted of accounts during the year (Note 14)	( 5,872,516 )	-	-	( 5,872,516 )
Total comprehensive income for the year	<u>64,077,439</u>	<u>-</u>	<u>110,948</u>	<u>64,188,387</u>
Balance at December 31, 2021 (Notes 18 and 19)	<u><u>P 290,473,424</u></u>	<u><u>P 123,111,971</u></u>	<u><u>( P 7,198,362 )</u></u>	<u><u>P 406,387,033</u></u>
Balance at January 1, 2020				
As previously reported (Notes 18 and 19)	P 268,323,674	P 87,087,420	( P 14,965,051 )	P 340,446,043
Prior period adjustments (Note 19)	<u>4,191,570</u>	<u>-</u>	<u>-</u>	<u>4,191,570</u>
As restated (Notes 18 and 19)	272,515,244	87,087,420	( 14,965,051 )	344,637,613
Withdrawals during the year (Note 18)	( 18,351,475 )	( 1,349,844 )	-	( 19,701,319 )
Appropriation during the year (Note 19)	( 11,000,000 )	11,000,000	-	-
Total comprehensive income for the year	<u>51,000,316</u>	<u>-</u>	<u>7,655,741</u>	<u>58,656,057</u>
Balance at December 31, 2020 (Notes 18 and 19)	<u><u>P 294,164,085</u></u>	<u><u>P 96,737,576</u></u>	<u><u>( P 7,309,310 )</u></u>	<u><u>P 383,592,351</u></u>

See Notes to Financial Statements.

PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.  
(A Non-Stock, Non-Profit Organization)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Amounts in Philippine Peso)



	2021	2020 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	P 65,828,246	P 53,726,451
Adjustments for:		
Unrealized fair value loss of financial assets at fair value through profit or loss (Note 9)	4,559,664	8,170,431
Impairment losses (Note 7)	3,300,000	3,300,000
Retirement cost (see Note 21)	3,093,680	3,224,187
Depreciation (Notes 11 and 12)	1,444,389	1,359,719
Gain on sale of financial assets at fair value through profit and loss (Note 9)	( 5,906,225 )	( 4,704,777 )
Gain on sale of investment property (Note 12)	( 8,218,832 )	( 1,931,432 )
Income from delisted accounts (Note 17)	( 10,409,925 )	-
Interest income (Notes 5, 6, 7, 8 and 10)	( 32,880,978 )	( 48,213,582 )
Operating profit (loss) before working capital changes	20,810,019	14,930,997
Decrease in loans and other receivables	8,761,670	51,708,661
Decrease in prepayments	313,832	720,946
Increase (decrease) in accounts payable and other liabilities	12,015,239	( 516,908 )
Increase in basic contingent benefit reserve	44,487	58,402
Increase in claims payable on basic contingent benefit	1,145,000	90,000
Decrease in retirement benefit obligation	( 2,967,760 )	( 1,070,442 )
Cash generated from operations	40,122,487	65,921,656
Interest received on loans and other receivables (Note 7)	17,746,860	25,104,793
Cash paid for income taxes (Note 22)	( 2,006,001 )	( 2,480,813 )
<b>Net Cash From Operating Activities</b>	<b>55,863,346</b>	<b>88,545,636</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at fair value through profit or loss	84,734,573	22,807,141
Withdrawals from (additions to) long-term financial assets	47,702,893	( 27,883,893 )
Interest received on bank deposits and investment securities (Notes 5, 6, 8 and 10)	12,476,193	17,423,073
Proceeds from sale of investment property (Note 12)	10,401,043	3,862,864
Additions to investment property (Note 12)	( 854,014 )	-
Acquisitions of property and equipment (Note 11)	( 3,102,984 )	( 520,564 )
Withdrawals from (additions to) short-term financial assets	( 13,595,673 )	35,469,050
Additions to financial assets at amortized cost (Note 8)	( 15,836,203 )	( 22,128,116 )
Additions to financial assets at FVOCI (Note 10)	( 23,150,000 )	-
Additions to financial assets at fair value through profit or loss (Note 9)	( 93,816,089 )	( 99,592,409 )
<b>Net Cash Used in Investing Activities</b>	<b>4,959,739</b>	<b>( 70,562,854 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Members' contributions allocated to liability on individual equity value (Note 14)	131,718,587	134,106,440
Members' withdrawals (Notes 14 and 18)	( 147,593,056 )	( 155,853,061 )
<b>Net Cash Used in Financing Activities</b>	<b>( 15,874,469 )</b>	<b>( 21,746,621 )</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>44,948,616</b>	<b>( 3,763,839 )</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>167,988,556</b>	<b>171,752,395</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>	<b>P 212,937,172</b>	<b>P 167,988,556</b>

See Notes to Financial Statements.





**PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.**  
*(A Non-Stock, Non-Profit Organization)*  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Peso)*

**1. CORPORATE INFORMATION**

*Organization and Objectives*

**Praxis Fides Mutual Benefit Association, Inc.** (the Association) was incorporated in the Philippines on February 17, 1987, primarily to foster brotherhood thru mutual help and benefit among its members, to encourage the habit of thrift and saving among its members, to provide financial material aid and comforts to members and their families in cases of losses, disability, necessities, unemployment, retirement, or old age as may be authorized by statutes of regulations prescribed by the competent authority, and in general to do such acts and things and to undertake such activities not otherwise prohibited by law which are calculated to help members and necessary for the accomplishment of the purpose of which the association has been organized.

The registered office of the Association is located at 35 Paseo del Congreso, Catmon, Malolos, Bulacan.

*Tax Exemption*

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

*Approval of Financial Statements*

The financial statements of the Association as at and for the year ended December 31, 2021 (including the comparative financial statements as at and for the year ended December 31, 2020) were authorized for issue by the Association's Board of Trustees on April 26, 2022.

**2. MEMBERSHIP**

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### *Basis of Preparation of Financial Statements*

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

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

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

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

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

##### *b. Presentation of Financial Statements*

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

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

##### *c. Functional and Presentation Currency*

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

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



## *Adoption of New and Amended PFRS*

### *Effective Subsequent to 2021 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Association's financial statements.

- i. PFRS 3 (Amendments), *Business Combination - Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.
- ii. PAS 16 (Amendments), *Property, Plant and Equipment - Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- iii. PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- iv. Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Association:
  - PFRS 9 (Amendments), *Financial Instruments - Fees in the '10 percent' Test for Derecognition of Liabilities*. The improvements clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
  - Illustrative Examples Accompanying PFRS 16, *Leases - Lease Incentives*. The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives.
- v. PAS 1 (Amendments), *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.



- vi. PFRS 10 (Amendments), *Consolidated Financial Statements, and PAS 28 (Amendments), Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sales or contributions of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- vii. PFRS 17, *Insurance Contracts* (effective January 1, 2023). The new standard will eventually replace PFRS 4, *Insurance Contracts*. The Insurance Commission (IC), through its Circular Letter 2018-69, has deferred the implementation of PFRS 17 for the life insurance and non-life insurance industry. PFRS 17 will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9.

In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers.

A modification of the general measurement model called the variable fee approach is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.



## *Financial Instruments*

### *a. Financial Assets*

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

#### *Classification, Measurement and Reclassification of Financial Assets*

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

#### *i. Financial Assets at Amortized Cost*

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

- the asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Except for loans and receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Association's financial assets at amortized cost are presented in the statement of financial position as Cash and cash equivalents, Short-term and Long-term financial assets, investments securities presented at Financial assets at amortized cost and Other non-current financial assets in the statements of financial position.

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

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



Cash in banks pertains to cash deposits held at call with bank that are subject to an insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received. Short-term placements are time deposits with original maturities of three months or less.

Short-term financial assets are time deposits with original maturities of more than three months to one year. Deposits with original maturities of more than one year are classified as long-term financial assets.

Financial assets at amortized costs consisting mainly of treasury bills are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables are measured at amortized cost using the effective interest method, less any impairment.

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

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

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

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell (“hold to collect and sell”); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

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

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

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

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

As at December 31, 2021 and 2020, the Association's financial assets designated at FVOCI are discussed in Note 10.

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

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

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

Interest earned on these investments is included in the net fair value gains (losses) on these assets presented as part of Finance Income in the statements of profit or loss.

As at December 31, 2021 and 2020, the Association's financial assets designated at FVTPL are discussed in Note 9.

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

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



b. *Impairment of Financial Assets*

At the end of the reporting period, the Association assesses and recognizes an allowance for ECL on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. Recognition of credit losses is no longer dependent on the Association's identification of a credit loss event. Instead, the Association considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the collectability of the future cash flows of the financial assets.

The Association applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Association uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Association also assesses the impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

For debt instruments measured at FVOCI and at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit-impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Association recognized a loss allowance for such losses at each reporting date.

The Association determines whether there has been a significant increase in credit risk for the financial asset since the initial recognition by comparing the risk of a default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Association considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* - It is an estimate of the likelihood of default over a given time horizon.
- *Loss given default* - It is an estimate of loss arising in a case where default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Association would expect to receive, including the realization of any collateral.
- *Exposure at default* - It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

The Association recognizes an impairment loss in profit or loss for all financial instruments subject to impairment assessment with corresponding adjustments to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in Revaluation reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.



*c. Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Association neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Association recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, the Association continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

*d. Classification and Measurement of Financial Liabilities*

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

Financial liabilities, which include accounts payable and other liabilities [except output value-added tax (VAT) and other taxes payable and post-employment obligation], liability on individual equity value, basic contingent benefit reserve and claims payable on basic contingent benefit, are recognized when the Association becomes a party to the contractual agreements of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under the caption Finance costs in profit or loss.

Accounts payable and other liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using an effective interest method for maturities beyond one year, less settlement payments.

Liability on individual equity value, basic contingent benefit reserve and claims payable on basic contingent benefit are recognized as financial liabilities based on the amounts recommended by an independent actuary.

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



*e. Derecognition of Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, canceled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss in the statements of comprehensive income.

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

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

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

*g. Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Association currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future events. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

*Prepayments*

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

Prepayments include prepaid advances and deposits which are paid in advance and recorded as an asset before these are utilized. Prepaid expenses are amortized over time and recognized as an expense as the benefit is derived from the asset. Prepayments are recognized and measured at transaction costs or the amount of cash paid.

*Property and Equipment*

Land and building and improvements are measured at acquisition or construction cost less depreciation for building and improvements. As no finite useful life for land can be determined, related carrying amounts are not depreciated. All other property and equipment are carried at acquisition cost less accumulated depreciation and any impairment in value.





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

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

Building and improvements	2-30 years
Furniture, fixtures and equipment	2-5 years
Transportation equipment	2-5 years

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

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

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

#### *Investment Property*

This account includes parcels of land acquired in settlement of loans recorded at the lower of the total loan exposure or bid price at the same time of foreclosure, which should not be higher than the fair value of the property less costs to sell. Any excess of the loan balance over the bid price that is not recoverable from the borrower is included under Other losses in the statements of comprehensive income. Holding costs subsequent to foreclosure or acquisition of the properties are charged to operations as incurred.

Other investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. This investment property is initially recognized at cost, which includes acquisition price plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction impairment losses if any. Investment property is recognized using the cost model. Depreciation is computed on a straight-line basis over the estimated useful life of five years.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

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



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

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

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

### *Provisions and Contingencies*

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

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

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

### *Revenue and Expense Recognition*

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

- *Interest* - revenue is recognized as the interest accrues taking into account the effective yield on the asset.



Interest collected in advance (unearned interest income) is amortized to earnings using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Association estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

For other income arises in the performance of the Association's services, the Association follows a 5-step process to determine whether to recognize revenue:

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

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

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

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

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

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





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

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

- *Member's contributions and membership fees* – revenue is recognized monthly as they become due from members.
- *Service charges and fees* – revenue is amortized and recognized using the effective interest rate method over the term of the loan.
- *Other contributions* – revenue is recognized upon receipt of the contribution.
- *Other income* – revenue is recognized as they are earned.

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

### ***Employee Benefits***

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

#### ***a. Short-term Benefits***

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

#### ***b. Defined Benefit Plan***

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Association, even if plan assets for funding the defined benefit have been acquired. Plan assets may include assets specially designated to a long-term benefit fund, as well as qualifying insurance policies. The Association's defined benefit post-employment plans cover all regular full-time employees.



The liability recognized in the statements of financial position for a defined benefit pension plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

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

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

*c. Defined Contribution Plan*

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

*d. Termination Benefits*

Termination benefits are payable when employment is terminated by the Association before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Association recognizes termination benefits at the earlier of when or can no longer withdraw the offer of such benefits and when it recognized costs for a restructuring that is within the scope of PAS 37 and it involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due of more than 12 months after the end of the reporting period are discounted to present value.



## *Leases*

The Association accounts for its leases as follows:

### *Association as Lessee*

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Association;
- the Association has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Association has the right to direct the use of the identified asset throughout the period of use. The Association assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Association has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and a lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

### *Association as Lessor*

Leases wherein the Association substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Association's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Association's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

## *Income Taxes*

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

## *Related Party Transactions and Relationship*

Related party transactions are transfers of resources, services or obligations between the Association and its related parties, regardless of whether a price is charged.





Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Association; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Association that gives them significant influence over the Association and close members of the family of any such individual.

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

#### ***Fund Balance***

Assigned fund balance represents the amount set aside based on a certain percentage of net profit during the year which includes guaranty fund and funds assigned for members' benefit.

Free and unassigned fund balance includes all current and prior period results as disclosed in the statements of comprehensive income and net of member's withdrawals.

Accumulated other comprehensive loss includes all the accumulated fair value changes in defined benefit obligation.

#### ***Events After the End of the Reporting Period***

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

### **4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

#### ***Critical Management Judgments in Applying Accounting Policies***

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

##### ***a. Determination of ECL on Loans and Other Receivables***

The Association uses a provision matrix to calculate ECL for loans and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Association's historical observed default rates. The Association's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

*b. Evaluation of Business Model Applied in Managing Financial Instruments*

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

In determining the classification of a financial instrument under PFRS 9, the Association evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Association (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relating to the Association's investment and trading strategies.

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

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

If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Association considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

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



d. *Distinction Between Investment Properties and Owner-managed Properties*

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

e. *Determination of Timing of Satisfaction of Performance Obligations*

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

In determining the best method of measuring the progress of the Association's rendering of services, management considers the output method, which uses direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised as a basis in recognizing revenues. Such measurements include results of performance completed to date, the time elapsed, and appraisals of milestones reached or activities already performed.

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

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

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

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

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

g. *Evaluating Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 3 above and disclosures on relevant provisions and contingencies are presented in Note 23.





### *Key Sources of Estimation Uncertainty*

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

*a. Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses).

The carrying value of loans and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7.

*b. Estimation of Impairment of Financial Assets*

The Association reviews its financial assets to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset or a portfolio of similar financial assets. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The total impairment losses on financial assets recognized in profit or loss is presented in Note 7.

*c. Fair Value Measurement of Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Fair value loss of P4,559,664 in 2021 and P8,170,431 in 2020 on financial assets at fair value through profit and loss was reported in the statements of comprehensive income (*see Note 9*).

The fair values of the Association's financial instruments are disclosed in Note 25.



d. *Estimation of Useful Lives of Property and Equipment and Investment Property Except Land*

The Association estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and investment property are analyzed in Note 11 and 12. Based on management’s assessment as at December 31, 2021 and 2020, there is no change in the estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

e. *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

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

The determination of the Association’s obligation and cost of post-employment is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 and include, among others, discount rates, expected rate of return on plan assets and expected rate of salary increases. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of the post-employment benefit as well as the significant assumptions used in estimating such obligation are presented in Note 21.

5. **CASH AND CASH EQUIVALENTS**

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

	<u>2021</u>	<u>2020</u>
Cash in banks	P 193,512,155	P 112,685,987
Short-term placements	<u>19,425,017</u>	<u>55,302,569</u>
	<u>P 212,937,172</u>	<u>P 167,988,556</u>

Cash in banks generally earns interest at rates based on daily banks deposit rates. Short-term placements are made for varying periods between 30 to 90 days and earn effective annual interest ranging from 0.50% to 1.125% in 2021 and 0.75% to 1.125% in 2020.

The interest earned on cash in banks and short-term placements amounted to P530,963 in 2021 and P691,032 in 2020 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive income.

## 6. SHORT-TERM AND LONG-TERM FINANCIAL ASSETS

These accounts are presented as follows:

	<u>2021</u>	<u>2020</u>
Short-term investments	P 77,029,027	P 63,433,354
Long-term investments	<u>52,664,856</u>	<u>100,367,749</u>
	<u>P 129,693,883</u>	<u>P 163,801,103</u>

Short-term financial assets are time deposits with original maturities of more than three months to one year. Deposits with original maturities of more than one year are classified as long-term financial assets. These investments bear an annual effective interest ranging from 0.50% to 6.20% in 2021 and 1.125% to 6.20% in 2020.

Long-term investments include time deposits that were set aside as guarantee fund reserves in compliance with the Association's registration as a mutual benefit association (*see Note 19*).

The interest earned on these investments amounted to P10,677,916 in 2021 and P8,102,728 in 2020 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive income.

## 7. LOANS AND OTHER RECEIVABLES

The details of this account are shown below:

	<u>2021</u>	<u>2020</u>
Consumption loans	P 296,033,087	P 310,076,869
Accrued interest income	50,215,264	49,225,849
Accounts receivable	<u>8,428,367</u>	<u>102,745</u>
	354,676,718	359,405,463
Allowance for impairment losses	<u>( 16,433,543)</u>	<u>( 13,133,543)</u>
	<u>P 338,243,175</u>	<u>P 346,271,920</u>

In the statements of financial position, these are presented as follows:

	<u>2021</u>	<u>2020</u>
Current	P 258,723,297	P 257,816,547
Non-current	<u>79,519,878</u>	<u>88,455,373</u>
	<u>P 338,243,175</u>	<u>P 346,271,920</u>

The Association grants loans ranging from P800 to P10,000,000 in 2021 and 2020, with annual effective interest rates ranging from 3% to 16% in both years. The credit terms on loans ranging from 3 months to 10 years.

The interest received on loans and other receivables amounted to P20,404,785 in 2021 and P30,790,509 in 2020 and are presented as Interest on loans in the statements of comprehensive income.

Accounts receivable pertains to unremitted collections and receivable to borrowers who reacquired their previously foreclosed properties.

The Association collects service fees at 3% of loans granted. Service fees amounted to P5,405,264 and P5,192,088 in 2021 and 2020, respectively, and presented as Services charges and fees in the statements of comprehensive income.

Past due loans amounted to P84,489,991 and P36,563,772 as at December 31, 2021 and 2020, respectively.

The movements in the allowance for impairment losses in loans receivables are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 13,133,543	P 9,833,543
Impairment losses during the year (see Note 17)	<u>3,300,000</u>	<u>3,300,000</u>
Balance at end of year	<u><b>P 16,433,543</b></u>	<u><b>P 13,133,543</b></u>

An analysis of changes in the gross carrying amount of consumption loans and the corresponding ECL allowances follows:

	<u>2021</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying amounts as at January 1, 2021	P 260,379,554	P 36,563,772	P 13,133,543	P 310,076,869
New assets originated	-	31,492,676	3,300,000	34,792,676
Assets derecognized or prepaid	<u>(48,836,458)</u>	-	-	<u>(48,836,458)</u>
Gross carrying amounts as December 31, 2021	<u><b>P 211,543,096</b></u>	<u><b>P 68,056,448</b></u>	<u><b>P 16,433,543</b></u>	<u><b>P 296,033,087</b></u>
ECL allowance as at January 1, 2021	P 9,284,163	P 389,629	P 3,459,751	P 13,133,543
Provision for of credit losses	-	-	3,300,000	3,300,000
ECL allowance as at December 31, 2021	<u><b>P 9,284,163</b></u>	<u><b>P 389,629</b></u>	<u><b>P 6,759,751</b></u>	<u><b>P 16,433,543</b></u>
	<u>2020</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying amounts as at January 1, 2020	P 311,069,994	P 29,385,439	P 9,833,543	P 350,288,976
New assets originated	3,424,518	7,178,333	3,300,000	13,902,851
Assets derecognized or prepaid	<u>(54,114,958)</u>	-	-	<u>(54,114,958)</u>
Gross carrying amounts as December 31, 2020	<u><b>P 260,379,554</b></u>	<u><b>P 36,563,772</b></u>	<u><b>P 13,133,543</b></u>	<u><b>P 310,076,869</b></u>
ECL allowance as at January 1, 2020	P 9,284,163	P 389,629	P 159,751	P 9,833,543
Provision for of credit losses	-	-	3,300,000	3,300,000
ECL allowance as at December 31, 2020	<u><b>P 9,284,163</b></u>	<u><b>P 389,629</b></u>	<u><b>P 3,459,751</b></u>	<u><b>P 13,133,543</b></u>



8. FINANCIAL ASSETS AT AMORTIZED COST

This account includes treasury bills (T-bills) amounting to P45,921,024 and P30,084,821 as at December 31, 2021 and 2020, respectively. The T-bills consist of 196-day, 175-day, and 363-day terms that bears interest ranging from 1.147% to 1.440% in 2021 and 1.05% to 1.79% in 2020. The interest earned on this financial asset amounted to P317,714 in 2021 and P359,432 in 2020 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive income.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account comprises of investment securities as follows:

	<u>2021</u>	<u>2020</u>
Equity securities under Investment Management Agreement (IMA)	P 113,417,873	P 108,249,982
Mutual funds	78,186,474	73,097,388
Quoted equity securities	70,820,401	65,585,682
Bonds	<u>33,419,926</u>	<u>38,483,545</u>
	<u>P 295,844,674</u>	<u>P 285,416,597</u>

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

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 285,416,597	P 212,096,983
Additions	93,816,089	99,592,409
Disposals	( 78,828,348)	( 18,102,364)
Fair value loss - net	<u>( 4,559,664)</u>	<u>( 8,170,431)</u>
Balance at end of year	<u>P 295,844,674</u>	<u>P 285,416,597</u>

In 2021 and 2020, the Association recognized gain from disposal of financial assets at FVTPL amounting to P5,906,225 and P4,704,777, respectively. These are presented as Gain on sale of financial assets at fair value through profit or loss in the statements of comprehensive income.

The acquisition cost and accumulated fair value gain or loss of these financial assets at FVTPL are presented below:

	<u>Acquisition Cost</u>	<u>Fair Market Value</u>	<u>Accumulated Fair Value Gain or Loss</u>
December 31, 2021			
Mutual funds	P 75,758,056	P 78,186,474	P 2,428,418
Quoted equity securities	93,322,415	70,820,401	( 22,502,014)
Equity securities under IMA	111,229,970	113,417,873	2,187,903
Bonds	<u>32,900,000</u>	<u>33,419,926</u>	<u>519,926</u>
	<u>P 312,210,441</u>	<u>P 295,844,674</u>	<u>(P 17,365,767)</u>



	<u>Acquisition Cost</u>	<u>Fair Market Value</u>	<u>Accumulated Fair Value Gain or Loss</u>
December 31, 2020			
Mutual funds	P 70,758,034	P 73,097,388	P 2,339,354
Quoted equity securities	92,693,944	65,585,682	( 27,108,262)
Equity securities under IMA	107,287,378	108,249,982	962,604
Bonds	<u>37,900,000</u>	<u>38,483,545</u>	<u>583,545</u>
	<u>P 308,639,356</u>	<u>P 285,416,597</u>	<u>(P 23,222,759)</u>

Quoted equity securities consist of investments in companies listed in the Philippine Stock Exchange. The fair values of listed equity securities have been determined directly by reference to published prices in active markets.

Equity securities under Investment Management Agreement (IMA) consist of bonds, note placements and shares of listed companies managed by several local banks.

The fair values of mutual funds, UITF, bonds and equity securities under IMA have been determined directly by reference to published prices in active markets.

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

This account consists of the following treasury bonds and unquoted securities:

	<u>2021</u>	<u>2020</u>
Corporate bonds		
20-year treasury bonds	P 7,000,000	P 7,000,000
10-year treasury bonds	5,000,000	5,000,000
5-year treasury bonds	20,125,000	5,000,000
Government bonds		
3-year treasury bonds	18,025,000	10,000,000
Unquoted equity securities	<u>500,000</u>	<u>500,000</u>
	<u>P 50,650,000</u>	<u>P 27,500,000</u>

Treasury bonds bear interest ranging from 1.375% to 5.875% in 2021 and 2.625% to 5.875% in 2020. These treasury bonds include investments that were set aside as guarantee fund reserves in compliance with the Association's registration as a mutual benefit association (*see Note 19*).

The interest earned on these investments amounted to P949,600 in 2021 and P1,089,833 in 2020 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive income.

Unquoted equity security consists of investment in a non-stock association.

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

## 11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2021 and 2020 are shown below:

	<u>Building and Improvements</u>	<u>Transportation Equipment</u>	<u>Furniture Fixtures and Equipment</u>	<u>Land</u>	<u>Total</u>
December 31, 2021					
Cost or valuation	P 12,311,779	P 10,511,321	P 8,246,946	P 6,182,137	P 37,252,183
Accumulated depreciation	( 6,873,776)	( 7,994,534)	( 7,419,577)	-	( 22,287,887)
Net carrying amount	<u>P 5,438,003</u>	<u>P 2,516,787</u>	<u>P 827,369</u>	<u>P 6,182,137</u>	<u>P 14,964,296</u>
December 31, 2020					
Cost or valuation	P 12,311,779	P 8,007,621	P 7,647,662	P 6,182,137	P 34,149,199
Accumulated depreciation	( 6,461,023)	( 7,488,196)	( 6,907,899)	-	( 20,857,118)
Net carrying amount	<u>P 5,850,756</u>	<u>P 519,425</u>	<u>P 739,763</u>	<u>P 6,182,137</u>	<u>P 13,292,081</u>
January 1, 2020					
Cost or valuation	P 12,311,779	P 8,007,621	P 7,127,098	P 6,182,137	P 33,628,635
Accumulated depreciation	( 6,048,271)	( 6,938,298)	( 6,524,450)	-	( 19,511,019)
Net carrying amount	<u>P 6,263,508</u>	<u>P 1,069,323</u>	<u>P 602,648</u>	<u>P 6,182,137</u>	<u>P 14,117,616</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2021 and 2020 is shown below:

	<u>Building and Improvements</u>	<u>Transportation Equipment</u>	<u>Furniture Fixtures and Equipment</u>	<u>Land</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation					
Additions	-	2,503,700	599,284	-	3,102,984
Depreciation charge for the year (see Note 17)	( 412,753)	( 506,338)	( 511,678)	-	( 1,430,769)
Balance at December 31, 2021, net of accumulated depreciation	<u>P 5,438,003</u>	<u>P 2,516,787</u>	<u>P 827,369</u>	<u>P 6,182,137</u>	<u>P 14,964,296</u>
Balance at January 1, 2020, net of accumulated depreciation					
Additions	-	-	520,564	-	520,564
Depreciation charge for the year (see Note 17)	( 412,752)	( 549,898)	( 383,449)	-	( 1,346,099)
Balance at December 31, 2020, net of accumulated depreciation	<u>P 5,850,756</u>	<u>P 519,425</u>	<u>P 739,763</u>	<u>P 6,182,137</u>	<u>P 13,292,081</u>

As at December 31, 2021, and 2020, the management believes that there is no indication of impairment and that the carrying value of the property and equipment can be recovered through use in operations.

In addition, no property and equipment pledged as security or collateral for liabilities for both years.

## 12. INVESTMENT PROPERTY

The Association's investment property pertains to the portion of the land and land improvements held for sale and lease and real properties acquired in satisfaction of unsettled debts. The Association currently holds these acquired assets for purposes of capital appreciation and continues to value its properties using the cost model.

The breakdown of this account is as follows:

	<u>2021</u>	<u>2020</u>
Land and land improvements held for sale and lease	P 61,360,931	P 63,556,762
Real properties acquired	<u>14,231,632</u>	<u>14,752,618</u>
	<u>P 75,592,563</u>	<u>P 78,309,380</u>

The gross carrying amounts and the accumulated depreciation of investment property are shown below:

	<u>Land</u>	<u>Land Improvements</u>	<u>Total</u>
December 31, 2021			
Cost	P 75,422,356	P 265,547	P 75,687,903
Accumulated depreciation	<u>-</u>	<u>( 95,340)</u>	<u>( 95,340)</u>
Net carrying amount	<u>P 75,422,356</u>	<u>P 170,207</u>	<u>P 75,592,563</u>
December 31, 2020			
Cost	P 78,125,553	P 265,547	P 78,391,100
Accumulated depreciation	<u>-</u>	<u>( 81,720)</u>	<u>( 81,720)</u>
Net carrying amount	<u>P 78,125,553</u>	<u>P 183,827</u>	<u>P 78,309,380</u>
January 1, 2020			
Cost	P 86,650,495	P 265,547	P 86,916,042
Accumulated depreciation	<u>-</u>	<u>( 68,100)</u>	<u>( 68,100)</u>
Net carrying amount	<u>P 86,650,495</u>	<u>P 197,447</u>	<u>P 86,847,942</u>

The reconciliations of the carrying amounts at the beginning and end of 2021 and 2020, of investment property, are shown below:

	<u>Land</u>	<u>Land Improvements</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation	P 78,125,553	P 183,827	P 78,309,380
Additions	854,014	-	854,014
Disposal	( 2,182,211)	-	( 2,182,211)
Adjustments	( 1,375,000)	-	( 1,375,000)
Depreciation charge for the year (see Note 17)	<u>-</u>	<u>( 13,620)</u>	<u>( 13,620)</u>
Balance at December 31, 2021, net of accumulated depreciation	<u>P 75,422,356</u>	<u>P 170,207</u>	<u>P 75,592,563</u>





	<u>Land</u>	<u>Land Improvements</u>	<u>Total</u>
Balance at January 1, 2020, net of accumulated depreciation	P 86,650,495	P 197,447	P 86,847,942
Adjustments	( 6,593,510)	-	( 6,593,510)
Disposal	( 1,931,432)	-	( 1,931,432)
Depreciation charge for the year (see Note 17)	<u>-</u>	<u>( 13,620)</u>	<u>( 13,620)</u>
Balance at December 31, 2020, net of accumulated depreciation	<u>P 78,125,553</u>	<u>P 183,827</u>	<u>P 78,309,380</u>

The Association recognized a gain on sale of investment property amounting to P8,218,832 in 2021 and P1,931,432 in 2020 (see Note 17) and is presented as part of Other income under miscellaneous in the statements of comprehensive income.

The fair value information of the investment property as at December 31, 2021 and 2020 cannot be determined reliably primarily because comparable market transactions were infrequent and alternative reliable estimates of fair value based on discounted cash flow projections were not available as at the financial reporting date. However, management believes that there is no indication of impairment on an investment property based on fair value measurement derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

In addition, no investment property pledged as security or collateral for liabilities for both years.

### 13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	<u>2021</u>	<u>2020</u>
Current:		
Accounts payable	P 16,654,437	P 7,302,882
Accrued expenses	3,473,653	848,592
Due to government agencies	<u>694,607</u>	<u>644,172</u>
	<u>P 20,822,697</u>	<u>P 8,795,646</u>
Non-Current:		
Advance deposit	<u>P 4,350</u>	<u>P 16,162</u>

Accounts payable are non-interest bearing and are normally within 30 days to 120 days term. These are generally paid within 3 to 12 months after the end of the financial reporting period.

Accrued expenses pertain to accruals of various incurred expenses. These are expected to be settled within one to three months from the end of the financial reporting period.

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



Advance deposits are given by the lessee at the inception of the lease agreement that will be refunded at the end of the lease agreement after all the valid claims have been cleared.

**14. LIABILITY ON INDIVIDUAL EQUITY VALUE**

This account pertains to legal policy reserve which represents the amount set up by the Association to cover future benefit payments to members based on the amounts recommended by an independent actuary accredited by the Insurance Commission dated April 8, 2022 and April 15, 2021 as at December 31, 2021 and 2020, respectively.

The movement of liability on individual equity value is presented below:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 710,178,628	P 712,223,930
Collections of equity participation during the year (see Note 17)	131,718,587	134,106,440
Withdrawals from equity participation during the year (see Note 18)	( 112,071,867)	( 136,151,742)
Withdrawals of delisted accounts (see Note 17)	( <u>4,537,409</u> )	<u>-</u>
Balance at end of year	<u>P 725,287,939</u>	<u>P 710,178,628</u>

**15. BASIC CONTINGENT BENEFIT RESERVE**

This account represents the amount set up by the Association as insurance premium reserves based on 50% of the total insurance collected from the members to cover any insurance claim by the members.

The account is broken down as follows:

	<u>2021</u>	<u>2020</u>
Insurance fund collateral	P 2,677,884	P 2,588,910
Multiply by 50%	<u>50%</u>	<u>50%</u>
	<u>P 1,338,942</u>	<u>P 1,294,455</u>

The movements of this account are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 1,294,455	P 1,236,053
Additional reserves (see Note 17)	<u>44,487</u>	<u>58,402</u>
Balance at end of year	<u>P 1,338,942</u>	<u>P 1,294,455</u>



16. CLAIMS PAYABLE ON BASIC CONTINGENT BENEFIT

This represents benefit claims on membership certificates filed or reported to the Association but not yet paid as at December 31, 2021 and 2020.

The account is broken down as follows:

	<u>2021</u>	<u>2020</u>
Claims payable on basic contingent benefit - due and unpaid	P 2,115,000	P 1,980,000
Claims payable on basic contingent benefit - Incurred but not yet Reported (IBNR)	<u>1,010,000</u>	<u>-</u>
	<u>P 3,125,000</u>	<u>P 1,980,000</u>

Claims payable on basic contingent benefit - due and unpaid pertain to the sum of the individual claims that are due and have already been approved for payment but have not actually been paid. This includes checks already issued to beneficiaries but not yet released as of the end of the accounting period.

Claims payable on basic contingent benefit - Incurred but not yet Reported (IBNR) pertains to the sum of the individual claims that have already occurred but on which notice has not yet been received by the Association. This estimate takes into account any policy reserve liability set up by the Association and any amount recoverable from reinsurers.

17. EXPENSES AND OTHER INCOME

*Expenses*

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Allocation for liability on individual equity value (see Note 14)	P 131,718,587	P 134,106,440
Salaries, wages and benefits (see Note 21)	21,914,414	22,244,837
Insurance claims	16,780,000	11,720,000
Transportation and travel	4,864,547	4,990,025
Impairment losses (see Note 7)	3,300,000	3,300,000
Meetings and conferences	2,289,221	2,455,412
Depreciation (see Notes 11 and 12)	1,444,389	1,359,719
Stationery and office supplies	1,163,132	981,606
Administrative expenses	1,078,420	1,420,274
Utilities	588,055	490,982
Professional fees	552,624	322,457
Taxes and licenses (see Note 31)	532,809	444,299

Forward



	<u>2021</u>	<u>2020</u>
Communication	P 531,325	P 280,709
Repairs and maintenance	307,828	233,022
Marketing expense	290,282	789,663
Contractors fees	98,675	123,984
Commission	56,094	-
Increase in reserve for basic contingent benefit (see Note 15)	44,487	58,402
Miscellaneous	<u>3,761,112</u>	<u>2,943,516</u>
	<u>P 191,316,001</u>	<u>P 188,265,347</u>

These expenses are classified in the statements of comprehensive income as follows:

	<u>2021</u>	<u>2020</u>
Allocation for liability on individual equity value	P 131,718,587	P 134,106,440
Operating expenses	42,772,927	42,380,505
Benefit expenses	16,780,000	11,720,000
Increase in reserve for basic contingent benefit	<u>44,487</u>	<u>58,402</u>
	<u>P 191,316,001</u>	<u>P 188,265,347</u>

Allocation for liability on individual equity value represents the net change in the liability on individual equity value for the current period.

Increase in reserve for basic contingent benefit represents the net change in the reserve for the basic benefit for the current period.

Benefit expenses pertain to all costs incurred that are directly related to the provision of insurance services to its members.

### *Other Income*

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Income from delisted accounts	P 10,409,925	P -
Gain on sale of investment property (see Note 12)	8,218,832	1,931,432
Rental income (see Note 23)	2,314,661	2,786,579
Penalties	544,968	602,503
Others	<u>5,927,337</u>	<u>1,164,852</u>
	<u>P 27,415,723</u>	<u>P 6,485,366</u>





Income from delisted accounts pertains to recovery from unclaimed accounts of members withdrew from the Association. This account is broken downs as follows:

	<u>2021</u>	<u>2020</u>
Recovery from tagged earnings from Free and Unassigned Fund Balance	P 5,872,516	P -
Recovery from Liability on Individual Equity Value (see Note 14)	<u>4,537,409</u>	<u>-</u>
	<u>P 10,409,925</u>	<u>P -</u>

**18. MEMBERS' CONTRIBUTIONS**

The Association collects monthly contributions from members ranging from P100 to P20,000 depending on the mode of payments and insurance cover which forms the revenues in the statements of comprehensive income.

The member's contributions were allocated as follows:

	<u>2021</u>	<u>2020</u>
Liability on individual equity value	P 131,718,587	P 134,106,440
Insurance fund	31,696,593	29,393,850
General fund	13,275,046	21,503,626
Guaranty fund	8,588,621	-
Member's benefit	<u>3,909,024</u>	<u>-</u>
	<u>P 189,187,871</u>	<u>P 185,003,916</u>

Members can only withdraw the contributed equity upon the termination of membership in the Association. A portion of members' equity is transferred to the general fund when members fail to remit their monthly loan contributions. Members whose equity is less than the members' outstanding loan balance are reclassified as non-members. The total withdrawals from the Association amounted to P147,593,056 in 2021 and P155,853,061 in 2020.

Membership fees are recorded as revenues and are shown as Membership fees in the statements of comprehensive income. Membership fees amounted to P907,850 and P562,500 in 2021 and 2020, respectively.

As at December 31, 2021, and 2020, the Association has a total of 127,027 and 169,925 members, respectively.



19. FUND BALANCE

*Assigned Fund Balance*

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Guaranty fund	P 44,000,000	P 49,000,000
Funds assigned for members' benefit	<u>79,111,971</u>	<u>47,737,576</u>
	<u>P 123,111,971</u>	<u>P 96,737,576</u>

*Guaranty Fund*

Guaranty fund is a restricted and set aside fund in compliance with the Insurance Memorandum Circular (MC) No. 2-2006 required to mutual benefit associations. All existing mutual benefit associations must have a Guaranty fund of P12,500,000. As at December 31, 2021 and 2020, the Association complied with the aforementioned memorandum circular.

The Association shall deposit with the Insurance Commission the amount of Guaranty Fund required in cash or in government securities with a total value equal to such amount. The Association's Guaranty fund were deposited under Investment Services Division as follows:

	<u>2021</u>	<u>2020</u>
Time deposits	P 22,000,000	P 27,000,000
Retail treasury bills	<u>22,000,000</u>	<u>22,000,000</u>
	<u>P 44,000,000</u>	<u>P 49,000,000</u>

Movement of this account follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	P 49,000,000	P 38,000,000
Withdrawal of fund during the year	( 5,000,000)	-
Additions during the year	<u>-</u>	<u>11,000,000</u>
Balance at end of year	<u>P 44,000,000</u>	<u>P 49,000,000</u>

*Funds Assigned For Members' Benefit*

Funds assigned for members' benefit pertain to assigned fund for an incremental benefit for individual equity value. This is a portion of the net surplus set aside by the Association as additional benefits to its members computed proportionately on their Individual Equity Value. This assigned fund is withdrawable upon the termination of membership from the Association.

Movement of this account follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 47,737,576	P 49,087,420
Appropriation during the year	50,734,534	-
Withdrawals during the year	( 19,360,139)	( 1,349,844)
Balance at end of year	<u>P 79,111,971</u>	<u>P 47,737,576</u>

On March 19, 2021 the Insurance Commission verified that the Association has an additional excess Free and Unassigned Fund Balance amounting to P10,911,949 from 2019 Annual Statement of the Association.

***Accumulated Other Comprehensive Loss***

This account pertains to loss on remeasurements of retirement benefit obligation. The movement of this account follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 7,309,310	P 14,965,051
Actuarial gain for the year (see Note 21)	( 110,948)	( 7,655,741)
Balance at end of year	<u>P 7,198,362</u>	<u>P 7,309,310</u>

***Prior Period Adjustments and Reclassifications***

The balance of free and unassigned fund balance was restated from the amount as previously reported to reflect certain adjustment and reclassification. The effect of these are presented as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
December 31, 2020			
<i>Statement of Financial Position</i>			
Assets			
Cash and cash equivalents	P 164,000,193	P 3,988,363	P 167,988,556
Short-term financial assets	64,690,285	( 1,256,931)	63,433,354
Loans and other receivables - current	252,723,520	5,093,027	257,816,547
Long-term financial assets	103,047,355	( 2,679,606)	100,367,749
Other non-current financial assets	16,816,626	( 16,816,626)	-
		<u>(P 11,671,773)</u>	



	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
<i>Liabilities</i>			
Accounts payable and other liabilities	P 8,743,820	P 51,826	P 8,795,646
Retirement benefit obligation	23,443,892	<u>( 15,915,169)</u>	7,528,723
		<u><b>(P 15,863,343)</b></u>	
 <i>Fund Balance - Beginning</i>			
Free and unassigned fund balance	P 289,972,515	<u>P 4,191,570</u>	P 294,164,085
		<u><b>P 4,191,570</b></u>	
 <i>Statement of Comprehensive income</i>			
Revenues	P 115,997,387	P 134,164,842	P 250,162,229
Expenses	62,270,936	<u>134,164,842</u>	196,435,778
		<u><b>P -</b></u>	
 December 31, 2019			
<i>Statement of Financial Position</i>			
<i>Assets</i>			
Loans and other receivables -current	P 242,973,384	<u>P 4,191,570</u>	P 247,164,954
		<u><b>P 4,191,570</b></u>	
 <i>Fund Balance - Beginning</i>			
Free and unassigned fund balance	P 268,323,674	<u>P 4,191,570</u>	P 272,515,244
		<u><b>P 4,191,570</b></u>	

The balance of cash and cash equivalents, short-term and long-term financial statements, other non-current financial assets, accounts payable and other liabilities and retirement benefit obligation were restated from previously reported amounts to reflect adjustments and reclassifications from the previous periods made by the Insurance Commission in their verification of 2020 Annual Statement of the Association.

The balance of loans and receivables was restated from previously reported amounts to reflect adjustments and unrecorded receivables from the previous periods.

The balance of revenues and expenses were restated from previously reported amounts to reflect the member's contributions allocated to the individual equity value and increase in basic contingent benefit reserve amounting to P134,106,440 and P58,402, respectively, and the corresponding expenses to present the balances aligned with SCA for MBAs.





20. RELATED PARTY TRANSACTIONS

The Association’s related parties include the Association’s employees, directors, officers, stockholders and related interest (DOSRI) and key management personnel.

The summary of the Association’s transactions and outstanding balances with the related parties follows:

	2021		2020		Terms and Condition
	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance	
DOSRI					
Loans and interest	P 1,887,694	P 8,380,224	P 976,224	P 6,492,530	Interest bearing ranging 5% to 16% payable in 3 years, unsecured, no impairment loss
Key management personnel					
Compensation	P 5,813,552	P -	P 5,979,272	P -	

*Loans and Receivables with Related Parties*

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

The movement of these loans to related parties is presented below:

	2021	2020
Balance at beginning of year	P 6,492,530	P 5,516,306
Releases during the year	7,037,398	4,433,000
Collections during the year	( 5,149,704)	( 3,456,776)
Balance at end of year	<u>P 8,380,224</u>	<u>P 6,492,530</u>

*Key Management Personnel Compensation*

The compensation of key management is composed of salaries and wages amounting to P5,813,552 in 2021 and P5,979,272 in 2020. Key management includes general manager and higher positions.



21. SALARIES, WAGES, AND BENEFITS

*Salaries and Employee Benefit Expense*

Expenses recognized for salaries and employee benefits are presented below:

	<u>2021</u>	<u>2020</u>
Salaries and wages	P 11,437,201	P 11,117,387
Employees welfare and benefits	6,082,648	6,874,649
Social security costs	965,885	848,614
Allowance and honorarium	335,000	180,000
Retirement costs	<u>3,093,680</u>	<u>3,224,187</u>
	<u>P 21,914,414</u>	<u>P 22,244,837</u>

*Retirement Benefit Obligation*

a. *Characteristics of the Retirement Benefit Obligation*

The Association has a qualified, non-contributory retirement plan as at December 31, 2021 and 2020.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provides for early retirement at age 50 with a minimum of 10 years of credited service and late retirement after age 60, both subject to the approval of the Association’s Board of Trustees.

The normal retirement benefit is an amount equivalent to final salary for every year of credited service in accordance with the following schedule:

<u>Years of Service</u>	<u>Percentage</u>
0-4	0%
5-9	50%
10-14	100%
15-19	150%
20-24	200%
25-over	250%

Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the Plan.

In accordance with the provisions of the Bureau of Internal Revenue Regulations No. 1-68 for formal, tax-qualified retirement plans, it is required, among others, that the Retirement Fund be administered by a trust (trusteed); that forfeitures arising for any reason shall not be applied to increase the benefits under the Plan but shall instead be retained in the Retirement Fund and be used as soon as possible to reduce the Association’s future contributions; and that the corpus or income of the Retirement Fund must at no time be used for, or diverted to, any purpose other than for the exclusive benefit of the Plan members (non-diversion of funds).



The Retirement Plan Trustee, as appointed by the Association in the Trust Agreement executed between the Association and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund.

As the administrator of the Retirement Plan, the Retirement Plan Trustee (rather than the Association) is responsible for the ultimate control, disposition, or management of the money received or contributed.

There are no unusual or significant risks to which the Plan exposes the Association. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Association to the Retirement Fund.

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

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in 2021 are based on the actuarial valuation report obtained from an independent actuary on January 18, 2022.

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

	<u>2021</u>	<u>2020</u>
Present value of the obligation	P 25,849,283	P 23,443,891
Fair value of plan assets	( 18,305,588)	( 15,915,168)
Retirement benefit obligation	<u>P 7,543,695</u>	<u>P 7,528,723</u>

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 23,443,891	P 27,795,395
Current service cost	1,876,087	2,539,410
Interest cost	897,121	1,523,240
Actuarial gain	( 367,816)	( 8,414,154)
Balance at end of year	<u>P 25,849,283</u>	<u>P 23,443,891</u>

The movements in the fair value of plan assets are presented below:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 15,915,168	P 14,764,677
Contributions	2,000,000	1,070,441
Actual return	<u>390,420</u>	<u>80,050</u>
Balance at end of year	<u>P 18,305,588</u>	<u>P 15,915,168</u>



	<u>2021</u>	<u>2020</u>
Actual return	P 390,420	P 80,050
Expected return	<u>649,288</u>	<u>838,463</u>
Loss on assets	<u>(P 256,868)</u>	<u>(P 758,413)</u>

The fair value of plan assets at the end of the reporting period is composed of cash and cash equivalents amounting to P18,305,588 and P15,915,168 as December 31, 2021 and 2020, respectively.

The fair values of the above equity and debt securities are determined based on the quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not compromise any of the Association's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the retirement benefit obligation are as follows:

	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>		
Current service costs	<u>P 3,093,680</u>	<u>P 3,244,187</u>
<i>Reported in other comprehensive income-</i>		
Actuarial gain	<u>(P 110,948)</u>	<u>(P 7,655,741)</u>

Current service and interest cost is allocated and presented as part of operating expenses in the statement of profit or loss.

In determining the amounts of the retirement benefit obligation, the following significant actuarial assumptions were used:

	<u>2021</u>	<u>2020</u>
Discount rates	4.94%	3.83%
Expected rate of salary increases	5%	7%

Assumptions regarding mortality are based on published statistics and mortality tables. The average age of the employees is 37.02 and 35.67 years in 2021 and 2020, respectively, while the average years of service are 9.88 and 8.63 in 2021 and 2020, respectively. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.



b. *Risks Associated with the Retirement Plan*

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

i. Interest Risk

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

ii. Longevity and Salary Risks

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

c. *Other Information*

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

*Sensitivity Analysis*

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

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as at December 31:

	Impact on defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2021			
Discount rate	1% P	3,911,491	(P 3,258,860)
Salary increase rate	1%	3,606,822	( 3,082,340)
Withdrawal rate	10%	236,641	( 230,010)
December 31, 2020			
Discount rate	1% P	3,764,047	(P 3,116,787)
Salary increase rate	1%	3,495,601	( 2,968,752)
Withdrawal rate	10%	113,127	( 113,960)





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

**22. TAX EXPENSE**

The components of tax expense as reported in the statements of comprehensive revenues are presented below:

	<u>2021</u>	<u>2020</u>
Regular corporate income tax at 25% in 2021 and 27.5% in 2020	P 578,665	P 766,309
Final tax at 20%	<u>1,172,142</u>	<u>1,959,826</u>
	<u>P 1,750,807</u>	<u>P 2,726,135</u>

As mentioned in Note 1, the Association is exempt from the payment of income tax under Section 30c of the National Internal Revenue Code. However, the Association’s income from rental is subjected to regular income tax of 25% in 2021, and 30% and 25% in 2020.

In 2013, the Association donated computer equipment to Alexis G. Santos National High School, Masagana Public High School and Lolomboy National High School amounting to P164,350. Likewise, the Association donated computer equipment of P147,045 to San Gabriel Elementary School in 2012, science equipment package of P73,550 in 2011 to Turo Elementary School located in Bocaue, Bulacan and P80,000 in 2010 to Sta. Maria Elementary School located in Poblacion, Sta. Maria, Bulacan. Under the Memorandum of Agreement between the Association and Department of Education, the Association is entitled to tax incentives equivalent to the amount donated plus an additional 50% of the amount donated subject to approval by the Bureau of Internal Revenue (BIR) pursuant to Revenue Regulations No. 10-2003. The said donations are presented as part of Prepayments in the statement of financial position.

As at December 31, 2021, the Association is waiting for exemption certification from BIR in able for the Association to avail the tax incentives. The said exemption entitles the Association to full deductibility of donation and entitlement to a 50% additional deduction. The donation also exempts the Association from paying donors tax pursuant to R.A. 8525.

***Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act)***

On March 26, 2021, Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises Act” or CREATE Act was signed into law amending certain provisions of the National Internal Revenue Code of 1997.



The key amendments in the Tax Code under the CREATE Act include, but not limited to, the following:

- a. Adoption of graduated Corporate Income Tax (CIT) rate effective July 1, 2020:
  - 20% CIT for domestic corporations with total assets of not exceeding P100 million (excluding land on which the particular business entity's office is situated), and with net taxable income not exceeding P5 million.
  - 25% CIT for other domestic corporations
- b. 25% CIT for non-resident foreign corporations effective January 1, 2021.
- c. Reduction of minimum corporate income tax (MCIT) from 2% to 1% from July 1, 2020 to June 30, 2023.
- d. Reduction of CIT for proprietary, non-profit educational institutions and hospitals from 10% to 1% from July 1, 2020 to June 30, 2023.
- e. Tax exemption of foreign-sourced dividends of domestic corporations subject to certain conditions.
- f. Clarification on the types of reorganizations covered by tax-free exchanges under Section 40(C)(2) of the Tax Code.
- g. Repeal of improperly accumulated earnings tax (IAET).
- h. Repeal of 10% special income tax rate on regional operating headquarters (ROHQ) starting January 1, 2022.

**23. COMMITMENTS AND CONTINGENCIES**

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

***Operating Lease - Association as Lessor***

The Association is a lessor on various offices with terms ranging from one to ten years, with renewal options, and includes annual escalation rates of 10%. The future minimum lease payments receivable under these leases as at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Within one year	P 1,212,587	P 1,987,147
After one year but not more than five years	<u>4,964,328</u>	<u>6,563,429</u>
	<u>P 6,176,915</u>	<u>P 8,491,576</u>

Rental income recognized from these leases amounted to P2,314,661 in 2021 and P2,786,579 in 2020 and presented as part of Others under Revenues account in the statements of comprehensive income (see Note 17).



*Others*

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

**24. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Association is exposed to a variety of financial risks in relation to financial instruments. The Association's financial assets and liabilities by category are summarized in Note 25. The main types of risks are market risk, credit risk and liquidity risk.

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

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

***Market Risk***

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

*a. Foreign Currency Sensitivity*

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

*b. Interest Rate Sensitivity*

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

Interest income would have either increased or decreased by P86,163 in 2021 and P76,312 in 2020 assuming a reasonably possible change in interest rates of +/-0.82% for regular savings and +/-1.49% for time deposit account in 2021 and 2020, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Association's cash and cash equivalents held at December 31, 2021 and 2020. All other variables are held constant.



c. *Other Price Risk Sensitivity*

The Association's market price risk arises from its investments carried at fair value through profit or loss. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. For these securities, average volatility of 23% has been observed in both years. If quoted price for these securities increased or decreased by that amount, profit before tax would have changed by P1,358,432 in 2021 and P1,082,099 in 2020.

These investments are considered long-term strategic investments. No specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity investments are utilized in the Association's favor.

**Credit Risk**

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

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	P 212,937,172	P 167,988,556
Short-term financial assets	77,029,027	63,433,354
Long-term financial assets	52,664,856	100,367,749
Loans and other receivables	338,243,175	346,271,920
Financial assets at Amortized cost	45,921,024	30,084,821
Financial assets at FVTPL	295,844,674	285,416,597
Financial assets at FVOCI	<u>50,650,000</u>	<u>27,500,000</u>
	<u>P 1,073,289,928</u>	<u>P 1,021,062,997</u>

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

	2021					
	<u>Neither Past Due Nor Impaired</u>			<u>Past Due But Not Yet Impaired</u>		<u>Total</u>
	<u>High Grade</u>	<u>Standard Grade</u>	<u>Substandard Grade</u>	<u>Impaired</u>	<u>Impaired</u>	
Cash and cash equivalents	P 212,937,172	P -	P -	P -	P -	P 212,937,172
Short-term financial assets	77,029,027	-	-	-	-	77,029,027
Long-term financial assets	52,664,856	-	-	-	-	52,664,856
Financial assets at amortized cost	45,291,024	-	-	-	-	45,291,024
Financial assets at FVTPL	295,844,674	-	-	-	-	295,844,674
Financial assets at FVOCI	50,650,000	-	-	-	-	50,650,000
Loans and receivables:						
Consumption loans	-	195,109,553	-	68,056,448	16,433,543	279,599,544
Accrued interest income	-	50,215,264	-	-	-	50,215,264
Accounts receivable	-	8,428,367	-	-	-	8,428,367
	<u>P 735,046,753</u>	<u>P 253,753,184</u>	<u>P -</u>	<u>P 68,056,448</u>	<u>P 16,433,543</u>	<u>P 1,089,723,471</u>



	2020					Total
	High Grade	Neither Past Due Nor Impaired Standard Grade	Substandard Grade	Past Due But Not Yet Impaired	Impaired	
Cash and cash equivalents P	167,988,556	P -	P -	P -	P -	P 167,988,556
Short-term financial assets	63,433,354	-	-	-	-	63,433,354
Long-term financial assets	100,367,749	-	-	-	-	100,367,749
Financial assets at amortized cost	30,084,821	-	-	-	-	30,084,821
Financial assets at FVTPL	285,416,597	-	-	-	-	285,416,597
Financial assets at FVOCI	27,500,000	-	-	-	-	27,500,000
Loans and receivables:						
Consumption loans	-	247,246,011	-	36,563,772	13,133,543	296,943,326
Accrued interest income	-	49,225,849	-	-	-	49,225,849
Accounts receivable	-	102,745	-	-	-	102,745
	<u>P 674,791,077</u>	<u>P 296,574,605</u>	<u>P -</u>	<u>P 36,563,772</u>	<u>P 13,133,543</u>	<u>P 1,021,062,997</u>

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

	2021					Total
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	
Loans and receivables:						
Consumption	<u>P 68,056,448</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 84,489,881</u>

	2020					Total
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	
Loans and receivables:						
Consumption	<u>P 2,995,494</u>	<u>P 995,000</u>	<u>P 987,689</u>	<u>P 4,704,846</u>	<u>P 26,880,743</u>	<u>P 36,563,772</u>

The Association's management considers the net amount of the above financial assets that are not impaired or past due for each reporting date are of good credit quality. The bases in grading the Association's financial assets are as follows:

1. *High Grade*

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

2. *Standard Grade*

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

3. *Substandard Grade*

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

**Liquidity Risk**

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

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

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

	2021				
	<u>On Demand</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>Over 1 Year</u>	<u>Total</u>
Financial Assets:					
Cash and cash equivalents	P193,512,155	P 19,425,017	P -	P -	P 212,937,172
Short-term financial assets	-	-	77,029,027	-	77,029,027
Long-term financial assets	-	-	-	52,664,856	52,664,856
Financial assets at Amortized cost	-	-	45,291,024	-	45,291,024
Financial assets at FVTPL	295,844,674	-	-	-	295,844,674
Financial assets at FVOCI	-	-	-	50,650,000	50,650,000
Loans and receivables - gross	<u>119,924,603</u>	<u>45,278,958</u>	<u>96,544,914</u>	<u>92,928,243</u>	<u>354,676,718</u>
	<u>609,281,432</u>	<u>64,703,975</u>	<u>218,864,965</u>	<u>196,243,099</u>	<u>1,089,093,471</u>
Financial liabilities:					
Accounts payable and other liabilities	P 20,822,697	-	-	4,350	P 20,827,047
Liability on individual equity value	725,287,939	-	-	-	725,287,939
Claims payable on basic contingent benefit	3,125,000	-	-	-	3,125,000
Basic contingent benefit reserve	<u>1,338,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,338,942</u>
	<u>747,449,578</u>	<u>-</u>	<u>-</u>	<u>4,350</u>	<u>747,453,928</u>
Cumulative gap	<u>(P138,168,146)</u>	<u>P 64,703,975</u>	<u>P 218,864,965</u>	<u>P 196,238,749</u>	<u>P 341,643,893</u>
	2020				
	<u>On Demand</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>Over 1 Year</u>	<u>Total</u>
Financial Assets:					
Cash and cash equivalents	P112,685,987	P 55,302,569	P -	P -	P 167,988,556
Short-term financial assets	-	-	63,433,354	-	63,433,354
Long-term financial assets	-	-	-	100,367,749	100,367,749
Financial assets at Amortized cost	-	-	30,084,821	-	30,084,821
Financial assets at FVTPL	285,416,597	-	-	-	285,416,597
Financial assets at FVOCI	-	-	-	27,500,000	27,500,000
Loans and Receivables - gross	<u>230,351,733</u>	<u>6,925,033</u>	<u>41,730,416</u>	<u>80,398,281</u>	<u>359,405,463</u>
	<u>628,454,317</u>	<u>62,227,602</u>	<u>135,248,591</u>	<u>208,266,030</u>	<u>1,034,196,540</u>



	2020				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	
Financial liabilities:					
Accounts payable and other liabilities	8,795,646	-	-	16,162	8,811,808
Liability on individual equity value	710,178,628	-	-	-	710,178,628
Claims payable on basic contingent benefit	1,980,000	-	-	-	1,980,000
Basic contingent benefit reserve	<u>1,294,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,294,455</u>
	<u>722,248,729</u>	<u>-</u>	<u>-</u>	<u>16,162</u>	<u>722,264,891</u>
Cumulative gap	(P 93,794,412)	P 62,227,602	P 135,248,591	P 208,249,868	P 311,931,649

To ensure that the Association maintains a prudent and management level of cumulative negative gap, the Association maintains a pool of highly liquid assets in the form of short-term investments. Further, the Association has pending credit lines with the banks in the event of funding its operations.

## 25. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS

### a. Fair Value of Financial Instruments

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

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Financial Assets</i>				
Cash and cash equivalents	P 212,937,172	P 212,937,172	P 167,988,556	P 167,988,556
Short-term financial assets	77,029,027	77,029,027	63,433,354	63,433,354
Long-term financial assets	52,664,856	52,664,856	100,367,749	100,367,749
Financial assets at amortized cost	45,291,024	45,291,024	30,084,821	30,084,821
Loans and other receivables	354,676,718	338,243,175	359,405,463	346,271,920
Financial assets at FVOCI	50,650,000	50,650,000	27,500,000	27,500,000
Financial assets at FVTPL	<u>295,844,674</u>	<u>295,844,674</u>	<u>285,416,597</u>	<u>285,416,597</u>
	<u>P 1,089,723,471</u>	<u>P 1,072,659,928</u>	<u>P 1,034,196,540</u>	<u>P 1,021,062,997</u>
<i>Financial Liabilities</i>				
Accounts payable and other liabilities	P 20,827,047	P 20,827,047	P 8,811,808	P 8,811,808
Liability on individual equity value	725,287,939	725,287,939	710,178,628	710,178,628
Claims payable on basic contingent benefit	3,125,000	3,125,000	1,980,000	1,980,000
Basic contingent benefit reserve	<u>1,338,942</u>	<u>1,338,942</u>	<u>1,294,455</u>	<u>1,294,455</u>
	<u>P 750,578,928</u>	<u>P 750,578,928</u>	<u>P 722,264,891</u>	<u>P 722,264,891</u>

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

*i. Cash and cash equivalents, short-term and long-term financial assets*

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

*ii. Financial assets at FVTPL*

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

*iii. Financial assets at FVOCI, Financial assets at amortized cost and Loans and other receivables*

Financial assets at FVOCI, financial assets at amortized cost, and loans and other receivables are net of impairment losses. The estimated fair value of these financial assets represents the discounted amount of estimated future cash flows expected to be received. Long-term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

*iv. Accounts payable and other liabilities, Liability on individual equity value, Basic contingent benefit reserve and Claims payable on basic contingent reserve*

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

**b. Fair Value Hierarchy**

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

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

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

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

As at December 31, 2021 and 2020, financial assets at FVTPL are the only financial assets (nil for liabilities) measured at fair value.



The financial asset values are determined at fair value hierarchy as follows:

	<u>2021</u>	<u>2020</u>
Level 1	P 638,475,729	P 617,206,256
Level 2	96,571,024	57,584,821
Level 3	<u>338,243,175</u>	<u>346,271,920</u>
	<u><b>P1,073,289,928</b></u>	<u><b>P1,021,062,997</b></u>

All financial liabilities are categorized as Level 3.

**26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

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

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

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

	<u>2021</u>	<u>2020</u>
Total liabilities	P 758,243,256	P 730,169,441
Total fund balance	<u>406,387,033</u>	<u>383,592,351</u>
Debt-to-fund ratio	<u><b>1.87:1.00</b></u>	<u><b>1.90:1.00</b></u>

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

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

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

	<u>2021</u>	<u>2020</u>
Asset default risk	P 125,776,495	P 117,742,862
Insurance pricing risk	2,831,788	3,738,118
Interest rate risk	-	-
General business risk	<u>3,612,920</u>	<u>2,770,111</u>
	<u>132,221,203</u>	<u>124,251,091</u>
Aggregate RBC requirement	<u>129,421,289</u>	<u>120,572,297</u>
Admitted Assets	1,074,064,542	1,006,366,129
Total Liabilities	<u>758,243,256</u>	<u>730,169,441</u>
Members' Equity	<u>315,821,286</u>	<u>276,196,688</u>
RBC ratio	<u><u>244.03%</u></u>	<u><u>229.00%</u></u>

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

The RBC ratio in 2021 was based on the Association's calculation while the 2020 RBC was already verified by IC from its 2020 Annual Statement's Verification.

## 27. NON-ADMITTED ASSETS

The amounts of non-admitted assets as defined in Section 197 of the Insurance Code which are included in the accompanying statements of financial position follows:

	<u>2021</u>	<u>2020</u>
Short term financial assets	P -	P 6,700
Loans and other receivable	78,303,255	80,403,949
Prepayments	783,502	1,097,334
Financial assets at fair value through profit and loss	-	2,458,061
Investment property	3,183,458	17,936,076
Property and equipment	<u>8,295,532</u>	<u>6,590,877</u>
	<u><u>P 90,565,747</u></u>	<u><u>P 107,395,663</u></u>

The non-admitted assets in 2021 are estimated amounts and still subject to examination by the IC while the amounts in 2020 are already verified in their 2020 Annual Statement Verification.



28. STATEMENT OF CASH FLOWS

*Reconciliation of Liabilities arising from Financing Activities*

Presented below is the reconciliation of liability on individual equity value arising from financing activity, which includes both cash and non-cash changes (see Note 14 and 18).

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 710,178,628	P 712,223,930
Collections of equity participation during the year (see Note 17)	131,718,587	134,106,440
Withdrawals from equity participation during the year (see Note 18)	( 112,071,867)	( 136,151,742)
Withdrawals of delisted accounts (see Note 17)	<u>( 4,537,409)</u>	<u>-</u>
Balance at end of year	<u>P 725,287,939</u>	<u>P 710,178,628</u>

28. EVENTS AFTER THE REPORTING PERIOD

On January 11, 2022, the Board of Trustees approved the appropriation of excess Free and Unassigned Fund Balance by way of enhancement of Member's equity value amounting to P29,035,316 based on the Insurance Commission Verification on the 2020 Annual Statement of the Association.

On January 28, 2022, the Board of Trustees approved the additional appropriation of excess Free and Unassigned Fund Balance by way of enhancement of Member's equity value amounting to P10,787,269 based on the final Insurance Commission Verification on the 2020 Annual Statement of the Association after reconsideration of some items.

30. CONTINUING IMPACT OF 2019 NOVEL CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. The Philippine government has implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, supply chain logistical changes, and closure of non-essential businesses. To protect the health and well-being of its personnel, suppliers, and customers, the Association has made substantial modifications to employee travel policies, implemented office closures as employees are advised to work from home and reduce working hours.

On March 4, 2020, Republic Act (RA) No. 11469 otherwise known as the "Bayanihan to Heal As One Act" was signed into law. The said RA No. 11469 mandated all other financial institutions to comply with Section 4 (aa) to implement a 30-day grace period to all loans with principal and/or interest falling due within the Enhanced Community Quarantine (ECQ) period, without incurring interest, penalties, fees and other charges. The 30-day grace period shall apply to each loan of individuals and entities with multiple loans.

Further, the “Bayanihan to Recover as One Act”, also known as Bayanihan 2, and officially designated as R.A. No. 11494 was enacted in September 2020. Relative to this R.A, the Association is required to comply with Section 4(uu) of R.A. No. 11494 to implement a mandatory one-time 60-day grace period to all loans that are existing, current and outstanding falling due, or any part thereof, on or before December 31, 2020. The mandatory one-time 60-day grace period shall apply to each loan of individuals and entities with multiple loans, without incurring interest on interests, penalties, fees and other charges and thereby extending the maturity of said loans. The parties may agree to a grace period longer than 60 days.

The COVID-19 pandemic has impacted and may continue to impact the Association’s business operations, including personnel, suppliers and customers and there is substantial uncertainty in the nature and degree of its continued effects over time. The Association is currently unable to determine the extent of the impact on its future financial condition or results of operations. Management believes that the Association will continue operating as a going concern despite the effects of the pandemic.

**31. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE**

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

***Requirements under Revenue Regulations (RR) 15-2010***

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

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

The Association has no output VAT for the year 2021.

***b. Input VAT***

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

***c. Taxes on Importation***

The Association has no tax on importation since it does not have any transactions which are subject to importation tax.

***d. Excise Tax***

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

***e. Documentary Stamps Tax***

The Association did not pay nor incur documentary stamp tax during the year.





f. *Taxes and Licenses*

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

Real property tax	P	71,350
Percentage taxes		61,765
Municipal license and permits		154,815
Registration fee		2,500
Others		<u>242,379</u>
	P	<u>532,809</u>

g. *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2021 are shown below:

Compensation and employee benefits	P	547,752
Expanded		<u>187,244</u>
	P	<u>734,996</u>

h. *Deficiency Tax Assessment and Tax Case*

As at December 31, 2021, the Association neither has any deficiency tax assessment with the BIR nor does it has tax case outstanding or pending in courts or bodies outside the BIR in any of the open years.

***Requirements under Revenue Regulations (RR) 34-2020***

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