 Republika ng Pilipinas Kagawaran ng Pananalapi Kawanihan ng Rentas Inlemas		Annual Income Tax Return For 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 all applicable boxes with an "X". Two copies MUST be filed with the BIR and one held by the taxpayer.</small>			BIR Form No. 1702-MX June 2013 Page 1		
1 For <input type="checkbox"/> Calendar <input type="checkbox"/> Fiscal 2 Year Ended (MM/20YY) /20		3 Amended Return? <input type="checkbox"/> Yes <input type="checkbox"/> No		4 Short Period Return? <input type="checkbox"/> Yes <input type="checkbox"/> No		5 Alphanumeric Tax Code (ATC) IC055 <input type="checkbox"/> Minimum Corporate Income Tax (MCIT)	
Part I - Background Information							
6 Taxpayer Identification Number (TIN)			002 - 838 - 406 - 000		7 RDO Code 25A		
8 Date of Incorporation/Organization (MM/DD/YYYY)							
9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC							
10 Registered Address (Indicate complete registered address) 35 PASEO DEL CONGRESO CATMON BULACAN 3000							
11 Contact Number 044 7913558			12 Email Address praxisfides@gmail.com				
13 Main Line of Business ACTIVITIES OF OTHER MEMBERSHIP ORGANIZATIONS, N.E.C						14 PSIC Code 9199	
15 Method of Deduction			Itemized Deduction [Section 34 (A-J), NIRC]				
Part II - Total Tax Payable (Do NOT enter Centavos)							
16 Total Income Tax Due (Overpayment) (From Part V Item 37D)					611,896		
17 Less: Total Tax Credits/Payments (From Part V Item 38D)					481,391		
18 Net Tax Payable (Overpayment) (Item 16 Less Item 17)					130,505		
19 Add: Total Penalties (From Part V Item 43)					0		
20 Total Amount Payable (Overpayment) (Sum of Items 18 & 19) or (From Part V Item 44)					130,505		
21 If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable)							
<input type="checkbox"/> To be refunded		<input type="checkbox"/> To be issued a Tax Credit Certificate (TCC)		<input type="checkbox"/> To be carried over as a tax credit for next year/quarter			
<small>We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our 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. (If Authorized Representative, attach authorization letter and indicate TIN)</small>							
Signature over printed name of President/Principal Officer/Authorized Representative <i>Gener C. Luciano</i> Gener C. Luciano			Signature over printed name of Treasurer/Assistant Treasurer <i>Fr. Joseph M. Cruz</i> Fr. Joseph M. Cruz				
Title of Signatory			Number of pages filed 9				
22 Community Tax Certificate (CTC) Number SEC Registration Number			23 Date of Issue (MM/DD/YYYY)				
24 Place of Issue MANDALUYONG CITY			25 Amount, if CTC 0				
Part III - Details of Payment							
Details of Payment		Drawee Bank/ Agency	Number	Date (MM/DD/YYYY)	Amount		
26 Cash/Bank Debit Memo							
27 Check							
28 Tax Debit Memo							
29 Others (Specify Below)							
Machine Validation/Revenue Official Receipt Details (if not filed with an Authorized Agent Bank)					Stamp of Receiving Office (AOB) and Date of Receipt (RO's Signature/Bank Teller's Initial) JUN 30 2020 MARIANNE R. DAVID COLLECTION SECTION		

Annual Income Tax Return Page 2		BIR Form No. 1702-MX June 2013		1702-MX06/13P2	
TIN 002 - 838 - 406 - 000			Registered Name PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC		
Part IV - Basis of Tax Relief					
30 Basis of Tax Relief under Special Law or International Tax Treaty If there is only one activity/program under EXEMPT and SPECIAL Tax Regimes, fill up spaces below.			If there are more than one activities/programs under EXEMPT and SPECIAL Tax Regimes, use as many Mandatory Attachments per Activity (Part VIII) as necessary and mark "X" the box at the left.		
		A. Exempt	B. Special Rate	C. Special Tax Relief (Under Regular/Normal Rate)	
31 Investment Promotion Agency (IPA)/ Implementing Government Agency		BIR			
32 Legal Basis		SEC 30 NIRC			
33 Registered Activity/Program (Reg. No.)		NA			
34 Special Tax Rate			0 | 0		
35 From (MM/DD/YYYY)		01/29/1997			
36 To (MM/DD/YYYY)		01/29/2047			
Part V - Computation of Amount Payable per Tax Regime					
Description		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
37 TOTAL INCOME TAX DUE (OVERPAYMENT) <i>(From Schedule 1 Item 16B/16C/16D) (To Part II Item 16)</i>		0.00	0	611,896	611,896
38 Less: Tax Credits/Payments <i>(From Schedule 8 Item 13) (To Part II Item 17)</i>		0	0	481,391	481,391
39 NET TAX PAYABLE (OVERPAYMENT) <i>(Item 37 Less Item 38) (To Part II Item 18)</i>		0	0	130,505	130,505
Add Penalties					
40 Surcharge					0
41 Interest					0
42 Compromise					0
43 Total Penalties (Sum of Items 40 to 42) <i>(To part II Item 19)</i>					0
44 TOTAL AMOUNT PAYABLE (OVERPAYMENT) <i>(Sum of Items 39 and 43) (To Part II Item 20)</i>					130,505
Part VI - Information - External Auditor/Accredited Tax Agent					
45 Name of External Auditor/Accredited Tax Agent AMC AND ASSOCIATES					
		46 TIN	216	- 115	- 435 - 000
47 Name of Signing Partner (If External Auditor is a Partnership) ARIEL D. GONZALEZ					
		48 TIN	169	- 688	- 077 - 000
49 BIR Accreditation No.		50 Issue Date (MM/DD/YYYY)		51 Expiry Date (MM/DD/YYYY)	
08 - 003584 - 001 - 2019		03/06/2019		03/05/2022	

<h2 style="margin:0;">Annual Income Tax Return</h2> <p style="margin:0;">Page 3 - Schedules 1 & 2</p>	BIR Form No. 1702-MX June 2013	<p style="font-size: small; margin-top: 5px;">1702-MX06/13P3</p>				
<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:45%;">TIN</td> <td style="width:55%;">Registered Name</td> </tr> <tr> <td>002 - 838 - 406 - 000</td> <td>PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC</td> </tr> </table>	TIN	Registered Name	002 - 838 - 406 - 000	PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC		
TIN	Registered Name					
002 - 838 - 406 - 000	PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC					


Instructions: A. Fill up the applicable columns below, if there is **only one activity/program** under EXEMPT and/or SPECIAL Tax Regimes.
 B. Use as many Part VIII-Mandatory Attachments per Activity as necessary, if there are **more than one activities/programs** under EXEMPT and/or SPECIAL Tax Regimes. Consolidated amounts from Part VIII Mandatory Attachments PER TAX REGIME shall be reflected under the corresponding columns below.

Part VII - SCHEDULES

Schedule 1 - COMPUTATION OF TAX Per Tax Regime				
Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Net Sales/Revenues/Receipts/Fees <small>(From Schedule 3 Item 6) and (From all of Part VIII Sched B Item 1)</small>	37,302,349	0	0	37,302,349
2 Less: Cost of Sales/Services <small>(From Schedule 3 Item 2) (From all of Part VIII Sched B Item 2)</small>	0	0	0	0
3 Gross Income from Operation <small>(Item 1 Less Item 2)</small>	37,302,349	0	0	37,302,349
4 Add: Other Taxable Income not Subjected to Final Tax <small>(From Schedule 4 Item 4) (From all of Part VIII Sched B Item 4)</small>	67,337,605	0	2,039,652	69,377,257
5 Total Gross Income/Gross Taxable Income <small>(Sum of Items 3 & 4)</small>	104,639,954	0	2,039,652	106,679,606
6 Ordinary Allowable Itemized Deductions <small>(From Schedule 5 Item 4) (From all of Part VIII Sched B Item 6)</small>	42,875,412	0	0	42,875,412
7 Special Allowable Itemized Deductions <small>(From Schedule 6 Item 5) (From all of Part VIII Sched B Item 7)</small>	0	0	0	0
8 NOLCO (only for those taxable under Sec. 27 (A to C), Sec 28(A)(1) & (A)(5)(b) of the Tax Code) <small>(From Schedule 7A Item 5) (From all of Part VIII Sched B Item 8)</small>	0	0	0	0
9 Total Itemized Deductions <small>(Sum of Items 6, 7 & 8)</small>	42,875,412	0	0	42,875,412
10 Net Taxable Income/Net Income <small>(Item 5 Less Item 9)</small>	61,764,542	0	2,039,652	63,804,194
11 Applicable Income Tax Rate <small>(i.e., Special or Regular/Normal rate)</small>	0%	0.0 %	30.0 %	
12 Income Tax Due other than MCIT <small>(Item 5 OR Item 10 X Item 11)</small>	0	0	611,896	611,896
13 Less: Share of Other Govt. Agencies, if Remitted directly		0	0	0
14 Net Income Tax Due to National Government <small>(Item 12 Less Item 13)</small>		0	611,896	611,896
15 MCIT (2% of Gross Income in Item 5)			40,793	40,793
16 Total Income Tax Due (Overpayment) <small>(Item 14B + Item 14C) (Item 15C - Normal Income Tax In Item 12C or MCIT in Item 15C, whichever is higher) (Item 16D = Sum of Items 16B & 15C) (To Part V Item 37B/37C/37D)</small>		0	611,896	611,896

Schedule 2 - Tax Relief Availment				
Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Regular Income Tax Otherwise Due <small>(30% of the Net Taxable Income in Item 10A for Exempt Item 10B for Special Rate)</small>	18,529,363	0	0	18,529,363
2 Special Allowable Itemized Deductions <small>(30% of the applicable Total in Schedule 6 Item 5)</small>	0	0	0	0
3 Sub-Total (Sum of Items 1 & 2)	18,529,363	0	0	18,529,363
4 Less: Income Tax Due (From Sched 1 Item 16B)	0	0	0	0
5 Tax Relief Availment before Special Tax Credit <small>(Item 3 Less Item 4)</small>	18,529,363	0	0	18,529,363
6 Add: Special Tax Credits (From Schedule 9 Item 10)	0	0	0	0
7 Total Tax Relief Availment (Sum of Items 5 & 6)	18,529,363	0	0	18,529,363

Annual Income Tax Return Page 4 - Schedule 3		BIR Form No. 1702-MX June 2013		1702-MX06/13P4	
TIN		Registered Name			
002 - 838 - 406 - 000		PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC			
Schedule 3 - Sales/Revenues/Receipts/Fees		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Sales of Goods/Properties		0	0	0	0
2 Sales of Services		37,302,349	0	0	37,302,349
3 Lease of Properties		0	0	0	0
4 Total (Sum of Items 1 to 3)		37,302,349	0	0	37,302,349
5 Less: Sales Returns, Allowances & Discounts		0	0	0	0
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Schedule 1 Item 1)		37,302,349	0	0	37,302,349
Schedule 3A - Cost of Sales (For Those engaged in Trading)		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Merchandise Inventory, Beginning		0	0	0	0
2 Add: Purchases of Merchandise		0	0	0	0
3 Total of Goods Available for Sale (Sum of Item 1 & 2)		0	0	0	0
4 Less: Merchandise Inventory, Ending		0	0	0	0
5 Cost of Sales (Item 3 Less Item 4) (To Item 27)		0	0	0	0
Schedule 3B - Cost of Sales (For Those engaged in Manufacturing)		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
6 Direct Materials, Beginning		0	0	0	0
7 Add: Purchases		0	0	0	0
8 Materials Available for Use (Sum of Items 6 & 7)		0	0	0	0
9 Less: Direct Materials, Ending		0	0	0	0
10 Raw Materials Used (Item 8 Less Item 9)		0	0	0	0
11 Direct Labor		0	0	0	0
12 Manufacturing Overhead		0	0	0	0
13 Total Manufacturing Cost (Sum of Items 10 to 12)		0	0	0	0
14 Add: Work in Process, Beginning		0	0	0	0
15 Less: Work in Process, Ending		0	0	0	0
16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15)		0	0	0	0
17 Add: Finished Goods, Beginning		0	0	0	0
18 Less: Finished Goods, Ending		0	0	0	0
19 Cost of Goods Manufactured & Sold (Sum of Items 16 & 17 Less Item 18) (To Item 27)		0	0	0	0
Schedule 3C - Cost of Services (For Those engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
20 Direct Charges - Salaries, Wages & Benefits		0	0	0	0
21 Direct Charges - Materials, Supplies & Facilities		0	0	0	0
22 Direct Charges - Depreciation		0	0	0	0
23 Direct Charges - Rental		0	0	0	0
24 Direct Charges - Outside Services		0	0	0	0
25 Direct Charges - Others		0	0	0	0
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)		0	0	0	0
27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Schedule 1 Item 2)		0	0	0	0

Annual Income Tax Return Page 5 - Schedules 4 & 5		BIR Form No. 1702-MX June 2013		 1702-MX06/13P5	
TIN 002 - 838 - 406 - 000		Registered Name PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC			
Schedule 4 - Other Taxable Income not Subjected to Final Tax <i>(Attach additional sheet/s, if necessary)</i>		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1					
INSURANCE FUND		28,995,867	0	0	28,995,867
2					
GENERAL FUND		15,170,110	0	0	15,170,110
3					
OTHERS		23,171,628	0	2,039,652	25,211,280
4 Total Other Taxable Income not Subjected to Final Tax <i>(Sum of Items 1 to 3) (To Schedule 1 Item 4)</i>		67,337,605	0	2,039,652	69,377,257
Schedule 5 - Ordinary Allowable Itemized Deductions <i>(Attach additional sheet/s, if necessary)</i>		A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Advertising and Promotions		0	0	0	0
Amortizations (Specify on Items 2, 3 and 4)					
2					
3					
4					
5 Bad Debts		3,300,000	0	0	3,300,000
6 Charitable Contributions		0	0	0	0
7 Commissions		108,059	0	0	108,059
8 Communication, Light and Water		877,199	0	0	877,199
9 Depletion		0	0	0	0
10 Depreciation		1,528,373	0	0	1,528,373
11 Director's Fees		0	0	0	0
12 Fringe Benefits		0	0	0	0
13 Fuel and Oil		0	0	0	0
14 Insurance		8,515,000	0	0	8,515,000
15 Interest		0	0	0	0
16 Janitorial and Messengerial Services		0	0	0	0
17 Losses		0	0	0	0
18 Management and Consultancy Fee		0	0	0	0
19 Miscellaneous		1,161,164	0	0	1,161,164
20 Office Supplies		1,172,809	0	0	1,172,809
21 Other Services		0	0	0	0
22 Professional Fees		167,000	0	0	167,000
23 Rental		0	0	0	0
24 Repairs and Maintenance <i>(Labor or Labor & Materials)</i>		139,417	0	0	139,417
25 Repairs and Maintenance <i>(Materials/Supplies)</i>		0	0	0	0
26 Representation and Entertainment		0	0	0	0
27 Research and Development		0	0	0	0
28 Royalties		0	0	0	0
29 Salaries and Allowances		16,079,722	0	0	16,079,722
30 Security Services		0	0	0	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions		0	0	0	0
32 Taxes and Licenses		505,251	0	0	505,251
33 Tolling Fees		0	0	0	0
34 Training and Seminars		0	0	0	0
35 Transportation and Travels		5,366,413	0	0	5,366,413

<h2 style="margin:0;">Annual Income Tax Return</h2> <p style="margin:0;">Page 6 - Schedules 5 to 7</p>	BIR Form No. 1702-MX June 2013	<p style="font-size: 8px; margin-top: 5px;">1702-MX06/13P6</p>
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TIN 002 - 838 - 406 - 000	Registered Name PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC
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Schedule 5 - Ordinary Allowable Itemized Deductions <small>(Continued from Previous Page)</small>				
Others [Specify below; Attach additional sheet(s), if necessary]	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
36				
MEETINGS AND CONFERENCE	2,428,996	0	0	2,428,996
37				
ADMINISTRATIVE	1,306,448	0	0	1,306,448
38				
CONTRACTOR'S FEE	105,525	0	0	105,525
39				
MARKETING	114,036	0	0	114,036
40 Total Ordinary Allowable Itemized Deductions <small>(Sum of Items 1 to 39) (To Schedule 1 Item 6)</small>	42,875,412	0	0	42,875,412


Schedule 6 - Special Allowable Itemized Deductions <small>(Attach additional sheet(s), if necessary)</small>					
Description	Legal Basis	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1					
2					
3					
4					
5 Total Special Allowable Itemized Deductions <small>(Sum of Items 1 to 4) (To Schedule 1 Item 7)</small>		0	0	0	0

Schedule 7 - Computation of Net Operating Loss Carry Over (NOLCO) <small>[only for those taxable under Sec. 27(A to C); Sec. 28(A)(1)& (A)(6)(b)]</small>	
1 Gross Income	0
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	0
3 Net Operating Loss (Item 1 Less Item 2) (To Schedule 7A)	0

Schedule 7A - Computation of Available Net Operating Loss Carry Over (NOLCO)		
	Net Operating Loss	B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4		0
5		
6		
7		

Continuation of Schedule 7A <small>(Item numbers continue from table above)</small>			
	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss(Unapplied)
4	0	0	0
5			
6			
7			
8 Total NOLCO <small>(Sum of Items 4D to 7D) (To Schedule 1 Item 8)</small>		0	

Schedule 8 - Tax Credits/Payments	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Prior Year's Excess Credits Other Than MCIT	0	0	0	0
2 Income Tax Payments under MCIT from Previous Quarter/s	0	0	0	0
3 Income Tax Payments under Regular/Normal Rate from Previous Quarter/s	0	0	439,300	439,300
4 Excess MCIT Applied this Current Taxable Year <small>(From Schedule 9 Item 4F)</small>	0	0	0	0
5 Creditable Tax Withheld from Previous Quarter/s	0	0	0	0
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	0	0	42,091	42,091

Annual Income Tax Return Page 7 - Schedules 8 to 10		BIR Form No. 1702-MX June 2013	 1702-MX06/13P7	
TIN 002 - 838 - 406 - 000		Registered Name PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC		
Schedule 8 - Tax Credits/Payments (Continued from Previous Page)				
Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
7 Foreign Tax Credits, if applicable	0	0	0	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0	0	0	0
9 Income Tax Payments under Special Rate from Previous Quarters	0	0	0	0
10 Special Tax Credits (To Schedule 2 Item 6)	0	0	0	0
Other Credits/Payments (Specify Below):				
11				0
12				0
13 Total Tax Credits/Payments (Sum of Items 1 to 12) (To Part V Item 36)	0	0	481,391	481,391
Schedule 9 - Computation of Minimum Corporate Income Tax (MCIT) (Applicable only to those taxable under Sec 27 (A to C) & Sec 28 (A)(2))				
1				
2				
3				
Continuation if Schedule 9 (Item numbers continue from table above)				
1				
2				
3				
4	Total Excess MCIT (Sum of Column for Items 1F to 3F) (To Schedule 8 Item 4)			0
Schedule 10 - Reconciliation of Net Income per Books Against Taxable Income (Attach additional sheets, if necessary)				
Description	A. Total Exempt	B. Total Special	C. Total Regular	D. Total All Columns
1 Net Income (Loss) per books	73,966,445	0	1,427,757	75,394,202
Add: Non-deductible Expenses/Taxable Other Income				
2				
TAX EXPENSE	3,048,207	0	611,895	3,660,102
3				
4 Total (Sum of Items 1 to 3)	77,014,652	0	2,039,652	79,054,304
Less: A) Non-Taxable Income and Income Subjected to Final Tax				
5				
INTEREST INCOME	15,250,110	0	0	15,250,110
6				
B) Special Deductions				
7				
8				
9 Total (Sum of Items 5 to 8)	15,250,110	0	0	15,250,110
10 Net Taxable Income (Loss) (Item 4 Less Item 9)	61,764,542	0	2,039,652	63,804,194

Annual Income Tax Return Page 8 - Schedules 11 & 12	BIR Form No. 1702-MX June 2013	 1702-MX06/13P8
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TIN 002 - 838 - 406 - 000	Registered Name PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC
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Schedule 11 - Balance Sheet

Assets	
1 Current Assets	783,789,026
2 Long-Term Investment	122,304,647
3 Property, Plant and Equipment - Net	14,117,616
4 Long-Term Receivables	141,836,402
5 Intangible Assets	0
6 Other Assets	0
7 Total Assets (Sum of Items 1 to 6)	1,062,047,691

Liabilities and Equity	
8 Current Liabilities	797,398,627
9 Long-Term Liabilities	0
10 Deferred Credits	0
11 Other Liabilities	13,118,543
12 Total Liabilities (Sum of Items 8 to 11)	810,517,170
13 Capital Stock	0
14 Additional Paid-in Capital	0
15 Retained Earnings	251,530,521
16 Total Equity (Sum of Items 13 to 15)	251,530,521
17 Total Liabilities and Equity (Sum of Items 12 & 16)	1,062,047,691

Schedule 12- Stockholders Partners Members Information (Top 20 stockholders, partners or members)

(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN				Capital Contribution	% to Total
HERNANDEZ MILAGROS D	165	514	326	000	476,851	0.1
DEL ROSARIO, EDERLINDA	108	018	899	000	440,220	0.1
SURAT ARNEL	119	981	311	000	378,093	0.08
MENDOZA NESTOR	164	355	573	000	337,007	0.07
MENDOZA MERLIE	900	626	292	000	371,607	0.08
MIRANDA URBANA	226	695	864	000	324,644	0.07
MATIAS MARIA ELIZA	239	118	006	000	355,785	0.08
SERGIO MANUEL	163	770	574	000	285,528	0.06
MADALLA CECILIA	204	867	749	000	247,155	0.05
SANTOS DIVINA GRACIA	185	109	217	000	247,155	0.05
SALAZAR JOCELYN GERMAI	171	130	366	000	231,940	0.05
MARTIN IRIS DEL ROSARIO	228	246	049	000	221,394	0.05
COMILANG ROSALINDA	925	637	121	000	219,450	0.05
BALAGTAS LUCIANO	916	903	447	000	217,152	0.05
GONZALES LUCIANA	147	877	992	000	202,298	0.04
MIRANDA JESSALYN	306	390	887	000	197,655	0.04
GERMAN RUSTICO	448	284	809	000	186,378	0.04
BALTAZAR FR. NAP	290	369	987	000	172,869	0.04
OTHERS	000	000	000	000	228,052,756	49.45
OTHERS	000	000	000	000	228,052,756	49.45

Annual Income Tax Return Page 9 - Schedules 13 & 14		BIR Form No. 1702-MX June 2013	1702-MX06/13P9
TIN 002 - 838 - 406 - 000		Registered Name PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC	
Schedule 13 - Supplemental Information (Attach additional sheet/s, if necessary)			
I) Gross Income/Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	0	0
2 Royalties	0	0	0
3 Dividends	0	0	0
4 Prizes and Winnings	0	0	0
II) Sale/Exchange of Real Properties			
5 Description of Property (e.g., land, improvement, etc.)	A) Sale/Exchange #1	B) Sale/Exchange #2	
6 OCT/TCT/CCT/Tax Declaration No.			
7 Certificate Authorizing Registration (CAR) No.			
8 Actual Amount/Fair Market Value/Net Capital Gains			
9 Final Tax Withheld/Paid	0	0	
III) Sale/Exchange of Shares of Stock			
10 Kind (PS/CS)/Stock Certificate Series No.	A) Sale/Exchange #1	B) Sale/Exchange #2	
11 Certificate Authorizing Registration (CAR) No.	PS <input type="text"/>	PS <input type="text"/>	
12 Number of Shares	0	0	
13 Date of Issue (MM/DD/YYYY)			
14 Actual Amount/Fair Market Value/Net Capital Gains	0	0	
15 Final Tax Withheld/Paid	0	0	
IV) Other Income (Specify)			
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended (Specify)	A) Other Income #1	B) Other Income #2	
17 Actual Amount/Fair Market Value/Net Capital Gains	0	0	
18 Final Tax Withheld/Paid	0	0	
19 Total Final Tax Withheld/Paid (Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)			0
Schedule 14-Gross Income/Receipts Exempt from Income Tax			
1 Return of Premium (Actual Amount/Fair Market Value)			0
I) Personal/Real Properties Received thru Gifts, Bequests, and Devises			
2 Description of Property (e.g. land, improvement, etc)	A) Personal/Real Properties #1	B) Personal/Real Properties #2	
3 Mode of Transfer (e.g. Donation)			
4 Certificate Authorizing Registration (CAR) No.			
5 Actual Amount/Fair Market Value	0	0	
II) Other Exempt Income/Receipts			
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended (Specify)	A) Other Exempt Income #1	B) Other Exempt Income #2	
7 Actual Amount/Fair Market Value/Net Capital Gains	0	0	
8 Total Income/Receipts Exempt from Income Tax (Sum of Items 1, 5A, 5B, 7A, 7B)			0



jeremieh marie senerado <seneradojeremiehmarie@gmail.com>

Fw: eSubmission Validation Report

5 messages

Ellaine Carla Pasco <ellainecarlapasco@yahoo.com>

Sun, Mar 29, 2020 at 8:41 PM

To: Jeremieh Marie Senerado <seneradojeremiehmarie@gmail.com>

Cc: Rechel Cheong <cheong.rechel@gmail.com>, Maricel De Torres <detorres_maricel@yahoo.com>

Hi Ms. Jeremieh,

Forwarding din po 'yung esub po sa BIR. Ito po yata 'yung kasama din sa pagpapareceive sa BIR ng audited FS. pkicheck na lng din po kung ito nga po 'yun. Salamat po.

Ellaine

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

From: Praxis Fides Malolos <praxisfides@gmail.com>

To: Ellaine Carla Pasco <ellainecarlapasco@yahoo.com>

Sent: Sunday, 29 March 2020, 08:26:22 pm GMT+8

Subject: Fwd: eSubmission Validation Report

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

From: **esubmission** <esubmission@bir.gov.ph>

Date: Sun, Feb 9, 2020 at 4:00 AM

Subject: eSubmission Validation Report

To: <praxisfides@gmail.com>

ACKNOWLEDGEMENT RECEIPT NUMBER: 20200209-K138715

This is to confirm receipt of the file(s) as stated below:

Total attachment/file(s) received : 12

No. of valid file(s) : 12

No. of invalid file(s) : 0

We have validated your submission in compliance with existing BIR regulations.

Find below the details of your submission:

Date of Submission: 1/30/2020 3:32:08 PM

Filename(s):

1. Attachment : 00283840600000120191702.DAT
00283840600000120191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367441
2. Attachment : 00283840600000220191702.DAT
00283840600000220191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367442
3. Attachment : 00283840600000320191702.DAT
00283840600000320191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367443
4. Attachment : 00283840600000420191702.DAT
00283840600000420191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367444
5. Attachment : 00283840600000520191702.DAT
00283840600000520191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367445

- 6. Attachment : 00283840600000620191702.DAT
00283840600000620191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367446
- 7. Attachment : 00283840600000720191702.DAT
00283840600000720191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367447
- 8. Attachment : 00283840600000820191702.DAT
00283840600000820191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367448
- 9. Attachment : 00283840600000920191702.DAT
00283840600000920191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367449
- 10. Attachment : 00283840600001020191702.DAT
00283840600001020191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367450
- 11. Attachment : 00283840600001120191702.DAT
00283840600001120191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367451
- 12. Attachment : 00283840600001220191702.DAT
00283840600001220191702.DAT - VALID
CONFIRMATION RECEIPT NUMBER - 2020-0000367452

VALIDATION REPORT:

1. Attachment : 00283840600000120191702.DAT

TIN of Withholding Agent TIN: 002838406-0000
 Alphalist Form : 1702
 Taxable Month : 01/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

2. Attachment : 00283840600000220191702.DAT

TIN of Withholding Agent TIN: 002838406-0000
 Alphalist Form : 1702
 Taxable Month : 02/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

3. Attachment : 00283840600000320191702.DAT

TIN of Withholding Agent TIN: 002838406-0000
 Alphalist Form : 1702
 Taxable Month : 03/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

4. Attachment : 00283840600000420191702.DAT

TIN of Withholding Agent TIN: 002838406-0000
 Alphalist Form : 1702
 Taxable Month : 04/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

5. Attachment : 00283840600000520191702.DAT

TIN of Withholding Agent TIN: 002838406-0000

Alphalist Form : 1702

Taxable Month : 05/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

6. Attachment : 00283840600000620191702.DAT

TIN of Withholding Agent TIN: 002838406-0000

Alphalist Form : 1702

Taxable Month : 06/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

7. Attachment : 00283840600000720191702.DAT

TIN of Withholding Agent TIN: 002838406-0000

Alphalist Form : 1702

Taxable Month : 07/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

8. Attachment : 00283840600000820191702.DAT

TIN of Withholding Agent TIN: 002838406-0000

Alphalist Form : 1702

Taxable Month : 08/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

9. Attachment : 00283840600000920191702.DAT

TIN of Withholding Agent TIN: 002838406-0000

Alphalist Form : 1702

Taxable Month : 09/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

10. Attachment : 00283840600001020191702.DAT

TIN of Withholding Agent TIN: 002838406-0000
 Alphalist Form : 1702
 Taxable Month : 10/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

11. Attachment : 00283840600001120191702.DAT

TIN of Withholding Agent TIN: 002838406-0000
 Alphalist Form : 1702
 Taxable Month : 11/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

12. Attachment : 00283840600001220191702.DAT

TIN of Withholding Agent TIN: 002838406-0000
 Alphalist Form : 1702
 Taxable Month : 12/2019

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

Thank You.

This is a system generated report. For inquiries, please email us at contact_us@bir.gov.ph or call us at 981-7020 / 981-7030 / 981-7046 / 981-7040 / 981-7003.

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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, 2019. 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, 2019 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.


MR. RAMON V. BAGAY
Chairman




MR. GENER C. LUCIANO
President


REV. FR. JOSEPH D.J. CRUZ
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, 2019, on which we have rendered the attached report dated June 11, 2020.

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. 8125084, Jan. 7, 2020, Makati City
BIR Accreditation No. 08-003584-1-2019
(Mar. 06, 2019 to Mar. 05, 2022)
BSP Accreditation (Category B)
(valid until Dec. 31, 2020)
IC Accreditation No. SP-2018/003-R
(Mar. 3, 2018 to Mar. 2, 2021)
SEC Accreditation No. 1804-A (Group C)
(Jan. 16, 2020 to Jan. 15, 2023)

June 11, 2020

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

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

BIR Accreditation No. 08-002582-0-2017 - valid until December 21, 2020

SEC Accreditation No. 0390-F (Group A) - January 16, 2020 to January 15, 2023

IC Accreditation No. F-2018/002-R - March 3, 2018 to March 2, 2021

BSP Accreditation (Category B) - valid until December 31, 2020

CDA CEA No. 0075-AF - March 20, 2018 to March 19, 2021

Suite 1805 - 1807 Cityland Condominium 10, Tower 2, H.V. Dela Costa St., Makati City, Philippines

Tel No. (02) 841 0462 • Fax No. (02) 803 0287



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, 2019, 2018 and 2017, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years ended December 31, 2019 and 2018, 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, 2019, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS) applicable to Mutual Benefit Associations (MBAs).

Basis for Opinion

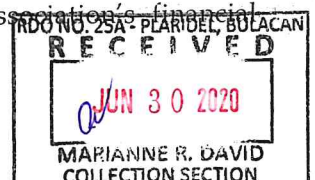
We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance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

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

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

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

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





Certified Public Accountants

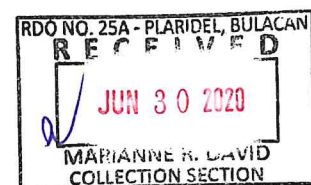
Auditors' Responsibilities for the Audit of the Financial Statements

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.





Certified Public Accountants

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, 2019 required by the Bureau of Internal Revenue as disclosed in Note 30 to the financial statements is presented for purposes of additional analysis and is not a required part of 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. 8125084, Jan. 7, 2020, Makati City

BIR Accreditation No. 08-003584-1-2019

(Mar. 06, 2019 to Mar. 05, 2022)

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(valid until Dec. 31, 2020)

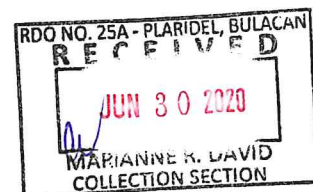
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(Mar. 3, 2018 to Mar. 2, 2021)

SEC Accreditation No. 1804-A (Group C)

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June 11, 2020



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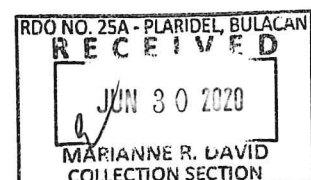
BSP Accreditation (Category B) - valid until December 31, 2020



PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
 (A Non-Stock, Non-Profit Organization)
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2019 AND 2018
 (Amounts in Philippine Peso)

	2019	2018 (As Restated)	2017 (As Restated)
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents (Note 5)	P 168,488,088	P 199,956,072	P 209,768,424
Short-term investments (Note 6)	158,412,291	81,248,155	30,988,917
Loans and other receivables (Note 7)	242,973,384	222,805,766	227,223,792
Financial assets at fair value through profit and loss (Note 9)	212,096,983	131,196,331	99,593,135
Prepayments	1,818,280	683,837	986,359
Total Current Assets	783,789,026	635,890,161	568,560,627
NON-CURRENT ASSETS			
Loans and other receivables (Note 7)	141,836,402	181,840,569	147,747,509
Financial assets at fair value through other comprehensive income (Note 10)	27,500,000	27,500,000	22,500,000
Financial assets at amortized cost (Note 8)	7,956,705	3,000,000	-
Property and equipment (Note 11)	14,117,616	15,376,247	16,245,764
Investment property (Note 12)	86,847,942	91,057,602	93,037,255
Total Non-current Assets	278,258,665	318,774,418	279,530,528
TOTAL ASSETS	P 1,062,047,691	P 954,664,579	P 848,091,155
<u>LIABILITIES AND FUND BALANCE</u>			
CURRENT LIABILITIES			
Accounts payable and other liabilities (Note 13)	P 9,240,892	P 10,722,020	P 12,971,179
Liability on individual equity value (Note 14)	712,223,930	677,322,919	601,199,316
Basic contingent benefit reserve (Note 15)	1,236,053	1,167,724	982,862
Claims payable on basic contingent benefit (Note 16)	1,890,000	1,730,000	1,835,000
Income tax payable	130,505	96,152	-
Total Current Liabilities	724,721,380	691,038,815	616,988,357
NON-CURRENT LIABILITIES			
Accounts payable and other liabilities (Note 13)	87,824	42,324	151,017
Retirement benefit obligation (Note 21)	13,030,720	6,627,121	6,627,121
Total Non-Current Liabilities	13,118,544	6,669,445	6,778,138
Total Liabilities	737,839,924	697,708,260	623,766,495
FUND BALANCE			
Free and unassigned fund balance	291,824,537	226,104,156	208,885,809
Assigned fund balance (Note 18)	47,348,281	38,000,000	38,000,000
Accumulated other comprehensive loss (Note 18)	(14,965,051)	(7,147,837)	(22,561,149)
Total Fund Balance	324,207,767	256,956,319	224,324,660
TOTAL LIABILITIES AND FUND BALANCE	P 1,062,047,691	P 954,664,579	P 848,091,155

See Notes to Financial Statements.

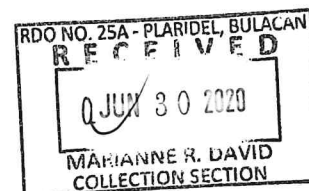




PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
 (A Non-Stock, Non-Profit Organization)
 STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
 (Amounts in Philippine Peso)

	2019		2018
REVENUES			
Interest on:			
Loans (Note 7)	P 37,302,349	P	38,872,048
Investment securities and deposits with banks (Notes 5, 6, and 8)	15,250,110		7,306,446
Income from sale of financial assets at fair value through profit or loss (Note 9)	3,235,049		2,096,938
Insurance fund (Note 18)	28,995,867		25,631,692
General fund (Note 18)	15,170,110		13,602,734
Service charges and fees (Note 7)	6,935,069		7,477,313
Membership fees (Note 18)	797,500		1,194,300
Others (Note 17)	9,040,825		6,760,107
	116,726,879		102,941,578
EXPENSES			
Fair value loss (gain) on financial assets at fair value through profit or loss (Note 9)	(5,202,837)		3,978,709
Operating expenses (Note 17)	34,360,412		33,043,605
Benefit expenses (Note 17)	8,515,000		8,455,000
	37,672,575		45,477,314
PROFIT BEFORE TAX	79,054,304		57,464,264
TAX EXPENSE (Note 22)	3,660,102		1,996,005
NET PROFIT	75,394,202		55,468,259
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment defined benefit obligation (Notes 19 and 21)	(7,817,214)		-
TOTAL COMPREHENSIVE INCOME	P 67,576,988		P 55,468,259

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, 2019, 2018 AND 2017
(Amounts in Philippine Peso)

	Free and Unassigned Fund balance	Assigned Fund Balance	Accumulated Other Comprehensive Loss	Total (As Restated)
Balance at January 1, 2019 (Notes 18 and 19)				
As previously reported	P 224,104,156	P 40,000,000	(P 7,147,837)	P 256,956,319
Prior period adjustment (Note 18)	<u>2,000,000</u>	<u>(2,000,000)</u>	-	-
As Restated	226,104,156	38,000,000	(7,147,837)	256,956,319
Contributions during the year (Note 18)	145,361,041	-	-	145,361,041
Withdrawals during the year	(113,101,524)	-	-	(113,101,524)
Transfer to legal policy reserves (Note 14)	(99,925,017)	-	-	(99,925,017)
Allocation for the year	57,991,679	9,348,281	-	67,339,960
Total comprehensive revenue for the year	<u>75,394,202</u>	<u>-</u>	<u>(7,817,214)</u>	<u>67,576,988</u>
Balance at December 31, 2019 (Notes 18 and 19)	<u>P 291,824,537</u>	<u>P 47,348,281</u>	<u>(P 14,965,051)</u>	<u>P 324,207,767</u>
Balance at January 1, 2018 (Notes 18 and 19)				
As previously reported	P 191,472,497	P 40,000,000	(P 7,147,837)	P 224,324,660
Prior period adjustment	<u>2,000,000</u>	<u>(2,000,000)</u>	-	-
As Restated	193,472,497	38,000,000	(7,147,837)	224,324,660
Contributions during the year (Note 18)	166,717,862	-	-	166,717,862
Withdrawals during the year	(113,430,859)	-	-	(113,430,859)
Transfer to legal policy reserves (Note 14)	(11,099,597)	-	-	(11,099,597)
Allocation for the year (Note 18)	(65,024,006)	-	-	(65,024,006)
Total comprehensive revenue for the year	<u>55,468,259</u>	<u>-</u>	<u>-</u>	<u>55,468,259</u>
Balance at December 31, 2018 (Notes 18 and 19)	<u>P 226,104,156</u>	<u>P 38,000,000</u>	<u>(P 7,147,837)</u>	<u>P 256,956,319</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, 2019 AND 2018
(Amounts in Philippine Peso)

	2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	P 79,054,304	P	57,464,264
Adjustments for:			
Depreciation (Notes 11 and 12)	1,528,373		1,585,794
Impairment losses (Note 7)	3,300,000		5,128,721
Gain on sale of investment property (Note 12)	(2,576,617 )	(	2,910,378)
Unrealized fair value loss (gain) of financial assets at fair value through profit or loss	(5,202,837)		3,978,709
Gain on sale of financial assets at fair value through profit and loss (Note 9)	(3,235,049 )	(	2,096,938)
Interest income (Notes 5, 6, 7 and 8)	(52,552,459 )	(	46,178,494)
Operating profit before working capital changes	20,315,715		16,971,678
Decrease (increase) in loans and other receivables	24,312,872	(	26,884,374)
Decrease (increase) in prepayments	(1,134,443)		302,522
Decrease in accounts payable and other liabilities	(1,435,628 )	(	2,318,921)
Decrease in post-employment benefit obligation (Note 21)	(1,413,615)		-
Increase (decrease) in claims payable on basic contingent benefit	160,000	(	105,000)
Increase in basic contingent benefit reserve	68,329		184,862
Cash from (used in) operations	40,873,230	(	11,849,233)
Interest received on loans and other receivables (Note 7)	29,526,026		30,952,667
Cash paid for income taxes (Note 22)	(3,625,749 )	(	1,938,784)
 Net Cash From Operating Activities	 <u>66,773,507</u>		 <u>17,164,650</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through profit or loss	21,565,517		15,598,168
Increase in short-term investments	(77,164,136 )	(	50,259,238)
Proceeds from sale of investment property (Note 12)	3,999,538		4,454,118
Interest received on bank deposits and investment securities (Notes 5, 6 and 8)	15,250,110		7,306,446
Acquisitions of property and equipment (Note 10)	(269,742 )	(	716,277)
Decrease in investment property (Note 12)	2,786,739		435,913
Additions to financial assets at fair value through profit or loss	(94,028,283 )	(	49,083,135)
Increase in financial assets at amortized cost (Note 8)	(4,956,705 )	(	3,000,000)
Increase in financial assets at fair value through other comprehensive income	-	(	5,000,000)
 Net Cash Used in Investing Activities	 <u>(132,816,962)</u>	 <u>(</u>	 <u>80,264,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Members' contributions during the year (Note 18)	145,361,041		166,717,862
Allocations during the year	2,315,954		-
Members' withdrawals during the year	(113,101,524 )	(	113,430,859)
 Net Cash From Financing Activities	 <u>34,575,471</u>		 <u>53,287,003</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 <u>(31,467,984)</u>	 <u>(</u>	 <u>9,812,352)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	<u>199,956,072</u>		<u>209,768,424</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	 <u>P 168,488,088</u>	 <u>P</u>	 <u>199,956,072</u>

See Notes to Financial Statements.



PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(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 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, 2019 (including the comparative financial statements as at and for the year ended December 31, 2018) were authorized for issue by the Association's Board of Trustees on June 11, 2020.

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 frameworks for 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 a 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.

Accordingly, the adoption of these two new accounting standards did not require the Association to present its third statement of financial position.

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

a. *Effective in 2019 that are Relevant to the Association*

The Association adopted for the first time the following amendment and interpretation to PFRS that are relevant to the Association and effective for financial statements for the annual period beginning on or after January 1, 2018:

PFRS 9	:	Financial Instruments
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle) PAS 12 (Amendments)	:	Income taxes – Tax Consequences of Dividends
PFRS 23 (Amendments)	:	Borrowing costs – Eligibility for Capitalization

Discussed below are the relevant information about these amended standards:

- i. PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at Fair Value Through Other Comprehensive Income (FVTOCI). The application of this amendment has no material impact on the Association’s financial statements.
- ii. PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and lease liability arising from the contract that is or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Association has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the financial statements as at January 1, 2019. Accordingly, comparative information was not restated.

The new accounting policies of the Association as a lessee are disclosed in the succeeding pages.



Discussed below are the relevant information arising from the Association's adoption of PFRS 16 and how the related accounts are measured and presented on the Association's financial statements as at January 1, 2019.

- a. For contracts in place at the date of initial application, the Association has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.
- b. For leases with a lease term of 12 months and for leases of low-value assets, the Association has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Association has no recognized right-of-use asset and lease liability in 2019 since the Association's lease agreement has a term of 12 months and renewable every year.

- iii. IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Association to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Association has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.
- iv. Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendment is relevant to the Association but had no material impact on the Association's financial statements as this amendment merely clarify existing requirements:
 - PAS 12 (Amendments), *Income taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.
 - PAS 23 (Amendments), *Borrowing costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.

b. *Effective in 2019 that are not Relevant to the Association*

The following amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2019 but are not relevant to the Association's financial statements:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures- Long-term Interests in



Associates and Joint Ventures

Annual Improvements to
PFRS (2015-2017 Cycle)

PFRS 3 : Business Combinations
PFRS 11 : Joint Arrangements

c. *Effective Subsequent to 2019 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2019 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 pronouncements are expected to have significant impact on the Association's financial statements:

- i. PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's circumstances). The definition of material in PAS 8 has been accordingly replaced by a reference to the new definition in PAS 1. In addition, the amendment has also been made in other Standards that contain a definition of material or refer to the term 'material' to ensure consistency.
- ii. Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework



Financial Instruments

a. Financial Assets

Financial assets are recognized when the Association becomes a party to the contractual terms of the financial instruments. Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is 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 investments and investments securities presented at Financial assets at amortized cost in the statements of financial position.

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 insignificant risk of changes in value.



No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework

Short-term investment includes time deposits with original maturities of more than three months but less than one year.

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 recovery of a part of the cost of the investment.

As at December 31, 2019 and 2018, the Association's financial assets designated at FVOCI is 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 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 which 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, 2019 and 2018, the Association's financial assets designated at FVTPL is 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 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 likelihood of default over a given time horizon.
- *Loss given default* - It is an estimate of loss arising in case where a 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 subjected 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, which include interest-bearing loans and borrowings; and trade and other payables [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.

Interest-bearing loans and borrowings are raised for the support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are recognized initially at their fair values and subsequently measured at amortized cost, using 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.

e. Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled 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 event. 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

This account pertains to prepayments 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.

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 amount 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 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 cost model. Depreciation is computed on the straight-line basis over the estimated useful life of 5 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 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 passage of time is recognized as 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 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 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 were recognized under the above criteria are discussed as follows:

- *General and insurance funds 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 contribution.
- *Miscellaneous* – 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 covers all regular full-time employees.

The liability recognized in the statements of financial position for 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 futures 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 as a lessee accounts for its leases as follows:

Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, 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.



Accounting for Leases in Accordance with PAS 17 (2018)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or,
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

The Association has entered into leases on-premises uses for its operations. Leases that do not transfer to the Association substantially all the risks and benefits incidental to ownership of the leased items are treated as operating leases. Operating lease payments are recognized as an expense in the statements of comprehensive income on a straight-line basis over the lease term. Contingent rental payables are recognized as an expense in the period in which they are incurred.

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 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 that amount set-aside based on certain percentage from net profit during the year.

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

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 have the most significant effect on the amounts recognized in the financial statements:

a. Determination of ECL on Trade and other receivables

The Association uses a provision matrix to calculate ECL for trade 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 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 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 relate 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 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 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 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 necessary 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 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, 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. Distinction between Operating and Finance Leases (2018)

The Association has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

h. 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., 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 (Financial Assets at Fair Value Through Profit or Loss)

The Association reviews its HTM investments and Loans and other receivables portfolios 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 9.

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 gain of P5,202,837 in 2019 and loss of P3,981,777 in 2018 on financial assets at fair value through profit and loss was reported in the statements of comprehensive income (see Note 10).

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, 2019 and 2018, there is no change in 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 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>2019</u>	<u>2018</u>
Cash in banks	P 92,452,811	P 84,676,555
Short-term placements	<u>76,035,277</u>	<u>115,279,517</u>
	<u>P 168,488,088</u>	<u>P 199,956,072</u>



Cash in banks generally earn 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 3.00% to 3.50% in 2019 and 1.50% to 5.44% in 2018.

The interest earned on cash in banks and short-term placements amounted to P2,615,353 in 2019 and P889,074 in 2018 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive income.

6. SHORT-TERM INVESTMENTS

The short-term investments amounted to P158,412,291 in 2019 and P81,248,155 in 2018. These investments have a term for more than three months but less than one-year term and bear an annual effective interest ranging from 3.00% to 4.00% in 2019 and 1.75% to 5.625% in 2018.

The interest earned on short-term investments amounted to P10,306,004 in 2019 and P5,408,997 in 2018 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>2019</u>	<u>2018</u>
Consumption loans	P 350,288,976	P 375,170,011
Accrued income	41,871,623	34,095,300
Accounts receivable	<u>2,482,730</u>	<u>1,928,230</u>
	394,643,329	411,193,541
Allowance for impairment losses	<u>(9,833,543)</u>	<u>(6,547,206)</u>
	<u><u>P 384,809,786</u></u>	<u><u>P 404,646,335</u></u>

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

	<u>2019</u>	<u>2018</u>
Current	P 242,973,384	P 222,805,766
Non-current	<u>141,836,402</u>	<u>181,840,569</u>
	<u><u>P 384,809,786</u></u>	<u><u>P 404,646,335</u></u>

The Association grants loans ranging from P1,000 to P10,000,000 in 2019 and 2018, with annual effective interest rates ranging from 5% 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 P37,302,349 in 2019 and P38,872,048 in 2018 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 P6,935,069 and P7,477,313 in 2019 and 2018, respectively, and presented as Services charges and fees in the statements of comprehensive income.

Past due loans amounted to P39,218,982 in 2019 and P22,515,635 in 2018.

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 6,547,206	P 6,487,884
Impairment losses during the year (see Note 17)	3,300,000	5,128,721
Reversal	(13,663)	(5,069,399)
Balance at end of year	<u>P 9,833,543</u>	<u>P 6,547,206</u>

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

	<u>2019</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying amounts as at January 1, 2019	P 352,654,376	P 15,968,429	P 6,547,206	P 375,170,011
New assets originated	-	13,417,010	3,286,337	16,703,347
Assets derecognized or prepaid	(41,584,382)	-	-	(41,584,382)
Gross carrying amounts as December 31, 2019	<u>P 311,069,994</u>	<u>P 29,385,439</u>	<u>P 9,833,543</u>	<u>P 350,288,976</u>
ECL allowance as at January 1, 2019	P 5,997,826	P 389,629	P 159,751	P 6,547,206
Provision for of credit losses	3,300,000	-	-	3,300,000
Reversal	(13,663)	-	-	(13,663)
ECL allowance as at December 31, 2019	<u>P 9,284,163</u>	<u>P 389,629</u>	<u>P 159,751</u>	<u>P 9,833,543</u>
	<u>2018</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying amounts as at January 1, 2018	P 334,508,021	P 1,398,178	P 6,487,884	P 342,394,083
New assets originated	231,145,082	14,570,251	59,322	245,774,655
Assets derecognized or prepaid	(212,998,727)	-	-	(212,998,727)
Gross carrying amounts as December 31, 2018	<u>P 352,654,376</u>	<u>P 15,968,429</u>	<u>P 6,547,206</u>	<u>P 375,170,011</u>
ECL allowance as at January 1, 2018 Under PFRS 9	P 6,295,465	P 34,115	P 158,304	P 6,487,884
Provision for of credit losses	4,771,760	355,514	1,447	5,128,721
Reversal	(5,069,399)	-	-	(5,069,399)
ECL allowance as at December 31, 2018 under PFRS 9	<u>P 5,997,826</u>	<u>P 389,629</u>	<u>P 159,751</u>	<u>P 6,547,206</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

This account includes investment securities amounting to P7,956,705 in 2019 and P3,000,000 in 2018. This 349-day and 161-day treasury bills bears interest of 3.50% and 3.30% in 2019. The interest earned on this financial asset amounted to P936,253 in 2019 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>2019</u>	<u>2018</u>
Mutual funds	P 68,405,542	P 44,453,200
Equity securities under Investment Management Agreement (IMA)	61,659,693	40,477,351
Quoted equity securities	56,709,945	40,861,396
Bonds	25,321,802	-
Unit investment trust fund (UITF)	-	5,404,384
	<u>P 212,096,982</u>	<u>P 131,196,331</u>

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 131,196,331	P 99,593,135
Additions	94,028,282	49,083,135
Disposals	(18,330,468)	(13,501,230)
Fair value loss (gain) - net	<u>5,202,837</u>	<u>(3,978,709)</u>
Balance at end of year	<u>P 212,096,982</u>	<u>P 131,196,331</u>

In 2019 and 2018, the Association recognized gain from disposal of financial assets at FVTPL amounting to P3,235,049 and P2,096,938, respectively. These are presented as Income from 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, 2019			
Mutual funds	P 64,950,000	P 68,405,542	P 3,455,542
Quoted equity securities	84,941,507	56,709,945	(28,231,562)
Equity securities under IMA	60,157,176	61,659,693	1,502,517
Bonds	<u>25,000,000</u>	<u>25,321,802</u>	<u>321,802</u>
	<u>P 235,048,683</u>	<u>P 212,096,982</u>	<u>(P 22,951,699)</u>
December 31, 2018			
Mutual funds	P 45,000,000	P 44,453,200	P 546,800
Quoted equity securities	64,657,699	37,372,963	23,796,303
Equity securities under IMA	42,151,049	40,477,351	1,673,698
UITF	<u>5,000,000</u>	<u>5,404,384</u>	<u>(404,384)</u>
	<u>P 156,808,748</u>	<u>P 131,196,331</u>	<u>P 25,612,417</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) consists of bonds, note placements and shares of listed companies managed by several local banks.

The fair values of mutual funds, UITF, 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>2019</u>	<u>2018</u>
Corporate bonds		
10-Year Treasury Bonds	P 10,000,000	P 10,000,000
20-Year Treasury Bonds	7,000,000	7,000,000
Government bonds		
3-Year Treasury Bonds	10,000,000	10,000,000
Unquoted equity securities	<u>500,000</u>	<u>500,000</u>
	<u><u>P 27,500,000</u></u>	<u><u>P 27,500,000</u></u>

Treasury bonds bear interest ranging from 3.25% to 7.25% in 2019 and 2018. These investments were set aside as guarantee fund reserves in compliance with the Association's registration as mutual benefit association.

The interest earned on these investments amounted to P1,392,500 in 2019 and P1,008,375 in 2018 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 2019 and 2018 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, 2019					
Cost or valuation	P 12,311,779	P 8,007,621	P 7,127,099	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 602,649</u>	<u>P 6,182,137</u>	<u>P 14,117,617</u>



	Building and Improvements	Transportation Equipment	Furniture Fixtures and Equipment	Land	Total
December 31, 2018					
Cost or valuation	P 12,311,779	P 8,007,621	P 6,872,318	P 6,182,137	P 33,373,855
Accumulated depreciation	(5,629,638)	(6,315,223)	(6,052,747)	-	(17,997,608)
Net carrying amount	<u>P 6,682,141</u>	<u>P 1,692,398</u>	<u>P 819,571</u>	<u>P 6,182,137</u>	<u>P 15,376,247</u>
January 1, 2018					
Cost or valuation	P 12,426,775	P 3,710,930	P 3,148,700	P 6,182,137	P 25,468,542
Accumulated depreciation	(5,323,796)	(1,343,798)	(2,555,184)	-	(9,222,778)
Net carrying amount	<u>P 7,102,979</u>	<u>P 2,367,132</u>	<u>P 593,516</u>	<u>P 6,182,137</u>	<u>P 16,245,764</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2019 and 2018 is shown below:

	Building and Improvements	Transportation Equipment	Furniture Fixtures and Equipment	Land	Total
Balance at January 1, 2019, net of accumulated depreciation	P 6,682,141	P 1,692,398	P 819,571	P 6,182,137	P 15,376,247
Additions	-	-	254,780	-	254,780
Adjustments	-	-	1,342	-	1,342
Depreciation charge for the year (see Note 17)	(418,633)	(623,075)	(473,045)	-	(1,514,753)
Balance at December 31, 2019, net of accumulated depreciation	<u>P 6,263,508</u>	<u>P 1,069,323</u>	<u>P 602,649</u>	<u>P 6,182,137</u>	<u>P 14,117,617</u>
Balance at January 1, 2018, net of accumulated depreciation	P 7,102,979	P 2,367,132	P 593,516	P 6,182,137	P 16,245,764
Additions	-	-	716,277	-	716,277
Depreciation charge for the year (see Note 17)	(420,838)	(674,734)	(490,222)	-	(1,585,794)
Balance at December 31, 2018, net of accumulated depreciation	<u>P 6,682,141</u>	<u>P 1,692,398</u>	<u>P 819,571</u>	<u>P 6,182,137</u>	<u>P 15,376,247</u>

As at December 31, 2019, and 2018, 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, there were no property and equipment pledge 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. These also include real and other 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 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, 2019			
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>
December 31, 2018			
Cost	P 90,770,300	P 341,782	P 91,112,082
Accumulated depreciation	<u>-</u>	<u>(54,480)</u>	<u>(54,480)</u>
Net carrying amount	<u>P 90,770,300</u>	<u>P 287,302</u>	<u>P 91,057,602</u>
January 1, 2018			
Cost	P 92,749,953	P 341,782	P 93,091,735
Accumulated depreciation	<u>-</u>	<u>(54,480)</u>	<u>(54,480)</u>
Net carrying amount	<u>P 92,749,953</u>	<u>P 287,302</u>	<u>P 93,037,255</u>

The reconciliations of the carrying amounts at the beginning and end of 2019 and 2018, of investment property, are shown below:

	<u>Land</u>	<u>Land Improvements</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation	P 90,770,300	P 287,302	P 91,057,602
Adjustments	(2,773,119)	-	(2,773,119)
Disposal	(1,346,686)	(76,235)	(1,422,921)
Depreciation charge for the year	<u>-</u>	<u>(13,620)</u>	<u>(13,620)</u>
Balance at December 31, 2019, net of accumulated depreciation	<u>P 86,650,495</u>	<u>P 197,447</u>	<u>P 86,847,942</u>
Balance at January 1, 2018, net of accumulated depreciation	P 92,749,953	P 287,302	P 93,037,255
Disposal	(1,543,740)	(-)	(1,543,740)
Depreciation charge for the year	<u>(435,913)</u>	<u>-</u>	<u>(435,913)</u>
Balance at December 31, 2018, net of accumulated depreciation	<u>P 90,770,300</u>	<u>P 287,302</u>	<u>P 91,057,602</u>

The Association recognized gain on sale of investment property amounting P2,910,378 in 2019 and P29,102,378 in 2018 and is presented as part of Other income under miscellaneous in the statements of comprehensive income.

The Association's investment property includes real and other 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 fair value information of the investment property as at December 31, 2019 and 2018 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.



13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	<u>2019</u>	<u>2018</u>
Current:		
Accounts payable	P 8,105,270	P 9,844,014
Due to government agencies	526,644	508,508
Accrued expenses	<u>608,978</u>	<u>369,498</u>
	<u>P 9,240,892</u>	<u>P 10,722,020</u>
Non-Current		
Advance deposit	<u>P 87,824</u>	<u>P 42,324</u>

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 29, 2019 and April 27, 2018, respectively.

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 677,322,919	P 601,199,316
Collections from equity participation during the year	<u>34,901,011</u>	<u>76,123,603</u>
Balance at end of year	<u>P 712,223,930</u>	<u>P 677,322,919</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>2019</u>	<u>2018</u>
Insurance fund collateral	P 2,472,106	P 2,335,448
Multiply by 50%	<u>50%</u>	<u>50%</u>
	<u>P 1,236,053</u>	<u>P 1,167,724</u>



The movements of this account are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 1,167,724	P 982,862
Additional reserves	<u>68,329</u>	<u>184,862</u>
Balance at end of year	<u>P 1,236,053</u>	<u>P 1,167,724</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 amounting to P1,890,000 and P1,730,000 as at December 31, 2019 and 2018, respectively.

17. EXPENSES AND OTHER INCOME

Expenses

This account is consists of the following:

	<u>2019</u>	<u>2018</u>
Salaries, wages and employees benefits (<i>see Note 21</i>)	P 16,079,722	P 15,278,969
Insurance claims	8,515,000	8,455,000
Transportation and travel	5,366,413	3,685,846
Impairment losses (<i>see Note 7</i>)	3,300,000	5,128,721
Meetings and conferences	2,428,996	1,482,961
Depreciation (<i>see Notes 11 and 12</i>)	1,528,373	1,585,794
Administrative expenses	1,306,448	1,241,771
Stationery and office supplies	1,172,809	1,324,692
Utilities	607,193	607,378
Taxes and licenses (<i>see Note 30</i>)	505,251	521,308
Communication	270,006	272,723
Professional fees	167,000	195,486
Repairs and maintenance	139,417	243,080
Marketing expense	114,036	-
Commission	108,059	93,994
Contractors fees	105,525	143,183
Miscellaneous	<u>1,161,164</u>	<u>1,237,699</u>
	<u>P 42,875,412</u>	<u>P 41,498,605</u>

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

	<u>2019</u>	<u>2018</u>
Operating expenses	P 34,360,412	P 33,043,605
Benefit expenses	<u>8,515,000</u>	<u>8,455,000</u>
	<u>P 42,875,412</u>	<u>P 41,498,605</u>



Other Income

This account consists of the following:

	<u>2019</u>	<u>2018</u>
Gain on sale of investment property	P 2,576,617	P -
Rental income (see Note 23)	2,039,652	1,975,508
Penalty income	743,656	648,568
Miscellaneous	<u>3,680,900</u>	<u>4,136,031</u>
	<u>P 9,040,825</u>	<u>P 6,760,107</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 part of general fund and insurance fund. The general fund amounted to P15,170,110 and P13,602,734 in 2019 and 2018, respectively, while insurance fund amounted to P28,995,867 and P25,631,692 in 2019 and 2018, respectively. These funds were presented in the statements of comprehensive income.

Members can only withdraw the contributed equity upon termination of membership in the Association. A portion of members' equity is transferred to 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. Total contributions amounted to P145,361,041 and P166,717,862 in 2019 and 2018, respectively.

Membership fees are recorded as revenues and are shown as Membership fees in the statements of comprehensive income. Membership fees amounted to P797,500 and P1,194,300 in 2019 and 2018, respectively.

As at December 31, 2019, and 2018, the Association has a total of 109,414 and 148,980 members, respectively.

19. FUND BALANCE

Assigned Fund Balance

This account is composed of the following:

	<u>2019</u>	<u>2018</u>
Guaranty fund	P 38,000,000	P 38,000,000
Funds assigned for members' benefits	<u>2,000,000</u>	<u>2,000,000</u>
	<u>P 40,000,000</u>	<u>P 40,000,000</u>

The fund assigned for guaranty fund pertains to the portion of the fund balance set aside for guaranty fund.



Fund assigned for members' benefits were assigned for the following accounts:

Funds for incremental benefit for individual equity value	P	500,000
Funds assigned for education and training		500,000
Funds assigned for other member's benefit		500,000
Funds assigned for community development		<u>500,000</u>
	P	<u>2,000,000</u>

Accumulated Other Comprehensive Loss

This account pertains to loss on remeasurements of retirement benefit obligation in 2018. Movement of this account is as follow:

	<u>Revaluation of AFS Financial Assets</u>	<u>Remeasurements of Retirement benefit obligation</u>	<u>Total</u>
December 31, 2019			
Balance at beginning of year unassigned fund balance	P -	(P 7,147,837)	(P 7,147,837)
		<u>(7,817,214)</u>	<u>(7,817,214)</u>
Balance at end of year	<u>P -</u>	<u>(P 14,965,051)</u>	<u>(P 14,965,051)</u>
December 31, 2018			
Balance at beginning of year	(P 15,413,312)	(P 7,147,837)	(P 22,561,149)
Effect of adoption of PFRS 9			
Transfer to free and unassigned fund balance	<u>15,413,312</u>	<u>-</u>	<u>15,413,312</u>
Balance at end of year	<u>P -</u>	<u>(P 7,147,837)</u>	<u>(P 7,147,837)</u>
January 1, 2018			
Balance at beginning of year	(P 14,245,340)	(P 6,207,174)	(P 20,452,514)
Fair value loss on disposal during the year	2,814,623	-	2,814,623
Revaluation during the year	<u>(3,982,595)</u>	<u>(940,663)</u>	<u>(4,923,258)</u>
Balance at end of year	<u>(P 15,413,312)</u>	<u>(P 7,147,837)</u>	<u>(P 22,561,149)</u>

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:

	<u>2019</u>		<u>2018</u>		<u>Terms and Condition</u>
	<u>Amount of Transactions</u>	<u>Outstanding Balance</u>	<u>Amount of Transactions</u>	<u>Outstanding Balance</u>	
DOSRI					
Loans and interest	<u>P 5,031,984</u>	<u>P 5,516,306</u>	<u>P 2,544,948</u>	<u>P 484,322</u>	Interest bearing ranging 5% to 16% payable in 3 years, unsecured, no impairment loss
Key management personnel					
Compensation	<u>P 5,423,978</u>	<u>P -</u>	<u>P 5,387,040</u>	<u>P -</u>	



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:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 484,322	P 3,029,270
Releases during the year	5,031,984	-
Collections during the year	<u>-</u>	<u>(2,544,948)</u>
Balance at end of year	<u>P 5,516,306</u>	<u>P 484,322</u>

Key Management Compensation

The compensation of key management is broken down as follows:

	<u>2019</u>	<u>2018</u>
Salaries and wages	P 5,423,978	P 5,387,040
Retirement benefits	<u>-</u>	<u>-</u>
	<u>P 5,423,978</u>	<u>P 5,387,040</u>

Key management includes general manager and higher positions.

21. EMPLOYEE BENEFITS

Salaries and Employee Benefit Expense

Expenses recognized for salaries and employee benefits are presented below:

	<u>2019</u>	<u>2018</u>
Salaries and wages	P 10,091,653	P 8,629,166
Employees welfare and benefits	5,190,327	4,569,978
Social security costs	759,716	628,484
Retirement costs	<u>38,026</u>	<u>1,451,341</u>
	<u>P 16,079,722</u>	<u>P 15,278,969</u>



Retirement Benefit Obligation

a. Characteristics of the Retirement Benefit Obligation

The Association does not have yet a tax-qualified, non-contributory retirement plan as at December 31, 2019 and 2018.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 5 years of credited service and late retirement after age 60, both subject to the approval of the Association's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

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 2018 are based on the actuarial valuation report obtained from an independent actuary on February 3, 2020. As at December 31, 2019, actuarial valuation report is not available and there were no material changes on the last year's assumptions used by the management.

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

	<u>2019</u>	<u>2018</u>
Present value of the obligation	P 27,795,397	P 19,897,223
Fair value of plan assets	(14,764,677)	(13,270,102)
Retirement benefit obligation	<u>P 13,030,719</u>	<u>P 6,627,121</u>

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 19,897,221	P 18,445,882
Current service cost	80,962	1,213,302
Interest cost	-	238,037
Benefits paid	-	-
Actuarial loss	<u>7,817,214</u>	<u>-</u>
Balance at end of year	<u>P 27,795,397</u>	<u>P 19,897,221</u>

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 13,270,102	P 11,818,761
Contributions	1,451,641	1,451,341
Actual return	42,934	-
Benefits paid	<u>-</u>	<u>-</u>
Balance at end of year	<u>P 14,764,677</u>	<u>P 13,270,102</u>



The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	P 12,774,553	P 11,279,978
Retirement loan to employees	<u>1,990,124</u>	<u>1,990,124</u>
	<u>P 14,764,677</u>	<u>P 13,270,102</u>

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>2019</u>	<u>2018</u>
<i>Reported in profit or loss:</i>		
Current service costs	<u>P 80,962</u>	<u>P 1,451,341</u>
<i>Reported in other comprehensive income-</i>		
Actuarial loss	<u>P 68,99,594</u>	<u>(P -)</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>2019</u>	<u>2018</u>
Discount rates	5.48%	5.44%
Expected rate of salary increases	7%	7%

Assumptions regarding mortality are based on published statistics and mortality tables. The average age of the employees is 34.41 years in 2019 and 2018, while the average years of service is 7.38 in 2019 and 2018. 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 a 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 a 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, 2019:

	Impact on defined benefit obligation					
	Change in Assumption		Increase in Assumption		Decrease in Assumption	
December 31, 2019						
Discount rate	1%	P	4,968,270	P	-	
Salary increase rate	1%		45,38,124		-	
Withdrawal rate	10%		-		263,727	

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>2019</u>	<u>2018</u>
Regular corporate income tax	P 611,895	P 592,652
Final tax at 20%	<u>3,048,207</u>	<u>1,403,353</u>
	<u>P 3,660,102</u>	<u>P 1,996,005</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 30%.

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 entitles 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.

On June 30, 2014, the Association received an exception from the BIR for the Adopt a School Program in favor of DepEd Turo Elementary School and Sta. Maria Elementary School. The said exemption entitles the Association to a 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.

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>2019</u>	<u>2018</u>
Within one year	P 1,847,354	P 999,492
After one year but not more than five years	717,277	-
Due more than five years	<u>175,000</u>	<u>-</u>
	<u>P 2,739,631</u>	<u>P 999,492</u>

Rental income recognized from these leases amounted to P2,039,652 in 2019 and P1,975,508 in 2018 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 24. 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 P225,589 in 2019 and P102,909 in 2018 assuming reasonably possible change in interest rates of +/-0.82% for regular savings and +/-1.49% for time deposit account in 2019 and 2018, 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, 2019 and 2018. 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 (AFS financial assets in 2017). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments. For these securities, an 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 P744,061 in 2019 and P482,296 in 2018.

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 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 investment 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:

	2019	2018
Cash and cash equivalents	P 168,488,088	P 199,956,072
Short-term investments	158,412,291	81,248,155
Loans and other receivables	384,809,786	404,646,335
Financial assets at Amortized cost	7,956,705	3,000,000
Financial assets at FVTPL	212,096,983	131,196,331
Financial assets at FVOCI	27,500,000	27,500,000
	<u>P 959,263,853</u>	<u>P 847,546,893</u>

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

	2019					
	Neither Past Due Nor Impaired			Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash and cash equivalents	P 168,488,088	P -	P -	P -	P -	P 168,488,088
Short-term investments	158,412,291	-	-	-	-	158,412,291
Financial assets at amortized cost	7,956,705	-	-	-	-	7,956,705
Financial assets at FVTPL	212,096,983	-	-	-	-	212,096,983
Financial assets at FVOCI	27,500,000	-	-	-	-	27,500,000
Loans and receivables:						
Consumption loans	-	311,069,994	-	29,385,439	9,833,543	350,288,976
Accrued income	-	41,871,623	-	-	-	41,871,623
Accounts receivable	-	2,482,730	-	-	-	2,482,730
	<u>P 574,454,067</u>	<u>P 355,424,347</u>	<u>P -</u>	<u>P 29,385,439</u>	<u>P 9,833,543</u>	<u>P 969,097,396</u>



	2018					
	Neither Past Due Nor Impaired			Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash and cash equivalents	P 199,956,072	P -	P -	P -	P -	P 199,956,072
Short-term investments	81,248,155	-	-	-	-	81,248,155
Financial asset at Amortized cost	3,000,000	-	-	-	-	3,000,000
Financial assets at FVTPL	131,196,331	-	-	-	-	131,196,331
Financial assets at FVOCI	27,500,000	-	-	-	-	27,500,000
Loans and receivables:						
Consumption loans	-	352,654,376	-	15,968,429	6,547,206	375,170,011
Accrued interest	-	-	-	-	-	-
Accrued income	-	34,095,300	-	-	-	34,095,300
Accounts receivable	-	1,928,230	-	-	-	1,928,230
	<u>P 442,900,558</u>	<u>P 388,677,906</u>	<u>P -</u>	<u>P 15,968,429</u>	<u>P 6,547,206</u>	<u>P 854,094,099</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.

	2019					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Loans and receivables:						
Consumption	<u>P 5,291,753</u>	<u>P 3,699,728</u>	<u>P 73,681</u>	<u>P 3,519,884</u>	<u>P 16,800,393</u>	<u>P 29,385,439</u>

	2018					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Loans and receivables:						
Consumption	<u>P 4,661,674</u>	<u>P 2,278,112</u>	<u>P 181,372</u>	<u>P 31,035</u>	<u>P 8,816,236</u>	<u>P 15,968,429</u>

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

1. *High Grade*

These are financial assets which 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:

	2019				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	
Financial Assets:					
Cash and cash equivalents	P 92,452,811	P 76,035,277	P -	P -	P 168,488,088
Short-term investments	-	-	158,412,291	-	158,412,291
Financial assets at Amortized cost	-	-	7,956,705	-	7,956,705
Financial assets at FVTPL	212,096,983	-	-	-	212,096,983
Financial assets at FVOCI	-	-	-	27,500,000	27,500,000
Loans and Receivables - gross	<u>213,799,809</u>	<u>4,003,938</u>	<u>18,502,740</u>	<u>158,336,842</u>	<u>394,643,329</u>
	<u>518,349,603</u>	<u>80,039,215</u>	<u>184,871,736</u>	<u>185,836,842</u>	<u>964,097,396</u>
Financial liabilities:					
Accounts payable and other liabilities	5,480,957	-	-	18,898,983	24,379,940
Liability on individual equity value	712,223,930	-	-	-	712,223,930
Claims payable on basic contingent benefit	1,890,000	-	-	-	1,890,000
Basic contingent benefit reserve	<u>1,236,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,236,053</u>
	<u>720,830,940</u>	<u>-</u>	<u>-</u>	<u>18,226,028</u>	<u>739,056,968</u>
Cumulative gap	<u>(P202,481,337)</u>	<u>P 80,039,215</u>	<u>P 184,871,736</u>	<u>P 166,937,859</u>	<u>P 225,040,428</u>
	2018				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	
Financial Assets:					
Cash and cash equivalents	P 84,676,555	P 115,279,517	P -	P -	P 199,956,072
Short-term investments	-	-	81,248,155	-	81,248,155
Financial assets at Amortized cost	-	-	3,000,000	-	3,000,000
Financial assets at FVTPL	131,196,331	-	-	-	131,196,331
Financial assets at FVOCI	-	-	-	27,500,000	27,500,000
Loans and Receivables - gross	<u>-</u>	<u>220,505,701</u>	<u>8,847,271</u>	<u>181,840,569</u>	<u>411,193,541</u>
	<u>215,872,886</u>	<u>335,785,218</u>	<u>93,095,426</u>	<u>209,340,569</u>	<u>854,094,099</u>
Financial liabilities:					
Accounts payable and other liabilities	10,170,188	-	-	42,324	10,213,512
Liability on individual equity value	677,322,919	-	-	-	677,322,919
Claims payable on basic contingent benefit	1,730,000	-	-	-	1,730,000
Basic contingent benefit reserve	<u>1,167,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,167,724</u>
	<u>690,391,831</u>	<u>-</u>	<u>-</u>	<u>42,324</u>	<u>690,434,155</u>
Cumulative gap	<u>(P474,518,945)</u>	<u>P 335,785,218</u>	<u>P 93,095,426</u>	<u>P 209,298,245</u>	<u>P 163,659,944</u>



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:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Financial Assets</i>				
Cash and cash equivalents	P 168,488,088	P 168,488,088	P 199,956,072	P 199,956,072
Short-term investments	158,412,291	158,412,291	81,248,155	81,248,155
Financial assets at amortized cost	7,956,705	7,956,705	3,000,000	3,000,000
Loans and other receivables	394,643,329	384,809,786	411,193,541	404,646,335
Financial assets at FVOCI	27,500,000	27,500,000	27,500,000	27,500,000
Financial assets at FVTPL	<u>212,096,983</u>	<u>212,096,983</u>	<u>131,696,331</u>	<u>131,696,331</u>
	<u>P 969,097,396</u>	<u>P 959,263,853</u>	<u>P 854,594,099</u>	<u>P 848,046,893</u>
<i>Financial Liabilities</i>				
Accounts payable and other liabilities	P 10,692,072	P 10,692,072	P 10,213,512	P 10,213,512
Liability on individual equity value	712,223,930	712,223,930	677,322,919	677,322,919
Claims payable on basic contingent benefit	1,890,000	1,890,000	1,730,000	1,730,000
Basic contingent benefit reserve	<u>1,236,053</u>	<u>1,236,053</u>	<u>1,167,724</u>	<u>1,167,724</u>
	<u>P 726,042,055</u>	<u>P 726,042,055</u>	<u>P 690,434,155</u>	<u>P 690,434,155</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 and short-term investments

The carrying amounts approximate fair values given the short-term 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, 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, and Basic contingent benefit reserve*

These liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. 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 which use inputs which 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, 2019 and 2018, 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>2019</u>	<u>2018</u>
Level 1	P 538,997,364	P 412,900,558
Level 2	35,456,705	30,500,000
Level 3	<u>384,809,786</u>	<u>404,646,335</u>
	<u>P 959,263,853</u>	<u>P 848,046,893</u>

All financial liabilities are categorized as Level 3.



26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Associations' 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>2019</u>	<u>2018</u>
Total liabilities	P 737,839,924	P 697,708,260
Total fund balance	<u>324,207,767</u>	<u>256,956,319</u>
Debt-to-fund ratio	<u>3.28:1.00</u>	<u>2.72:1.00</u>

27. NON-ADMITTED ASSETS

The estimated amounts of non-admitted assets as defined in the Section 197 of the Insurance Code and still subject to examination by the IC which are included in the accompanying statements of financial position follow:

	<u>2019</u>	<u>2018</u>
Accounts receivable	P 2,482,731	P 2,242,413
Prepayments	1,818,280	683,837
Investment property	41,533,371	33,000,387
Property and equipment	<u>13,969,390</u>	<u>2,511,970</u>
	<u>P 59,803,772</u>	<u>P 38,438,607</u>

28. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

Republic Act (RA) No. 11232, An Act Providing for the Revised Corporation Code of the Philippines (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Association's financial statements.

29. EVENTS AFTER THE REPORTING PERIOD

On June 11, 2020, the Association's financial statements for the year ended December 31, 2019 were authorized for issue.



The 2019 Novel Coronavirus infection ('coronavirus') or 'COVID-19' outbreak poses a serious public health threat. The emergence and spread of COVID-19 in first quarter of 2020 has affected businesses and economic activities in China and other countries around the world including the Philippines. The situation as of December 31, 2019 was that a limited number of cases of an unknown virus had been reported to the World Health Organization (WHO). There was no explicit evidence of human-to-human transmission at that date. Its announcement of coronavirus as a global health emergency was not made until January 31, 2020 (following which national governments took action). In addition, significant measures taken by the Philippine government and by private sector organizations did not take place until early 2020. On March 8, 2020, the Philippine government placed the entire Philippines under state of public health emergency because of the COVID-19 threat that is looming in the nation.

On March 12, 2020, the Philippine government announced "community quarantine" on Metro Manila starting at 12 midnight on March 15 up to April 14 that will cover 16 cities and one municipality. During the second day of the implementation of the Metro Manila community quarantine, on March 16, the Philippine government declared a Luzon-wide "enhanced community quarantine" that aims to further combat the effect of the continuing and increasing spread of COVID-19.

On April 7, 2020, the Philippine government extended the enhanced community quarantine over the entire Luzon until midnight of April 30, 2020.

On April 24, 2020, the Philippine government extended the enhanced community quarantine in high- risk geographic areas, including all provinces, highly urbanized cities (HUCs), independent component cities (ICCs), component cities (CCs) and municipalities situated therein from May 1 to May 15, 2020:

- a. National Capital Region,
- b. Region III (Central Luzon, except Aurora Province);
- c. Region IV-A (CALABARZON);
- d. Benguet Province;
- e. Pangasinan Province;
- f. Iloilo Province;
- g. Cebu Province;
- h. Bacolod City;
- i. Davao City.

For the same period, a "general community quarantine" (GCQ) is hereby imposed in all other areas of Luzon, Visayas, and Mindanao.

Further, on May 12, 2020, the government announced that only Metro Manila and Laguna (as well as Cebu City) would be under modified ECQ or MECQ from May 16 to May 31, 2020 because these areas are categorized as high-risk while moderate risk places are going to be under GCQ. Originally, low-risk areas would neither be under ECQ nor GCQ but it was later clarified that low-risk areas would be under modified GCQ. On May 15, 2020, a resolution by the IATF-EID declared additional areas in Luzon under MECQ from May 16 to May 31, 2020 namely Bataan, Bulacan, Nueva Ecija, Pampanga including Angeles City and Zambales.



Measures to prevent transmission of the virus include limiting the movement of people, restricting flights and other travel, temporarily closing businesses and schools, and cancelling events. This will have an immediate impact on businesses such as tourism, transport, retail and entertainment. It will also begin to affect supply chains and the production of goods throughout the world and lower economic activity is likely to result in reduced demand for many goods and services. Financial services entities such as banks that lend to affected entities, insurers that provide protection to affected individuals and businesses, and funds or other investors that invest in affected entities are also likely to be affected. Not only in the Philippines, it has also interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses.

Based on the management's assumptions, the implications, including the indirect effects from lower economic activity, will not affect the Association's ability to continue as a going concern. However, the current and potential effects of the COVID-19 outbreak are difficult to assess and predict. Coronavirus may affect entities in nearly every sector, due to the following impacts:

- Reduced consumer demand for goods and services due to lost income and/or restrictions on consumers' ability to move freely;
- Lack of investment in capital improvements and construction reducing demand for many goods and services;
- Disruption of global supplies chains due to restrictions placed on the movement of people and goods.

The Association's management believes that the actual and potential impacts of COVID-19 have no significant impact in its financial statements in 2020.

This pandemic has led to widespread economic uncertainty and volatility in financial markets. The measures taken across the globe to try to slow the spread of COVID-19 are impacting both the supply and demand for many goods and services. Although fiscal and monetary policy measures are also being implemented to prop up the economy, many still believe there is a possibility of a global recession.

30. 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.

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 2019.



b. *Input VAT*

Input VAT arising from various purchases were 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	151,619
Percentage taxes		62,726
Municipal license and permits		37,634
Annual registration fee		-
Others		<u>253,272</u>
	P	<u>505,251</u>

g. *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2019 are shown below:

Compensation and employee benefits	P	380,186
Expanded		<u>86,864</u>
	P	<u>467,050</u>

h. *Deficiency Tax Assessment and Tax Case*

As at December 31, 2019, 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.