



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 FINANCIAL STATEMENTS**

The management of **Praxis Fides Mutual Benefit Association, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


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


The Board of Trustees is responsible for overseeing the Association's financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

AMC & Associates, the independent auditor appointed by the members, has audited the financial statements of the Association in accordance with Philippine Standards on Auditing and in its report to the members has expressed its opinion on the fairness of presentation upon completion of such audit.


MSGR. LUCIANO C. BALAGTAS
Chairman

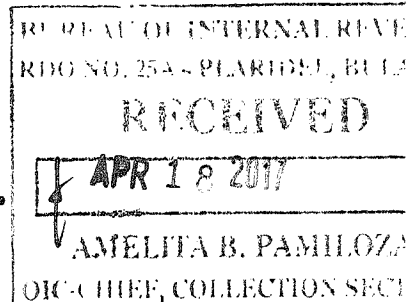

MR. GENER C. LUCIANO
President


MS. EDERLINDA DEL ROSARIO
Treasurer

Signed this 18th day of March 2017



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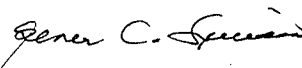
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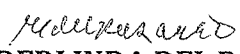
The Board of Trustees is responsible for overseeing the Association's financial reporting process.

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MSGR. LUCIANO C. BALAGTAS
Chairman


MR. GENER C. LUCIANO
President


MS. EDERLINDA DEL ROSARIO
Treasurer

Signed this 18th day of March 2017



Financial Statements

**PRAXIS FIDES MUTUAL BENEFIT
ASSOCIATION, INC.**
(A Non-Stock, Non-Profit Organization)

December 31, 2016 and 2015



Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

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

35 Paseo del Congreso, Catmon
Malolos, Bulacan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Praxis Fides Mutual Benefit Association, Inc. (the Association), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive revenues, statements of changes in fund balance and statements of cash flows for the years then ended 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, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

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 ethical requirements that are relevant to our audits of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



Certified Public Accountants

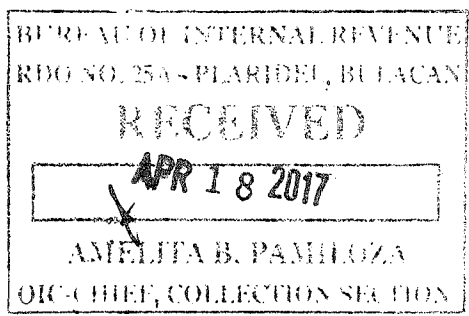
Report on Other Legal and Regulatory Requirements

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, 2016 required by the Bureau of Internal Revenue as disclosed in Note 27 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. 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: **Joseph Cedric V. Calica**
Partner

CPA Cert. No. 94541
TIN 163-257-226-000
PTR No. 5915254, Jan. 6, 2017, Makati City
BIR Accreditation No. 08-002582-1-2014
(Jan. 5, 2015 to Jan. 4, 2018)
BSP Accreditation (Category B)
(Feb. 14, 2017 to Feb. 14, 2018)
IC Accreditation No. SP-2015/010-R
(Mar. 3, 2015 to Mar. 2, 2018)
SEC Accreditation No. 1584-A (Group B)
(Sep. 14, 2016 to Sep. 13, 2019)



March 18, 2017

PRACTITIONER'S COMPILATION REPORT

To the Management
Praxis Fides Mutual Benefit Association, Inc.
(A Non-Stock, Non-Profit Organization)
35 Paseo del Congreso, Catmon
Malolos, Bulacan


I have compiled the accompanying financial statements of Praxis Fides Mutual Benefit Association, Inc. (A Non-Stock, Non-Profit Organization) based on information you have provided. These financial statements comprise the statement of financial position of Praxis Fides Mutual Benefit Association, Inc. as at December 31, 2016, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I have performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), *Compilation Engagements*.

I have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standard (PFRS). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to me to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRS.


VIRGINIA GARCIA DE LOS REYES
Certified Public Accountant
CPA Cert. No. 94531 valid until October 25, 2018
PTR No. 7806953, January 11, 2017, Plaridel, Bulacan
PRC/BOA Certificate of Accreditation No 3085
valid until December 31, 2018

March 18, 2017

BUREAU OF INTERNAL REVENUE
RDO NO. 25A - PLARIDEL, BULACAN

RECEIVED

APR 18 2017

AMELITA B. PAMILLOZA
OIC-CHIEF, COLLECTION SECTION

PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Peso)

MAY 7 2017

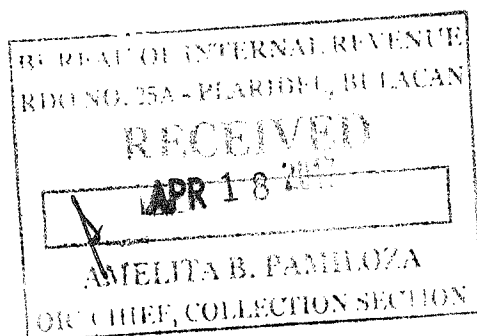
RECEIVED SUBJECT TO REVIEW OF
FORM AND COMMENTS

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|-----------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents (Note 5) | P 136,795,312 | P 97,840,223 |
| Short-term investments (Note 6) | 35,846,718 | 43,720,705 |
| Available-for-sale securities (Note 7) | 79,931,996 | 78,672,830 |
| Loans and other receivables (Note 9) | 206,547,087 | 190,256,544 |
| Prepayments | 992,493 | 1,400,756 |
| Total Current Assets | <u>460,113,606</u> | <u>411,891,058</u> |
| NON-CURRENT ASSETS | | |
| Held-to-maturity investments (Note 8) | 17,000,000 | 17,000,000 |
| Loans and other receivables (Note 9) | 164,851,133 | 153,524,943 |
| Property and equipment (Note 10) | 16,007,296 | 15,636,659 |
| Investment property (Note 11) | 100,620,255 | 71,088,518 |
| Total Non-current Assets | <u>298,478,684</u> | <u>257,250,120</u> |
| TOTAL ASSETS | <u><u>P 758,592,290</u></u> | <u><u>P 669,141,178</u></u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and other liabilities (Note 12) | P 13,316,867 | P 12,134,486 |
| Legal policy reserves (Note 13) | 522,522,334 | 452,886,187 |
| Insurance premium reserves (Note 14) | 852,118 | 839,836 |
| Total Current Liabilities | <u>536,691,319</u> | <u>465,860,509</u> |
| NON-CURRENT LIABILITIES | | |
| Accounts payable and other liabilities (Note 12) | 190,812 | 122,712 |
| Retirement benefit obligation (Note 20) | 5,242,261 | 3,389,349 |
| Total Non-Current Liabilities | <u>5,433,073</u> | <u>3,512,061</u> |
| Total Liabilities | <u>542,124,392</u> | <u>469,372,570</u> |
| FUND BALANCE | | |
| Free and unassigned fund balance | 214,599,731 | 190,450,665 |
| Assigned fund balance (Note 18) | 40,000,000 | 35,000,000 |
| Accumulated other comprehensive loss (Note 18) | (38,131,833) | (25,682,057) |
| Total Fund Balance | <u>216,467,898</u> | <u>199,768,608</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>P 758,592,290</u></u> | <u><u>P 669,141,178</u></u> |

See Notes to Financial Statements.

PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Organization)
STATEMENTS OF COMPREHENSIVE REVENUES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Peso)

| | 2016 | 2015 |
|---|----------------|---------------|
| REVENUES | | |
| Interest on: | | |
| Loans (Note 9) | P 40,643,299 | P 35,187,448 |
| Investment securities and deposits with banks (Notes 5, 6, 7 and 8) | 3,635,894 | 3,197,466 |
| Income from sale of available-for-sale securities (Note 7) | 4,647,659 | 3,770,580 |
| Insurance fund (Note 16) | 20,331,775 | 17,371,370 |
| General fund (Note 16) | 12,376,346 | 9,123,595 |
| Service charges and fees (Note 9) | 6,774,685 | 6,071,031 |
| Membership fees (Note 16) | 749,850 | 743,800 |
| Others (Note 15) | 5,171,526 | 6,483,275 |
| | 94,331,034 | 81,948,565 |
| EXPENSES (Note 15) | | |
| Operating expenses | 23,920,318 | 21,475,454 |
| Benefit expenses | 5,105,000 | 6,350,000 |
| | 29,025,318 | 27,825,454 |
| PROFIT BEFORE TAX | 65,305,716 | 54,123,111 |
| TAX EXPENSE (Note 21) | 1,691,623 | 2,006,308 |
| NET PROFIT | 63,614,093 | 52,116,803 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Items that will not be reclassified subsequently to profit or loss | | |
| Remeasurements of post-employment defined benefit obligation (Notes 18 and 20) | (2,320,284) | 136,793 |
| Items that will be reclassified subsequently to profit or loss | | |
| Fair value loss on available-for-sale securities (Note 7) | (10,129,492) | (1,213,222) |
| | (12,449,776) | (1,076,429) |
| TOTAL COMPREHENSIVE REVENUES | P 51,164,317 | P 51,040,374 |



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, 2016 AND 2015
(Amounts in Philippine Peso)

| | Free and Unassigned Fund balance | Assigned Fund Balance | Accumulated Other Comprehensive Loss | Total |
|---|-------------------------------------|--------------------------|---|----------------------|
| Balance at January 1, 2016 (Notes 16 and 18) | P 190,450,665 | P 35,000,000 | (P 25,682,057) | P 199,768,608 |
| Contributions during the year (Note 16) | 132,793,063 | - | - | 132,793,063 |
| Withdrawals during the year | (97,621,943) | - | - | (97,621,943) |
| Transfer to legal policy reserves (Note 13) | (69,636,147) | - | - | (69,636,147) |
| Allocation for the year (Note 18) | (5,000,000) | 5,000,000 | - | - |
| Total comprehensive revenue for the year | 63,614,093 | - | (12,449,776) | 51,164,317 |
| Balance at December 31, 2016 (Notes 16 and 18) | P 214,599,731 | P 40,000,000 | (P 38,131,833) | P 216,467,898 |
| Balance at January 1, 2015 (Notes 16 and 18) | P 177,295,196 | P 35,000,000 | (P 24,605,628) | P 187,689,568 |
| Contributions during the year (Note 16) | 117,848,482 | - | - | 117,848,482 |
| Withdrawals during the year | (84,468,963) | - | - | (84,468,963) |
| Transfer to legal policy reserves (Note 13) | (72,340,853) | - | - | (72,340,853) |
| Total comprehensive revenue for the year | 52,116,803 | - | (1,076,429) | 51,040,374 |
| Balance at December 31, 2015 (Notes 16 and 18) | P 190,450,665 | P 35,000,000 | (P 25,682,057) | P 199,768,608 |

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, 2016 AND 2015
(Amounts in Philippine Peso)

| | 2016 | 2015 |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | P 65,305,716 | P 54,123,111 |
| Adjustments for: | | |
| Depreciation (Notes 10 and 11) | 1,554,481 | 1,460,224 |
| Impairment losses (Note 9) | 3,300,000 | 965,291 |
| Gain on sale of property and equipment | (90,000) | - |
| Gain on sale of available-for-sale securities (Note 7) | (4,647,659) | (3,770,580) |
| Gain on sale of investment property (Note 11) | (1,162,700) | (3,846,750) |
| Interest income (Notes 5, 6, 7, 8 and 9) | (44,279,193) | (38,384,914) |
| Operating profit before working capital changes | 19,980,645 | 10,546,382 |
| Increase in loans and other receivables | (27,290,987) | (32,421,309) |
| Decrease (increase) in prepayments | 408,263 | (438,554) |
| Increase (decrease) in accounts payable and other liabilities | 1,676,983 | (1,681,503) |
| Decrease in post-employment benefit obligation (Note 20) | (467,372) | (828,780) |
| Increase in insurance premium reserves | 12,282 | 230,150 |
| Cash used in operations | (5,680,186) | (24,593,614) |
| Interest received on loans and other receivables (Note 9) | 37,017,553 | 30,477,316 |
| Cash paid for income taxes (Note 21) | (2,118,125) | (1,158,751) |
| Net Cash From Operating Activities | 29,219,242 | 4,724,951 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of available-for-sale securities | 32,507,369 | 48,664,282 |
| Decrease (increase) in short-term investments | 7,873,987 | (12,626,731) |
| Decrease (increase) in investment property (Note 11) | 4,556,643 | (933,754) |
| Interest received on bank deposits and investment securities (Notes 5, 6, 7 and 8) | 3,635,894 | 3,197,466 |
| Proceeds from sale of investment property (Note 11) | 2,310,700 | 6,231,290 |
| Proceeds from sale of property and equipment | 90,000 | - |
| Acquisitions of property and equipment (Note 10) | (1,911,498) | (756,734) |
| Acquisitions of investment property (Note 11) | (35,250,000) | (9,974,165) |
| Additions to available-for-sale securities (Note 7) | (39,248,368) | (60,894,067) |
| Decrease in held-to-maturity investments | - | 5,000,000 |
| Net Cash Used in Investing Activities | (25,435,273) | (22,092,413) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Members' contributions during the year (Note 16) | 132,793,063 | 117,848,482 |
| Members' withdrawals during the year | (97,621,943) | (84,468,963) |
| Net Cash From Financing Activities | 35,171,120 | 33,379,519 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 38,955,089 | 16,012,057 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 97,840,223 | 81,828,166 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5) | P 136,795,312 | P 97,840,223 |

See Notes to Financial Statements.

PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015
(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 of and for the year ended December 31, 2016 (including the comparative financial statements as of and for the year ended December 31, 2015) were authorized for issue by the Association's Board of Trustees on March 18, 2017.

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 prescribed SCA is to be used by associations in their preparation of financial statements effective for the annual period 2014.

The SCA for MBAs will 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.

c. *Functional and Presentation Currency*

These financial statements are presented in Philippine peso, the Association's functional 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 2016 that are Relevant to the Association*

The Association adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2016:

| | | |
|---------------------|---|--|
| PAS 1 (Amendments) | : | Presentation of Financial Statements - Disclosure Initiative |
| Annual Improvements | : | Annual Improvements to PFRS (2012-2014 Cycle) |

Discussed below are the relevant information about these amended and improvements.

- i. PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative*. The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, they clarify that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share in other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. They further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.
- ii. Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Association but had no material impact on the Association's financial statements as these amendments merely clarify the existing requirements:
 - PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.
 - PFRS 5 (Amendments), *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*. The amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. They also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.



- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

b. *Effective in 2016 that are not Relevant to the Association*

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after January 1, 2016 but are not relevant to the Association’s financial statements:

| | | |
|---|---|---|
| PAS 16 and 38 (Amendments) | : | Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization |
| PAS 16 and 41 (Amendments) | : | Property, Plant and Equipment, and Agriculture – Bearer Plants |
| PAS 27 (Amendments) | : | Separate Financial Statements – Equity Method in Separate Financial Statements |
| PFRS 10, PFRS 12 and PAS 28 (Amendments) | : | Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception |
| PFRS 11 (Amendments) | : | Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations |
| PFRS 14 | : | Regulatory Deferral Accounts |
| Annual Improvements to PFRS (2012-2014 Cycle) PFRS 7 (Amendments) | : | Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements |
| PAS 34 (Amendments) | : | Interim Financial Reporting – Disclosure of Information “Elsewhere in the Interim Financial Report” |

c. *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Association's financial statements:

- i. PAS 7 (Amendment), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.
- ii. PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.
- iii. PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
 - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Association and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- iv. PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*. For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.



Management is currently assessing the impact of this new standard in its financial statements.

Cash and Cash Equivalents

Cash include cash on hand and in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Short-term Investments

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

Financial Assets

Financial assets are recognized when the Association becomes a party to the contractual terms of the financial instrument. 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. All other non-derivative financial instruments are treated as debt instruments.

a. Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the four categories of financial assets is as follows:

a. Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of each reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.



As of December 31, 2016 and 2015, the Association does not have financial assets designated at FVTPL.

b. *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Association provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Association's financial assets categorized as loans and receivables are presented as Cash and cash equivalents, Short-term investments and Loans and other receivables in the statements of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

Impairment loss is provided when there is objective evidence that the Association will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

c. *HTM Investments*

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Association has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. If the Association were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to AFS financial assets. HTM investments are included in non-current assets under the Other Non-current Financial Assets account in the statement of financial position, except those maturing within 12 months from end of the reporting period, which are presented as part of current assets. The Association currently holds government and corporate bonds designated into this category.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any.

d. *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Other Non-current Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

b. Impairment of Financial Assets

The Association assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Association recognizes impairment loss based on the category of financial assets as follows:

i. Carried at Amortized Cost - Loans and Receivables and HTM Investments

If there is objective evidence that an impairment loss on loans and receivables or HTM investments carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

ii. Carried at Cost- AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

iii. Carried at Fair Value- AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss - measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

c. Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs account in the statement of profit or loss.

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

d. Derecognition of Financial Assets

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

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 |
| Office furniture, fixtures and other 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 revenues 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 revenues. 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.

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in the profit or loss as Fair value gains from investment property under the Other gains (losses) in the statements of comprehensive revenues.

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.

Fair Value of Financial Instruments

The fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables [except output value-added tax (VAT) and other taxes payable], due to related parties and other non-current liabilities, are recognized when the Association becomes a party to the contractual terms 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 the statement of comprehensive revenues.

As at December 31, 2016 and 2015, the Association did not have financial liabilities at FVTPL or derivative liabilities designated as hedging instruments.

The Association's financial liabilities include accounts payable and other liabilities, legal policy reserves, insurance premium reserves and members' equity contributions. These are recognized when the Association becomes a party to the contractual agreements of the instrument.

Accounts payable and other liabilities, insurance premium reserves and members' equity contributions are initially recognized at their fair value and subsequently measured at amortized cost, using effective interest method for any maturities beyond one year, less settlement payments.

Legal policy reserves are recognized as financial liabilities based on the amounts recommended by an independent actuary.

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

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

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.

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, except that no interest is accrued on past due loans in accordance with Association's policy.



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.

- *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.

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 revenues 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 statement of comprehensive revenues.

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.

Leases

The Association accounts for its leases as follows:

a. Association as Lessee

Leases which do not transfer to the Association substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statements of comprehensive revenues on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

b. Association as Lessor

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

The Association determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes 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.

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 to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the profit or loss.

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 revenues.

Accumulated other comprehensive loss includes all the accumulated fair value changes in the available-for-sale securities and defined benefit obligation.

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.

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. Classification of Financial Assets as HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as HTM investments, the Association evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Association fails to keep these investments to maturity other than for specific circumstances as allowed under the standard, it will be required to reclassify the whole class as AFS financial assets. In such a case, the investments would, therefore, be measured at fair value, not at amortized cost.

b. Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Association evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Association's available-for-sale financial assets, management concluded that none of the AFS financial assets are impaired as of December 31, 2016 and 2015. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

c. 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.

d. Distinction between Operating and Finance Leases

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.

e. 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 22.

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. *Impairment on Financial Assets (AFS Securities, HTM Investments and Loans and Other Receivables)*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Association evaluates the amount of allowance for impairment based on available facts and circumstances, including, but not limited to, the length of the Association's relationship with the borrowers, the borrowers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

The carrying value of AFS securities, HTM investments and loans and other receivables and the analysis of allowance for impairment on such financial assets are shown in Notes 7, 8 and 9, respectively.

b. *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 losses of P10,129,492 in 2016 and P1,213,222 in 2015 on available-for-sale financial assets was reported in the Other comprehensive revenues. The carrying values of the assets are disclosed in Note 7.

The fair values of the Association's financial instruments are disclosed in Note 24.

c. *Estimation of Useful Lives of Property and Equipment*

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 are analysed in Note 10. Based on management's assessment as of December 31, 2016 and 2015, 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.



d. *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.

In 2016 and 2015, there were no impairment losses recognized on non-financial assets.

e. *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 20 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 20.

5. CASH AND CASH EQUIVALENTS

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

| | <u>2016</u> | <u>2015</u> |
|-----------------------|----------------------|---------------------|
| Cash in banks | P 73,422,736 | P 48,383,366 |
| Short-term placements | <u>63,372,576</u> | <u>49,456,857</u> |
| | <u>P 136,795,312</u> | <u>P 97,840,223</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 1.50% to 4.25% in 2016 and 1.25% to 4.25% in 2015.

The interest earned on cash in banks and short-term placements amounted to P1,565,348 in 2016 and P1,153,836 in 2015 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive revenues.



6. SHORT-TERM INVESTMENTS

The short-term investments amounted to P35,846,718 in 2016 and P43,720,705 in 2015. These investments have a term for more than three months but less than one-year term and bear an annual effective interest ranging from 1.25% to 5.25% in 2016 and 1.50% to 5.25% in 2015.

The interest earned on short-term investments amounted to P1,064,879 in 2016 and P1,079,156 in 2015 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive revenues.

7. AVAILABLE-FOR-SALE SECURITIES

This account comprises of equity securities as follows:

| | <u>2016</u> | <u>2015</u> |
|----------|---------------------|---------------------|
| Quoted | P 79,431,996 | P 78,172,830 |
| Unquoted | <u>500,000</u> | <u>500,000</u> |
| | <u>P 79,931,996</u> | <u>P 78,672,830</u> |

The reconciliation of the carrying amounts of available-for-sale financial assets is as follows:

| | <u>2016</u> | <u>2015</u> |
|------------------------------|----------------------|---------------------|
| Balance at beginning of year | P 78,672,830 | P 63,885,687 |
| Additions | 39,248,368 | 60,894,067 |
| Disposals | (27,859,710) | (44,893,702) |
| Fair value losses | <u>(10,129,492)</u> | <u>(1,213,222)</u> |
| Balance at end of year | <u>P 79,931,996</u> | <u>P 78,672,830</u> |

In 2016 and 2015, the Association recognized gain from disposal of securities amounting to P4,647,659 and P3,770,580, respectively. These are presented as Income from sale of available-for-sale securities in the statements of comprehensive revenues. The interest earned on these securities amounts to nil in 2016 and P104,785 in 2015 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive revenues.

Quoted equity securities consist of investments in companies listed in the Philippine Stock Exchange. Unquoted equity security consists of investment in a non-stock association.

The fair values of listed equity securities have been determined directly by reference to published prices in active markets.

Unquoted equity securities are carried at cost since fair values bases 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.

8. HELD-TO-MATURITY INVESTMENTS

This account consists of the following treasury bonds:

| | <u>2016</u> | <u>2015</u> |
|------------------------|---------------------|---------------------|
| 10-Year Treasury Bonds | P 10,000,000 | P 10,000,000 |
| 20-Year Treasury Bonds | <u>7,000,000</u> | <u>7,000,000</u> |
| | <u>P 17,000,000</u> | <u>P 17,000,000</u> |

Treasury bonds bear interest ranging from 3.25% to 7.25% in 2016 and 2015. 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 P1,005,667 in 2016 and P859,689 in 2015 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive revenues.

9. LOANS AND OTHER RECEIVABLES

The details of this account are shown below:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|----------------------|----------------------|
| Consumption loans | P 344,028,494 | P 324,471,801 |
| Accrued interest receivable | 23,692,598 | 20,066,852 |
| Accounts receivable | <u>8,690,449</u> | <u>5,397,473</u> |
| | 376,411,541 | 349,936,126 |
| Allowance for impairment losses | (5,013,321) | (6,154,639) |
| | <u>P 371,398,220</u> | <u>P 343,781,487</u> |

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

| | <u>2016</u> | <u>2015</u> |
|-------------|----------------------|----------------------|
| Current | P 206,547,087 | P 190,256,544 |
| Non-current | <u>164,851,133</u> | <u>153,524,943</u> |
| | <u>P 371,398,220</u> | <u>P 343,781,487</u> |

The Association grants loans ranging from P1,000 to P12,000,000 and P1,000 to P10,000,000 with annual effective interest rates ranging from 5% to 16% in 2016 and 2015. The credit terms on loans ranging from 102 days to 3,653 days.

The interest received on loans and other receivables amounted to P40,643,299 in 2016 and P35,187,448 in 2015 and are presented as Interest on loans in the statements of comprehensive revenues.

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 P6,774,685 and P6,071,031 in 2016 and 2015, respectively and presented as Services charges and fees in the statement of comprehensive revenues.

Past due loans amounted to P7,810,133 in 2016 and P11,454,467 in 2015.

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

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|--------------------|--------------------|
| Balance at beginning of year | P 6,154,639 | P 5,536,639 |
| Impairment losses during the year | 3,300,000 | 965,291 |
| Reversal | (4,441,318) | (347,291) |
| Balance at end of year | <u>P 5,013,321</u> | <u>P 6,154,639</u> |

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2016 and 2015 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, 2016 | | | | | |
| Cost or valuation | P 12,402,955 | P 4,013,630 | P 2,574,284 | P 6,182,137 | P 25,173,006 |
| Accumulated depreciation | (4,893,961) | (2,105,006) | (2,166,743) | - | (9,165,710) |
| Net carrying amount | <u>P 7,508,994</u> | <u>P 1,908,624</u> | <u>P 407,541</u> | <u>P 6,182,137</u> | <u>P 16,007,296</u> |
| December 31, 2015 | | | | | |
| Cost or valuation | P 12,378,700 | P 2,719,680 | P 2,356,541 | P 6,182,137 | P 23,637,058 |
| Accumulated depreciation | (4,461,007) | (1,785,575) | (1,753,817) | - | (8,000,399) |
| Net carrying amount | <u>P 7,917,693</u> | <u>P 934,105</u> | <u>P 602,724</u> | <u>P 6,182,137</u> | <u>P 15,636,659</u> |
| January 1, 2015 | | | | | |
| Cost or valuation | P 12,309,020 | P 2,525,780 | P 1,863,387 | P 6,182,137 | P 22,880,324 |
| Accumulated depreciation | (4,067,537) | (1,217,035) | (1,269,223) | - | (6,553,795) |
| Net carrying amount | <u>P 8,241,483</u> | <u>P 1,308,745</u> | <u>P 594,164</u> | <u>P 6,182,137</u> | <u>P 16,326,529</u> |

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2016 and 2015 is shown below:

| | <u>Building And Improvements</u> | <u>Transportation Equipment</u> | <u>Furniture Fixtures and Equipment</u> | <u>Land</u> | <u>Total</u> |
|--|--|-------------------------------------|---|--------------------|---------------------|
| Balance at January 1, 2016, net of accumulated depreciation | P 7,917,693 | P 934,105 | P 602,724 | P 6,182,137 | P 15,636,659 |
| Additions | 24,255 | 1,669,500 | 217,743 | - | 1,911,498 |
| Disposal | - | (375,550) | - | - | (375,550) |
| Accumulated depreciation - disposal | - | 375,550 | - | - | 375,550 |
| Depreciation charge for the year (see Note 15) | (432,954) | (694,981) | (412,926) | - | (1,540,861) |
| Balance at December 31, 2016, net of accumulated depreciation | <u>P 7,508,994</u> | <u>P 1,908,624</u> | <u>P 407,541</u> | <u>P 6,182,137</u> | <u>P 16,007,296</u> |
| Balance at January 1, 2015, net of accumulated depreciation | P 8,241,483 | P 1,308,745 | P 594,164 | P 6,182,137 | P 16,326,529 |
| Additions | 69,680 | 193,900 | 493,154 | - | 756,734 |
| Depreciation charge for the year (see Note 15) | (393,470) | (568,540) | (484,594) | - | (1,446,604) |
| Balance at December 31, 2015, net of accumulated depreciation | <u>P 7,917,693</u> | <u>P 934,105</u> | <u>P 602,724</u> | <u>P 6,182,137</u> | <u>P 15,636,659</u> |

As of December 31, 2016 and 2015, 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 2016, the Company sold transportation equipment costing P375,550. In addition, there were no property and equipment pledge as security or collateral for liabilities for both years.

11. 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, 2016 | | | |
| Cost | P 100,319,333 | P 341,782 | P 100,661,115 |
| Accumulated depreciation | - | (40,860) | (40,860) |
| Net carrying amount | <u>P 100,319,333</u> | <u>P 300,922</u> | <u>P 100,620,255</u> |
| December 31, 2015 | | | |
| Cost | P 70,773,976 | P 341,782 | P 71,115,758 |
| Accumulated depreciation | - | (27,240) | (27,240) |
| Net carrying amount | <u>P 70,773,976</u> | <u>P 314,542</u> | <u>P 71,088,518</u> |
| January 1, 2015 | | | |
| Cost | P 62,250,597 | P 341,782 | P 62,592,379 |
| Accumulated depreciation | - | (13,620) | (13,620) |
| Net carrying amount | <u>P 62,250,597</u> | <u>P 328,162</u> | <u>P 62,578,759</u> |

The reconciliations of the carrying amounts at the beginning and end of 2016 and 2015, of investment property, are shown below:

| | <u>Land</u> | <u>Land Improvements</u> | <u>Total</u> |
|--|----------------------|------------------------------|----------------------|
| Balance at January 1, 2016, net of accumulated depreciation | | | |
| Aquisitions | P 70,773,976 | P 314,542 | P 71,088,518 |
| Adjustments | 35,250,000 | - | 35,250,000 |
| Depreciation charge for the year | (4,556,643) | - | (4,556,643) |
| Disposal | - | (13,620) | (13,620) |
| | <u>(1,148,000)</u> | <u>-</u> | <u>(1,148,000)</u> |
| Balance at December 31, 2016, net of accumulated depreciation | <u>P 100,319,333</u> | <u>P 300,922</u> | <u>P 100,620,255</u> |
| Balance at January 1, 2015, net of accumulated depreciation | | | |
| Aquisitions | P 62,250,597 | P 328,162 | P 62,578,759 |
| Adjustments | 9,974,165 | - | 9,974,165 |
| Depreciation charge for the year | 933,754 | - | 933,754 |
| Disposal | - | (13,620) | (13,620) |
| | <u>(2,384,540)</u> | <u>-</u> | <u>(2,384,540)</u> |
| Balance at December 31, 2015, net of accumulated depreciation | <u>P 70,773,976</u> | <u>P 314,542</u> | <u>P 71,088,518</u> |

The Association recognized gain on sale of investment property amounting P1,162,700 in 2016 and P3,846,750 in 2015 are presented as part of Other income in the statements comprehensive of revenues (see Note 15).

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 movements of this account are as follows:

| | <u>2016</u> | <u>2015</u> |
|------------------------------|------------------|------------------|
| Balance at beginning of year | P 839,836 | P 609,686 |
| Additional reserves | <u>12,282</u> | <u>230,150</u> |
| Balance at end of year | <u>P 852,118</u> | <u>P 839,836</u> |

15. EXPENSES AND OTHER REVENUES

Expenses

This account is consists of the following:

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Salaries, wages and employees benefits (see Notes 19 and 20) | P 10,464,300 | P 8,871,969 |
| Insurance claims | 5,105,000 | 6,350,000 |
| Impairment losses (see Note 9) | 3,300,000 | 965,291 |
| Meetings and conferences | 2,312,156 | 2,743,912 |
| Depreciation (see Notes 10 and 11) | 1,554,481 | 1,460,224 |
| Transportation and travel | 1,073,639 | 2,169,853 |
| Administrative expenses | 1,028,956 | 932,916 |
| Stationery and office supplies | 864,371 | 877,031 |
| Utilities | 494,283 | 475,993 |
| Professional fees | 408,800 | 423,150 |
| Commission | 352,190 | 185,125 |
| Repairs and maintenance | 303,691 | 222,751 |
| Taxes and licenses (see Note 27) | 289,259 | 285,759 |
| Communication | 238,544 | 244,939 |
| Contractors fees | 137,336 | 329,742 |
| Miscellaneous | <u>1,098,312</u> | <u>1,286,799</u> |
| | <u>P 29,025,318</u> | <u>P 27,825,454</u> |

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

| | <u>2016</u> | <u>2015</u> |
|--------------------|---------------------|---------------------|
| Operating expenses | P 23,920,318 | P 21,475,454 |
| Benefit expenses | <u>5,105,000</u> | <u>6,350,000</u> |
| | <u>P 29,025,318</u> | <u>P 27,825,454</u> |



Other Revenues

This account consists of the following:

| | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|
| Rental income (<i>see Note 22</i>) | P 1,962,112 | P 779,156 |
| Gain on sale of investment property (<i>see Note 11</i>) | 1,162,700 | 3,846,750 |
| Penalty income | 486,918 | 829,137 |
| Gain on sale of property and equipment (<i>see Note 10</i>) | 90,000 | - |
| Miscellaneous | <u>1,469,796</u> | <u>1,028,232</u> |
| | <u>P 5,171,526</u> | <u>P 6,483,275</u> |

16. 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 P12,376,346 and P9,123,595 and in 2016 and 2015, respectively while insurance fund amounted to P20,331,775 and P17,371,370 in 2016 and 2015, respectively. These funds were presented in the statements of comprehensive revenues.

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 P132,793,063 and P117,848,482 in 2016 and 2015, respectively.

Membership fees are recorded as revenues and are shown as Membership fees in the statements of comprehensive revenues. Membership fees amounted to P749,850 and P743,800 in 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the Association has a total of 112,854 and 100,465 members, respectively.

17. DIVIDENDS

The Association's Board of Trustees declared dividends amounting P52,166,533 in 2016 and P44,843,150 in 2015. These dividends are being transferred to contributed equity as part of additional contribution and is available for distribution to members.

18. FUND BALANCE

Assigned Fund Balance

This account is composed of:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|---------------------|---------------------|
| Guaranty fund | | |
| Balance at beginning of year | P 33,000,000 | P 33,000,000 |
| Additions during the year | <u>5,000,000</u> | <u>-</u> |
| Balance at end of year | 38,000,000 | 33,000,000 |
| Funds assigned for members' benefits | <u>2,000,000</u> | <u>2,000,000</u> |
| | <u>P 40,000,000</u> | <u>P 35,000,000</u> |

Fund Assigned for Guaranty Fund

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

Fund Assigned for Members' Benefits

These funds 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> |
| | <u>P 2,000,000</u> |

Accumulated Other Comprehensive Loss

The breakdown of revaluation reserves is shown below:

| | <u>Fair value gain (loss) of AFS</u> | <u>Actuarial gain on Remeasurements of Retirement benefit obligation</u> | <u>Total</u> |
|------------------------------|--|--|-----------------------|
| December 31, 2016 | | | |
| Balance at beginning of year | (P 21,795,167) | (P 3,886,890) | (P 25,682,057) |
| Revaluation during the year | <u>(10,129,492)</u> | <u>(2,320,284)</u> | <u>(12,449,776)</u> |
| Balance at end of year | <u>(P 31,924,659)</u> | <u>(P 6,207,174)</u> | <u>(P 38,131,833)</u> |
| December 31, 2015 | | | |
| Balance at beginning of year | (P 20,581,945) | (P 4,023,683) | (P 24,605,628) |
| Revaluation during the year | <u>(1,213,222)</u> | <u>136,793</u> | <u>(1,076,429)</u> |
| Balance at end of year | <u>(P 21,795,167)</u> | <u>(P 3,886,890)</u> | <u>(P 25,682,057)</u> |



19. 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:

| | 2016 | | 2015 | |
|--------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | Amount of Transaction | Outstanding Balance | Amount of Transaction | Outstanding Balance |
| DOSRI | | | | |
| Loans and interest | P 437,983 | P 2,354,259 | P 557,255 | P 1,916,276 |
| Key Management Personnel | | | | |
| Compensation | 8,882,985 | - | 9,942,767 | - |

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:

| | 2016 | 2015 |
|------------------------------|--------------------|--------------------|
| Balance at beginning of year | P 1,916,276 | P 1,359,021 |
| Releases during the year | 755,601 | 758,506 |
| Collections during the year | (317,618) | (201,251) |
| Balance at end of year | <u>P 2,354,259</u> | <u>P 1,916,276</u> |

The outstanding balance includes interest receivables amounting P87,303 in 2016 and P133,412 in 2015. Total interest income recognized amounted to P92,376 in 2016 and P135,946 in 2015 presented as part of Interest income on loans in the statements of comprehensive revenues.

Key Management Compensation

The compensation of key management is broken down as follows:

| | 2016 | 2015 |
|---------------------|--------------------|--------------------|
| Salaries and wages | P 2,697,839 | P 2,547,035 |
| Short-term benefits | - | 461,452 |
| Retirement benefits | <u>6,185,146</u> | <u>6,934,280</u> |
| | <u>P 8,882,985</u> | <u>P 9,942,767</u> |

Key management includes general manager and higher positions.



20. EMPLOYEE BENEFITS

Salaries and Employee Benefit Expense

Expenses recognized for salaries and employee benefits are presented below:

| | <u>2016</u> | | <u>2015</u> |
|--------------------------------|---------------------|---|------------------|
| Salaries and wages | P 5,775,075 | P | 5,328,068 |
| Employees welfare and benefits | 2,478,749 | | 1,587,782 |
| Retirement costs | 1,733,621 | | 1,522,083 |
| Social security costs | <u>476,855</u> | | <u>434,036</u> |
| | <u>P 10,464,300</u> | P | <u>8,871,969</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 of December 31, 2016.

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 below are based on the actuarial valuation report obtained from an independent actuary in 2016 and 2015.

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

| | <u>2016</u> | | <u>2015</u> |
|---------------------------------|----------------------|---|----------------------|
| Present value of the obligation | P 15,688,062 | P | 14,072,049 |
| Fair value of plan assets | <u>(10,445,801)</u> | | <u>(10,682,700)</u> |
| Retirement benefit obligation | <u>P 5,242,261</u> | P | <u>3,389,349</u> |

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

| | <u>2016</u> | <u>2015</u> |
|------------------------------|---------------------|---------------------|
| Balance at beginning of year | P 14,072,049 | P 12,635,517 |
| Interest cost | 747,637 | 635,455 |
| Current service cost | 1,547,254 | 1,358,520 |
| Benefits paid | (2,437,892) | (145,654) |
| Actuarial loss (gain) | <u>1,759,014</u> | <u>(411,789)</u> |
| Balance at end of year | <u>P 15,688,062</u> | <u>P 14,072,049</u> |

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

| | <u>2016</u> | <u>2015</u> |
|------------------------------|---------------------|---------------------|
| Balance at beginning of year | P 10,682,700 | P 8,280,595 |
| Actual return | - | 196,896 |
| Contributions | 2,200,993 | 2,350,863 |
| Benefits paid | <u>(2,437,892)</u> | <u>(145,654)</u> |
| Balance at end of year | <u>P 10,445,801</u> | <u>P 10,682,700</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>2016</u> | <u>2015</u> |
|------------------------------|---------------------|---------------------|
| Cash and cash equivalents | P 8,586,877 | P 8,395,685 |
| Retirement loan to employees | <u>1,858,924</u> | <u>2,287,015</u> |
| Balance at end of year | <u>P 10,445,801</u> | <u>P 10,682,700</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 revenues in respect of the retirement benefit obligation are as follows:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|--------------------|
| <i>Reported in profit or loss:</i> | | |
| Current service costs | P 1,547,254 | P 1,358,520 |
| Interest costs | <u>186,367</u> | <u>163,563</u> |
| | <u>P 1,733,621</u> | <u>P 1,522,083</u> |
| <i>Reported in other comprehensive revenues-</i> | | |
| Actuarial gains (loss) | <u>(P 2,320,284)</u> | <u>P 136,793</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>2016</u> | <u>2015</u> |
|-----------------------------------|-------------|-------------|
| Discount rates | 5.19% | 5.31% |
| 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 36.93 years and 35.78 years in 2016 and 2015, respectively, while the average years of service is 7.41 in 2016 and 7.08 in 2015. 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 of December 31, 2016 and 2015:

| | <u>Impact on defined benefit obligation</u> | | | |
|----------------------|---|---|-------------------------------|-------------------------------|
| | <u>Change in Assumption</u> | | <u>Increase in Assumption</u> | <u>Decrease in Assumption</u> |
| December 31, 2016 | | | | |
| Discount rate | 1% | P | 3,080,401 | (P 3,019,403) |
| Salary increase rate | 1% | | 2,818,819 | (2,763,001) |
| Withdrawal rate | 10% | (| 131,192) | 128,594 |
| December 31, 2015 | | | | |
| Discount rate | 1% | P | 2,624,361 | (P 2,572,393) |
| Salary increase rate | 1% | | 2,396,945 | (2,349,481) |
| Withdrawal rate | 10% | (| 107,848) | 105,712 |

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.

21. TAX EXPENSE

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

| | <u>2016</u> | <u>2015</u> |
|------------------------------|--------------------|--------------------|
| Regular corporate income tax | P 964,444 | P 1,387,772 |
| Final tax at 20% | <u>727,179</u> | <u>618,536</u> |
| | <u>P 1,691,623</u> | <u>P 2,006,308</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.

22. COMMITMENTS AND CONTINGENCIES

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

Operating Lease

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 of December 31 are as follows:

| | <u>2016</u> | | <u>2015</u> |
|---|--------------------|---|----------------|
| Within one year | P 752,437 | P | 466,654 |
| After one year but not more than five years | <u>1,543,307</u> | | <u>96,351</u> |
| | <u>P 2,295,744</u> | P | <u>563,005</u> |

Rental income recognized from these leases amounted to P1,962,112 in 2016 and P779,156 in 2015 and presented as part of Others under Revenues account in the statements of comprehensive revenues.

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.

23. 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 HTM investments 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 P330,564 in 2016 and P286,190 in 2015 assuming reasonably possible change in interest rates of +/-0.82% for regular savings and +/-1.49% for time deposit account in 2016 and 2015, 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, 2016 and 2015. 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 (available-for-sale securities). 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 P12,211,638 in 2016 and P10,120,582 in 2015.

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:

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|----------------------|----------------------|
| Cash and cash equivalents | P 136,795,312 | P 97,840,223 |
| Short-term investments | 35,846,718 | 43,720,705 |
| AFS securities | 79,931,996 | 78,672,830 |
| HTM investments | 17,000,000 | 17,000,000 |
| Loans and other receivables | <u>371,398,220</u> | <u>343,781,487</u> |
| | <u>P 640,972,246</u> | <u>P 581,015,245</u> |

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

| | 2016 | | | | | |
|-----------------------------|-------------------------------|----------------------|-------------------|---------------------------|--------------------|----------------------|
| | Neither Past Due Nor Impaired | | | Past Due But Not Impaired | | Total |
| | High Grade | Standard Grade | Substandard Grade | Impaired | Impaired | |
| Cash and cash equivalents | P 136,795,312 | P - | P - | P - | P - | P 136,795,312 |
| Short-term investments | 35,846,718 | - | - | - | - | 35,846,718 |
| AFS Securities | 79,931,996 | - | - | - | - | 79,931,996 |
| HTM investments | 17,000,000 | - | - | - | - | 17,000,000 |
| Loans and receivables: | | | | | | |
| Consumption loans | - | 336,218,361 | - | 2,796,812 | 5,013,321 | 344,028,494 |
| Accrued interest receivable | - | 23,692,598 | - | - | - | 23,692,598 |
| Accounts receivable | - | <u>8,690,449</u> | - | - | - | <u>8,690,449</u> |
| | <u>P 269,574,026</u> | <u>P 368,601,408</u> | <u>P -</u> | <u>P 2,796,812</u> | <u>P 5,013,321</u> | <u>P 645,985,567</u> |

| | 2015 | | | | | |
|-----------------------------|-------------------------------|----------------------|-------------------|---------------------------|--------------------|----------------------|
| | Neither Past Due Nor Impaired | | | Past Due But Not Impaired | | Total |
| | High Grade | Standard Grade | Substandard Grade | Impaired | Impaired | |
| Cash and cash equivalents | P 97,840,223 | P - | P - | P - | P - | P 97,840,223 |
| Short-term investments | 43,720,705 | - | - | - | - | 43,720,705 |
| AFS Securities | 78,672,830 | - | - | - | - | 78,672,830 |
| HTM investments | 17,000,000 | - | - | - | - | 17,000,000 |
| Loans and receivables: | | | | | | |
| Consumption loans | - | 313,017,334 | - | 5,299,828 | 6,154,639 | 324,471,801 |
| Accrued interest receivable | - | 20,066,852 | - | - | - | 20,066,852 |
| Accounts receivable | - | <u>5,397,473</u> | - | - | - | <u>5,397,473</u> |
| | <u>P 237,233,758</u> | <u>P 338,481,659</u> | <u>P -</u> | <u>P 5,299,828</u> | <u>P 6,154,639</u> | <u>P 587,169,884</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.

| | 2016 | | | | | |
|--------------------------------|----------------------|------------------|------------------|--------------------|--------------------|--------------------|
| | Less than 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | Over 180 days | Total |
| Loans and receivables: | | | | | | |
| Consumption | P - | P 53,414 | P 29,681 | P 2,152,317 | P 561,400 | P 2,796,812 |
| Accounts receivable | - | - | - | - | - | - |
| Accrued interest receivable | - | - | - | - | - | - |
| | <u>P -</u> | <u>P 53,414</u> | <u>P 29,681</u> | <u>P 2,152,317</u> | <u>P 561,400</u> | <u>P 2,796,812</u> |
| | 2015 | | | | | |
| | Less than 30 days | 31 to 60 days | 61 to 90 days | 91 to 180 days | Over 180 days | Total |
| Loans and receivables: | | | | | | |
| Consumption | P - | P 135,399 | P 490,917 | P 115,587 | P 4,557,925 | P 5,299,828 |
| Accounts receivable | - | - | - | - | - | - |
| Accrued interest receivable | - | - | - | - | - | - |
| | <u>P -</u> | <u>P 135,399</u> | <u>P 490,917</u> | <u>P 115,587</u> | <u>P 4,557,925</u> | <u>P 5,299,828</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:

| | 2016 | | | | |
|--|------------------------|-----------------------|----------------------|----------------------|----------------------|
| | On Demand | Less than 3 Months | 3 to 12 Months | Over 1 Year | Total |
| Financial Assets: | | | | | |
| Cash and cash equivalents | P 73,422,736 | P 63,372,576 | P - | P - | P 136,795,312 |
| Short-term investments | - | - | 35,846,718 | - | 35,846,718 |
| AFS securities | 79,931,996 | - | - | - | 79,931,996 |
| HTM investments | - | - | - | 17,000,000 | 17,000,000 |
| Loans and Receivables - gross | <u>91,505,025</u> | <u>33,902,839</u> | <u>86,152,544</u> | <u>164,851,133</u> | <u>376,411,541</u> |
| | <u>244,859,757</u> | <u>97,275,415</u> | <u>121,999,262</u> | <u>181,851,133</u> | <u>645,985,567</u> |
| Financial liabilities: | | | | | |
| Accounts payable and other liabilities | 12,080,494 | - | - | 190,812 | 12,271,306 |
| Legal policy reserves | 522,522,334 | - | - | - | 522,522,334 |
| Insurance premium reserves | <u>852,118</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>852,118</u> |
| | <u>535,454,946</u> | <u>-</u> | <u>-</u> | <u>190,812</u> | <u>535,645,758</u> |
| Cumulative gap | <u>(P 290,595,189)</u> | <u>P 97,275,415</u> | <u>P 121,999,262</u> | <u>P 181,660,321</u> | <u>P 110,339,809</u> |
| | | | | | |
| | 2015 | | | | |
| | On Demand | Less than 3 Months | 3 to 12 Months | Over 1 Year | Total |
| Financial Assets: | | | | | |
| Cash and cash equivalents | P 48,383,366 | P 49,456,857 | P - | P - | P 97,840,223 |
| Short-term investments | - | - | 43,720,705 | - | 43,720,705 |
| AFS securities | 78,672,830 | - | - | - | 78,672,830 |
| HTM investments | - | - | - | 17,000,000 | 17,000,000 |
| Loans and Receivables - gross | <u>84,251,621</u> | <u>32,227,921</u> | <u>79,830,242</u> | <u>153,626,342</u> | <u>349,936,126</u> |
| | <u>211,307,817</u> | <u>81,684,778</u> | <u>123,550,947</u> | <u>170,626,342</u> | <u>587,169,884</u> |
| Financial liabilities: | | | | | |
| Accounts payable and other liabilities | 10,476,781 | - | - | 122,712 | 10,599,493 |
| Legal policy reserves | 452,886,187 | - | - | - | 452,886,187 |
| Insurance premium reserves | <u>839,836</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>839,836</u> |
| | <u>464,202,804</u> | <u>-</u> | <u>-</u> | <u>122,712</u> | <u>464,325,516</u> |
| Cumulative gap | <u>(P 252,894,987)</u> | <u>P 81,684,778</u> | <u>P 123,550,947</u> | <u>P 170,503,630</u> | <u>P 122,844,368</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.

24. 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 of December 31, 2016 and 2015:

| | 2016 | | 2015 | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| <i>Financial Assets</i> | | | | |
| Cash and cash equivalents | P 136,795,312 | P 136,795,312 | P 97,840,223 | P 97,840,223 |
| Short-term investments | 35,846,718 | 35,846,718 | 43,720,705 | 43,720,705 |
| AFS securities | 79,931,996 | 79,931,996 | 78,672,830 | 78,672,830 |
| HTM investments | 17,000,000 | 17,000,000 | 17,000,000 | 17,000,000 |
| Loans and other receivables | <u>376,411,541</u> | <u>371,398,220</u> | <u>349,936,126</u> | <u>343,781,487</u> |
| | <u>P 645,985,567</u> | <u>P 640,972,246</u> | <u>P 587,169,884</u> | <u>P 581,015,245</u> |
| <i>Financial Liabilities</i> | | | | |
| Other financial liabilities: | | | | |
| Accounts payable and other liabilities | P 12,271,306 | P 12,271,306 | P 10,599,493 | P 10,599,493 |
| Legal policy reserves | 522,522,334 | 522,522,334 | 452,886,187 | 452,886,187 |
| Insurance premium reserves | <u>852,118</u> | <u>852,118</u> | <u>839,836</u> | <u>839,836</u> |
| | <u>P 535,645,758</u> | <u>P 535,645,758</u> | <u>P 464,325,516</u> | <u>P 464,325,516</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. AFS securities

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. HTM investments and Loans and other receivables

HTM investments 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, legal policy reserves, and insurance premium reserves*

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 of December 31, 2016 and 2015, AFS securities 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>2016</u> | <u>2015</u> |
|---------|---------------------|---------------------|
| Level 1 | P 79,431,996 | P 78,172,830 |
| Level 2 | - | - |
| Level 3 | <u>500,000</u> | <u>500,000</u> |
| | <u>P 79,931,996</u> | <u>P 78,672,830</u> |

25. 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>2016</u> | <u>2015</u> |
|--------------------|--------------------|--------------------|
| Total liabilities | P 542,124,392 | P 469,372,570 |
| Total fund balance | <u>216,427,711</u> | <u>199,768,608</u> |
| Debt-to-fund ratio | <u>2.50:1.00</u> | <u>2.35:1.00</u> |

26. NON-ADMITTED ASSETS

Pursuant to Section 197 of the Insurance Code, certain assets are classified and presented as non-admitted assets which consist of the following:

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|----------------------|
| Short-term investments | P 1,250,000 | P 3,776,529 |
| Available- for sales securities | 13,478,150 | 36,111,665 |
| Consumption loans and accrued interest receivables | - | 79,659,989 |
| Accounts receivable | - | 4,322,394 |
| Prepayments | 992,493 | 1,400,756 |
| Investment property | 42,521,848 | 20,489,588 |
| Property and equipment | <u>10,667,848</u> | <u>10,178,963</u> |
| | <u>P 68,910,339</u> | <u>P 155,939,884</u> |

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

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

Requirements under Revenue Regulations (RR) 15-2010

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

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

The Association has no output VAT for the year 2016.

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:

| | | |
|---|---|----------------|
| Municipal license and permits | P | 40,491 |
| Real property tax | | 37,762 |
| Percentage taxes | | 21,558 |
| Insurance commission filing and license fee | | 20,200 |
| Community certificate tax | | 1,330 |
| Annual registration fee | | 500 |
| Others | | <u>167,418</u> |
| | P | <u>289,259</u> |

g. *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2016 are shown below:

| | | |
|------------------------------------|---|----------------|
| Compensation and employee benefits | P | 425,336 |
| Expanded | | <u>62,116</u> |
| | P | <u>487,452</u> |

h. *Deficiency Tax Assessment and Tax Case*

As of December 31, 2016, the Association neither has any deficiency tax assessment with the BIR nor does it has tax case outstanding or pending in courts or bodies outside the BIR in any of the open years.

Requirements under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, and itemized deductions, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the 2016 statement of comprehensive revenues.

a. *Exempt Revenues*

The Association's exempt revenues for the year amounted to P40,643,299 relating to interest income on loans and other receivables.



b. *Cost of Service*

The Association does not have cost of service for the year.

c. *Exempt and Taxable Non-operating and Other Income*

The Associations taxable other income amounted to P3,214,812.

The Association's exempt non-operating and other income for the year are shown below:

| | | |
|---|---|-------------------|
| Insurance fund | P | 20,331,775 |
| General fund | | 12,376,346 |
| Service charges and fees | | 6,774,685 |
| Income from sale of available-for-sale securities | | 4,647,659 |
| Membership fees | | 749,850 |
| Others | | <u>1,956,714</u> |
| | P | <u>46,837,029</u> |

d. *Itemized Deductions*

The Association's exempt itemized deductions for the year are shown below:

| | | |
|---|---|-------------------|
| Salaries, wages and employees' benefits | P | 10,464,300 |
| Insurance claims | | 5,105,000 |
| Impairment losses | | 3,300,000 |
| Meetings and conferences | | 2,312,156 |
| Depreciation | | 1,554,481 |
| Transportation and travel | | 1,073,639 |
| Administrative expenses | | 1,028,956 |
| Office supplies | | 864,371 |
| Communication, light and water | | 732,827 |
| Professional fees | | 408,800 |
| Commission | | 352,190 |
| Repairs and maintenance | | 303,691 |
| Taxes and licenses | | 289,259 |
| Contractors fees | | 137,336 |
| Miscellaneous | | <u>1,098,312</u> |
| | P | <u>29,025,318</u> |

28. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2015 financial statements were reclassified to conform with the 2016 financial statement presentation of accounts.



Certified Public Accountants

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY
FROM THE BASIC FINANCIAL STATEMENTS**

**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 in accordance with Philippine Standards on Auditing, the financial statements of Praxis Fides Mutual Benefit Association, Inc. (A Non-Stock, Non-Profit Organization) for the year ended December 31, 2016, on which we have rendered our report dated March 18, 2017. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following schedules as of and for the year ended December 31, 2016 are presented for purposes of additional analysis in compliance with the requirements of Securities Regulation Code Rule 68, and are not required parts of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards:

1. Schedule of Receipts or Income Other Than Contributions and Donations;
2. Schedule of Contributions and Donations;
3. Schedule of Disbursements According to Sources and Activities; and,
4. Tabular Schedule of Standards and Interpretations

Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

AMC & ASSOCIATES

By: Joseph Cedric V. Calica
Partner
CPA Cert. No. 94541
TIN 163-257-226-000
PTR No. 5915254, Jan. 6, 2017, Makati City
BIR Accreditation No. 08-002582-1-2014
(Jan. 5, 2015 to Jan. 4, 2018)
BSP Accreditation (Category B)
(Feb. 14, 2017 to Feb. 14, 2018)
IC Accreditation No. SP-2015/010-R
(Mar. 3, 2015 to Mar. 2, 2018)
SEC Accreditation No. 1584-A (Group B)
(Sep. 14, 2016 to Sep. 13, 2019)

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates
BOA Accreditation No. 4275 - valid until June 28, 2020
SEC Accreditation No. 0164-FR-2 (Group B) - September 14, 2016 to September 13, 2019
BIR Accreditation No. 08-002582-0-2014 - valid until January 4, 2018
IC Accreditation No. F-2015/004-R - March 3, 2015 to March 2, 2018
CDA CEA No. 0075-AF - August 11, 2014 to August 10, 2017
BSP Accreditation (Category B) - February 14, 2017 to February 14, 2018

March 18, 2017

REPUBLIC OF THE PHILIPPINES)
Province of Bulacan
City of Malolos

SWORN STATEMENT

KNOWN ALL TO MEN THESE PRESENTS:

I, **Msgr. Luciano C. Balagtas**, of legal age, Filipino citizen, and with office at at **35 Paseo del Congreso, Catmon, Malolos, Bulacan**, after being duly sworn to law do hereby depose and state:

That I am the Chairman of **Praxis Fides Mutual Benefit Association, Inc.**, a non-stock, non-profit association with postal address located at **35 Paseo del Congreso, Catmon, Malolos, Bulacan**

That as Chairman of the said Association, I am in the position to attest to the accuracy and completeness of the following:

1. Schedule of Receipts or Income Other Than Contributions and Donations;
2. Schedule of Contributions and Donations; and,
3. Schedule of Disbursements According to Sources and Activities.

IN WITNESS WHEREOF, This Certificate has been signed this 18th day of March 2017, at Malolos City, Bulacan.



Msgr. Luciano C. Balagtas
Affiant

APR 05 2017

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2017, at affiant exhibited to their Government Issued ID's as follows:

| Name | ID | Date Issued | Place of Issue |
|------------------------|------------|-------------|----------------|
| Msgr. Luciano Balagtas | SC ID 2749 | 8/29/2014 | Hagonoy |

Doc No. 291
Page No. 60
Book No. 01
Series of 2017


MANUEL P. PUNZALAN
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
ROLL NO. 23476
PTR. NO. 7493869/11-10-16 FOR 2017
IBP NO. 1014232/11-10-16 FOR 2017
MCLE COMPLIANCE NO. V-0022310/6-14-16

REPUBLIC OF THE PHILIPPINES)
Province of Bulacan
City of Malolos

SWORN STATEMENT

KNOWN ALL TO MEN THESE PRESENTS:

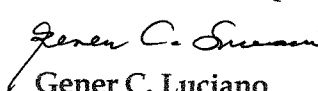
I, **Gener C. Luciano**, of legal age, Filipino citizen, and with office at at **35 Paseo del Congreso, Catmon, Malolos, Bulacan**, after being duly sworn to law do hereby depose and state:

That I am the President of **Praxis Fides Mutual Benefit Association, Inc.**, a non-stock, non-profit association with postal address located at **35 Paseo del Congreso, Catmon, Malolos, Bulacan**

That as President of the said Association, I am in the position to attest to the accuracy and completeness of the following:

1. Schedule of Receipts or Income Other Than Contributions and Donations;
2. Schedule of Contributions and Donations; and,
3. Schedule of Disbursements According to Sources and Activities.

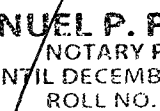
IN WITNESS WHEREOF, This Certificate has been signed this 18th day of March 2017, at Malolos City, Bulacan.


Gener C. Luciano
Affiant

SUBSCRIBED AND SWORN to before me this APR 03 2017 day of _____ 2017, at affiant exhibited to their Government Issued ID's as follows:

| Name | ID | Date Issued | Place of Issue |
|------------------|----------------------|-------------|----------------|
| Gener C. Luciano | Passport # EB4930768 | 3/13/2012 | DFA Manila |

Doc No. 772
Page No. 56
Book No. 01
Series of 2017


MANUEL P. PUNZALAN
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
ROLL NO. 23476
PTR. NO. 7493869/11-10-16 FOR 2017
IBP NO. 1014232/11-10-16 FOR 2017
MCLE COMPLIANCE NO. V-0022310/6-14-16

REPUBLIC OF THE PHILIPPINES)
Province of Bulacan
City of Malolos

SWORN STATEMENT

KNOWN ALL TO MEN THESE PRESENTS:

I, **Ederlinda Del Rosario**, of legal age, Filipino citizen, and with office at at **35 Paseo del Congreso, Catmon, Malolos, Bulacan**, after being duly sworn to law do hereby depose and state:

That I am the Treasurer of **Praxis Fides Mutual Benefit Association, Inc.**, a non-stock, non-profit association with postal address located at **35 Paseo del Congreso, Catmon, Malolos, Bulacan**

That as Treasurer of the said Association, I am in the position to attest to the accuracy and completeness of the following:

1. Schedule of Receipts or Income Other Than Contributions and Donations;
2. Schedule of Contributions and Donations; and,
3. Schedule of Disbursements According to Sources and Activities.

IN WITNESS WHEREOF, This Certificate has been signed this 18th day of March 2017, at Malolos City, Bulacan.

Ederlinda Del Rosario
Ederlinda Del Rosario
Affiant

SUBSCRIBED AND SWORN to before me this APR 04 2017 day of _____ 2017, at affiant exhibited to their Government Issued ID's as follows:

| Name | ID | Date Issued | Place of Issue |
|-----------------------|-----------|-------------|---------------------|
| Ederlinda del Rosario | SC # 9586 | 8/9/2010 | Sta. Maria, Bulacan |

Doc No. 286
Page No. 59
Book No. 01
Series of 2017

Manuel P. Punzalan
MANUEL P. PUNZALAN
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
ROLL NO. 23476
PTR. NO. 7493869/11-10-16 FOR 2017
IBP NO. 1014232/11-10-16 FOR 2017
MCLE COMPLIANCE NO. V-0022310/6-14-16



PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Organization)
SCHEDULE OF RECEIPTS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | | <u>General Fund</u> | | <u>Basic Benefit Fund</u> | | <u>Optional Fund</u> | | <u>Total</u> |
|-----------------------------------|---|-------------------------|---|-------------------------------|---|--------------------------|---|----------------------|
| Membership Fees/Dues Contribution | P | 44,093,700 | P | 153,124,838 | P | - | P | 197,218,538 |
| Gross Income | | | | | | | | |
| Interest on Deposits with Banks | | - | | - | | 3,635,894 | | 3,635,894 |
| Interest on Mortgage Loans | | - | | 30,423,554 | | - | | 30,423,554 |
| Interest on Collateral Loans | | - | | 1,928,323 | | - | | 1,928,323 |
| Interest on Certificate Loans | | - | | 17,510,188 | | - | | 17,510,188 |
| Other Income | | - | | 11,888,802 | | - | | 11,888,802 |
| Collection of receivables | | - | | 371,398,220 | | - | | 371,398,220 |
| Proceeds of deposits | | - | | - | | 24,449,273 | | 24,449,273 |
| Sales of stocks | | - | | - | | 42,989,446 | | 42,989,446 |
| | | | | | | | | |
| TOTAL | | <u>P 44,093,700</u> | | <u>P 586,273,925</u> | | <u>P 71,074,613</u> | | <u>P 701,442,238</u> |



PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Organization)
SCHEDULE OF DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>General</u> <u>Fund</u> | <u>Basic Benefit</u> <u>Fund</u> | <u>Optional</u> <u>Fund</u> | <u>Total</u> |
|---------------------------|-------------------------------|-------------------------------------|--------------------------------|----------------------|
| Benefits Paid | P - | P 5,105,000 | P - | P 5,105,000 |
| Direct Expense | | | | |
| Commission Incentives | - | 30,967,504 | - | 30,967,504 |
| Operating Expenses | 25,594,706 | - | - | 25,594,706 |
| Loan Releases | - | 197,518,720 | - | 197,518,720 |
| Placement of Time Deposit | - | - | 241,767,587 | 241,767,587 |
| Bonds | - | - | 17,000,000 | 17,000,000 |
| Stocks | - | - | 39,315,086 | 39,315,086 |
| Purchase of: | | | | |
| Transportation | - | - | 1,669,500 | 1,669,500 |
| Office Equipment | - | - | 111,039 | 111,039 |
| Furniture and fixtures | - | - | 46,616 | 46,616 |
| Other Disbursements | - | - | 111,265,378 | 111,265,378 |
| | | | | |
| TOTAL | <u>P 25,594,706</u> | <u>P 233,591,224</u> | <u>P 411,175,206</u> | <u>P 670,361,136</u> |

SCHEDULE OF CONTRIBUTIONS/DONATIONS

| | |
|--|---------------------------------------|
| Name of Foundation/Organization PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC. | SEC Registration No. 138299 |
| For the year ended DECEMBER 31, 2016 | |

Part I Contributors/Donors¹

| (a) No. | (b) Name and address | (c) Nationality ² | (d) Total Contributions | (e) Type of Contribution ³ |
|------------|---|---------------------------------|----------------------------|--|
| 1 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 2 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 3 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 4 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 5 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 6 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 7 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 8 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 9 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 10 | | | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution) |
| 11 | Others (aggregate of all contributions which are individually below P100,000.00) - by nationality | ..... | P..... | Cash <input type="checkbox"/> Noncash <input type="checkbox"/> |

¹ A contributor or donor includes individuals, partnerships, corporations, associations, trusts and organizations.

² If supranational organization, indicate place of principal office or domicile.

³ Contributions or donations reportable on the Schedule are contributions, donations, grants, bequests, devises, and gifts of money or property, amounting to P100,000.00 or more from each contributor or donor.

| | |
|--|---------------------------------------|
| Name of Foundation/Organization PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION INC. | SEC Registration No. 138299 |
| For the year ended DECEMBER 31, 2016 | |

Part II Noncash Property

| (a) No. from Part I | (b) Description of noncash property given | (c) Fair Market Value (or estimate) | (d) Date received |
|---------------------------------|--|---|----------------------|
| 1 | | P ..... | ..... |
| 2 | | P ..... | ..... |
| 3 | | P ..... | ..... |
| 4 | | P ..... | ..... |
| 5 | | P ..... | ..... |
| 6 | | P ..... | ..... |
| 7 | | P ..... | ..... |
| 8 | | P ..... | ..... |
| 9 | | P ..... | ..... |
| 10 | | P ..... | ..... |

Signed under oath by the following:

Signature *Gener C. Luciano*
 Printed Name of President GENER C. LUCIANO

Signature *Ederlinda Del Rosario*
 Printed Name of Treasurer EDERLINDA DEL ROSARIO

Signed this 18th day of March 2017



PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
 Schedule of Philippine Financial Reporting Standards and Interpretations
 Adopted by the Securities and Exchange Commission and the
 Financial Reporting Standards Council as of December 31, 2016

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|---|---------|-------------|----------------|
| Framework for the Preparation and Presentation of Financial Statements | | ✓ | | |
| Conceptual Framework Phase A: Objectives and Qualitative Characteristics | | ✓ | | |
| Practice Statement Management Commentary | | ✓ | | |
| Philippine Financial Reporting Standards (PFRS) | | | | |
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| PFRS 2 | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| PFRS 3 (Revised) | Business Combinations | | | ✓ |
| PFRS 4 | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| PFRS 7 | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PFRS 7: Transition | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures (<i>effective when PFRS 9 is first applied</i>) | | | ✓ |
| PFRS 8 | Operating Segments | | | ✓ |
| PFRS 9 | Financial Instruments (<i>effective January 1, 2018</i>) | ✓ | | |
| PFRS 10 | Consolidated Financial Statements | | | |
| | Amendment to PFRS 10: Transition Guidance | | | ✓ |
| | Amendment to PFRS 10: Investment Entities - Applying the Consolidation Exception (<i>effective January 1, 2016</i>) | | | ✓ |
| PFRS 11 | Joint Arrangements | | | ✓ |
| | Amendment to PFRS 11: Transition Guidance | | | ✓ |
| PFRS 12 | Disclosure of Interests in Other Entities | | | ✓ |
| | Amendment to PFRS 12: Transition Guidance | | | ✓ |
| | Amendment to PFRS 12: Investment Entities | | | ✓ |
| PFRS 13 | Fair Value Measurement | ✓ | | |
| PFRS 14 | Regulatory Deferral Accounts (<i>effective January 1, 2018</i>) | | | ✓ |



PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
 Schedule of Philippine Financial Reporting Standards and Interpretations
 Adopted by the Securities and Exchange Commission and the
 Financial Reporting Standards Council as of December 31, 2016

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|---|---------|-------------|----------------|
| Philippine Accounting Standards (PAS) | | | | |
| PAS 1 (Revised) | Presentation of Financial Statements | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| | Amendment to PAS 1: Disclosure Initiative (<i>effective January 1, 2016</i>) | | | ✓ |
| PAS 2 | Inventories | | | ✓ |
| PAS 7 | Statement of Cash Flows | ✓ | | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Reporting Period | ✓ | | |
| PAS 11 | Construction Contracts | | | ✓ |
| PAS 12 | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| PAS 17 | Leases | ✓ | | |
| PAS 18 | Revenue | ✓ | | |
| PAS 19 (Revised) | Employee Benefits | ✓ | | |
| | Amendment to PAS 19: Defined Benefit Plans - Employee Contributions (<i>effective July 1, 2014</i>) | ✓ | | |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | | | ✓ |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| PAS 23 (Revised) | Borrowing Costs | | | ✓ |
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 (Revised) | Separate Financial Statements | | | ✓ |
| | Amendment to PAS 27: Investment Entities | | | ✓ |
| PAS 28 (Revised) | Investments in Associates and Joint Ventures | | | ✓ |
| | Amendment to PAS 28 Investment Entities: Applying the Consolidation Exception | | | ✓ |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 32 | Financial Instruments Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | | | ✓ |
| PAS 33 | Earnings per Share | | | ✓ |
| PAS 34 | Interim Financial Reporting | | | ✓ |
| PAS 36 | Impairment of Assets | ✓ | | |
| | Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |



PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2016

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|---|---|---------|-------------|----------------|
| PAS 38 | Intangible Assets | | | ✓ |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| PAS 40 | Investment Property | ✓ | | |
| PAS 41 | Agriculture | | | ✓ |
| Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC) | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | | | ✓ |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| IFRIC 10 | Interim Financial Reporting and Impairment | | | ✓ |
| IFRIC 12 | Service Concession Arrangements | | | ✓ |
| IFRIC 13 | Customer Loyalty Programmes | | | ✓ |
| IFRIC 14 | PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | | | ✓ |
| IFRIC 18 | Transfers of Assets from Customers | | | ✓ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| IFRIC 21 | Levies | | | ✓ |
| Philippine Interpretations - Standing Interpretations Committee (SIC) | | | | |
| SIC-7 | Introduction of the Euro | | | ✓ |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| SIC-13 | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| SIC-15 | Operating Leases - Incentives | | | ✓ |
| SIC-25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |



PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2016

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable |
|--|--|---------|-------------|----------------|
| SIC-29 | Service Concession Arrangements: Disclosures. | | | ✓ |
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| SIC-32 | Intangible Assets - Web Site Costs | | | ✓ |

