PRAXIS FIDES
MUTUAL BENEFIT ASSOCIATION, INC.
#35 Paseo del Congreso, Catmon, City of Malolos, Bulacan
Tel. No. (044) 791-3558: (044) 662-4288

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **Praxis Fides Mutual Benefit Association, Inc.**is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2017 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Praxis Fides Mutual Benefit Association, Inc.**,complete and correct in all material respects. Management likewise affirms that:

a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconcilingitems and maintained in the association books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and,

c) **Praxis Fides Mutual Benefit Association, Inc.**has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

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

MR. RAMON V. BAGAY
Chairman

MR. GENER C. LUCIANO
President

FR. JOSEPH DJ. CRUZ
Treasurer

AMC
& ASSOCIATES

Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS TO ACCOMPANY INCOME TAX RETURN

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

We have audited the financial statements of **Praxis Fides Mutual Benefit Association, Inc.** for the year ended December 31, 2017, on which we have rendered the attached report dated April 13, 2018.

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

AMC & ASSOCIATES

By: **Joseph Cedric V. Calica**
Partner
CPA Cert. No. 94541
TIN 163-257-226-000
PTR No. 6623560, Jan. 8, 2018, Makati City
BIR Accreditation No. 08-002582-1-2017
(Dec. 22, 2017 to Dec 21, 2020)
BSP Accreditation (Category B)
(valid until Dec. 31, 2020)
IC Accreditation No. SP-2018/004-R
(Mar. 3, 2018 to Mar. 2, 2021)
SEC Accreditation No. 1584-A (Group B)
(Sep. 14, 2016 to Sep. 13, 2019)

April 13, 2018

Suite 1805-1807 Cityland Condominium 10, Tower 2, H.V. Dela Costa St., Makati City, Philippines
Tel No.: (02)841.0462 ■ Fax No.: (02)893.0287

AMC & ASSOCIATES

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, 2017 and 2016, and the statements of comprehensive income, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) applicable to Mutual Benefit Associations (MBAs).

Basis for Opinion

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

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

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

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

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

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.

AMC & ASSOCIATES

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, 2017 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 applicable to MBAs. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

AMC & ASSOCIATES

By: **Joseph Cedric V. Calica**
Partner
CPA Cert. No. 94541
TIN 163-257-226-000
PTR No. 6623560, Jan. 8, 2018, Makati City
BIR Accreditation No. 08-002582-1-2017
(Dec. 22, 2017 to Dec 21, 2020)
BSP Accreditation (Category B)
(valid until Dec. 31, 2020)
IC Accreditation No. SP-2018/004-R
(Mar. 3, 2018 to Mar. 2, 2021)
SEC Accreditation No. 1584-A (Group B)
(Sep. 14, 2016 to Sep. 13, 2019)

April 13, 2018

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BRYAN PAOLO E. CASTRO
COLLECTION SECTION

Virginia Delos Reyes
Certified Public Accountant
Unit 19 Rocka Commercial Complex,
Plaridel, Bulacan

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, 2017, the statement of comprehensive revenue, statement of changes in fund balance 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 Standards (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 DELOS REYES
Certified Public Accountant
CPA Cert. No. 94531 valid until October 25, 2018
TIN 143-345-655-000
PTR No. 112099, January 12, 2018, Plaridel, Bulacan
BIR Accreditation No. 05-004260-001-2016
(Sept. 16, 2016 to Sept. 15, 2019)
PRC/BOA Certificate of Accreditation No 3085
valid until December 31, 2018
CDA CEA No. 135 (Renewal)
(Feb. 21, 2017 to Feb. 20, 2020)

April 13, 2018

PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Peso)

	2017	2016 (As Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents *(Note 5)*	P 209,768,424	P 136,795,312
Short-term investments *(Note 6)*	30,988,917	35,846,718
Available-for-sale financial assets *(Note 7)*	100,093,135	79,931,996
Loans and other receivables *(Note 9)*	227,223,792	206,547,087
Prepayments	986,359	992,493
Total Current Assets	569,060,627	460,113,606
NON-CURRENT ASSETS		
Held-to-maturity investments *(Note 8)*	22,000,000	17,000,000
Loans and other receivables *(Note 9)*	147,747,509	164,851,133
Property and equipment *(Note 10)*	16,245,764	16,007,296
Investment property *(Note 11)*	93,037,255	100,620,255
Total Non-current Assets	279,030,528	298,478,684
TOTAL ASSETS	P 848,091,155	P 758,592,290
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable and other liabilities *(Note 12)*	P 14,806,179	P 13,316,867
Legal policy reserves *(Note 13)*	601,199,316	522,522,334
Insurance premium reserves *(Note 14)*	982,862	852,118
Total Current Liabilities	616,988,357	536,691,319
NON-CURRENT LIABILITIES		
Accounts payable and other liabilities *(Note 12)*	151,017	190,812
Retirement benefit obligation *(Note 20)*	6,627,121	5,242,261
Total Non-Current Liabilities	6,778,138	5,433,073
Total Liabilities	623,766,495	542,124,392
FUND BALANCE		
Free and unassigned fund balance	206,885,809	196,920,412
Assigned fund balance *(Note 18)*	40,000,000	40,000,000
Accumulated other comprehensive loss *(Note 18)*	(22,561,149)	(20,452,514)
Total Fund Balance	224,324,660	216,467,898
TOTAL LIABILITIES AND FUND BALANCE	P 848,091,155	P 758,592,290

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

See Notes to Financial Statements.

PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Peso)

		2017		2016 (As Restated)
REVENUES				
Interest on:				
Loans *(Note 9)*	P	31,984,881	P	40,643,299
Investment securities and deposits with banks *(Notes 5, 6, and 8)*		4,171,569		3,635,894
Insurance fund *(Note 16)*		22,804,068		20,331,775
General fund *(Note 16)*		14,663,020		12,376,346
Service charges and fees *(Note 9)*		7,168,850		6,774,685
Gain on sale of available-for-sale financial assets *(Note 7)*		2,568,896		2,836,759
Membership fees *(Note 16)*		924,400		749,850
Others *(Note 15)*		5,035,332		5,171,526
		89,321,016		92,520,134
EXPENSES *(Note 15)*				
Operating expenses		26,817,342		23,920,318
Benefit expenses		7,420,000		5,105,000
		34,237,342		29,025,318
PROFIT BEFORE TAX		55,083,674		63,494,816
TAX EXPENSE *(Note 21)*		1,712,233		1,691,623
NET PROFIT		53,371,441		61,803,193
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit obligation *(Notes 18 and 20)*	(	940,663)	(	2,320,284)
Items that will be reclassified subsequently to profit or loss				
Fair value loss on available-for-sale (AFS) financial assets during the year *(Note 7)*	(	3,982,595)	(	10,129,492)
Fair value loss on disposed of AFS financial assets reclassified to profit or loss *(Note 7)*		2,814,623		1,810,900
	(	2,108,635)	(	10,638,876)
TOTAL COMPREHENSIVE INCOME	P	51,262,806	P	51,164,317

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, 2017 AND 2016
(Amounts in Philippine Peso)

	Free and Unassigned Fund balance	Assigned Fund Balance	Accumulated Other Comprehensive Loss	Total (As Restated)
Balance at January 1, 2017 *(Notes 16 and 18)*				
As previously reported	P 214,599,731	P 40,000,000	(P 38,131,833)	P 216,467,898
Prior period adjustment	(17,679,319)	-	17,679,319	-
As restated	196,920,412	40,000,000	(20,452,514)	216,467,898
Contributions during the year *(Note 16)*	147,118,318	-	-	147,118,318
Withdrawals during the year	(111,847,380)	-	-	(111,847,380)
Transfer to legal policy reserves *(Note 13)*	(78,676,982)	-	-	(78,676,982)
Total comprehensive income for the year	53,371,441	-	(2,108,635)	51,262,806
Balance at December 31, 2017 *(Notes 16 and 18)*	P 206,885,809	P 40,000,000	(P 22,561,149)	P 224,324,660
Balance at January 1, 2016 *(Notes 16 and 18)*				
As previously reported	P 190,450,665	P 35,000,000	(P 25,682,057)	P 199,768,608
Prior period adjustment	(15,868,419)	-	15,868,419	-
As restated	174,582,246	35,000,000	(9,813,638)	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 income for the year	61,803,193	-	(10,638,876)	51,164,317
Balance at December 31, 2016 *(Notes 16 and 18)*	P 196,920,412	P 40,000,000	(P 20,452,514)	P 216,467,898

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, 2017 AND 2016
(Amounts in Philippine Peso)

	2017	2016 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 55,083,674	P 63,494,816
Adjustments for:		
Depreciation *(Notes 10 and 12)*	1,639,788	1,554,481
Impairment losses *(Note 9)*	3,300,000	3,300,000
Gain on sale of property and equipment	(228,000)	(90,000)
Gain on sale of available-for-sale financial assets *(Note 7)*	(2,568,896)	(2,836,759)
Interest income *(Notes 5, 6, 8 and 9)*	(36,156,450)	(44,279,193)
Gain on sale of investment property *(Note 11)*	-	(1,162,700)
Operating profit before working capital changes	21,070,116	19,980,645
Increase in loans and other receivables	(4,389,760)	(27,290,987)
Decrease in prepayments	6,134	408,263
Increase in accounts payable and other liabilities	2,123,978	1,676,983
Increase (decrease) in post-employment benefit obligation *(Note 20)*	444,197	(467,372)
Increase in insurance premium reserves	130,744	12,282
Cash generated from (used in) operations	19,385,409	(5,680,186)
Interest received on loans and other receivables *(Note 9)*	29,501,560	37,017,553
Cash paid for income taxes *(Note 21)*	(2,386,694)	(2,118,125)
Net Cash From Operating Activities	46,500,275	29,219,242
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale securities	25,105,497	32,507,369
Decrease in investment property *(Note 11)*	7,569,380	4,556,643
Decrease in short-term investments	4,857,801	7,873,987
Interest received on bank deposits and invesment securities *(Notes 5, 6, 7 and 8)*	4,171,569	3,635,894
Proceeds from sale of property and equipment	228,000	90,000
Acquisitions of property and equipment *(Note 10)*	(1,864,636)	(1,911,498)
Increase in held-to-maturity investments	(5,000,000)	-
Additions to available-for-sale securities *(Note 7)*	(43,865,712)	(39,248,368)
Acquisitions of investment property *(Note 11)*	-	(35,250,000)
Proceeds from sale of investment property *(Note 11)*	-	2,310,700
Net Cash Used in Investing Activities	(8,798,101)	(25,435,273)
CASH FLOWS FROM FINANCING ACTIVITIES		
Members' contributions during the year *(Note 16)*	147,118,318	132,793,063
Members' withdrawals during the year	(111,847,380)	(97,621,943)
Net Cash From Financing Activities	35,270,938	35,171,120
NET INCREASE IN CASH AND CASH EQUIVALENTS	72,973,112	38,955,089
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	136,795,312	97,840,223
CASH AND CASH EQUIVALENTS AT END OF YEAR *(Note 5)*	P 209,768,424	P 136,795,312

See Notes to Financial Statements.

PRAXIS FIDES MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(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, 2017 (including the comparative financial statements as of and for the year ended December 31, 2016) were authorized for issue by the Association's Board of Trustees on April 13, 2018.

2. MEMBERSHIP

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation of Financial Statements

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

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

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

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

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

b. *Presentation of Financial Statements*

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

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

c. *Functional and Presentation Currency*

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

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

Adoption of New and Amended to PFRS

a. *Effective in 2017 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 January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative

Discussed below is the relevant information about these amended standards:

- PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative.* 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. The amendment did not have significant impact on the Association's financial statement since the Association already applied professional judgement in presenting and disclosing information in the financial statements in relation to its cash flows.

b. *Effective in 2017 that are not Relevant to the Association*

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2017 but are not relevant to the Association's financial statements:

Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests classified as held for sale
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

c. *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2017, 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 40 (Amendment), *Investment Property – Reclassification to and from investment property* (effective January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Management has assessed that this amendment has no significant impact on the Association's financial statements.

ii. PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, *Financial Instruments: Classification and Measurement* and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

a. three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

b. 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,

c. 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.

Based on an assessment of the Association's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Association's financial assets, management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the majority of loans and other receivables and HTM investments to continue to be accounted for at amortized cost. However, a number of AFS financial assets and other financial assets are likely to be measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest.

- The expected credit loss model will apply to the Association's loans and other receivables and investments in debt-type assets currently classified as HTM investments and AFS financial assets. For other financial assets and loans and other receivables, the Association will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.

- The Association's equity securities, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.

- Most of the financial liabilities of the Association are measured at amortized cost. Upon application of PFRS 9 (2014), management has assessed that the amortized cost classification for most of the financial liabilities will be retained.

ii. PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this new standard in its financial statements.

iii. 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.

iv. IFRIC 23, *Uncertain over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Association to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Association has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this new standard in its financial statements.

v. Annual Improvements to PFRS 2015-2017 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 existing requirements:

   a. PAS 23 (Amendments), *Borrowing costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

Financial Instruments

a. Financial Assets

Financial assets are recognized when the Association becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at Fair Value Through Profit or Loss (FVTPL), loans and receivables, HTM investments and 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. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

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 recognized at fair value and transaction costs related to it are recognized in profit or loss.

The foregoing categories of financial instruments of the Association are more fully described below.

i. 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 FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Subsequent to initial recognition, 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 FVTPL) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

As of December 31, 2017 and 2016, the Association does not have financial assets designated at FVTPL.

ii. 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.

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 gain or loss recognized in other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

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.

As of December 31, 2017 and 2016, the Association's financial assets designated at AFS financial assets is presented in Note 7.

iii. *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. The Association currently holds government bonds designated into this category in 2017 and 2016.

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

iv. *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 or services directly to a debtor with no intention of trading the receivables. Included in this category are those arising from direct loans to customers and all receivables from customers and other Association. 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.

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Any change in their value is recognized in profit or loss, except for increases in fair values of reclassified financial assets under PAS 39 and PFRS 7. Increases in estimates of future cash receipts from such financial assets shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the financial asset at the date of the change in estimate.

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.

For investments that are actively traded in organized financial markets, fair value is determined by reference to exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

b. *Impairment of Financial Assets*

The Association assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Association about certain loss events, including, among others: significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in interest or principal payments; it is probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Association recognizes impairment loss based on the category of financial assets as follows:

i. *Assets Carried at Amortized Cost*

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. *Assets Carried at Fair Value*

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.

iii. *Assets Carried at Cost*

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.

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 Interest income or Interest expense, Impairment losses, Gain on disposal of financial assets, Dividend income and Recoveries from accounts written-off (presented as part of Other income) in the profit or loss.

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

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 Association continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

e. *Financial Liabilities*

Financial liabilities are classified as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Association determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

As at December 31, 2017 and 2016, 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, and insurance premium reserves. These are recognized when the Association becomes a party to the contractual agreements of the instrument.

Accounts payable and other liabilities 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.

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

f. Offsetting Financial Instruments

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

Prepayments

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

Property and Equipment

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

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

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

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

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

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

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

Investment Property

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

Other investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. This investment property is initially recognized at cost, which includes acquisition price plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction impairment losses, if any.

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 income.

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

Impairment of Non-financial Assets

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

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

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

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

Provisions and Contingencies

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

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

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

Revenue and Expense Recognition

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

- *Interest* - revenue is recognized as the interest accrues taking into account the effective yield on the asset, 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 income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance costs or Finance income account in the statement of comprehensive income.

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

c. *Defined Contribution Plan*

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

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 income.

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, 2017 and 2016. 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 P3,982,595 in 2017 and P10,129,492 in 2016 on available-for-sale financial assets was reported in the Other comprehensive loss. 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, 2017 and 2016, 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 2017 and 2016, 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:

	2017	2016
Cash in banks	P 73,271,005	P 73,422,736
Short-term placements	136,497,419	63,372,576
	P 209,768,424	P 136,795,312

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 1.00% to 4.00% in 2017 and 1.50% to 4.25% in 2016.

The interest earned on cash in banks and short-term placements amounted to P1,847,711 in 2017 and P1,565,348 in 2016 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive income.

6. SHORT-TERM INVESTMENTS

The short-term investments amounted to P30,988,917 in 2017 and P35,846,718 in 2016. These investments have a term for more than three months but less than one-year term and bear an annual effective interest ranging from 1.75% to 4.29% in 2017 and 1.25% to 5.25% in 2016.

The interest earned on short-term investments amounted to P1,574,858 in 2017 and P1,064,879 in 2016 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive income.

7. AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

This account comprises of equity securities as follows:

	2017	2016
Quoted	P 96,593,156	P 79,431,996
Unquoted	3,499,979	500,000
	P 100,093,135	P 79,931,996

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

	2017	2016
Balance at beginning of year	P 79,931,996	P 78,672,830
Additions	43,865,712	39,248,368
Disposals	(22,536,601)	(29,670,610)
Fair value losses-net	(1,167,972)	(8,318,592)
Balance at end of year	P 100,093,135	P 79,931,996

In 2017 and 2016, the Association recognized gain from disposal of AFS financial assets amounting to P2,568,896 and P2,836,759, respectively. These are presented as Gain on sale of AFS financial assets in the statements of comprehensive income.

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:

	2017	2016
10-Year Treasury Bonds	P 10,000,000	P 10,000,000
20-Year Treasury Bonds	7,000,000	7,000,000
3-Year Treasury Bonds	5,000,000	-
	P 22,000,000	P 17,000,000

Treasury bonds bear interest ranging from 3.25% to 7.25% in 2017 and 2016. 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 P749,000 in 2017 and P1,005,667 in 2016 and are presented as part of Interest on investment securities and deposits with banks in the statements of comprehensive income.

9. LOANS AND OTHER RECEIVABLES

The details of this account are shown below:

	2017	2016
Consumption loans	P 342,394,083	P 344,028,494
Accrued interest receivable	26,175,919	23,692,598
Accounts receivable	12,889,183	8,690,449
	381,459,185	376,411,541
Allowance for impairment losses	(6,487,884)	(5,013,321)
	P 374,971,301	P 371,398,220

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

	2017	2016
Current	P 227,223,792	P 206,547,087
Non-current	147,747,509	164,851,133
	P 374,971,301	P 371,398,220

The Association grants loans ranging from P1,000 to P14,000,000 and P1,000 to P12,000,000 in 2017 and 2016, respectively, with annual effective interest rates ranging from 5% to 16% in both years. The credit terms on loans ranging from 3 months to 10 years.

The interest received on loans and other receivables amounted to P31,984,881 in 2017 and P40,643,299 in 2016 and are presented as Interest on loans in the statements of comprehensive income.

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

The Association collects service fees at 3% of loans granted. Service fees amounted to P7,168,850 and P6,774,685 in 2017 and 2016, respectively, and presented as Services charges and fees in the statements of comprehensive income.

Past due loans amounted to P7,886,062 in 2017 and P7,810,133 in 2016.

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

	2017	2016
Balance at beginning of year	P 5,013,321	P 6,154,639
Impairment losses during the year	3,300,000	3,300,000
Reversal	(1,825,437)	(4,441,318)
Balance at end of year	P 6,487,884	P 5,013,321

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2017 and 2016 are shown below:

	Building and Improvements	Transportation Equipment	Furniture Fixtures and Equipment	Land	Total
December 31, 2017					
Cost or valuation	P 12,426,775	P 3,710,930	P 3,148,700	P 6,182,137	P 25,468,542
Accumulated depreciation	(5,323,796)	(1,343,798)	(2,555,184)	-	(9,222,778)
Net carrying amount	P 7,102,979	P 2,367,132	P 593,516	P 6,182,137	P 16,245,764
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	P 7,508,994	P 1,908,624	P 407,541	P 6,182,137	P 16,007,296
January 1, 2016					
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	P 7,917,693	P 934,105	P 602,724	P 6,182,137	P 15,636,659

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2017 and 2016 is shown below:

	Building And Improvements	Transportation Equipment	Furniture Fixtures and Equipment	Land	Total
Balance at January 1, 2017, net of accumulated depreciation	P 7,508,994	P 1,908,624	P 407,541	P 6,182,137	P 16,007,296
Additions	23,820	1,266,400	574,416	-	1,864,636
Depreciation charge for the year *(see Note 15)*	(429,835)	(807,892)	(388,441)	-	(1,626,168)
Balance at December 31, 2016, net of accumulated depreciation	P 7,102,979	P 2,367,132	P 593,516	P 6,182,137	P 16,245,764
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
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	P 7,508,994	P 1,908,624	P 407,541	P 6,182,137	P 16,007,296

As of December 31, 2017 and 2016, 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 2017 and 2016, the Association sold transportation equipment costing P1,569,100 and P375,550, respectively.

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:

	Land	Land Improvements	Total
December 31, 2017			
Cost	P 92,749,953	P 341,782	P 93,091,735
Accumulated depreciation	-	(54,480)	(54,480)
Net carrying amount	P 92,749,953	P 287,302	P 93,037,255
December 31, 2016			
Cost	P 100,319,333	P 341,782	P 100,661,115
Accumulated depreciation	-	(40,860)	(40,860)
Net carrying amount	P 100,319,333	P 300,922	P 100,620,255
January 1, 2016			
Cost	P 70,773,976	P 341,782	P 71,115,758
Accumulated depreciation	-	(27,240)	(27,240)
Net carrying amount	P 70,773,976	P 314,542	P 71,088,518

The reconciliations of the carrying amounts at the beginning and end of 2017 and 2016, of investment property, are shown below:

	Land	Land Improvements	Total
Balance at January 1, 2017, net of accumulated depreciation	P 100,319,333	P 300,922	P 100,620,255
Adjustments	(7,569,380)	-	(7,569,380)
Depreciation charge for the year	-	(13,620)	(13,620)
Balance at December 31, 2017, net of accumulated depreciation	P 92,749,953	P 287,302	P 93,037,255
Balance at January 1, 2016, net of accumulated depreciation	P 70,773,976	P 314,542	P 71,088,518
Acquisitions	35,250,000	-	35,250,000
Adjustments	(4,556,643)	-	(4,556,643)
Depreciation charge for the year	-	(13,620)	(13,620)
Disposal	(1,148,000)	-	(1,148,000)
Balance at December 31, 2016, net of accumulated depreciation	P 100,319,333	P 300,922	P 100,620,255

The Association recognized gain on sale of investment property amounting nil in 2017 and P1,162,700 in 2016 are presented as part of Other income in the statements of comprehensive income *(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 fair value information of the investment property as at December 31, 2017 and 2016 cannot be determined reliably primarily because comparable market transactions were infrequent and alternative reliable estimates of fair value based on discounted cash flow projections were not available as at the financial reporting date.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	2017	2016
Current:		
Accounts payable	P 12,352,079	P 8,674,274
Insurance claims payable	1,835,000	1,375,000
Due to government agencies	546,791	505,758
Income tax payable	38,931	730,615
Accrued expenses	33,378	2,031,220
	P 14,806,179	P 13,316,867
Non-Current		
Advance deposit	P 151,017	P 190,812

13. LEGAL POLICY RESERVES

This account represents the amount set-up by the Association to cover future benefit payments to members based on the amounts recommended by an independent actuary accredited by the Insurance Commission.

The movement of legal policy reserves is presented below:

	2017	2016
Balance at beginning of year	P 522,522,334	P 452,886,187
Transfer from free and unassigned fund balance	78,676,982	69,636,147
Balance at end of year	P 601,199,316	P 522,522,334

14. INSURANCE PREMIUM RESERVES

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

The account is broken down as follows:

	2017	2016
Insurance fund collateral	P 1,965,723	P 1,704,236
Multiply by 50%	50%	50%
	P 982,862	P 852,118

The movements of this account are as follows:

	2017	2016
Balance at beginning of year	P 852,118	P 839,836
Additional reserves	130,744	12,282
Balance at end of year	P 982,862	P 852,118

15. EXPENSES AND OTHER INCOME

Expenses

This account is consists of the following:

	2017	2016
Salaries, wages and employees benefits *(see Notes 19 and 20)*	P 11,945,542	P 10,464,300
Insurance claims	7,420,000	5,105,000
Impairment losses *(see Note 9)*	3,300,000	3,300,000
Meetings and conferences	2,719,732	2,312,156
Transportation and travel	1,835,424	1,073,639
Depreciation *(see Notes 10 and 11)*	1,639,788	1,554,481
Stationery and office supplies	1,183,273	864,371
Administrative expenses	1,035,700	1,028,956
Utilities	516,549	494,283
Professional fees	393,600	408,800
Repairs and maintenance	362,892	303,691
Taxes and licenses *(see Note 27)*	319,779	289,259
Contractors fees	252,200	137,336
Communication	242,999	238,544
Commission	129,297	352,190
Miscellaneous	940,567	1,098,312
	P 34,237,342	P 29,025,318

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

	2017	2016
Operating expenses	P 26,817,342	P 23,920,318
Benefit expenses	7,420,000	5,105,000
	P 34,237,342	P 29,025,318

Other Income

This account consists of the following:

	2017	2016
Rental income *(see Note 22)*	P 2,708,397	P 1,962,112
Penalty income	568,704	486,918
Gain on sale of property and equipment *(see Note 10)*	218,000	90,000
Gain on sale of investment property *(see Note 11)*	-	1,162,700
Miscellaneous	1,540,231	1,469,796
	P 5,035,332	P 5,171,526

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 P14,663,020 and P12,376,346 and in 2017 and 2016, respectively, while insurance fund amounted to P22,804,068 and P20,331,775 in 2017 and 2016, respectively. These funds were presented in the statements of comprehensive income.

Members can only withdraw the contributed equity upon termination of membership in the Association. A portion of members' equity is transferred to general fund when members fail to remit their monthly loan contributions. Members whose equity is less than the members' outstanding loan balance are reclassified as non-members. Total contributions amounted to P147,118,318 and P132,793,063 in 2017 and 2016, respectively.

Membership fees are recorded as revenues and are shown as Membership fees in the statements of comprehensive income. Membership fees amounted to P924,400 and P749,850 in 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the Association has a total of 128,614 and 112,854 members, respectively.

17. DIVIDENDS

The Association's Board of Trustees declared dividends amounting P47,960,033 in 2017 and P52,166,533 in 2016. 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:

		2017		2016
Guaranty fund				
Balance at beginning of year	P	38,000,000	P	33,000,000
Additions during the year		-		5,000,000
Balance at end of year		38,000,000		38,000,000
Funds assigned for members' benefits		2,000,000		2,000,000
	P	40,000,000	P	40,000,000

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		500,000
	P	2,000,000

Accumulated Other Comprehensive Loss

The breakdown of this account is shown below:

	Revaluation of AFS Financial Assets	Remeasurements of Retirement benefit obligation	Total
December 31, 2017			
Balance at beginning of year	(P 14,245,340)	(P 6,207,174)	(P 20,452,514)
Fair value loss on disposal during the year	2,814,623	-	2,814,623
Revaluation during the year	(3,982,595)	(940,663)	(4,923,258)
Balance at end of year	(P 15,413,312)	(P 7,147,837)	(P 22,561,149)
December 31, 2016			
Balance at beginning of year	(P 5,926,748)	(P 3,886,890)	(P 9,813,638)
Fair value loss on disposal during the year	1,810,900	-	1,810,900
Revaluation during the year	(10,129,492)	(2,320,284)	(12,449,776)
Balance at end of year	(P 14,245,340)	(P 6,207,174)	(P 20,452,514)

Prior Period Adjustment

The balance of fund balance as of January 1, 2017 was restated from the amount previously reported to reflect adjustment on fair value loss on disposed of AFS financial assets which is applicable to the following periods:

Prior to 2016	P	15,868,419
2016		1,810,900
	P	17,679,319

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:

	2017		2016	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
DOSRI				
Loans and interest	P 675,011	P 3,029,270	P 437,983	P 2,354,259
Key Management Personnel				
Compensation	P 8,611,132	P -	P 8,882,985	P -

Loans and Receivables with Related Parties

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

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

	2017	2016
Balance at beginning of year	P 2,354,259	P 1,916,276
Releases during the year	1,176,677	755,601
Collections during the year	(501,666)	(317,618)
Balance at end of year	P 3,029,270	P 2,354,259

The outstanding balance includes interest receivables amounting P45,997 in 2017 and P87,303 in 2016. Total interest income recognized amounted to P54,903 in 2017 and P92,376 in 2016 presented as part of Interest income on loans in the statements of comprehensive income.

Key Management Compensation

The compensation of key management is broken down as follows:

	2017	2016
Salaries and wages	P 5,707,039	P 4,616,457
Retirement benefits	1,076,352	916,673
	P 6,783,391	P 5,533,130

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:

	2017	2016
Salaries and wages	P 6,715,294	P 5,775,075
Employees welfare and benefits	2,806,555	2,478,749
Retirement costs	1,895,838	1,733,621
Social security costs	527,855	476,855
	P 11,945,542	P 10,464,300

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, 2017.

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 on February 19, 2018 and January 27, 2017.

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

	2017	2016
Present value of the obligation	P 18,445,881	P 15,688,062
Fair value of plan assets	(11,818,760)	(10,445,801)
Retirement benefit obligation	P 6,627,121	P 5,242,261

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

	2017	2016
Balance at beginning of year	P 15,688,062	P 14,072,049
Interest cost	814,994	747,637
Current service cost	1,657,801	1,547,254
Benefits paid	(131,200)	(2,437,892)
Actuarial loss	416,224	1,759,014
Balance at end of year	P 18,445,881	P 15,688,062

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

	2017	2016
Balance at beginning of year	P 10,445,801	P 10,682,700
Actual return	52,519	-
Contributions	1,451,641	2,200,993
Benefits paid	(131,200)	(2,437,892)
Balance at end of year	P 11,818,761	P 10,445,801

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

	2017	2016
Cash and cash equivalents	P 9,828,637	P 8,586,877
Retirement loan to employees	1,990,124	1,858,924
	P 11,818,761	P 10,445,801

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

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

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

	2017	2016
Reported in profit or loss:		
Current service costs	P 1,657,801	P 1,547,254
Interest costs	238,037	186,367
	P 1,895,838	P 1,733,621
Reported in other comprehensive income-		
Actuarial loss	(P 940,663)	(P 2,320,284)

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:

	2017	2016
Discount rates	5.44%	5.19%
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 37.29 years and 36.93 years in 2017 and 2016, respectively, while the average years of service is 8.35 in 2017 and 7.41 in 2016. 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, 2017 and 2016:

	Impact on defined benefit obligation				
	Change in Assumption		Increase in Assumption		Decrease in Assumption
December 31, 2017					
Discount rate	1%	P	3,521,208	(P	3,451,481)
Salary increase rate	1%		3,322,621	(	3,256,827)
Withdrawal rate	10%	(	197,157)		193,253
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

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 comprehensive revenues are presented below:

		2017		2016
Regular corporate income tax	P	877,919	P	964,444
Final tax at 20%		834,314		727,179
	P	1,712,233	P	1,691,623

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:

	2017	2016
Within one year	P 1,239,363	P 752,437
After one year but not more than five years	1,746,477	1,543,307
	P 2,985,840	P 2,295,744

Rental income recognized from these leases amounted to P2,708,397 in 2017 and P1,962,112 in 2016 and presented as part of Others under Revenues account in the statements of comprehensive revenues *(see Note 15)*.

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 P387,267 in 2017 and P330,564 in 2016 assuming reasonably possible change in interest rates of +/-.82% for regular savings and +/-1.49% for time deposit account in 2017 and 2016, 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, 2017 and 2016. 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 P658,437 in 2017 and P12,211,638 in 2016.

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:

	2017	2016
Cash and cash equivalents	P 209,768,424	P 136,795,312
Short-term investments	30,988,917	35,846,718
AFS securities	100,093,135	79,931,996
HTM investments	22,000,000	17,000,000
Loans and other receivables	374,971,301	371,398,220
	P 737,821,777	P 640,972,246

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

	2017					
	Neither Past Due Nor Impaired					
	High Grade	Standard Grade	Substantard Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents	P 209,768,424	P -	P -	P -	P -	P 209,768,424
Short-term investments	30,988,917	-	-	-	-	30,988,917
AFS Securities	96,593,156	-	-	-	-	96,593,156
HTM investments	22,000,000	-	-	-	-	22,000,000
Loans and receivables:						
Consumption loans	-	334,508,021	-	1,398,178	6,487,884	342,394,083
Accrued interest receivable	-	26,175,919	-	-	-	26,175,919
Accounts receivable	-	12,889,183	-	-	-	12,889,183
	P 359,350,497	P 373,573,123	P -	P 1,398,178	P 6,487,884	P 740,809,682

	2016					
	Neither Past Due Nor Impaired			Past Due		
	High Grade	Standard Grade	Substantard Grade	But Not Impaired	Impaired	Total
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	-	8,690,449	-	-	-	8,690,449
	P 269,574,026	P 368,601,408	P -	P 2,796,812	P 5,013,321	P 645,985,567

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.

	2017					
	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 98,185	P 154,253	P 305,329	P 840,411	P 1,398,178
Accounts receivable	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-
	P -	P 98,185	P 154,253	P 305,329	P 840,411	P 1,398,178

	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	-	-	-	-	-	-
	P -	P 53,414	P 29,681	P 2,152,317	P 561,400	P 2,796,812

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:

	2017				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Financial Assets:					
Cash and cash equivalents	P 73,721,005	P -	P -	P 136,497,419	P 209,768,424
Short-term investments	-	-	30,988,917	-	30,988,917
AFS securities	100,093,135	-	-	-	100,093,135
HTM investments	-	-	-	22,000,000	22,000,000
Loans and Receivables - gross	13,137,941	-	138,805,773	229,515,471	381,459,185
	186,952,081	-	169,794,690	387,562,890	744,309,669
Financial liabilities:					
Accounts payable and other liabilities	11,615,725	-	-	2,755,749	14,371,474
Legal policy reserves	601,199,316	-	-	-	601,199,316
Insurance premium reserves	982,862	-	-	-	982,862
	613,797,903	-	-	2,755,749	616,553,652
Cumulative gap	(P426,845,822)	P -	P 169,794,690	P 384,807,141	P 127,756,009

	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	91,505,025	33,902,839	86,152,544	164,851,133	376,411,541
	244,859,757	97,275,415	121,999,262	181,851,133	645,985,567
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	852,118	-	-	-	852,118
	535,454,946	-	-	190,812	535,645,758
Cumulative gap	(P290,595,189)	P 97,275,415	P 121,999,262	P 181,660,321	P 110,339,809

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, 2017 and 2016:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	P 209,768,424	P 209,768,424	P 136,795,312	P 136,795,312
Short-term investments	30,988,917	30,988,917	35,846,718	35,846,718
AFS securities	100,093,135	100,093,135	79,931,996	79,931,996
HTM investments	22,000,000	22,000,000	17,000,000	17,000,000
Loans and other receivables	381,459,185	374,971,301	376,411,541	371,398,220
	P 744,309,661	P 737,821,777	P 645,985,567	P 640,972,246
Financial Liabilities				
Other financial liabilities:				
Accounts payable and other liabilities	P 14,371,474	P 14,371,474	P 12,271,306	P 12,271,306
Legal policy reserves	601,199,316	601,199,316	522,522,334	522,522,334
Insurance premium reserves	982,862	982,862	852,118	852,118
	P 616,553,652	P 616,553,652	P 535,645,758	P 535,645,758

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, 2017 and 2016, 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:

	2017	2016
Level 1	P 96,593,156	P 79,431,996
Level 2	-	-
Level 3	3,499,979	500,000
	P 100,093,135	P 79,931,996

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:

	2017	2016
Total liabilities	P 623,766,495	P 542,124,392
Total fund balance	224,324,660	216,427,711
Debt-to-fund ratio	2.78:1.00	2.50:1.00

26. NON-ADMITTED ASSETS

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

	2017	2016
Short-term investments	P 1,250,000	P 1,250,000
AFS financial assets	13,478,150	13,478,150
Consumption loans and accrued interest receivables	-	-
Accounts receivable	2,465,709	-
Prepayments	986,359	992,493
Investment property	33,490,780	42,521,848
Property and equipment	9,745,477	10,667,848
	P 61,416,475	P 68,910,339

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 2017.

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	42,625
Real property tax		31,013
Percentage taxes		77,650
Insurance commission filing and license fee		20,200
Community tax certificate		1,860
Annual registration fee		500
Others		145,931
	P	319,779

g. *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2017 are shown below:

Compensation and employee benefits	P	601,129
Expanded		129,895
	P	731,024

h. *Deficiency Tax Assessment and Tax Case*

As of December 31, 2017, 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 2017 statement of comprehensive revenues.

a. Exempt Revenues

The Association's exempt revenues for the year amounted to P31,984,881 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 P2,926,397.

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

Insurance fund	P	22,804,068
General fund		14,663,020
Service charges and fees		7,168,850
Income from sale of available-for-sale securities		5,383,519
Membership fees		924,400
Others		4,923,558
	P	55,867,415

d. Itemized Deductions

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

Salaries, wages and employees' benefits	P	11,945,542
Insurance claims		7,420,000
Impairment losses		3,300,000
Meetings and conferences		2,719,732
Transportation and travel		1,835,424
Depreciation		1,639,788
Office supplies		1,183,273
Administrative expenses		1,035,700
Communication, light and water		759,548
Professional fees		393,600
Repairs and maintenance		362,892
Taxes and licenses		319,779
Contractors fees		252,200
Commission		129,297
Miscellaneous		940,567
	P	34,237,342

28. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2016 financial statements were reclassified to conform with the 2017 financial statement presentation of accounts.