

**Fw: Tax Return Receipt Confirmation**

Email Account <srcdcmbai@yahoo.com>  
Reply-To: Email Account <srcdcmbai@yahoo.com>  
To: "johnjohntadios@gmail.com" <johnjohntadios@gmail.com>

Mon, Jun 21, 2021 at 12:58 PM

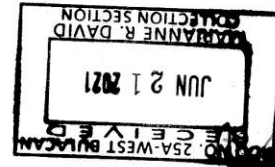
Tulungan Mutual Benefit Association Inc.  
Formerly: SRCDC MBAI  
srcdcmbai@yahoo.com  
Mobile: +639329223820

Srcdc Mbai



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

**From:** ebirforms-noreply@bir.gov.ph <ebirforms-noreply@bir.gov.ph>  
**To:** "srcdcmbai@yahoo.com" <srcdcmbai@yahoo.com>  
**Sent:** Monday, June 21, 2021, 12:43:31 PM GMT+8  
**Subject:** Tax Return Receipt Confirmation



This confirms receipt of your submission with the following details subject to validation by BIR:  
File name: 006938140000-1702EXv2018-122020.xml  
Date received by BIR: 20 June 2021  
Time received by BIR: 11:25 PM  
Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

FOR RETURNS WITH PAYMENT, PLEASE PROCEED TO PAY:

VIA ELECTRONIC MEANS thru

- Development Bank of the Philippines' (DBP) pay Tax online (for holders of Visa/Mastercard Credit Card and/or BancNet ATM/Debit Card); or
- Land Bank of the Philippines' (LBP) Link.Biz Portal (for taxpayers who have ATM account with LBP and/or holders of BancNet ATM/Debit/prepaid card or taxpayer utilizing PESoNet facility for depositors of RCBC, Robinsons Bank, Union Bank and BPI); or
- Union Bank online web and Mobile Payment Facility (for taxpayer who has an account with Union Bank of the Philippines); or
- Mobile Payment (GCash/PayMaya)

OR VIA MANUAL MEANS,

Please print this e-mail together with the RETURN and proceed to the:

- AUTHORIZED AGENT BANK (AAB) assigned in the RDOs where you are registered: or
- In areas where there are no AABs, please proceed to the Revenue Collection Officer (RCO) under the Revenue District Office where you are registered.  
The assigned RCO will receive your payment and issue the eOR using Mobile Revenue Collection Officer System

This is a system-generated email. Please do not reply.

Bureau of Internal Revenue


=====  
DISCLAIMER  
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<b>Republic of the Philippines</b> <b>Department of Finance</b> <b>Bureau of Internal Revenue</b>				
For BIR Use Only: BCS/Item:  <b>BIR Form No. 1702-EX</b> January 2018 (ENCS) v2 Page 1	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT under the Tax Code, as Amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two copies MUST be filed with the BIR and one held by the taxpayer.</i>	 1702-EX 01/18ENCS v2 P1		
1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal    3 Amended Return? <input type="radio"/> Yes <input type="radio"/> No    4 Short Period Return <input type="radio"/> Yes <input checked="" type="radio"/> No    5 Alphanumeric Tax Code (ATC)				
2 Year Ended (MM/20YY) <input type="text" value="12"/> / <input type="text" value="20"/> <input type="text" value="20"/>		IC 011 Exempt Corporation on Exempt Activities <input checked="" type="radio"/> IC 021 General Professional Partnership <input type="radio"/>		
<b>Background Information</b>				
6 Taxpayer Identification Number (TIN) <input type="text" value="006"/> - <input type="text" value="938"/> - <input type="text" value="140"/> - <input type="text" value="0000"/>		7 RDO Code <input type="text" value="25A"/>		
8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) TULUNGAN MUTUAL BENEFIT ASSOCIATION INC				
9 Registered Address (Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905) 1199 ARBE CMPD. SUMAPANG MATANDA MALOLOS BUL				
		9A Zip code <input type="text" value="3000"/>		
10 Date of Incorporation/Organization (MM/DD/YYYY) <input type="text" value="12/28/2007"/>		11 Contact Number <input type="text" value="0"/>		
12 Email Address <input type="text" value="pirforms25b@gmail.com"/>				
13 Method of Deductions <input checked="" type="radio"/> Itemized Deductions [Section 34 (A-J), NIRC] <input type="radio"/> Optional Standard Deduction (OSD) - 40% of Gross Income [applicable only to General Profession Partnership (GPP) per RA No. 10963]				
14 Legal Basis of Tax Relief / Exemption (Specify) <input type="text" value="RA 8424 SEC 30"/>		15 Investment Promotion Agency (IPA) / Government Agency (specify) <input type="text" value="INSURANCE COMMISSION"/>		
16 Registered Activity / Program (Registration Number) <input type="text" value="OTHER MEMBERSHIP"/>		17 Effectivity Date of Tax Relief / Exemption (MM/DD/YYYY) From <input type="text" value="12/30/2018"/> To <input type="text" value="12/30/2022"/>		
<b>PART II - TOTAL TAX PAYABLE (DO NOT ENTER CENTAVOS; 49 centavos or less drop down; 50 or more round up)</b>				
18 Tax Due (From Part IV Item 41)		0.00		
19 Less: Total Tax Credits/Payments (From Part IV Item 50)		0.00		
20 Total (Overpayment) (Item 18 Less Item 19) (From Part IV Item 51)		0.00		
21 Add: Penalty - Compromise		0.00		
22 TOTAL AMOUNT PAYABLE / (Overpayment) (Sum of Items 20 & 21)		0.00		
If overpayment, mark one (1) box only. (Once the choice is made, the same is irrevocable) <input type="radio"/> To be refunded <input type="radio"/> To be issued a Tax Credit Certificate (TCC) <input type="radio"/> To be carried over as a tax credit for next year/quarter				
We declare under the penalties of perjury that this return and all its attachments, have been made in good faith, verified by us, and to the best of our knowledge and belief, are true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If signed by an Authorized Representative, indicate TIN and attach authorization letter)				
BY: <u>CG</u> MARIA LULLA T. SALANDE		23 Number of Attachments <input type="text" value="00"/>		
Signature over Printed Name of President/Principal Officer/Authorized Representative		Signature over Printed Name of Treasurer/Assistant Treasurer		
Title of Signatory <input type="text"/> TIN <input type="text"/>		Title of Signatory <input type="text"/> TIN <input type="text"/>		
<b>Part III - Details of Payment</b>				
Particulars	Drawee Bank/ Agency	Number	Date (MM/DD/YYYY)	Amount
24 Cash/Bank Debit Memo	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
25 Check	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
26 Tax Debit Memo	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
27 Others (Specify Below)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Machine Validation / Revenue Official Receipt Details [if not filed with an Authorized Agent Bank (AAB)]				 Stamp of Receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

BIR Form No. <b>1702-EX</b> January 2018 (ENCS) v2 Page 2	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT under the Tax Code, as Amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income	 1702-EX 01/18ENCS v2 P2
TIN 006 938 140 0000		Registered Name TULUNGAN MUTUAL BENEFIT ASSOCIATION INC
<b>Part IV - Computation of Tax</b>		
(Do NOT enter Centavos; 49 centavos or less drop down; 50 or more round up)		
28 Sales/Receipts/Revenues/Fees		2,000,250.00
29 Less: Sales Returns, Allowances and Discounts		0.00
30 Net Sales/Receipts/Revenues/Fees (Item 28 less Item 29)		2,000,250.00
31 Less: Cost of Sales/Services		1,473,195.00
32 Gross Income from Operation (Item 30 Less Item 31)		527,055.00
33 Add: Other Income		358,895.00
34 Total Gross Income (Sum of Items 32 and 33)		885,950.00
Less: Deductions Allowable under Existing Law		
<b>A. Itemized Deduction</b>		
35 Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)		1,904,174.00
36 Special Allowable Itemized Deductions (From Part VI Schedule II Item 5)		0.00
37 Total Itemized Deductions (Sum of Items 35 and 36)		1,904,174.00
<b>B. Optional Standard Deduction (OSD)</b>		
38 OSD (40% of Item 34)(applicable to GPP per RA No. 10963)		0.00
39 Net Taxable Income / (Loss) (If Itemized: Item 34 Less Item 37;) If OSD: Item 34 Less Item 38)		-1,018,224.00
40 Tax Rate	0 %	
41 Tax Due (Item 39 x Item 40) (To Part II Item 18)		0.00
Less: Tax Credits / Payments (attach proof)		
42 Prior Year's Excess Credits		0.00
43 Income Tax Payment from Previous Quarter/s		0.00
44 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307		0.00
45 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter		0.00
46 Foreign Tax Credits, if applicable		0.00
47 Tax Paid in Return Previously Filed, if this is an Amended Return		0.00
Other Tax Credits / Payments (specify)		
48		0.00
49		0.00
50 Total Tax Credits / Payments (Sum of Items 42 to 49) (To Part II Item 19)		0.00
51 Total (Overpayment) (Item 41 Less Item 50) (To Part II Item 20)		0.00
<b>Part V - Tax Relief Availment</b>		
52 Regular Income Tax Otherwise Due (Item 39 of Part IV x Applicable Income Tax Rate)		0.00
53 Special Allowable Itemized Deductions (Item 36 of Part IV x Applicable Income Tax Rate)		0.00
54 Total Tax Relief Availment (Sum of Items 52 and 53)		0.00

BIR Form No. <b>1702-EX</b> January 2018 (ENCS) v2 Page 3	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT under the Tax Code, as Amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income	 1702-EX 01/18ENCS v2 P3	
Tax Identification Number (TIN)		Registered Name	
006 938 140 0000		TULUNGAN MUTUAL BENEFIT ASSOCIATION INC	
<b>Part VI - Schedules</b>			
(Do NOT enter Centavos; 49 centavos or less drop down; 50 or more round up)			
<b>Schedule 1 - Ordinary Allowable Itemized Deductions</b> <i>(attach additional sheet/s, if necessary)</i>			
1 Ammortizations		0.00	
2 Bad Debts		0.00	
3 Charitable and Contributions		0.00	
4 Depletion		0.00	
5 Depreciation		156,684.00	
6 Entertainment, Amusement and Recreation		0.00	
7 Fringe Benefits		0.00	
8 Interest		0.00	
9 Losses		0.00	
10 Pension Trusts		0.00	
11 Rental		0.00	
12 Research and Development		0.00	
13 Salaries, Wages, and Allowances		1,081,815.00	
14 SSS, GSIS, Philhealth, HDMF, and Other Contributions		0.00	
15 Taxes and Licenses		119,181.00	
16 Transportation and Travel		15,348.00	
17 Others (Deductions Subject to Withholding Tax and Other Expenses) <i>(Specify below; Add additional sheet(s) if necessary)</i>			
a Janitorial and Messengerial Services		0.00	
b Professional Fees		150,000.00	
c Security Services		0.00	
d MAINTENANCES		111,770.00	
e UTILITIES		88,095.00	
f MEETINGS CONFERENCES		75,677.00	
g PROFFESIONAL AND TECH DEV.		42,500.00	
h SUPPLIES		35,565.00	
i OTHERS		27,539.00	
<b>18 Total Ordinary Allowable Itemized Deductions</b> <i>(Sum of Items 1 to 17) (To Part IV Item 35)</i>		<b>1,904,174.00</b>	
<b>Schedule 2 - Special Allowable Itemized Deductions</b> <i>(attach additional sheet/s, if necessary)</i>			
	Description	Legal Basis	Amount
1			0.00
2			0.00
3			0.00
4			0.00
<b>5 Total Special Allowable Itemized Deductions</b> <i>(Sum of Items 1 to 4) (To Part IV Item 36)</i>			<b>0.00</b>
<b>Schedule 3 - Reconciliation of Net Income per Books Against Taxable Income</b> <i>(attach additional sheet/s, if necessary)</i>			
1	Net Income(loss) per Books		-683,949.00
	Add: Non-Deductible Expenses/Other Income		
2			0.00
3			0.00
4	<b>Total</b> <i>(Sum of Items 1 to 3)</i>		<b>-683,949.00</b>
	Less: A) Non-Taxable Income and Income Subjected to Final Tax		
5	INTEREST INCOME BTR		274,000.00
6	OTHERS		60,275.00
	B) Special Deductions		
7			0.00
8			0.00
9	<b>Total</b> <i>(Sum of Items 5 to 8)</i>		<b>334,275.00</b>
10	<b>Net Taxable Income/(Loss)</b> <i>(Item 4 Less Item 9)</i>		<b>-1,018,224.00</b>

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

C	N	2	0	0	7	1	9	5	7	9
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**Company Name**

T	U	L	U	N	G	A	N		M	U	T	U	A	L		B	E	N	E	F	I	T						
A	S	S	O	C	I	A	T	I	O	N		I	N	C		(	F	O	R	M	E	R	L	Y				
S	R	C	D	C		M	U	T	U	A	L		B	E	N	E	F	I	T									
A	S	S	O	C	I	A	T	I	O	N		I	N	C		)												

**Principal Office (No./Street/Barangay/City/Town/Province)**

I	1	9	9		A	R	B	E		C	O	M	P	O	U	N	D	.	M	C	A	R	T	H	U	R		
H	I	G	H	W	A	Y	.	S	U	M	A	P	A	N	G		M	A	T	A	N	D	A	.				
C	I	T	Y		O	F		M	A	L	O	L	O	S	.	B	U	L	A	C	A	N						

Form Type

A	F	S
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Department requiring the report

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Secondary License Type, if Applicable

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**COMPANY INFORMATION**

Company's Email Address

<a href="mailto:srcdcmbai@yahoo.com">srcdcmbai@yahoo.com</a>
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Company's Telephone Number/s

044-7962532
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Mobile Number

0932-922-3820
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No. of Stockholders

--

Annual Meeting  
Month/Day

--

Fiscal Year  
Month/Day

December 31
-------------

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

MARIA LULLA T. SALAZAR
------------------------

Email Address

<a href="mailto:malu_salazar70@yahoo.com">malu_salazar70@yahoo.com</a>
--

Telephone Number/s

044-7962532
-------------

Mobile Number

0932-922-3820
---------------

Contact Person's Address

1199 ARBE CMPD., MCARTHUR HIGHWAY, SUMAPANG MATANDA, CITY OF MALOLOS, BULACAN
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**Note:** 1.) In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2.) All Boxes must be properly and completely filled up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and / or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**

#1199 Arbe Compound, McArthur Highway  
Sumapang Matanda, City of Malolos Bulacan

**FINANCIAL REPORTS**  
December 31, 2020 and 2019



**TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**  
**Formerly; SRCDC Mutual Benefit Association Inc.**  
**1199 Arbe Cmpd., McArthur Highway, Sumapang Matanda**  
**City of Malolos, Bulacan**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**  
**FOR FINANCIAL STATEMENTS**

The management of **TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

**BANARIA, BANARIA AND COMPANY** the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under Oath by the following:

  
**CRISTINA L. TAMAYO**  
 President

  
**CARMENCITA C. LOPEZ**  
 Treasurer

SUBSCRIBED AND SWORN TO BEFORE ME, this 18 day of JUN 18 2021 2021, Affiants exhibited their Residence Certificate Number as follows:

<u>Names</u>	<u>ID No.</u>	<u>Date Issued</u>	<u>Place Issued</u>
CRISTINA L. TAMAYO	SC ID No. 21551	05/16/2014	City of Malolos, Bulacan
CARMENCITA C. LOPEZ	SC ID No. 08856	04/12/2010	City of Malolos, Bulacan

Doc. No.: 184  
 Page No.: 2  
 Book No.: XVIII  
 Series of 2021

**MA. THERESA S. CRUZ-BAGUIO**  
 NOTARY PUBLIC  
 UNTIL DECEMBER 31, 2021  
 PNC-30-MB-2020/CITY OF MALOLOS, BULACAN  
 PTR NO. 20S0545/MALOLOS CITY BULACAN/01-04-2021  
 IBP OR NO. 145123/01-05-2021/BULACAN CHAPTER  
 MCLE COMPLIANCE NO. 11-20013144  
 TANJECOST, SAN VICENTE, CITY OF MALOLOS, BULACAN

ROOM NO. 25A-WEST BULACAN  
**RECEIVED**  
 JUN 21 2021  
 MARIANNE R. DAVID  
 COLLECTION SECTION



**TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**  
**Formerly; SRCDC Mutual Benefit Association Inc.**  
**1199 Arbe Cmpd., McArthur Highway, Sumapang Matanda**  
**City of Malolos, Bulacan**

**STATEMENT OF MANAGEMENT RESPONSIBILITY**  
**FOR ANNUAL INCOME TAX RETURN**

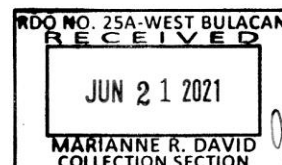
The Management of **TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**, is for all information and representation contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representation contained in the financial statements accompanying 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, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records **TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**, complete and correct in all material respect, Management likewise affirms that:

- a) The Annual Income Tax Returns has been prepared in accordance with the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and record in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- c) **TULUNGAN 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.

  
**CRISTINA L. TAMAYO**  
President

  
**CARMENCITA C. LOPEZ**  
Treasurer



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**INDEPENDENT AUDITORS' REPORT**

**The Members and the Board of Trustees**  
**TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**  
#1199 Arbe Compound, McArthur Highway  
Sumapang Matanda, City of Malolos Bulacan

**Opinion**

We have audited the financial statements of **TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.** ("the Association"), which comprise the statement of financial position as at December 31, 2020 (with the comparative figure for 2019), the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

**Basis for Opinion**

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

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Schedule of Philippine Financial Reporting Standards and Interpretation but does not include the financial statements and our auditors' report thereon.

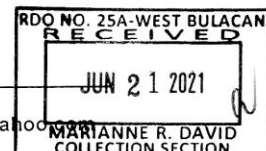
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**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 Philippine Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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

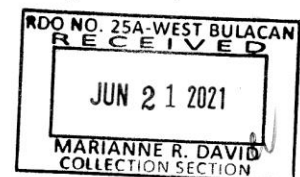
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits.


### Report on Legal and Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue. The aforementioned information is not required part of the basic financial statements and such information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

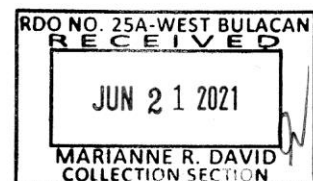
### Other Matter

The financial statements for the year ended December 31, 2019, were audited by another auditor who has issued an unqualified opinion on June 19, 2020. The prior year's balances were only presented for comparative purposes but never part of the current year's balances.

### BANARIA, BANARIA AND COMPANY, CPAs

  
By: GRACIA SEVERA A. BANARIA-ESPIRITU  
Partner  
CPA Certificate No. 27621  
Tax Identification No. 131-938-548  
PTR No. 0850461-D, January 26, 2021, Quezon City  
CTC No. 25435247, January 26, 2021, Quezon City  
BOA Accreditation No. 0030, valid until June 26, 2021 (Firm)  
BIR Accreditation No. 07-000408-003-2020, valid until July 10, 2023 (Firm)  
BIR Accreditation No. 07-000412-003-2020, valid until July 16, 2023 (Partner)  
IC Accreditation No. 27621-IC, valid until, October 27, 2025 (Partner)  
IC Accreditation No. F-2019-003-R, valid until July 17, 2022 (Firm)

June 17, 2021



**CERTIFICATION****KNOW ALL MEN BY THESE PRESENTS:**

I, GRACIA SEVERA A. BANARIA-ESPIRITU, of legal age, Filipino, as Partner of BANARIA, BANARIA AND COMPANY, Certified Public Accountants, a general professional partnership duly organized and existing under the laws of the Philippines, with office address at #10 Scout Bayoran, South Triangle, Quezon City, do hereby certify that:

1. We were engaged to conduct audit of the financial statements as of December 31, 2020 of Tulungan Mutual Benefit Association, Inc. (a mutual benefit company);
2. In the course of our audit, we have nothing to report regarding the following that may require urgent action by the Insurance Commission:
  - a. Any material findings involving fraud or error, as defined under Sections 3.3 and 3.4;
  - b. Under-reserving of Incurred But Not Reported (IBNR) losses/policy reserves, the aggregate of which leads to capital deficiency/impairment;
  - c. Any findings to the effect that the consolidated assets of the Company, on a going concern basis, are no longer adequate to cover the total liabilities;
  - d. Material internal control weaknesses which may lead to financial reporting problems;
  - e. Termination or resignation as external auditor and stating the reason therefore;
  - f. Discovery of a material breach of laws or IC rules and regulations; and
  - g. Findings on matters of corporate governance that may require urgent action by IC.
3. It is however, understood that our accountability as an external auditor is based on matters within the normal coverage of our audit conducted in accordance with Philippine Standards on Auditing;
4. That, this certification is being issued in compliance with the requirements of Section 10 of Circular Letter 29-2009.

QUEZON CITY

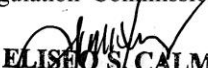
IN WITNESS WHEREOF, I have hereunto affixed my signature on this \_\_\_ day of May 2021 at Quezon City.



GRACIA SEVERA A. BANARIA-ESPIRITU  
Partner

SUBSCRIBED AND SWORN TO before me this MAY 14 2021 2021 QUEZON CITY  
of \_\_\_\_\_, Affiant exhibited to me his Professional Regulation Commission No. 0027621 issued at  
Sampaloc, Manila on September 17, 1975.

Doc No. 204 :  
Page No. 57 :  
Book No. 611 :  
Series of 2021



ELISEO S. CALMA, JR.  
NOTARY PUBLIC  
PTR No 0694702D, Jan 04, 2021  
IBP No. 141058, Jan. 04, 2021  
MCLE Comp. No. VI-0012817 until April 14, 2022  
20 Kamagong St., Sapamanai Village  
East Fairview, Quezon City  
ADM Matter No. NP-067  
Unpil Dec. 31, 2021

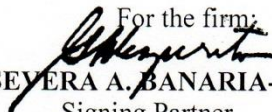


**External Auditor's Sworn Certification**

We, the external auditor of **TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC. (the "Company")**, a corporation duly organized and existing under the laws of the Philippines with principal office at #1199 Arbe Compound, McArthur Highway Sumapang Matanda, City of Malolos Bulacan after having been sworn to in accordance with law depose and say that:

1. We confirm that the company's financial year end is 31 December 2020.
2. We further confirm that the company has significant business operations or significant subsidiaries in areas/countries/ territories affected by COVID-19, and, the preparation of the financial statements and timely completion of statutory audit of the company's financial statements as of 31 December 2020 have been affected by the travel restrictions/ban, temporary suspension of business operations and/or measures imposed by the authorities or companies in response to COVID-19; and
3. This certification is executed to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

IN WITNESS WHEREOF, I have hereunto set my hand this **JUN 18 2021** at **QUEZON CITY**

For the firm:  
  
**GRACIA SEVERA A. BANARIA-ESPIRITU**  
Signing Partner


SUBSCRIBED AND SWORN TO, before me this **JUN 18 2021** day of June, 2021 at **QUEZON CITY**, Philippines, personally appeared:

	NAME	TIN
1	GRACIA SEVERA A. BANARIA-ESPIRITU	131-938-548-000

who represented to me that he executed the foregoing document for the purposes stated therein and acknowledged to me that the same is her free and voluntary act and deed and of the corporations she represents.

WITNESS MY HAND AND SEAL on the date and place first herein above stated.

Doc. No. 308 ;  
Page No. 75 ;  
Book No. XLV ;  
Series of 2021

  
**ELISEO S. CALMA, JR.**  
Roll No. 50183  
PTR No. 06947025, Jan. 04, 2021  
IBP No. 141058, Jan. 04, 2021  
MCLE Comp. No. VI-0012817 until April 14, 2022  
20 Kamagong St., Sapamanan Village  
East Fairview, Quezon City  
ADM Matter No. NP-067  
Until Dec. 31, 2021

**FUND BALANCE**

Free and Unassigned Fund Balance	25	( <u>228,646.36</u> )	<u>152,278.37</u>
<b>Assigned fund balance</b>			
Fund Assigned for Guaranty Fund	26	6,779,918.65	6,779,918.65
Fund Assigned for Members Benefit		-	198,179.72
Fund Assigned for Community Dev.		-	104,845.67
Total Assigned Fund Balance		<u>6,779,918.65</u>	<u>7,082,944.04</u>
<b>TOTAL FUND BALANCE (Exhibit C)</b>		<u>6,551,272.29</u>	<u>7,235,222.41</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<u><u>P 26,187,654.56</u></u>	<u><u>P 26,434,869.10</u></u>

**FUND BALANCE**

Fund Balance, beginning		7,235,222.41	7,475,088.11
Restatement of beginning balance		( 0.72 )	-
Net Surplus for the year		( 683,949.40 )	( 136,483.89 )
Less: Usage of fund for the year			( <u>103,381.81</u> )
Fund Balance, ending		<u>6,551,273.01</u>	<u>7,235,222.41</u>
<b>TOTAL LIABILITIE AND FUND BALANCE</b>		<u><u>P 26,187,654.56</u></u>	<u><u>P 26,434,869.10</u></u>

(See accompanying notes to the financial statements)

**EXHIBIT A**

**TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2020**  
**(With comparative Figures for 2019)**  
**(All amounts in Philippine Peso)**

	Notes	<u>2020</u>	<u>2019</u>
<u>A S S E T S</u>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalent	7	P 175,096.86	P 576,196.30
Financial assets at amortized cost - current	8	11,200,100.00	11,200,100.00
Receivables	9	188,776.74	141,663.00
Prepayments and other current assets	10	<u>50,054.63</u>	<u>86,939.50</u>
Total		<u>11,614,028.23</u>	<u>12,004,898.80</u>
<b>NON-CURRENT ASSETS</b>			
Loan receivables	11	14,412,680.00	14,114,740.00
Property and equipment, net	12	150,946.33	305,230.30
Other funds and deposits	13	<u>10,000.00</u>	<u>10,000.00</u>
Total		<u>14,573,626.33</u>	<u>14,429,970.30</u>
<b>TOTAL ASSETS</b>		<u><u>P 26,187,654.56</u></u>	<u><u>P 26,434,869.10</u></u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<b>CURRENT LIABILITIES</b>			
Liability on individual equity value	14	P 18,226,140.00	P 17,808,635.00
Basic contingent benefits reserves	15	116,960.83	142,857.50
Claim payable on basic contingent benefits	16	132,500.00	116,805.56
Other current liabilities	17	<u>815,735.74</u>	<u>774,125.93</u>
Total		<u>19,291,336.57</u>	<u>18,842,423.99</u>
<b>NON-CURRENT LIABILITY</b>	18	<u>345,045.70</u>	<u>357,222.70</u>
<b>TOTAL LIABILITIES</b>		<u>19,636,382.27</u>	<u>19,199,646.69</u>

(See accompanying notes to the financial statements)

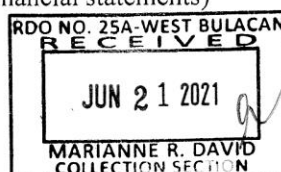


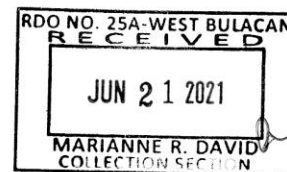
EXHIBIT A

**TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**  
**STATEMENT OF INCOME (LOSS)**  
**For the year ended December 31, 2020**  
**(With comparative Figures for 2019)**  
**(All amounts in Philippine Peso)**

	<u>Notes</u>	<u>2 0 2 0</u>	<u>2 0 1 9</u>
<b>REVENUE</b>			
Net member's contribution	19	P 2,000,250.00	P 2,897,350.00
Other revenues	20	<u>338,894.99</u>	<u>686,159.86</u>
<b>TOTAL REVENUES</b>		<u>2,339,144.99</u>	<u>3,583,509.86</u>
<b>LESS :BENEFIT EXPENSES</b>			
Net benefit/claims expenses	21	( 1,008,120.00 )	( 213,375.00 )
Total other benefit expenses	21	( <u>465,074.97</u> )	( <u>1,709,830.73</u> )
<b>TOTAL BENEFITS EXPENSES</b>		( <u>1,473,194.97</u> )	( <u>1,923,205.73</u> )
<b>NET SURPLUS BEFORE OPERATING EXPENSES</b>		865,950.02	1,660,304.13
<b>OPERATING EXPENSES</b>	22	( <u>1,888,495.67</u> )	( <u>2,162,134.39</u> )
<b>NET LOSS BEFORE INVESTMENT RETURNS</b>		( <u>1,022,545.65</u> )	( <u>501,830.26</u> )
<b>INVESTMENT REVENUE</b>			
Total investment revenue	23	354,274.56	378,156.94
Total investment expense	24	( <u>15,678.31</u> )	( <u>12,810.57</u> )
<b>NET RETURN FROM INVESTMENT</b>		<u>338,596.25</u>	<u>365,346.37</u>
<b>NET LOSS</b>		( <u>683,949.40</u> )	( <u>136,483.89</u> )
<b>NET COMPREHENSIVE LOSS ( To Exhibit C )</b>		( <u>P 683,949.40</u> )	( <u>P 136,483.89</u> )

(See accompanying notes to the financial statements)

EXHIBIT B



**TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the year ended December 31, 2020**  
**(With comparative Figures for 2019)**  
**(All amounts in Philippine Peso)**

	<u>Note</u>	<u>2 0 2 0</u>	<u>2 0 1 9</u>
FUND BALANCE	13		
Beginning balance - Unappropriated	P	152,278.37	P 288,762.26
Restatement of beginning balance	(	0.72 )	-
Net Surplus (loss) for the period (Exhibit B)	(	683,949.40 )	( 136,483.89 )
Total	(	531,671.75 )	152,278.37
Beginning balance - Appropriated		7,082,944.04	7,186,325.85
Usage of fund		-	( 103,381.81 )
Total		7,082,944.04	7,082,944.04
TOTAL FUND BALANCE, END	P	<u>6,551,272.29</u>	P <u>7,235,222.41</u>

(See accompanying notes to the financial statements)

EXHIBIT C



**TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2020**  
**(With comparative Figures for 2019)**  
**(All amounts in Philippine Peso)**

	<u>Note</u>	<u>2 0 2 0</u>	<i>as restated</i> <u>2 0 1 9</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Loss		( P 683,949.40 )	( P 136,483.89 )
Adjustments for non-cash transactions:			
Depreciation	12	156,683.97	226,684.36
Accumulated depreciation on disposal asset	12	-	22,577.00
Restatement of beginning balance		( <u>0.72</u> )	-
Operating income (loss) before working capital changes		( 527,266.15 )	112,777.47
Decrease (increase) in:			
Receivables	9	( 47,113.74 )	117,314.18
Prepayments and other current assets	10	36,884.87	35,300.00
Increase (decrease) in:			
Liability on individual equity value	14	417,505.00	1,762,840.00
Basic contingent benefits	15	( 25,896.67 )	9,122.50
Claim payable on basic contingent benefits	16	15,694.44	( 72,427.77 )
Other current liabilities	17	( <u>41,609.81</u> )	( <u>723,871.21</u> )
Net cash provided by (used in) operating activities		( <u>88,582.44</u> )	<u>1,241,055.17</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase loan receivable	11	( 297,940.00 )	( 2,558,680.00 )
Disposal of property and equipment	12	-	( 22,577.00 )
Acquisition of property and equipment	12	( <u>2,400.00</u> )	( <u>35,635.00</u> )
Net cash used in investing activities		( <u>300,340.00</u> )	( <u>2,616,892.00</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Decrease in legal reserve		-	( 103,381.81 )
Decrease in non-current liabilities		( <u>12,177.00</u> )	( <u>24,543.52</u> )
Net cash used in financing activity		( <u>12,177.00</u> )	( <u>127,925.33</u> )
NET DECREASE IN CASH		( 401,099.44 )	( 1,503,762.16 )
CASH, BEGINNING		<u>576,196.30</u>	<u>2,079,958.46</u>
CASH, END		<u>P 175,096.86</u>	<u>P 576,196.30</u>

(See accompanying notes to the financial statements)

EXHIBIT D



## STATEMENT OF OPINION

I, Panfilo P de la Paz, consulting actuary of **Tulungan Mutual Benefit Association, Inc.** (formerly **Sto. Rosario Credit and Development Cooperative Mutual Benefit Association, Inc.**), express the opinion that, based on the data supplied to me by

**Maria Luilla T. Salazar, General Manager,**

the legal policy reserves and claims reserves of the Association as of 31 December 2020 amounts to

Reserves for Basic Life Insurance	116,960.83
Advanced Contribution for Basic Life Insurance	85,720.00
Reserves for Member's Equity Value	18,226,140.00
Claims Reserves	132,500.00
<b>Total Reserves</b>	<b>18,561,320.83</b>

The calculations of the legal policy reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles.

The valuation process relies on the accuracy, validity, and comprehensiveness of the data supplied to me by the MBA through the Microinsurance MBA Association of the Philippines (MIMAP). This reliance extends to any oral, written, or online communications exchanged among the parties.

A copy of the certificate of Data Accuracy from the MBA's CEO/MBA Manager or any authorized representative is attached together with this certification.

**PANFILO P DE LA PAZ, FASP, FSA**  
Consulting Actuary  
PTR No 3941

24 May 2021



**ANNEX "A"**

<b>A. Assets</b>	
1. Net life insurance premiums and annuity considerations due and uncollected	Nil
2. Accident and health premiums due and uncollected	Nil
<b>B. Liabilities</b>	
1. Aggregate reserves for Basic Life Insurance	116,960.83
2. Advanced Contribution for Basic Life Insurance	85,720.00
3. Aggregate reserves for Member's Equity Value	18,226,140.00
4. Claims Reserves	132,500.00
4.1 In course of settlement	Nil
4.2 Due and unpaid	Nil
4.3 Resisted/Denied	Nil
4.4 Incurred but not reported	132,500.00

\* all figures are in Philippine Pesos

**TULUNGAN MUTUAL BENEFIT ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**  
**(All Amounts in Philippine Peso)**

**Note 1 - CORPORATE INFORMATION**

***1.1 In General***

Tulungan Mutual Benefit Association Inc. (“the Association”) was incorporated on December 28, 2007 under the laws of the Philippines and duly registered with the Securities and Exchange Commission on April 24, 2009 under Registration No. CN200719579,

The purpose of which is to advance the interest and welfare of the Philippines in general. Specifically the association shall seek to extend financial assistance to its members, spouse, children and parents in the form of death benefits, sickness benefits, provident savings and loan redemption assistance; to insure continued access to benefits/resources by actively involving the members in the management of the association that will include implementation of policies and procedure geared towards sustainability and improved services in life insurance business on the lives of individuals legally insurable and other insurance related business therewith including reinsurance.

The Association changed its name on September 28, 2017 under SEC Registration No CN200719579. Then it was accredited with the Insurance Commission effective January 1, 2019 up to December 31, 2021 under License No. 2019-19-R

The Association’s registered office address is located at #1199 Arbe Compound, McArthur Highway, Sumapang Matanda, City of Malolos, Bulacan.

The Association is 100% owned by Filipino citizen.

***1.2 Tax Exemption***

The Association is not subject to income tax under Section 30 (c) of the National Internal Revenue Code with respect to income received from its not-for-profit activities such as donations, gifts or charitable contributions. However, income from any of its properties, real and personal, or from any of its activities conducted for profit shall be subject to income tax.

Interest earnings on deposits of members with Association, as well as the shares of its members from the net income of the Association shall be exempt from income tax under Republic Act (R.A.) No. 8367 or the Revised Non-stock Savings and Loan Association Act of 1997.

The application for tax exemption of the Association was received by the Bureau of Internal Revenue (BIR) and other documents required were received on October 29, 2020 and was still awaiting for BIR’s approval and issuance of the certificate of tax exemption.

### ***1.3 Approval of the Financial Statements***

The financial statements of the Association for the year ended December 31, 2020 (including the comparative for the year ended December 31, 2019) were approved and authorized for issue by the Board of Trustees on \_\_\_\_\_.

#### **Note 2 - STATUS OF OPERATIONS**

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

#### **Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

###### Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs are adopted by the Financial Reporting Standards Council (FRSC), formerly the Accounting Standards Council, from the pronouncements issued by the International Accounting Standards Board (IASB). PFRSs consist of:

- a. Philippine Financial Reporting Standards (PFRS) - corresponding to International Financial Reporting Standards;
- b. Philippine Accounting Standards (PASs) - corresponding to International Accounting Standards; and
- c. Interpretations to existing standards - representing interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), of the IASB which are adopted by the FRSC.

###### Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

###### 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 statements of comprehensive income.

The Association presents a third statements 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 statements of financial position at the beginning of the preceding period. The related notes to the third statements of financial position are not required to be disclosed.



### **3.2 Functional Currency and Foreign Currency Transactions**

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

#### Functional and Presentation Currency

Items included in the financial statements of the Association are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is also the Association's functional currency.

#### Transactions and Balance

The accounting records of the Association are maintained in Philippine Peso. Foreign currency transactions during the period are translated into the functional currency at exchange rates, which approximate those prevailing on transaction dates.

### **3.3 Adoption of New Interpretation, Revisions and Amendments to PFRS**

#### Changes in Accounting Policies

Except for the following standards and amended PFRS which were adopted as of January 1, 2019, the accounting policies and methods of computation adopted in the preparation of the financial statements are consistent with those followed in the previous financial year.

#### **Effective 2019**

- a) Effective in 2019 that are Relevant to the Company
  - (i) PAS 19 (Amendments), *Employee Benefits - Plan Amendment, Curtailment or Settlement*. The amendments require an entity: (a) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.
- b) Effective in 2019 but are not Relevant to the Company
  - (ii) PAS 28 (Amendments), *Investment in Associates and Joint ventures - Long-term Interests in Associates and Joint Ventures*. Amendments clarify that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.
  - (iii) PFRS 9 (Amendments), *Financial Instruments - Prepayment Features with Negative Compensation*. Amendments to the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, the early repayment.

The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain. The amendment also include clarification regarding the accounting for a modification

or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. An entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i.e. one year after the first application of PFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with PFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

- (iv) PFRS 16, *Leases*. On January 13, 2016, the PASB issued its new standard, PFRS 16, which replaces PAS 17, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17.

Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. PFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but only if PFRS 15 is applied at or before the date of initial application of PFRS 16. The Association is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

- (v) Annual Improvements to PFRS Standards 2015–2017 Cycle (Amendments). The pronouncement contains amendments to four International Financial Reporting Standards (PFRSs) as result of the PASB's annual improvements project.

Annual Improvements to PFRS Standards 2015–2017 Cycle makes amendments to the following standards:

- PFRS 3, *Business Combination* - The amendments clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- PFRS 11, *Joint Arrangements* - The amendments clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- PAS 12, *Income Taxes* - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
  - PAS 23, *Borrowing Costs* - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.
- (vi) Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments Philippine Interpretation*. IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

### ***Effective 2021***

- (i) IFRS 17, *Insurance Contracts*. Establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. An entity shall apply IFRS 17 *Insurance Contracts* to: a) Insurance contracts, including reinsurance contracts, it issues, b) reinsurance contracts it holds; c) and Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts. Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee.

### ***Effective 2022***

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds before Intended Use*. Amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contract – Cost of Fulfilling a Contract*. The changes specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling contract).
- (iii) PFRS 1 (Amendments), *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*. The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to PFRSs.
- (iv) PFRS 9 (Amendments), *Financial Instruments, Fees in the ‘10 percent’ test for derecognition of financial liabilities*. The amendment clarifies which fees an entity includes when it applies the ‘10 percent’ test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

### ***Effective 2023***

- (i) PAS 1 (Amendments), *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*. The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. Clarify that the classification of liabilities as current or non-current (a) should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least twelve (12) months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of liability, (b) is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and (c) settlement refers to the transfer to the counterparty of cash, equity instruments and other assets or services.
- (ii) PFRS 17 (Amendments), *Insurance Contracts*. The main changes resulting from Amendments to PFRS 17 are:
  - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.
  - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
  - Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
  - Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.

- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
- Several small amendments regarding minor application issues.

Such issued contracts are in the scope of the standard, unless an entity chooses to apply to them PFRS 15 Revenue from Contracts with Customers and provided the following conditions are met: (a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer; (b) the contract compensates the customer by providing a service, rather than by making cash payments to the customer; and (c) the insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services.

#### Deferred Effectivity

Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the PASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

#### **3.4 Cash and Cash Equivalents**

Cash and cash equivalents include petty cash fund, cash in banks, and special savings deposit with original maturities of three months or less from date of placements and that are subject to insignificant risk of changes in value. Cash and cash equivalents are initially and subsequently measured at fair value which is usually its face value. The Association recognized cash and cash equivalent as current asset when the cash or a cash equivalent is not restricted from being exchanged or used to settle liability for at least twelve (12) months after the end of the reporting period.



### ***3.5 Financial Instruments***

#### **Date of Recognition**

The Association recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument.

#### **Initial Recognition of Financial Instruments**

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instrument includes transaction costs.

The Association classifies its financial assets into the following categories: financial assets at fair value through other comprehensive income, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Association classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

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 period at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of financial reporting framework applicable to the Association.

As of December 31, 2020 and 2019, the Association's financial instruments are of the nature of trade and other receivables, financial assets at amortized cost, financial asset at fair value through other comprehensive income, financial asset at fair value through profit or loss, membership certificate loans, liability on individual equity, member's contribution received in advance and other payables.

#### **Determination of Fair Value**

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other valuation models.

#### **Financial Assets**

As of December 31, 2020 and 2019, the Association's financial assets are of the nature of trade and other receivables, membership certificate loans, financial assets at amortized cost, financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income, and financial asset.

#### ***Trade and Other Receivables***

Trade and other receivables are recognized initially at its transaction cost and subsequently measured at cost less provision for impairment. A provision for impairment of account receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables. Other receivables include advances to officers and employees.

*Membership Certificate Loans*

Membership certificate loans are recognized initially at its transaction price. They are subsequently measured at amortized cost less provision for impairment. A provision for impairment of policy loans is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables.

All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs.

Interest income, interest expense and impairment losses, relating to financial assets are presented as separate items in the statements of comprehensive income, unless indicated otherwise.

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

A more detailed description of the four categories of financial assets is as follows:

*(a) Financial Assets at Fair Value through Profit or Loss*

This category include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. Derivatives are also categorized as “held for trading” unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realized within twelve (12) months from the end of each reporting period. Financial assets at fair value through profit or loss are initially recognized at fair value. Any related transaction costs are recognized in the profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of 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.

The Association’s investment amounted to P100.00 as of December 31, 2020 and 2019, respectively (Note 8).

*(b) Held-to-Maturity Financial assets*

Held-to-Maturity Financial assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Association’s management has the positive intention and ability to hold to maturity where the Association would sell other than an insignificant amount of these financial assets, the entire category would be tainted and reclassified as AFS financial assets.

Bond investments are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR).

The amortization is included in 'Interest income' in the statements of comprehensive income. Gains and losses are recognized in income when the financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statements of comprehensive income under 'Provision for impairment and credit losses'. The effects of translation of foreign currency-denominated financial assets are recognized in the statements of comprehensive income.

The Association classified its investment in bonds and other debt securities as held-to-maturity financial assets. In addition, the Association opted to use the title "Financial Assets at Amortized Costs" in compliance with the Standard Chart of Accounts issued by the Insurance Commission for uniformity of financial reporting amongst the mutual benefit associations.

The Association's investment amounted to P11,200,000.00 as of December 31, 2020 and 2019, respectively (Note 8).

*(c) Available-for-sale Financial Assets*

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

All available-for-sale financial assets are initially and subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes. When the asset is disposed of or is determined to be impaired 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 loss is 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.

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

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock 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.

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

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

As of the reporting period, the Association has no available-for-sale-financial asset.

#### 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 deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*(a) Assets carried at amortized cost.* The Association first assesses whether objective evidence of impairment exists individually significant and individually or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Association includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans receivable or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statements of comprehensive income.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Association may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumption used for estimating future cash flows are reviewed regularly by the group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decrease 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 amount of the reversal is recognized in the statements of comprehensive income.

*(b) Resources carried at fair value with changes charged to capital funds.* In the case of investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from capital funds and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed from capital funds and recognized in the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statements of comprehensive income.

*(c) Resources carried at cost.* The Association assesses at each reporting date whether there is objective evidence that any of the unquoted equity securities and derivative assets linked to and required to be settled in such unquoted equity instruments, which are carried at cost and for which objective evidence of impairment exist. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

#### Financial Liabilities

Financial liabilities are recognized when the Association becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as expense in the statements of comprehensive income under the caption finance costs.

Financial liabilities include liability on individual equity value, member's contribution received in advance, and trade and other payable, which are measured at nominal value.

#### *Liability on Individual Equity*

Liability on individual equity value represents the total amount of obligations set-up by the Association on membership certificates pertaining to the 50% equity value, as required under the Insurance Code, and any incremental amount declared by Association.

It is measured initially at transaction price and subsequently measured at cost less subsequent payments and impairment, if any.

#### *Members' Contribution Received in Advance*

Member's contribution received in advance represents member contributions received but not yet due/earned as of the end of the accounting period and which is expected to become due within one year. It is measured initially at transaction price and subsequently measured at cost less amount due or earned.

#### *Trade and Other Payables*

Trade payables and other payables, if any, represent accounts payables and are recognized initially at the transaction price and subsequently measured at cost less subsequent payments. Other payables include accruals such as utility expenses. Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts if any due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions

### **3.6 Derecognition of Financial Assets and Liabilities**

#### *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Association has transferred its rights to receive cash flows from the asset and either; (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Association has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Association’s continuing involvement in the asset.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or 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 statements of comprehensive income.

#### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### **3.7 Other Current Assets**

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

Other current assets include prepaid reinsurance premium and prepaid taxes that are initially recorded at transaction cost and subsequently measured at cost less impairment loss, if any.



Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefits will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption. Prepayments and other non-financial assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve (12) months after the reporting period, which are then classified as non-current assets.

### ***3.8 Property and Equipment***

The Association shall recognize the cost of an item of property and equipment as an asset if and only if:

- a) It is probable that future economic benefit associated with the item will flow to the entity; and
- b) the cost of the item can be measured reliably

The Association's property and equipment are initially carried at acquisition cost and subsequently at cost less accumulated depreciation and amortization and 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 while 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 amortization 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 method over the estimated useful lives of the depreciable assets as follows:

	<u>Estimated Useful Life</u>
Leasehold improvement	2 – 5 years
IT equipment	1 – 5 years
Transportation equipment	5 years
Office Furniture and equipment	1 – 5 years
Other Properties	3 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 Association property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of Association's property and equipment 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 period the item is derecognized.

### **3.9 Other Non-current Assets**

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

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

Association's property and equipment and intangible assets are subject to impairment testing. Intangible assets with an indefinite useful life, those not yet available for use or goodwill are tested for impairment at least annually. All other individual assets or cash-generating units 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, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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.

### **3.11 Fund Balance**

Guaranty fund balance is initially and subsequently measured using the nominal value of contributions by members.

Free and unassigned funds include all current and prior period results as disclosed in the statements of comprehensive income.

Assigned fund balance include portion the fund balance which has been appropriated for special purposes.

### **3.12 Revenue and Cost Recognition**

Income 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 income is recognized. The current specific revenue recognition policies of the Association are as follows:

- a) *Insurance premium* – Income from insurance premiums are recognized when it is received or becomes receivable.
- b) *Interest income on bank deposits and held-to-maturity financial assets* – Interest income on bank deposits and held-to-maturity financial assets are recognized using the accrual method (taking into account the effective yield on the asset).
- c) *Donations and contributions* – Donations and contributions are recognized by the Association when received from donor.
- d) *Miscellaneous income* – Miscellaneous income such as membership fees, surcharges and penalties are recognized when received.

Costs and expenses are recognized in the statements of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in profit or loss, except capitalized borrowing costs, if any, which are included as part of the cost of the related qualifying asset, on an accrual basis.

### ***3.13 Employee Benefits***

Employees' benefits are all forms of consideration given by the Association in exchange for service rendered by employees, including directors and management.

#### *Short-term Benefits*

The Association recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Association to its employees include compensation, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

#### *Retirement Benefits*

The Association does not have a formal retirement benefit plan. However, the association provides retirement benefits in compliance with RA 7641. No actuarial computation was obtained during the year because the company believes that the amount of provision for retirement benefits will not materially affect the fair presentation of the financial statements considering that there are only few employees and the turnover of employees is high.

### ***3.14 Income Taxes***

The Association is not subject to income tax under Section 30 (c) of the National Internal Revenue Code with respect to income received from its not-for-profit activities such as donations, gifts or charitable contributions. However, income from any of its properties, real and personal, or from any of its activities conducted for profit shall be subject to income tax.

### ***3.15 Provisions***

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 commitment 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 reporting date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset not exceeding the amount of the related provision. 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.

In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each reporting date 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.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

### ***3.16 Contingencies***

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

### ***3.17 Prior Period Adjustments***

Prior period adjustments are omissions from and misstatements in the Association's financial statements for one or more periods arising from a failure to use, or misuse of, reliable information. These adjustments include correction of errors, change in estimates and other adjustments pertaining to prior accounting periods.

A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

### ***3.18 Related Party Disclosures***

A related party is a person or entity that is related to the entity that is preparing its financial statements.

A person or a close member of that person's family is related to a reporting entity if that person: (1) has control or joint control of the reporting entity; (2) has significant influence over the reporting entity; or (3) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies: (1) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (3) both entities are joint ventures of the same third party; (4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (5) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; (6) the entity is controlled or jointly controlled by a person identified in (1); (7) a person identified in (1) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and (8) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### ***3.19 Fair Value Measurement***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Association. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

PFRS 13 requires that financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value, but for which fair value is required to be disclosed in accordance with other relevant PFRS to be categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset (i.e., derived from price); and,
- (c) Level 3: inputs for the assets or liability that are not based on observable marked data (unobservable inputs).

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

#### Events after the End of the Reporting Period

Events after the end of the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. Two (2) types of events can be identified:

- a) those that provide evidence of conditions that existed at the end of the reporting period (*adjusting events after the end of the reporting period*); and
- b) those that are indicative of conditions that arose after the reporting period (*non-adjusting events after the end of the reporting period*).

Post year-end events up to the date of the auditors' report that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

**Note 4 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The Association's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect 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 circumstances. Actual results may ultimately differ from these estimates.

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding pages.

***4.1 Critical Accounting Judgments***

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:

**Going Concern Assessment**

The Management has made an assessment of the Association's ability to continue as a going concern and is satisfied that the Association has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Association's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**Impairment Losses on Financial Assets (Receivables, and Held-to-maturity financial assets)**

The Association reviews its receivables and held-to-maturity financial assets portfolios to assess impairment. In determining whether an impairment loss should be recorded in the statements of comprehensive income, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio before the decrease can be identified with an individual item in that portfolio.

The evidence may include observable data indicating that there has been an adverse change in the payment status of members, or national or local economic conditioned that correlate with defaults on assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.



The Association carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Association utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

#### ***4.2 Key Sources of Estimation Uncertainty***

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### Allowance for Impairment of Receivables

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

##### Valuation of Financial Assets Other than Trade and Other Receivables

The Association carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgments. In cases when active market quotes are not available, 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 base of the instrument. The amount of changes in fair value would differ if the Association utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income.

##### Useful Life 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. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

The carrying values of property and equipment amounted to P150,946.33 and P305,230.30 as of December 31, 2020 and 2019, respectively (Note 12).

#### Impairment of Non-financial Assets

Assessing non-financial assets for impairment includes considering certain indicators of impairment such as significant changes in asset usage, significant decline in market value, obsolescence or physical damage of an asset. If such indicators are present, and where the carrying amount of the asset exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

There was no impairment loss recognized in 2020 and 2019.

#### Retirement and Other Benefits

Liability for the retirement benefits should be computed based on Republic Act (R.A.) No. 7641 and Republic Act (R.A.) No. 8558. The minimum retirement pay due for covered employees shall be equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. One-half month salary include: (a) 15 days salary based on the latest salary rate; (b) cash equivalent of 5 days of service incentive leave (or vacation leave); (c) one-twelfth (1/12) of the 13<sup>th</sup> month pay; provided that retiree has 10 years of continuous service and at least sixty (60) years of age.

The estimated retirement benefit obligation amounted to P345,045.70 and P357,222.70 as of December 31, 2020 and 2019, respectively (Note 18).

#### Provisions and Contingents

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 3.15 and Note 3.16.

#### Revenue and Expense Recognition

The Association's revenue and expense recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and expenses in the comprehensive income and receivables and payables in the statements of financial position. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

### **Note 5 - FAIR VALUE MEASUREMENTS**

The Association's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect 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 circumstances. Actual results may ultimately differ from these estimates.

### 5.1 Fair Value Hierarchy

The following table summarizes the carrying amounts and the fair values by level of the fair value hierarchy of the Association's financial assets and liabilities that are carried at fair value or for which fair value is disclosed as of December 31, 2020 and 2019.

2020	Note	Carrying Amount	Fair Value Hierarchy			Total
			Level 1	Level 2	Level 3	
<i>Assets and liabilities for which fair values are disclosed</i>						
<u>Financial Assets</u>						
Cash*	7	170,096.86	170,096.86	-	-	170,096.86
Financial assets at amortized cost – current	8	11,200,100.00	11,200,100.00	-	-	11,200,100.00
Trade and other receivables	9	188,776.74	-	-	188,776.74	188,776.74
Prepayments and other current assets	10	50,054.63	-	-	50,054.63	50,054.63
Loan receivable	11	14,412,680.00	-	-	14,412,680.00	14,412,680.00
<u>Financial Liabilities</u>						
Liability on individual equity	14	18,226,140.00	-	-	18,226,140.00	18,226,140.00
Other current liabilities	17	815,735.74	-	-	815,735.74	815,735.74
Net pension liability	18	345,045.70	-	-	345,045.70	345,045.70
<hr/>						
2019						
<i>Assets and liabilities for which fair values are disclosed</i>						
<u>Financial Assets</u>						
Cash*	7	571,196.30	571,196.30	-	-	571,196.30
Financial assets at amortized cost – current	8	11,200,100.00	11,200,100.00	-	-	11,200,100.00
Trade and other receivables	9	141,663.00	-	-	141,663.00	141,663.00
Prepayments and other current assets	10	86,939.50	-	-	86,939.50	86,939.50
Loan receivable	11	14,114,740.00	-	-	14,114,740.00	14,114,740.00
<u>Financial Liabilities</u>						
Liability on individual equity	14	17,808,635.00	-	-	17,808,635.00	17,808,635.00
Other current liabilities	17	774,125.93	-	-	774,125.93	774,125.93
Net pension liability	18	357,222.70	-	-	357,222.70	357,222.70

\* The amount excludes petty cash fund amounting to P5,000.00 as of December 31, 2020 and 2019.

## ***5.2 Fair Value Information***

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

Cash, trade and other receivables, financial assets at amortized cost, and financial asset at fair value through profit or loss - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments. In relation to advances from stockholders, the carrying amount approximate its fair value even though it has no specific term of payment.

Membership certificate loans, liability on individual equity value, members contribution received in advance, and other payables - Carrying amount were certified to us by the actuary of the Association.

The description of the accounting policies for each category of financial instruments is disclosed in Notes 3.5. A description of the Association's risk management objectives and policies for financial instruments is provided in Note 6.

## **Note 6 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Association's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Association's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Association. The policies for managing specific risks are summarized below.

### ***6.1 Governance Framework***

The Association has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, and operational risk. It also supports the effective implementation of policies.

The policies define the Association's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

### ***6.2 Capital Management Framework***

The Association's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Association are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic financial statement accounts, are reported to the Association's risk management function.

The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

The operation of the Association is also subject to the regulatory requirements of Insurance Commission and Securities and Exchange Commission. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

The Association, in compliance with the Sec. 405 of the Insurance Code of the Philippines (as amended by R.A. No. 10607, dated August 15, 2013), has constituted and established a guaranty fund which is deposited with the Insurance Commission as a primary requirement for license to operate of every mutual benefit. Any accrual to such fund, be it interest earned or dividend additions on moneys or securities so deposited, may, be withdrawn by the Association if there is no pending benefit claim against it, including interest thereon or dividend additions.

Any increase in the guaranty fund must be in accordance with Sec. 410 of the Insurance Code of the Philippines (as amended by R.A. No. 10607, dated August 15, 2013) wherein ‘every mutual benefit association must accumulate and maintain, out of periodic dues collected from its members, sufficient reserves for the payment of claims or obligations’. Also, a reserve liability shall be established in accordance with actuarial procedures and shall be approved by the Commissioner.

The debt-to-equity ratio of the Association is computed as follows:

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
Total liabilities	19,636,382.27	19,199,646.69
Total members' equity	<u>6,551,272.29</u>	<u>7,235,222.41</u>
Debt-to-equity ratio	<u><u>P3.00 : P1.00</u></u>	<u><u>P2.65 : P1.00</u></u>

### **6.3 Financial Risk**

The Association is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are: credit risk and liquidity risk.

### 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 advances to affiliates.

The Association continuously monitors defaults of borrowers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The association's policy is to deal only with creditworthy counterparties.

The table below shows the maximum exposure to credit risk for the components of December 31, 2020 and 2019 statements of financial position. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
Cash	170,096.86	571,196.30
Financial assets at amortized cost - current	11,200,100.00	11,200,100.00
Trade and other receivables	188,776.74	141,663.00
Prepayments and other current assets	50,054.63	86,939.50
Loan receivable	<u>14,412,680.00</u>	<u>14,114,740.00</u>
Total	<u><u>26,021,708.23</u></u>	<u><u>26,114,638.80</u></u>

None of the Association's financial assets are secured by collateral or other credit enhancements.

As at December 31, 2020 and 2019, the Association has no financial instruments with rights to offset in accordance with PAS 32. There are also no financial instruments that are subject to an enforceable master netting arrangement or similar agreements which require disclosure in the financial statements in accordance with amendments on PFRS 7.

Credit Quality per Class of Financial Assets

The table below shows the credit quality per class of financial assets as at December 31, 2020 and 2019.

<u>2020</u>	<u>Note</u>	<u>Neither past due nor impaired</u>	<u>Past due</u>	<u>Impaired</u>
<u>Financial Assets</u>				
Cash*	7	170,096.86	-	-
Financial assets at amortized cost - current	8	11,200,100.00	-	-
Trade and other receivables	9	188,776.74	-	-
Prepayments and other current assets	10	50,054.63	-	-
Loan receivable	11	14,412,680.00	-	-
<u>Financial Liabilities</u>				
Liability on individual equity	14	18,226,140.00	-	-
Other current liabilities	17	815,735.74	-	-
Net pension liability	18	345,045.70	-	-
<u>2019</u>	<u>Note</u>	<u>Neither past due nor impaired</u>	<u>Past due</u>	<u>Impaired</u>
<u>Financial Assets</u>				
Cash*	7	571,196.30	-	-
Financial assets at amortized cost - current	8	11,200,100.00	-	-
Trade and other receivables	9	141,663.00	-	-
Prepayments and other current assets	10	86,939.50	-	-
Loan receivable	11	14,114,740.00	-	-
<u>Financial Liabilities</u>				
Liability on individual equity	14	17,808,635.00	-	-
Other current liabilities	17	774,125.93	-	-
Net pension liability	18	357,222.70	-	-

\* The amount excludes petty cash fund amounting to P5,000.00 as of December 31, 2020 and 2019.

The Association's management considers that all the above financial assets that are not impaired or past due for each reporting date are of good credit quality.



### Liquidity Risk

The Association's objective is to maintain a balance between continuity of funding and flexibility through the use of generated funds. Liquidity risk is the risk that the Association will be unable to meet its payment obligations when they fall due. The Association manages this risk through periodical monitoring of cash flows in consideration of future payment due dates and daily collection amounts. The Association also ensures that there are sufficient, available and approved working capital lines that it can draw from anytime.

The table below summarizes the maturity profile of the Association's financial obligations as of December 31, 2020 and 2019 based on contractual undiscounted payment:

	2020		2019	
	Due within one (1) year	Due after one (1) year	Due within one (1) year	Due after one (1) year
<b><u>Financial Assets</u></b>				
Cash*	170,096.86	-	571,196.30	-
Financial assets at amortized cost - current	11,200,100.00	-	11,200,100.00	-
Trade and other receivables	188,776.74	-	141,663.00	-
Prepayments and other current assets	50,054.63	-	86,939.50	-
Loan receivable	-	14,412,680.00	-	14,114,740.00
<b>Total</b>	<b>11,609,028.23</b>	<b>14,412,680.00</b>	<b>11,999,898.80</b>	<b>14,114,740.00</b>
<b><u>Financial Liabilities</u></b>				
Liability on individual equity	-	18,226,140.00	-	17,808,635.00
Other current liabilities	815,735.74	-	774,125.93	-
Net pension liability	-	345,045.70	-	357,222.70
<b>Total</b>	<b>815,735.74</b>	<b>18,571,185.70</b>	<b>774,125.93</b>	<b>18,165,857.70</b>

\* The amount excludes petty cash fund amounting to P5,000.00 as of December 31, 2020 and 2019.

### **Note 7 - CASH AND CASH EQUIVALENTS**

The account consists of the following:

	2020	2019
Petty cash fund	5,000.00	5,000.00
Cash in bank	170,096.86	268,418.02
Time deposit	-	302,778.28
<b>Total</b>	<b>175,096.86</b>	<b>576,196.30</b>

Petty cash fund is used to defray small expenditures of the Company on its day- to -day operations when issuance of check is inappropriate and not advisable. This is kept under imprest fund system of recording.

Cash in bank consists of current and savings accounts on different banks, earning interest at prevailing bank deposit rates.

Total interest income earned for years ended 2020 and 2019 amounted to P3,757.56 and P17,639.42 which are included in the other income account (Note 23).

None of the foregoing assets was restricted and none was used to secure any liability of the Association.

**Note 8 - FINANCIAL ASSETS AT AMORTIZED COST (FAAC) - CURRENT**

The account consists of the following:

	<u>2020</u>	<u>2019</u>
FAAC – Investment in Bonds/Government	9,500,000.00	9,500,000.00
FAAC – Investment in Bonds/Corporate	1,700,000.00	1,700,000.00
FAFV(P&L) – Investment in Stocks	100.00	100.00
Total	<u>11,200,100.00</u>	<u>11,200,100.00</u>

This account refers to financial assets (debt securities) which are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flow that are solely payments of payments of principal and interest on the principal amount outstanding after the reporting period.

**Note 9 - RECEIVABLES**

The account consists of the following:

	<u>2020</u>	<u>2019</u>
Accrued interest income	71,663.25	71,663.25
Other current receivables	117,113.49	69,999.75
Total	<u>188,776.74</u>	<u>141,663.00</u>

Other current receivables refers to financial assets that represent a contractual right to receive cash or another financial asset. These includes Member’s Contribution Due and Uncollected which represent contributions that are due but uncollected at the end of the accounting period on all membership certificates as of valuation records; and Amounts Recoverable from Insurers which represents the accrued amount recoverable from reinsurers arising from paid claims and claims payable.

The above receivables were unsecured, non-interest bearing and expected to be collected within one (1) year from the end of the reporting date. Also, there was no indication which warrants the impairment of the foregoing assets. Hence, no impairment loss was recognized during the year. Furthermore, none of the foregoing receivables were used to secure any liability of the Association.

**Note 10 - PREPAYMENTS AND OTHER CURRENT ASSETS**

The account consists of the following:

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
Other prepaid expense	30,300.00	60,600.00
Office supplies - unused	<u>19,754.63</u>	<u>26,339.50</u>
Total	<u><u>50,054.63</u></u>	<u><u>86,939.50</u></u>

Other prepaid refers to payments for renewal fee – IC made in advance and other assets which are expected to be realized, consumed or used within the year or one operating cycle.

**Note 11 - LOANS RECEIVABLE**

The account consists of the following:

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
Membership certificate loans	13,022,680.00	12,424,740.00
Other loan receivable	<u>1,390,000.00</u>	<u>1,690,000.00</u>
Total	<u><u>14,412,680.00</u></u>	<u><u>14,114,740.00</u></u>

Other loan receivable represents the outstanding balances of loans granted to members at prescribed interest rates, fully secured by the members' equity value of the certificate. Automatic contributions loan applied by the Association, as provided for in the membership certificate, to cover contribution(s) due on the certificate but still unpaid within the grace period

**Note 12 - PROPERTY AND EQUIPMENT, NET**

A reconciliation of the carrying amounts at the beginning and end of years 2019 and 2020, and the gross carrying amounts and accumulated depreciation of property and equipment are shown below:

Cost	2 0 1 8	Additions	Disposal	2 0 1 9	Additions	2 0 2 0
Leasehold improvements	271,000.00	1,592.00	-	272,592.00	-	272,592.00
IT equipment	781,526.00	26,123.00	22,577.00	785,072.00	-	785,072.00
Transportation equipment	53,844.00	-	-	53,844.00	-	53,844.00
Office furniture, fixtures and equipment	60,037.00	-	-	60,037.00	-	60,037.00
Other equipment	83,100.00	-	-	83,100.00	-	83,100.00
Other properties	76,719.00	7,920.00	-	84,639.00	2,400.00	87,039.00
Total	1,326,226.00	35,635.00	22,577.00	1,339,284.00	2,400.00	1,341,684.00
Accumulated depreciation	2 0 1 8	Depreciation	Disposal	2 0 1 9	Depreciation	2 0 2 0
Leasehold improvements	53,957.37	82,099.19	-	136,056.56	65,827.32	201,883.88
IT equipment	533,404.64	133,687.56	22,577.00	644,515.20	77,469.19	721,984.39
Transportation equipment	53,843.00	-	-	53,843.00	-	53,843.00
Office furniture, fixtures and equipment	59,511.06	485.94	-	59,997.00	-	59,997.00
Other equipment	61,444.76	8,120.04	-	69,564.80	6,766.60	76,331.40
Other properties	67,785.51	2,291.63	-	70,077.14	6,620.86	76,698.00
Total	829,946.34	226,684.36	22,577.00	1,034,053.70	156,683.97	1,190,737.67
Carrying value	496,279.66			305,230.30		150,946.33

During the year, the Association acquired thermal scanner for all employees of the association.

There was no objective evidence that warrant the impairment of the above properties and equipment, thus no impairment loss was recognized. Furthermore, none of these was used as collateral to secure any of the Association's liabilities.

**Note 13 - OTHER FUNDS AND DEPOSITS**

This accounts refers to restricted funds set aside for funding such reserves which may be convertible to cash upon termination of services.

Total rent deposit as of December 31, 2020 and 2019 amounted to P10,000.00.

**Note 14 - LIABILITY ON INDIVIDUAL EQUITY VALUE**

In accordance with the provisions of the Insurance Code, every outstanding membership certificate must have, after three (3) full years of being continuously in force, an equity value to at least 50% of the total membership dues collected from the members. The equity is payable to the members upon termination of their membership in the Association. In accordance with the same code, the Association is required to put up a reserve liability not lower than the equity value of all in-force, active certificates as at the end of each calendar year. Liability on individual equity value of the Association as at December 31, 2020 and 2019 amounted to P18,226,140.00 and P17,808,635.00, respectively.

Increase in individual equity value amounted to P417,505.00 and P1,762,840.00 for the years ended December 31, 2020 and 2019, respectively.

**Note 15 - BASIC CONTINGENT BENEFITS RESERVE**

This represents the total actuarial reserve amounting to P116,960.83 and P142,857.00 as of December 31, 2020 and 2019 set-up by the Association pertaining to the basic life benefit that is in force at the end of the accounting period. It refers to the amount of liability which the Association establishes for a certificate to meet the contractual obligation as it fails due.

**Note 16 - CLAIMS PAYABLE ON BASIC CONTINGENT BENEFIT**

This account represents the sum of the individual claims on membership certificate amounting to P132,500.00 and P116,805.56 as of December 31, 2020 and 2019 that have already occurred but on which notice has not yet received by the Association. This estimate takes into account any policy reserve liability set up by the Association and any amount recoverable from the reinsurers. During the year, claims benefit payables have already been settled.

**Note 17 - OTHER CURRENT LIABILITIES**

The account consists of the following:

	<u>2020</u>	<u>2019</u>
Accrued expense	244,152.77	94,039.88
Due to old age fund	122,549.58	122,549.58
Member's contribution received in advance	85,720.00	404,800.00
Amount due to reinsurer	6,772.60	5,442.42
Other accounts payable	<u>356,540.79</u>	<u>147,294.05</u>
Total	<u>815,735.74</u>	<u>774,125.93</u>

Accrued expenses represent expenses incurred for the period but not yet paid as of the end of the accounting period.

Other accounts payable represents liabilities of the Mutual Benefit Association as a result of indebtedness due to any institution, individual and or supplier.

**Note 18 - NON-CURRENT LIABILITY**

The Association does not have a formal retirement benefit plan. However, the association provides retirement benefits in compliance with RA 7641. No actuarial computation was obtained during the year because the company believes that the amount of provision for retirement benefits will not materially affect the fair presentation of the financial statements considering that there are only few employees and the turnover of employees is high.

Total Retirement payable as of December 31, 2020 and 2019 amounted to P345,045.70 and P357,222.70, respectively.

**Note 19 - MEMBER' CONTRIBUTIONS, NET**

The account consists of the following:

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
Members contribution:		
BLIP Contribution- Basic (80%)	1,600,200.00	2,318,010.00
BLIP Contribution - Gen Fund (20%)	<u>400,050.00</u>	<u>579,340.00</u>
Net Member's contribution	<u><u>2,000,250.00</u></u>	<u><u>2,897,350.00</u></u>

Members' contributions represent considerations given by the member in exchange for the promises of the Association to pay stipulated sum in the event of a loss covered under the basic benefits indicated in the Internal Rules and Regulations (IRR) of the Association and/or membership certificates.

**Note 20 - OTHER REVENUES**

The account consists of the following:

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
Member's fees/dues	10,200.00	20,000.00
Reinstatement fees	1,920.00	313,226.00
Miscellaneous income	<u>326,774.99</u>	<u>352,933.86</u>
Total	<u><u>338,894.99</u></u>	<u><u>686,159.86</u></u>

This above accounts represents income received or earned from various sources.

**Note 21 - BENEFIT EXPENSES**

A. Benefit Expense is computed as follows:

	<u>2020</u>	<u>2019</u>
Benefits/Claims Expenses – Basic Benefits	<u>1,008,120.00</u>	<u>213,375.00</u>
Total	<u><u>1,008,120.00</u></u>	<u><u>213,375.00</u></u>

B. Other Benefit Expense is computed as follows:

	<u>2020</u>	<u>2019</u>
Allocation for liability on Individual Equity Value	407,302.77	1,699,534.73
Other expenses for members	<u>57,772.20</u>	<u>10,296.00</u>
Total	<u><u>465,074.97</u></u>	<u><u>1,709,830.73</u></u>

Benefits/claims expense represents the aggregate losses and claims, including refund of equity value, if any, against the Association arising from the certificates and insurance contracts issued to members. This can be further classified into basic and optional premium.

Allocation for liability on individual equity is composed of increase (decrease) on liability on individual equity, increase (decrease) on reserve for basic contingent benefit and increase on aggregate reserve member.

Other expenses for members includes membership enrollment and marketing expenses and collection fees.

Increase (decrease) on liability on individual equity represent the net change in the liability on individual equity value for basic benefit for the current period, that the withdrawal of equity and additional contributions.

Increase (decrease) in reserve for basic contingent benefit represent the net change in the reserve for basic benefit for the current period.

Membership enrollment and marketing expenses represent for marketing, including member’s mobilization, and production or policy forms, promotional materials, among others.

Collection fees refers to fees paid to individuals and/or partner institutions for collection services.



**Note 22 - OPERATING EXPENSES**

The account consists of the following:

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
Salaries, wages and benefits	1,081,815.07	1,170,703.72
Depreciation expense (Note 12)	156,683.97	226,684.36
Technical and professional fees	150,000.00	65,000.00
Taxes, licenses and fees (Note 27)	119,181.39	178,747.65
Repairs and maintenance	111,770.30	118,266.65
Utilities	88,094.57	149,850.20
Meetings and conferences	75,676.53	144,364.09
Professional and technical development	42,500.00	7,059.59
Office supplies	35,564.57	56,629.70
Travel	15,347.49	15,321.93
Social and community service	3,560.00	5,479.50
Board honorarium, allowances and benefits	3,300.00	16,080.00
Service fees	1,539.78	1,519.00
Insurance	1,000.00	4,560.00
Miscellaneous	<u>2,462.00</u>	<u>1,868.00</u>
 Total	 <u><u>1,888,495.67</u></u>	 <u><u>2,162,134.39</u></u>

Salaries, wages and benefits refer to payment to the Association's employee in exchange for the services rendered.

Meetings and conferences refer to expenses incurred during meeting with the board (regular meeting, special meeting, and committee meeting).

Social and community services pertains to the financial assistance for cooperative members affected by calamities.

Insurance expense represents premium paid on insurance coverage of office building, furniture, fixtures and equipment, IT equipment, vehicles and others. It also includes premium charges on the surety/fidelity bond of the accountable officers and staff.

Miscellaneous represents various expenses incurred by the Association incidental to their function and which are not classified on the above listed expenses such as cost incurred in notary, supervision fee, and expenses incurred in submission of annual statements to Insurance Commission.

**Note 23 - INVESTMENT REVENUE**

The account consists of the following:

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
Interest income – BTR	274,000.00	283,419.58
Interest income – corporate bonds	56,517.00	47,097.94
Interest income on loan - TMFI	20,000.00	20,000.00
Interest income - bank (Note 7 )	3,757.56	17,639.42
Donations and contribution received	-	10,000.00
	<u>354,274.56</u>	<u>378,156.94</u>
Total	<u>354,274.56</u>	<u>378,156.94</u>

Interest income represents interest earned by the MBA from its bank deposits, and other investments.

**Note 24 - INVESTMENT EXPENSES**

The account consists of the following:

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
BTR Investment Management Fees	12,000.00	12,000.00
Bank and other charges	3,678.31	810.57
	<u>15,678.31</u>	<u>12,810.57</u>
Total	<u>15,678.31</u>	<u>12,810.57</u>

This represents fees paid to duly authorized investment fund manager for the handling of the MBA's investment portfolio and charges imposed by bank and non-bank institution on the financial transactions and other financing charges.

**Note 25 - FREE AND UNASSIGNED FUNDS BALANCE**

This represents the accumulated earnings of the MBA reduced by whatever losses the MBA may incur during a certain accounting period that is not restricted in the amount of (P228,646.36) and P152,278.37 for the year December 31, 2020 and 2019, respectively.

**Note 26 - ASSIGNED FUNDS BALANCE**

	<u>2 0 2 0</u>	<u>2 0 1 9</u>
Fund balance assigned for guaranty fund, beg.	6,779,918.65	6,779,918.65
Total	6,779,918.65	6,779,918.65
Fund balance assigned for member's benefit, beg	198,179.72	301,561.53
Less: Usage of fund	(198,179.72)	(103,381.81)
Total	-	198,179.72
Fund balance assigned community development fund, beg	104,845.67	104,845.67
Less: Usage of fund	(104,845.67)	-
Total	-	104,845.67
Total Fund Balance, beginning	7,082,944.04	7,186,325.85
Total usage of fund	(303,025.39)	(103,381.81)
Total Appropriated funds	6,779,918.65	7,082,944.04

This includes portion of the fund balance which has been appropriated for a special purpose.

**Note 27 - INCOME TAX**

The Association is not subject to income tax under Section 30 (c) of the National Internal Revenue Code with respect to income received from its not-for-profit activities such as donations, gifts or charitable contributions. However, income from any of its properties, real and personal, or from any of its activities conducted for profit shall be subject to income tax.

Interest earnings on deposits of members with Association, as well as the shares of its members from the net income of the Association shall be exempt from income tax under Republic Act (R.A.) No. 8367 or the Revised Non-stock Savings and Loan Association Act of 1997.

The application for tax exemption of the Association was received by the Bureau of Internal Revenue (BIR) and other documents required were received on October 29, 2020 and was still awaiting for BIR's approval and issuance of the certificate of tax exemption.

**Note 28 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)**

Presented below is the supplementary information, which is required by the 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.

## **28.1 Requirements under Revenue Regulations No. 15-2010**

In compliance with BIR Revenue Regulations No. 15-2010 (amending certain provision of Sec. 2 of RR No. 21-2002), which requires addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and convention, the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year particularly on the following which is applicable to the Association:

### Value-added Tax

The Association is not a VAT-registered entity.

### Taxes on Importation

The Association has no importation transaction during the year.

### Excise Tax

The Association has no transaction in 2020 which is subject to excise tax.

### Documentary Stamp Tax

The Association did not pay documentary stamp tax during the year.

### Taxes and Licenses

The details of taxes and licenses account are as follows:

#### *Local*

Business permit and others	<u>22,841.39</u>
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#### *National*

Annual registration	500.00
IC annual expenses	93,840.00
Other BIR fees	<u>2,000.00</u>

Total	<u><u>119,181.39</u></u>
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### Withholding Taxes

The Association has no transaction subject to withholding taxes during the year.

### Deficiency Tax Assessments and Tax Cases

As of December 31, 2020, the Association does not have any final deficiency tax assessment from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

## **28.2 Requirements under Revenue Regulations No. 19-2011**

Revenue Regulations No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and/or services, itemized deductions and other significant tax information, to be disclosed in the notes to the 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 of revenues reflected in the 2020 statements of comprehensive income, which is based on PFRS.

Taxable Revenue

The Association no had taxable revenue for the year ended December 31, 2020.

Deductible Cost of Services

The Association has no deductible costs of services under regular tax regime for December 31, 2020.

Taxable Other Income

The Association has no taxable other income in 2020 which are subject to regular tax rate.

Itemized Deductions

The Association has no itemized deductions under the regular tax regime for the year ended December 31, 2020.

**25.3 Requirements under Revenue Regulations No. 34-2020**

The Company is not covered by the requirements and procedures for related party transactions provided under revenue regulation no. 34-2020.

**Note 29 - RELATED PARTY TRANSACTIONS**

Under Insurance Commission's Circular Letter No. 2017-29 (1.6), "Related Party Transactions are transactions or dealings with related parties of the Covered Institutions (IC), including its trust department, regardless of whether or not a price is charged.

These shall include, but not limited to the following:

- 1.6.1 On and off-balance sheet credit exposures and claims and write-offs;
- 1.6.2 Investments and/or subscriptions for debt/equity issuances;
- 1.6.3 Consulting, professional, agency and other service arrangements/contracts;
- 1.6.4 Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
- 1.6.5 Construction arrangements/contracts;
- 1.6.6 Lease arrangements/contracts;
- 1.6.7 Trading and derivative transactions;
- 1.6.8 Borrowings, commitments, fund transfers and guarantees;
- 1.6.9 Sale, purchase or supply of any goods or materials; and
- 1.6.10 Establishment of joint venture entities

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party."

As of the years ended December 31, 2020 and 2019, the Association has no transaction that was mentioned above.

**Note 29 - EVENTS AFTER THE REPORTING PERIOD**

An entity shall adjust the amounts recognized in its financial statements to reflect adjusting events after the reporting period.

An entity shall not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the reporting period. If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions of users taken on the basis of financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

- a) the nature of the event; and
- b) an estimate of its financial effect or a statement that such an estimate cannot be made.

Impact of COVID-19 Update

Coronavirus Disease 2019 (COVID-19) was declared as pandemic by the World Health Organization (WHO) on March 2020. With the increasing number of cases in various places, this become an issue of global concern. This affect the worldwide economy as businesses, except those categorized as providers of essential services, were forced to cease operations temporarily in compliance to social distancing and safety protocol of respective government bodies.

The government implemented the Enhanced Community Quarantine (ECQ) in the National Capital Region (NCR) and other provinces in the country last March 16, 2020 as precautionary measures in fighting the spread of COVID-19. With this, most businesses ceased to operate except those providing basic necessities. The economic impact of this pandemic to the Company is minimal since it is still operating during the period. The Company can also meet its obligations when it falls due. Furthermore, the shareholders are willing to extend cash support when fund requirement arise.

During the year, the government has reverted back Metro Manila, Bulacan, Cavite, Laguna and Rizal, also known as the Greater Manila area into Enhanced Community Quarantine (ECQ) effective March 29, 2021 to April 4, 2021 which was further extended until April 11, 2021 to tackle the surge in infections.

Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE) Bill, Republic Act No. 11534

On February 3, 2021, the Bicameral Conference Committee of the House of Representatives and the Senate approves the proposed amendments to the National Internal Revenue Code of 1997, as amended, under the proposed “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE) Bill.

On March 26, 2021, a day before it was set to lapse into law, the President of the Philippines signed the Corporate Recovery and Tax Incentives for Enterprises Act, or CREATE, which cuts corporate income taxes and provides incentives to help businesses recover from the pandemic and encourage foreign investments.

The Association has evaluated subsequent events through \_\_\_\_\_ which is the date of the financial statements were available to be issued.