Fwd: Tax Return Receipt Confirmation

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KASAGANA-KA MBA

to me

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From: <ebirforms-noreply@bir.gov.ph>
Date: Wed, Jun 10, 2020, 6:19 PM
Subject: Tax Return Receipt Confirmation
To: <kasaganaka.mba@gmail.com>

This confirms receipt of your submission with the following details subject to validation by BIR:
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Time received by BIR: 01:07 PM
Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

FOR RETURNS WITH PAYMENT
Please print this e-mail together with the RETURN and proceed to pay through the Authorized Age

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Bureau of Internal Revenue

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Bureau of Internal Revenue
RDO-039 RECEIVED SOUTH QC
JUN 26 2020
REMEDIOS MAY A. ROQUE
Compliance Section

For BIR Use Only | BCS/ Item

1702-EX06/13P1

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

Annual Income Tax Return

For Use ONLY by 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

Enter all required information in CAPITAL LETTERS using BLACK ink. Mark applicable boxes with an "X". Two copies MUST be filed with the BIR and one held by the taxpayer.

BIR Form No. **1702-EX** June 2013 **Page 1**

1 For [X] Calendar [ ] Fiscal

2 Year Ended (MM/20YY) 12/20 19

3 Amended Return? [ ] Yes [X] No

4 Short Period Return? [ ] Yes [X] No

5 Alphanumeric Tax Code (ATC)
- IC 011 Exempt Corporation on Exempt Activities [X]
- IC 021 General Professional Partnership [ ]

Part I - Background Information

6 Taxpayer Identification Number (TIN) 246 - 220 - 351 - 0000

7 RDO Code 039

8 Date of Incorporation/Organization *(MM/DD/YYYY)* 06 / 29 / 2006

9 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*
KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC

10 Registered Address *(Indicate complete registered address)*
5 MATIMPIIN STREET PINYAHAN QUEZON CITY

11 Contact Number 8990 - 7915

12 Email Address kasaganaka.mba@gmail.com

13 Main Line of Business ACTIVITIESOFOTHERMEMBERSH

14 PSIC Code 9199

15 Method of Deduction Itemized Deductions [Sections 34 (A-J), NIRC]

16 Legal Basis of Tax Relief/Exemption (Specify) NIRC SEC 30 (C)

17 Investment Promotion Agency (IPA)/Government Agency INTERNAL REVENUE CODE

18 Registered Activity/Program (Reg. No.) 9199

19 Effectivity Date of Tax Relief/Exemption From 01 / 01 / 2019 To 12 / 31 / 2019

Part II – Total Tax Payable *(Do NOT enter Centavos)*

20 Total Income Tax Due *(From Part IV Item 41)*	000
21 Add: Penalty - Compromise	0
22 **TOTAL AMOUNT PAYABLE** *(Sum of Items 20 & 21)*	0

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN.)*

Enriqueta Navarro — Signature over printed name of President/Principal Officer/ Authorized Representative

Elibeth Molina — Signature over printed name of Treasurer/Assistant Treasurer

Title of Signatory | Number of pages filed

23 Community Tax Certificate (CTC) Number/SEC Reg. No. CN200610 15

24 Date of Issue (MM/DD/YYYY) 06 / 29 / 2006

25 Place of Issue QUEZON CITY

26 Amount, if CTC 0

Part III – Details of Payment

Details of Payment	Drawee Bank/ Agency	Number	Date (MM/DD/YYYY)	Amount
27 Cash/Bank Debit Memo			/ /	0
28 Check			/ /	0
29 Tax Debit Memo			/ /	0
30 Others *(Specify Below)*				
			/ /	0

Machine Validation / Revenue Official Receipt Details *(if not filed with an Authorized Agent Bank)*

Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

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JUN 26 2020
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Compliance Section

Annual Income Tax Return
Page 2

BIR Form No. **1702-EX** June 2013

1702-EX06/13P2

TIN	Registered Name
246 220 351 0000	KASAGANA-KA MUTUAL BENEFIT ASSOCIATI

Part IV – Computation of Tax

(Do NOT enter Centavos)

31 Net Sales/Revenues/Receipts/Fees *(From Schedule 1 Item 6)*	53,599,744
32 Less: Cost of Sales/Services *(From Schedule 2 Item 27)*	40,837,546
33 Gross Income from Operation *(Item 31 Less Item 32)*	12,762,198
34 Add: Other Taxable Income Not Subjected to Final Tax *(From Schedule 3 Item 4)*	789,532
35 Total Gross Income *(Sum of Items 33 & 34)*	13,551,730

Less: Deductions Allowable under Existing Law

36 Ordinary Allowable Itemized Deductions *(From of Schedule 4 Item 40)*	11,331,710
37 Special Allowable Itemized Deductions *(From Schedule 5 Item 5)*	0
38 Total Itemized Deductions *(Sum of Items 36 & 37)*	11,331,710

39 Net Taxable Income *(Item 35 Less Item 38)*	2,220,020
40 Income Tax Rate	0%
41 Total Income Tax Due *(Item 39 X Item 40) (To Part II Item 20)*	000

Part V - Tax Relief Availment

42 Regular Income Tax Otherwise Due *(30% of Part IV Item 39)*	666,006
43 Special Allowable Itemized Deductions *(30% of Part IV Item 37)*	0
44 Total Tax Relief Availment *(Sum of Items 42 & 43)*	666,006

Part VI - Information - External Auditor/Accredited Tax Agent

45 Name of External Auditor/Accredited Tax Agent

ROXAS CRUZ TAGLE AND CO

46 TIN 004 671 931 000

47 Name of Signing Partner *(If External Auditor is a Partnership)*

CLARK JOSEPH BABOR

48 TIN 248 709 974 000

49 BIR Accreditation No.	50 Issue Date *(MM/DD/YYYY)*	51 Expiry Date *(MM/DD/YYYY)*
08-001682-014-2019	09/27/2019	09/27/2022

Annual Income Tax Return Page 3 - Schedules 1 & 2	BIR Form No. 1702-EX June 2013	1702-EX06/13P3
TIN	Registered Name	
2 4 6 2 2 0 3 5 1 0 0 0 0	KASAGANA-KA MUTUAL BENEFIT ASSOCIATI	

Schedule 1 - Sales/Revenues/Receipts/Fees *(Attach additional sheet/s, if necessary)*

1 Sale of Goods/Properties	0
2 Sale of Services	53,599,744
3 Lease of Properties	0
4 Total *(Sum of Items 1 to 3)*	53,599,744
5 Less: Sales Returns, Allowances and Discounts	0
6 Net Sales/Revenues/Receipts/Fees *(Item 4 Less Item 5) (To Part IV Item 31)*	53,599,744

Schedule 2 - Cost of Sales *(Attach additional sheet/s, if necessary)*

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add Purchase of Merchandise	0
3 Total Goods Available for Sale *(Sum of Items 1 & 2)*	0
4 Less: Merchandise - Ending	0
5 Cost of Sales *(Item 3 Less Item 4) (To Schedule 2 Item 27)*	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0	
7 Add: Purchases of Direct Materials	0	
8 Materials Available for Use *(Sum of Items 6 & 7)*	0	
9 Less: Direct Materials, Ending	0	
10 Raw Materials Used *(Item 8 Less Item 9)*		0
11 Direct Labor		0
12 Manufacturing Overhead		0
13 Total Manufacturing Cost *(Sum of Items 10, 11 & 12)*		0
14 Add: Work in Process, Beginning	0	
15 Less: Work in Process, Ending	0	
16 Cost of Goods Manufactured *(Sum of Items 13 & 14 Less Item 15)*		0
17 Add: Finished Goods, Beginning	0	
18 Less: Finished Goods, Ending	0	
19 Cost of Goods Manufactured and Sold *(Sum of Items 16 & 17 Less Item 18) (To Schedule 2 Item 27)*		0

Schedule 2C - Cost of Services
(For those engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	0
21 Direct Charges - Materials, Supplies and Facilities	0
22 Direct Charges - Depreciation	0
23 Direct Charges - Rental	0
24 Direct Charges - Outside Services	0
25 Direct Charges - Others	40,837,546
26 Total Cost of Services *(Sum of Items 20 to 25) (To Schedule 2 Item 27)*	40,837,546

27 Total Cost of Sales/Services *(Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 32)*	40,837,546

Annual Income Tax Return Page 4 - Schedules 3 & 4	BIR Form No. 1702-EX June 2013	1702-EX06/13P4
TIN	Registered Name	
2 4 6 2 2 0 3 5 1 0 0 0 0	KASAGANA-KA MUTUAL BENEFIT ASSOCIATI	

Schedule 3 - Other Taxable Income Not Subjected to Final Tax *(Attach additional sheet/s, if necessary)*

1	OTHER INCOME	789,532
2		0
3		0
4	Total Other Taxable Income Not Subjected to Final Tax *(Sum of Items 1 to 3) (To Part IV Item 34)*	789,532

Schedule 4 - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1	Advertising and Promotions	20,400
	Amortizations *(Specify on Items 2, 3 & 4)*	
2		0
3		0
4		0
5	Bad Debts	0
6	Charitable Contributions	0
7	Commissions	0
8	Communication, Light and Water	360,426
9	Depletion	0
10	Depreciation	811,069
11	Director's Fees	0
12	Fringe Benefits	0
13	Fuel and Oil	0
14	Insurance	34,673
15	Interest	0
16	Janitorial and Messengerial Services	0
17	Losses	0
18	Management and Consultancy Fee	0
19	Miscellaneous	22,786
20	Office Supplies	899,974
21	Other Services	0
22	Professional Fees	409,802
23	Rental	232,404
24	Repairs and Maintenance – (Labor or Labor & Materials)	215,278
25	Repairs and Maintenance – (Materials/Supplies)	0
26	Representation and Entertainment	618,586
27	Research and Development	150,558
28	Royalties	0
29	Salaries and Allowances	5,361,930

Annual Income Tax Return
Page 5 - Schedules 4, 5 & 6

BIR Form No. **1702-EX** June 2013

1702-EX06/13P5

TIN	Registered Name
2 4 6 2 2 0 3 5 1 0 0 0 0	KASAGANA-KA MUTUAL BENEFIT ASSOCIATI

Schedule 4 - Ordinary Allowable Itemized Deductions *(Continued from Previous Page)*

30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	0
32 Taxes and Licenses	167,515
33 Tolling Fees	0
34 Training and Seminars	0
35 Transportation and Travel	531,900
Others *[Specify below; Add additional sheet(s) if necessary]*	
36 RETIREMENT EXPENSE	199,197
37 MEALS	753,436
38 MEETINGS AND CONFERENCE	232,483
39 OTHERS	309,293
40 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 39) (To Part IV Item 36)*	11,331,710

Schedule 5 - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

	Description	Legal Basis	Amount
1			0
2			0
3			0
4			0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 37)*			0

Schedule 6 - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books	6,288,726
Add: Non-deductible Expenses/Taxable Other Income	
2	0
3	0
4 Total *(Sum of Items 1 to 3)*	6,288,726
Less: A) Non-taxable Income and Income Subjected to Final Tax	
5 INCOME SUBJECTED TO FINAL TAX	4,068,706
6	0
B) Special Deductions	
7	0
8	0
9 Total *(Sum of Items 5 to 8)*	4,068,706
10 Net Taxable Income (Loss) *(Item 4 Less Item 9)*	2,220,020

Annual Income Tax Return
Page 6 - Schedules 7 & 8

BIR Form No. **1702-EX** June 2013

1702-EX06/13P6

TIN	Registered Name
2 4 6 2 2 0 3 5 1 0 0 0 0	KASAGANA-KA MUTUAL BENEFIT ASSOCIATI

Schedule 7 – BALANCE SHEET

Assets	
1 Current Assets	33,680,611
2 Long-Term Investment	183,148,603
3 Property, Plant and Equipment – Net	5,469,783
4 Long-Term Receivables	0
5 Intangible Assets	954,473
6 Other Assets	328,758
7 **Total Assets** *(Sum of Items 1 to 6)*	223,582,228

Liabilities and Equity	
8 Current Liabilities	23,699,274
9 Long-Term Liabilities	124,920,330
10 Deferred Credits	0
11 Other Liabilities	0
12 **Total Liabilities** *(Sum of Items 8 to 11)*	148,619,604
13 Capital Stock	0
14 Additional Paid-in Capital	0
15 Retained Earnings	74,962,624
16 **Total Equity** *(Sum of Items 13 to 15)*	74,962,624
17 **Total Liabilities and Equity** *(Sum of Items 12 & 16)*	223,582,228

Schedule 8 – [X] Stockholders [ ] Partners [X] Members Information (Top 20 stockholders, partners or members)
(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership.)

REGISTERED NAME	TIN	Capital Contribution	% to Total
ENRIQUETA V. NAVARRO	926 515 009 000	0	0
LILIBETH C. MOLINA	499 921 997 000	0	0
BRENDA F. LUMBAO	238 056 783 000	0	0
JENIFER L. ABAO	222 132 509 000	0	0
RITA DELA CRUZ	410 698 972 000	0	0
ALMA D. GILBALIGA	203 665 556 000	0	0
TERESITA D. PADEL	745 911 548 000	0	0
MA. CLEOFE GETTIE C. S	129 076 550 000	0	0
PHILIP ARNOLD P. TUAÑO	107 278 816 000	0	0
		0	
		0	
		0	
		0	
		0	
		0	
		0	
		0	
		0	
		0	
		0	

Annual Income Tax Return Page 7 - Schedules 9 & 10	BIR Form No. 1702-EX June 2013	1702-EX06/13P7

TIN	Registered Name
2 4 6 2 2 0 3 5 1 0 0 0 0	KASAGANA-KA MUTUAL BENEFIT ASSOCIATI

Schedule 9- Supplemental Information *(Attach additional sheet/s, if necessary)*

I) Gross Income/ Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	5,085,883	1,017,177
2 Royalties	0	0	0
3 Dividends	0	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real Properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property *(e.g., land, improvement, etc.)*		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No.		
8 Actual Amount/Fair Market Value/Net Capital Gains	0	0
9 Final Tax Withheld/Paid	0	0

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind *(PS/CS)* / Stock Certificate Series No.	P S /	P S /
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares	0	0
13 Date of Issue *(MM/DD/YYYY)*	/ /	/ /
14 Actual Amount/Fair Market Value/Net Capital Gains	0	0
15 Final Tax Withheld/Paid	0	0

IV) Other Income *(Specify)*	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57(A)/127/others of the Tax Code, as amended *(Specify)*		
17 Actual Amount/Fair Market Value/Net Capital Gains	0	0
18 Final Tax Withheld/Paid	0	0

19 Total Final Tax Withheld/Paid *(Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)*	1,017,177

Schedule 10- Gross Income/Receipts Exempt from Income Tax

1 Return of Premium *(Actual Amount/Fair Market Value)*	0

I) Personal/Real Properties Received thru Gifts, Bequests, and Devises	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property *(e.g., land, improvement, etc.)*		
3 Mode of Transfer *(e.g. Donation)*		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value	0	0

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended *(Specify)*		
7 Actual Amount/Fair Market Value/Net Capital Gains	0	0

8 Total Income/Receipts Exempt from Income Tax *(Sum of Items 1, 5A, 5B, 7A & 7B)*	0

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.bdo-roxascruztagle.ph
Tel: + (632) 8844 2016
Fax: + (632) 8844 2045

INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURN

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
(A Non-stock, Not-for-profit Corporation)
Rm. 504 F&L Building, Brgy. Holy Spirit
Commonwealth Avenue, Quezon City

We have audited the financial statements of Kasagana-Ka Mutual Benefit Association, Inc. *(A Non-stock, Not-for-profit Corporation)* ("the Association"), for the year ended December 31, 2019 on which we have rendered the attached report dated February 28, 2020.

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

ROXAS CRUZ TAGLE AND CO.

Clark Joseph C. Babor

Clark Joseph C. Babor
Partner
CPA Certificate No. 0119212
Tax Identification No. 248-709-974
BIR Accreditation No. 08-001682-014-2019, issued on September 27, 2019,
effective until September 26, 2022
SEC Accreditation No. 1809-A-SEC, Group B, issued on March 31, 2020,
effective until March 31, 2023
IC Accreditation No. SP-2019-001-0, issued on January 31, 2019,
effective until January 30, 2022
PTR No. 814-7800, issued on January 21, 2020, Makati City

February 28, 2020
Makati City

Bureau of Internal Revenue
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SOUTH QC
REMEDIOS MAY A. ROQUE
Compliance Section

KASAGANA-KA
Mutual Benefit Association, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **Kasagana Ka Mutual Benefit Association, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the Value-Added Tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Association, complete and correct in all material respects. Management likewise affirms that:

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

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

(c) the Association 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.

ENRIQUETA V. NAVARRO
Chairman of the Board

ENRIQUETA V. NAVARRO
President

LILIBETH C. MOLINA
Treasurer

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Signed this 2 8 FEB 2020 day of _________, 2020

BDO Roxas Cruz Tagle and Co.
Audit | Tax | Consulting | BSO

BOA/PRC Reg. No. 0005,
December 13, 2018, valid until July 20, 2021
SEC Accreditation No. 0007-FR-5,
July 5, 2018, valid until July 4, 2021

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.bdo-roxascruztagle.ph
Tel: + (632) 8844 2016
Fax: + (632) 8844 2045

INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
(A Non-stock, Not-for-profit Corporation)
Rm. 504 F&L Building, Brgy. Holy Spirit
Commonwealth Avenue, Quezon City

Report on the Financial Statements

Opinion

We have audited the financial statements of Kasagana-Ka Mutual Benefit Association, Inc. *(A Non-stock, Not-for-profit Corporation)* (the "Association"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 have no realistic alternative to do so.

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

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Compliance Section

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 auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit is 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 reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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.

Bureau of Internal Revenue
RDO-039 RECEIVED SOUTH QC
JUN 20 2020
REMEDIOS MAY A. ROQUE
Compliance Section

BDO Roxas Cruz Tagle and Co.
Audit | Tax | Consulting | BSO

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

Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 25 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph Babor

Clark Joseph C. Babor
Partner
CPA Certificate No. 0119212
Tax Identification No. 248-709-974
BIR Accreditation No. 08-001682-014-2019, issued on September 27, 2019,
effective until September 26, 2022
SEC Accreditation No. 1809-A-SEC, Group B, issued on March 31, 2020,
effective until March 31, 2023
IC Accreditation No. SP-2019-001-0, issued on January 31, 2019,
effective until January 30, 2022
PTR No. 814-7800, issued on January 21, 2020, Makati City

February 28, 2020
Makati City

Bureau of Internal Revenue
RDO-039 RECEIVED SOUTHQC
JUN 26 2020
REMEDIOS MAY A. ROQUE
Compliance Section

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-stock, Not-for-profit Corporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	Note	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱23,755,512	₱39,567,662
Receivables	6	4,307,661	11,773,126
Short-term investment	7	5,000,000	6,051,351
Other current assets		617,438	547,806
Total Current Assets		33,680,611	57,939,945
Noncurrent Assets			
Financial assets at FVOCI	8	40,018,363	18,000,729
Investments in debt securities	9	84,178,366	86,678,366
Investment properties	10	58,951,874	44,062,276
Property and equipment, net	11	5,469,783	1,232,676
Computer software, net	12	954,473	1,087,649
Other noncurrent assets		328,758	246,867
Total Noncurrent Assets		189,901,617	151,308,563
		₱223,582,228	₱209,248,508
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Trade and other payables	13	₱1,314,838	₱698,714
Liability on individual equity value	14	10,536,399	5,562,364
Aggregate reserve for trust liability	14	8,628,054	7,026,181
Basic contingent benefit reserve	14	424,540	372,525
Optional benefit reserve	14	2,215,061	1,111,216
Claims payable on basic contingent benefit	15	580,382	502,499
Total Current Liabilities		23,699,274	15,273,499
Noncurrent Liabilities			
Liability on individual equity value	14	78,676,528	77,511,541
Aggregate reserve for trust liability	14	44,194,879	42,170,943
Retirement benefit obligation, net	18	2,048,923	199,331
Total Noncurrent Liabilities		124,920,330	119,881,815
Total Liabilities		148,619,604	135,155,314
Fund balance			
Restricted balance	16	42,232,120	45,435,874
Unrestricted balance	16	32,288,557	28,582,612
Accumulated remeasurement gain (loss) on retirement benefit obligation	18	(1,576,416)	73,979
Unrealized gain on financial assets at FVOCI		2,018,363	729
Total fund balance		74,962,624	74,093,194
		₱223,582,228	₱209,248,508

See Notes to the Financial Statements.

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KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-stock, Not-for-profit Corporation)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Notes	2019	2018
Revenue	*19*	**₱53,599,744**	₱47,209,170
Benefit expenses			
Allocation for liability on individual equity		**(5,234,806)**	(11,077,656)
Benefit/claims expenses - BLIP		**(10,408,508)**	(8,485,519)
Benefit/claims expenses - Equity value		**(13,337,848)**	(7,020,749)
Benefit/claims expenses - CLIP		**(3,155,000)**	(1,844,000)
Benefit/claims expenses - HIIP		**(49,600)**	–
Collection fees		**(6,865,802)**	(4,921,533)
Other expenses for members		**(26,230)**	(224,681)
Increase/decrease in aggregate reserve for trust liability		**(515,936)**	(916,696)
Increase/decrease in reserve for basic contingent fund		**(42,784)**	(197,105)
Increase/decrease in liability on individual equity		**(97,187)**	–
Increase/decrease in reserve for optional benefit		**(1,103,845)**	(286,564)
		(40,837,546)	(34,974,503)
Revenue before operating expense		**12,762,198**	12,234,667
Operating expenses	*20*	**(11,331,710)**	(9,392,408)
Income from operations		**1,430,488**	2,842,259
Interest income	*5, 8, 9*	**4,068,706**	4,368,932
Dividend income	*8*	**789,532**	504,000
Realized loss from redemption of available-for-sale investments	*8*	**–**	(128,521)
Net income		**6,288,726**	7,586,670
Other comprehensive income			
Item that will be reclassified to profit or loss:			
Unrealized gain (loss) on financial assets at FVOCI	*8*	**2,017,634**	(590,011)
Item that will not be reclassified to profit or loss:			
Actuarial gain (loss) on retirement benefit obligation	*18*	**(1,650,395)**	260,746
		367,239	(329,265)
Total comprehensive income		**₱6,655,965**	₱7,257,405

See Notes to the Financial Statements.

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KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-stock, Not-for-profit Corporation)

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Fund balance (Note 16)		Accumulated remeasurement gain (loss) on retirement benefit obligation (Note 18)	Unrealized gain (loss) on financial assets at FVOCI (Note 8)	
	Restricted	Unrestricted			Total
As at January 1, 2018	₱35,111,526	₱35,368,453	(₱186,767)	₱590,740	₱70,883,952
Decrease in fund balance	(4,048,163)	–	–	–	(4,048,163)
Net income	–	7,586,670	–	–	7,586,670
Other comprehensive income	–	–	260,746	(590,011)	(329,265)
Restrictions	14,372,511	(14,372,511)	–	–	–
As at December 31, 2018	45,435,874	28,582,612	73,979	729	74,093,194
Decrease in fund balance	(5,786,535)	–	–	–	(5,786,535)
Reclassification	2,582,781	(2,582,781)	–	–	–
Net income	–	6,288,726	–	–	6,288,726
Other comprehensive income	–	–	(1,650,395)	2,017,634	367,239
As at December 31, 2019	**₱42,232,120**	**₱32,288,557**	**(₱1,576,416)**	**₱2,018,363**	**₱74,962,624**

See Notes to the Financial Statements.

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KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-stock, Not-for-profit Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		₱6,288,726	₱7,586,670
Adjustments for:			
Increase/decrease in reserve for optional benefit		1,103,845	–
Depreciation	*11,20*	677,893	290,346
Increase in aggregate reserve for trust liability		515,936	6,132,948
Retirement benefit cost	*18,20*	199,197	225,365
Amortization	*12,20*	133,176	122,083
Increase in liability on individual equity value		97,187	10,934,911
Increase/decrease in reserve for basic contingent fund		42,784	–
Realized loss from redemption of financial assets at FVOCI	*8*	–	128,521
Dividend income	*8*	(789,532)	(504,000)
Interest income	*5,8,9*	(4,068,706)	(4,368,932)
Operating income before working capital changes		4,200,506	20,547,912
Decrease (increase) in:			
Receivables		7,252,011	(6,351,126)
Short-term investment		1,051,351	(6,051,351)
Other current assets		(69,632)	(229,518)
Increase (decrease) in:			
Trade and other payables		616,124	(385,059)
Liability on individual equity value		6,041,835	–
Aggregate reserve for trust liability		3,109,873	–
Basic contingent benefit reserve		9,231	83,814
Optional benefit reserve		–	286,737
Claims payable on basic contingent benefit		77,883	112,590
Net cash flows provided by operating activities		22,289,182	8,013,999
Interest income received		4,282,160	3,806,968
Dividend income received	*8*	789,532	504,000
Contributions to retirement benefit obligation	*18*	–	(588,532)
Net cash provided by operating activities		27,360,874	11,736,435
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	*11*	(4,915,000)	(1,238,896)
Acquisition of investment properties	*10*	(14,889,598)	(26,198,608)
Acquisition of financial assets at FVOCI	*8*	(20,000,000)	(5,000,000)
Increase in other noncurrent assets		(81,891)	(84,406)
Proceeds from sale of investment in debt securities		2,500,000	–
Proceeds from redemption of financial assets at FVOCI	*8*	–	1,871,479
Net cash used in investing activities		(37,386,489)	(30,650,431)

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	Note	2019	2018
CASH FLOWS FROM FINANCING ACTIVITY			
Decrease in fund balance		**(₱5,786,535)**	(₱4,048,163)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(15,812,150)**	(22,962,159)
CASH AND CASH EQUIVALENTS AS AT JANUARY 1		**39,567,662**	62,529,821
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	*5*	**₱23,755,512**	₱39,567,662

See Notes to the Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Reporting Entity

Kasagana-Ka Mutual Benefit Association Inc. *(A Non-stock, Not-for-profit Corporation)* ("the Association") was organized and incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on June 29, 2006 per SEC Registration Number CN200610153. The Association is primarily engaged to promote the welfare of the poor; to extend financial assistance to its members in the form of death benefit, medical subsidy, pension and loan redemption assistance; and to ensure continued access to benefits and resources by actively involving the members in the direct management of the Association that will include implementation of policies and procedures geared towards sustainability and improved services.

The Association is a non-stock, non-profit association that no part of the income, which the Association may obtain as an incident to its operations, shall be distributed as dividends to its members, trustees or officers subject to the provisions of the Corporation Code on dissolution. Any profit obtained by the Association as a result of its operations, whenever necessary or proper shall be used for the furtherance of its purpose.

The registered office address of the Association is at Rm. 504 F&L Building, Brgy. Holy Spirit, Commonwealth Avenue, Quezon City. The primary place of business of the Association is at #5 Matimpiin St., Brgy. Pinyahan, Quezon City.

2. Basis of Preparation

Statement of compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The financial statements were approved and authorized for issuance by the Board of Trustees (BOT) on February 28, 2020

Basis of measurement

The financial statements of the Association have been prepared on the historical cost basis, except for certain financial instruments which are carried at fair value and at amortized cost.

Functional and presentation currency

The financial statements are presented in Philippine peso (₱), which is the functional currency of the Association.

3. Significant Accounting Policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Association adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* - PFRS 16 supersedes PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases to be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Company is the lessor.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* - The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, Income Taxes, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments* - Prepayment Features with Negative Compensation - The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, Financial Instruments for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate). The Association will adopt PFRS 9 and any amendments when it will adopt PFRS 17.

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* - The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements.

- Annual Improvements 2015-2017 Cycle

  - PFRS 3, *Business Combinations*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Association there is no transaction where joint control is obtained.

- PFRS 11, *Joint Arrangements*
  An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

  These amendments had no impact on the financial statements of the Association as there is no transaction where a joint control is obtained.

- PAS 12, *Income Taxes*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

  An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

  Since the Association's current practice is in line with these amendments, they had no impact on the financial statements of the Association.

- PAS 23, *Borrowing Costs*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Association's current practice is in line with these amendments, they had no impact on the financial statements of the Association.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1 and PAS 8, *Definition of Material* - The amendments address the definition of material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* - This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. Under prevailing circumstances, the impact on the adoption of this new and amended PFRS is currently being evaluated by management.

  In its Commission Circular Letter No. 2018-69, the Insurance Commission deferred the implementation of PFRS 17 for life insurance and non-life insurance industries to January 1, 2023.

<u>Current versus noncurrent classification</u>
The Association presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Association classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

<u>Financial assets and financial liabilities</u>

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 a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition and measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Association recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Association deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Association classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Association's business model and its contractual cash flow characteristics.

Financial assets and liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Association had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Association may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2019 and 2018, the Association does not have financial assets and liabilities at FVPL.

Financial assets at amortized cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. 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. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Association's cash and cash equivalents, receivables, short term investment, rental deposits, other funds and deposits and investments in debt securities are included under this category (Notes 5, 6, 7 and 9).

Financial liabilities at amortized cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2019 and 2018, the Association's trade and other payables are included under this category (Notes 10 and 13).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

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

For equity instruments, the Association may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

Reclassification
The Association reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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 similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Association retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Association has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Association's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Association could be required to repay.

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Association could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of financial assets and liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of financial instrument between liability and equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Association; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Association does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Insurance contracts

Product classification

Insurance contracts under which the Association (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holder. As a general guideline, the Association determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risks.

Once a contract has been classified as an insurance contract, it remains as insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

Benefits and claims

Claims consist of benefits and claims paid to policyholders, which include excess gross benefit claims for unit-link insurance contract. Death claims, surrenders and non life insurance claims are recorded on the basis of notifications received. Maturities are recorded when due.

Liability adequacy tests

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities are used. Any deficiency is immediately recognized in the profit or loss.

Cash and cash equivalents

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Receivables

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method (EIR), less provision for impairment.

Short-term investments

Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Other current assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement of comprehensive income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statement of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Association's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Other current assets are recognized when the Association expects to receive future economic benefit from them and the amount can be measured reliably. Other assets are classified in the statement of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Association's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

Investment properties
Investment property consists of property that is being constructed for future use as investment property. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation of building, which commences when the assets are available for their intended use, is computed using the straight-line method over the estimated useful life of 20 to 40 years.

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement and disposal of investment property is recognized in the statements of income in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Association as an owner-occupied property becomes an investment property, the Association accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Association and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Office furniture and fixtures	5 years
Transportation equipment	5 years
Computer equipment	3 years

The remaining useful lives and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period of retirement and disposal.

Computer software
Computer software that are not an integral part of the hardware are classified as intangible assets.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred.

Software asset is amortized on a straight line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software assets for the current and comparative periods range from three to five years.

Amortization methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of non-financial assets
The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks and other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair value measurements

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: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Association.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Association determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business whichever is longer); otherwise, they are presented as noncurrent liabilities.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Liability for incurred policy benefit
A liability for incurred policy benefits relating to life insurance contracts in force is accrued when premium revenue is recognized.

The Association's aggregate reserve for life policies, policy and contract claims payable, applicant's deposit and other funds and premium deposit fund are computed annually based on the approved valuation method by the Insurance Commission (IC) and certified to by an independent actuary.

Liability adequacy test

The Association assesses at each reporting date whether its recognized insurance liabilities are adequate, using the current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognized in profit or loss.

The liability is derecognized when the contract expires, is discharged or is cancelled.

Basic contingent benefit reserves
Basic contingent benefit reserves represent the total actuarial reserve set-up by the Association pertaining to the basic life benefit that is in force as 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 falls due.

Liability on individual equity value
Upon termination of membership, a member who has been with the Association at least three (3) full years shall be entitled to an equity value equivalent to at least fifty percent (50%) of the total weekly contributions collected from him.

The Association's Board of Trustees shall set up each year sufficient reserves for the payment of claims and other obligations in accordance with actuarial procedures approved by the Insurance Commission. If the reserves become impaired, the Board of Trustees shall require all members' equitable proportion of such indebtedness against the members and draw interest not exceeding five percent (5%) per annum compounded annually.

Withdrawal from the funds of the Association, whether by check or any other instruments, is signed by at least two (2) persons designated by the unanimous vote of the Association's Board of Trustees.

Optional benefit reserve
Optional benefit reserve represents the total actuarial reserve set up by the Association pertaining to the policies under optional benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the Association establishes for an optional policy to meet the contractual obligation as it falls due.

Claims payable on basic contingent benefit
Claims payable on basic contingent benefit represents the sum of the individual claims on membership certificates that are due and have already been approved for payment but, for one reason or another, have not actually been paid. This includes check already issued to beneficiaries but not yet released as of the end of the financial reporting period.

Retirement benefit costs

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Provisions and contingencies

Provisions are recognized when: (a) the Association has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Association expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is charged against profit or loss, net of any reimbursement.

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

Fund balance

Fund balance refers to the residual interest in the assets of the Association after deducting all its liabilities. This represents the accumulated earnings of the Association reduced by whatever losses the Association may incur during a certain accounting period.

Restricted fund balance

Restricted fund balance are those earnings earmarked and separated by the Association for specific purpose as approved by the BOT.

Unrestricted fund balance

Unrestricted fund balance include all current and prior period results of operations as disclosed in the statements of changes in fund balance.

Revenue recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Association perform its obligations; (b) the Association's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Association's performance does not create an asset with an alternative use to the Association and the Association has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Association also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Association has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Interest from bank deposit accounts is recognized as the interest is earned. Interest income is presented net of tax unless final tax is deemed significant.

Contribution and fees

Members are charged a one-time fifty pesos (₱50) application fee for Kasagana-Ka Development Center, Inc. (KDCI) members and one hundred pesos (₱100) for associate members in order to cover the expenses incurred in processing their application. This fee is neither refundable nor included in determining the member's accumulated and refundable contributions. Membership fees are recognized upon the admission of a qualified member to the Association.

Members are charged twenty pesos (₱20) contribution per week for the payment of death and total disability of a member, and death of any member's legal spouse, or any of the members' legitimate and/or legally adopted children in accordance with the Association's table of Life Insurance Benefits. Twenty percent (20%) of the weekly contribution from its members is deducted as General Administrative Funds and any balance is used for payment of mutual benefits.

The contribution may be adjusted by the Board of Trustees as may be necessary to maintain the funds of the Association at a level adequate to meet its benefit obligations or commitments under the pain.

Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the EIR which is the rate that exactly discounted the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Dividend income

Income from equity investments is recognized when received.

Other income

Income from other sources is recognized when earned.

Expense recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Income taxes

The Association is exempted from income tax under Section 30 (c) of the National Internal Revenue Code as a non-stock association organized and operated exclusively for charitable and cultural purposes no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person. Interest earned from the placement of Association funds are, however, subject to final tax. The interest income shown in the financial statement is net of final tax.

Leases

At the inception of a contract, the Association assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Association assesses whether:

- the contract involves an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Association has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Association has the right to direct the use of the asset. The Association when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Association has the right to direct the use of the asset of either:
  - the Association has the right to operate the asset; or
  - the Association designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Short-term leases and leases of low-value assets. The Association applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Related parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The key management personnel of the Association and post-employment benefit plans for the benefit of the Association's employees are also considered to be related parties.

Events after the statement of financial position date
Post year-end events up to the date the financial statements are authorized for issue by the BOD that provide additional information about the Association's financial position at the financial reporting date (adjusting events) are recognized in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Association has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the financial statements:

Operating lease - Association as a lessee. The Association has entered into a contract of lease for its office space and warehouse it occupies. The Association has determined that all the significant risks and rewards of ownership on these properties are retained by the lessor (Note 21).

Classifying financial instruments. The Association exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Provisions and contingencies. The Association, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

As at December 31, 2019 and 2018, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

Estimates and assumptions
The key estimates and assumptions used in the financial statements are based upon the Association's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Fair value measurements. A number of the Association's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Association has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Association uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Association recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Impairment of non-financial assets. The Association assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Association considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Association recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The carrying values of property and equipment and computer software are disclosed in Notes 11 and 12.

Estimating useful lives of property and equipment, investment properties and intangible assets. The Association estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 3 to the financial statements.

Valuation of retirement benefits liability. The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 18 to the financial statements.

As at December 31, 2019 and 2018, the net retirement liability amounted to ₱2,048,923 and ₱199,331, respectively (Note 18).

Valuation of aggregate reserves. The cost of aggregate reserves was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the unearned premium reserves, accumulated value of members equity value, accumulated value plus interest of reserve fund and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, aggregate reserves are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the aggregate reserves are provided in Note 14 to the financial statements.

As at December 31, 2019 and 2018, the aggregate reserves amounted to ₱144,675,461 and ₱133,754,770, respectively (Note 14).

5. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱12,000**	₱7,000
Cash in banks	**14,350,015**	25,838,466
Cash equivalents	**9,393,497**	13,722,196
	₱23,755,512	₱39,567,662

Cash and cash equivalents earn interest at the prevailing bank deposit rates. Interest earned in 2019 and 2018 amounted to ₱76,959 and ₱185,527, respectively.

6. Receivables

This account consists of:

	Note	**2019**	2018
Unremitted members' contribution dues and fees			
Related party	*17*	**₱1,959,526**	₱8,280,052
Third party		–	689,014
Unremitted premiums			
Related party	*17*	**1,110,202**	1,739,564
Third party		–	97,765
Accrued interest income		**348,510**	561,964
Due from officers and employees		**41,348**	74,778
Receivable KDCI Inc.		–	52,798
Advances to employees		**25,815**	10,001
Other receivables		**822,260**	267,190
		₱4,307,661	₱11,773,126

Unremitted members' contributions, dues and fees represents amount collected by partner individual/ institutions on membership certificates but not yet remitted as at the end of the financial reporting period.

Unremitted premium represents gross premiums collected by partner individuals/institutions on all optional policies but not yet remitted as at the end of the financial reporting period.

Other receivables represent claims from third party insurance for fire assistance and accidental death claims by the members.

Based on management's evaluation, the Association's receivables are fully collectible, thus, no allowance for impairment is necessary as at December 31, 2019 and 2018.

7. Short-Term Investment

Short-term investment pertains to treasury bill with a maturity date that is less than twelve months after reporting period amounting to ₱5,000,000 and ₱6,051,351 in 2019 and 2018, respectively.

8. Financial Assets at FVOCI

This account consists of:

	2019		
	No. of Shares	Acquisition Cost	Fair Value
Petron preferred shares series 3B	**18,000**	**₱8,000,000**	**₱8,440,000**
Ayala Corp Class B Preferred Shares	**10,000**	**5,000,000**	**5,050,000**
Save and learned fixed income fund	**2,348,914**	**5,000,000**	**5,540,853**
BPI unit investment	**195,524**	**20,000,000**	**20,987,510**
		₱38,000,000	**₱40,018,363**

	2018		
	No. of Shares	Acquisition Cost	Fair Value
Petron preferred shares series 2A	8,000	₱8,000,000	₱7,840,000
Save and learned fixed income fund	2,348,914	5,000,000	5,188,751
BPI unit investment	50,040	5,000,000	4,971,978
		₱18,000,000	₱18,000,729

In 2018, the Association made a redemption of its investment in Sun life prosperity GS fund with a net investment value amounting to ₱1,871,479, which resulted to a realized loss amounting to ₱128,521.

The Association also acquired additional investments amounting to ₱20,000,000.

The Association recognized an unrealized gain amounting to ₱2,017,634 and unrealized loss amounting to ₱590,011 in the statements of comprehensive income in 2019 and 2018, respectively.

The movements in the fair value of financial assets at FVOCI follow:

	2019	2018
Balance, January 1	₱18,000,729	₱15,590,740
Additions	20,000,000	5,000,000
Redemption	–	(2,000,000)
Unrealized gain (loss)	2,017,634	(590,011)
Balance, December 31	₱40,018,363	₱18,000,729

Dividend income earned amounted to ₱789,532 and ₱504,000 in 2019 and 2018, respectively.

Interest earned in 2019 and 2018 amounted to ₱221,007 and ₱289,084, respectively.

9. Investments in Debt Securities

The account consists of:

	2019	2018
Government security	₱66,178,366	₱66,178,366
Corporate bond	18,000,000	20,500,000
	₱84,178,366	₱86,678,366

Interest earned in 2019 and 2018 amounted to ₱3,770,740 and ₱3,894,321, respectively. Interest rates on these investments range from 3.25% to 8.125%.

Based on management's assessment, there is no indication of impairment in investments in debt securities in 2019 and 2018.

10. Investment Properties

The details of and movements in this account are presented below:

	2019		
	Land	**Construction in progress**	**Total**
Cost			
At January 1	₱16,267,097	₱27,795,179	₱44,062,276
Additions	–	14,889,598	14,889,598
	₱16,267,097	₱42,757,577	₱58,951,874

	2018		
	Land	Construction in progress	Total
Cost			
At January 1	₱16,267,097	₱1,596,571	₱17,863,668
Additions	–	26,198,608	26,198,608
	₱16,267,097	₱27,795,179	₱44,062,276

The fair market value of land amounted to ₱23,320,000 and ₱27,972,083 in 2019 and 2018, respectively. This is classified under Level 1 of the fair value hierarchy.

11. Property and Equipment, Net

The details of and movements in this account are presented below:

	Note	Building	Transportation equipment	Computer equipment	Office furniture and fixtures	Total
Cost						
At December 31, 2017		₱–	₱912,622	₱427,845	₱422,726	₱1,763,193
Additions		–	1,030,000	184,900	23,996	1,238,896
Retirement		–	–	(79,000)	(12,015)	(91,015)
At December 31, 2018		–	1,942,622	533,745	434,707	2,911,074
Additions		2,624,249	–	1,188,097	1,102,654	4,915,000
Retirement		–	–	(136,000)	(70,700)	(206,700)
At December 31, 2019		2,624,249	1,942,622	1,585,842	1,466,661	7,619,374
Accumulated depreciation						
At December 31, 2017		–	872,627	226,844	379,596	1,479,067
Depreciation	*20*	–	121,868	144,005	24,473	290,346
Retirement		–	–	(79,000)	(12,015)	(91,015)
At December 31, 2018		–	994,495	291,849	392,054	1,678,398
Depreciation	*20*	26,242	230,958	329,847	90,846	677,893
Retirement		–	–	(136,000)	(70,700)	(206,700)
At December 31, 2019		26,242	1,225,453	485,696	412,200	2,149,591
Net book value						
At December 31, 2019		**₱2,598,007**	**₱717,169**	**₱1,100,146**	**₱1,054,461**	**₱5,469,783**
At December 31, 2018		₱–	₱948,127	₱241,896	₱42,653	₱1,232,676

There are neither restrictions on the title on the Association's property and equipment nor any of them are pledged as security for any of its liabilities.

The cost of fully depreciated assets still being used in the operation of the Association amounted to ₱1,156,743 and ₱1,175,493 as at December 31, 2019 and 2018, respectively.

Based on management's assessment, there is no indication of impairment and the carrying amount of property and equipment can be recovered through continuous use in operations.

12. Computer Software, Net

The details of and movements in this account are presented below:

Cost	
December 31, 2017	₱1,331,815
Additions	–
December 31, 2018	1,331,815
Additions	–
December 31, 2019	**1,331,815**
Accumulated amortization	
December 31, 2017	122,083
Amortization (Note 20)	122,083
December 31, 2018	244,166
Amortization (Note 20)	133,176
December 31, 2019	**377,342**
Net book value	
December 31, 2019	**₱954,473**
December 31, 2018	₱1,087,649

Management believes that there is no indication of impairment loss on its computer software in 2019 and 2018.

13. Trade and Other Payables

This account consists of:

	2019	2018
Accounts payable	**₱931,616**	₱370,192
Accrued expenses	**281,635**	268,224
Government dues	**101,587**	60,298
	₱1,314,838	₱698,714

Accounts payable pertains to collection fees.

Accrued expenses pertain to expenses incurred but not yet paid such as legal and professional fees, and operating cost incurred by the Association.

Government dues represent contributions of employees that will be remitted to various government agencies such as SSS, Philhealth and Pag-ibig. It also includes taxes withheld from salaries of employees and income payment to suppliers, which will be remitted in the subsequent month.

14. Aggregate Reserves

This account consists of:

	2019	2018
Liability on individual equity value	**₱89,212,927**	₱83,073,905
Aggregate reserve for trust liability Reserved Funds (RF)	**52,822,933**	49,197,124
Optional benefit reserve	**2,215,061**	1,111,216
Basic contingent benefit reserve	**424,540**	372,525
	₱144,675,461	₱133,754,770

	2019	2018
Breakdown:		
Current portion		
Liability on individual equity value	**₱10,536,399**	₱5,562,364
Aggregate reserve for trust liability - RF	**8,628,054**	7,026,181
Noncurrent portion		
Liability on individual equity value	**78,676,528**	77,511,541
Aggregate reserve for trust liability - RF	**44,194,879**	42,170,943

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

Aggregate reserve for trust liability is weekly contribution of five pesos (₱5), which shall be credited to the fund for the account of the member. The calculations of the aggregate reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles.

15. Claims Payable on Basic Contingent Benefit

The account consists of incurred but not paid claims amounting to ₱580,382 and ₱502,499 in 2019 and 2018, respectively.

16. Fund Balance

Fund balance refers to the residual interest in the assets of the Association after deducting all its liabilities. This represents the accumulated earnings of the Mutual Benefit Association (MBA) reduced by whatever losses the Association may incur during a certain accounting period.

	Restricted fund balance	Unrestricted fund balance	Total
Balance at December 31, 2017	₱35,111,526	₱35,368,453	₱70,479,979
Movement during the year	10,324,348	(6,785,841)	3,538,507
Balance at December 31, 2018	45,435,874	28,582,612	74,018,486
Movement during the year	(3,203,754)	3,705,945	502,191
Balance at December 31, 2019	**₱42,232,120**	**₱32,288,557**	**₱74,520,677**

Restricted fund is composed of guaranty fund, benefits in kind and other relevant services, enhancement of equity value fund, capacity building, continuing member's education, education and training fund, hospital assistance fund, research and development fund and computer software maintenance. Education and training fund refers to the amount allocated by the Association for education and training of its members, officers and staff. Education and training fund includes the amount of payment to KDCI that represents collection fees.

The restricted fund of the Association is composed of the following:

	2019	2018
Guaranty fund	**₱26,847,995**	₱24,265,216
Benefits in kind and other relevant services	**7,967,679**	8,610,136
Enhancement of equity value	**2,256,930**	4,446,481
Capacity building fund	**1,502,189**	3,273,132
Continuing member's education fund	**1,757,753**	3,056,884
Hospital assistance fund & other member's benefit	**839,925**	911,776
Research and development	**389,622**	471,016
Software maintenance	**670,027**	401,233
	₱42,232,120	₱45,435,874

A MBA shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. In addition, subject to the approval of the Commissioner, a MBA may allocate a portion for capacity building and research and development such as developing new products and services, upgrading and improving operating system and equipment and continuing member education.

As at and for the years ended December 31, 2019 and 2018, the Association's excess unrestricted fund balance from twenty percent (20%) of liabilities are as follows:

	2019	2018
Unrestricted fund balance	**₱32,289,287**	₱28,582,612
Total liabilities	**148,619,604**	135,155,314
20% of liabilities	**29,723,921**	27,031,063
Excess of unrestricted fund balance from 20% of liabilities	**₱2,565,366**	₱1,551,549

Decrease in fund balance for the consumption of restricted fund of the Association is composed of the following:

	2019	2018
Benefits in kind and other relevant services	**₱2,224,661**	₱2,314,208
Capacity building fund	**1,305,671**	692,139
Continuing member's education fund	**1,241,098**	211,864
Equity Value Enhancement	**893,070**	–
Other Member's Benefits	**71,850**	–
Research and development	**50,185**	60,192
Education and training fund	–	689,784
Software maintenance	–	79,976
	₱5,786,535	₱4,048,163

17. Related Party Transactions

In the normal course of its business, the Association transacts with its related parties. These principally consist of collection of membership and premium contribution and non-interest bearing advances for certain expenses. Other transactions are based on terms agreed to by the parties.

Kabuhayan sa Ganap na Kasarinlan Credit & Savings Cooperative (KCOOP) is a cooperative duly registered under the Cooperative Development Authority in February 2016. It is the fourth organization under the Kasagana-Ka Synergizing Organizations. Since the Association was established primarily to answer the member's need for a viable microinsurance program, members of the Association are also members of KCOOP. The Association continues to take advantage of KCOOP's infrastructure to engage its growing membership and collect premium payments.

Name of related party	Relationship	Nature of the related party transaction
Kabuhayan sa Ganap Na Kasarinlan Credit and Savings Cooperative (KCOOP)	KCOOP partner	Funds Assigned for Member's Benefits (Fund Balance Account)

The following summarizes the Association's related party transactions:

	2019			
	2018	**Additions during the year**	**Payment / Collections**	**2019**
Unremitted Contribution Dues and Fees	**₱8,280,052**	**₱32,669,089**	**(₱38,989,615)**	**₱1,959,526**
Unremitted Premiums	**1,739,564**	**9,001,513**	**(9,630,875)**	**1,110,202**

	2018			
	2017	Additions during the year	Payment / Collections	2018
Unremitted Contribution Dues and Fees	₱3,176,595	₱26,543,104	(₱21,439,647)	₱8,280,052
Unremitted Premiums	503,845	7,216,513	(5,980,794)	1,739,564

Details of the Association's related party transactions follow:

a. The Association will collect from KCOOP members' contributions on member certificates that will be remitted at the end of the financial reporting period.
b. The Association will collect from KCOOP gross premiums on all optional policies that will be remitted at the end of the financial reporting period.

The outstanding balances with related parties as at December 31 are as follows:

	Note	2019	2018	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Details of guarantees given or received	Impairment loss
Unremitted Contribution Dues and Fees	6	**₱1,959,526**	₱8,280,052	Demandable	Unsecured	Cash	None	None
Unremitted Premiums	6	**1,110,202**	1,739,564	Demandable	Unsecured	Cash	None	None

18. Retirement Benefit Obligation, Net

The Association has a noncontributory, defined benefit plan covering all its officers and regular employees. Retirement benefits expense recognized in the statement of comprehensive income is computed based on provision of PAS 19 (Amended). The principal actuarial assumptions used to determine the funding of the trust fund is accrued benefit actuarial cost method which take into account the factors of investment, mortality, disability, and salary projection rates.

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

	2019	2018
Present value of the obligation	**₱3,217,474**	₱1,296,208
Fair value of plan assets	**(1,168,551)**	(1,096,877)
Defined benefit obligation	**₱2,048,923**	₱199,331

The retirement benefit cost recognized in the statements of comprehensive income as follows:

	Note	2019	2018
Current service cost		**₱183,973**	₱199,477
Interest cost, net		**15,224**	25,888
	20	**₱199,197**	₱225,365

a. Reconciliation of defined benefit obligation

The movement in the defined benefit obligation is as follows:

	2019	2018
Present value of the obligation at January 1	**₱1,296,208**	₱1,302,990
Current service cost	**183,973**	199,477
Interest cost	**99,002**	63,769
Remeasurements in other comprehensive income:		
Loss (gain) in defined benefit obligation from changes in financial assumptions	**1,293,777**	(539,730)
Loss (gain) in defined benefit obligation due to experience	**344,514**	269,702
	1,921,266	(6,782)
Present value of the obligation at December 31	**₱3,217,474**	₱1,296,208
Fair value of plan assets at January 1	**1,096,877**	479,746
Contributions paid	**₱–**	₱588,532
Expected return	**83,778**	37,881
Remeasurements in other comprehensive income:		
Gain (loss) in defined benefit obligation due to experience	**(12,104)**	(9,282)
	71,674	617,131
Fair value of plan assets at December 31	**₱1,168,551**	₱1,096,877
Present value of the obligation, net at December 31	**₱2,048,923**	₱199,331

b. Remeasurements in other comprehensive income

Remeasurements in other comprehensive income represent actuarial gains and losses as shown below:

	2019	2018
Actuarial gain (loss) recognized, net	**(₱1,650,395)**	₱260,746

The significant actuarial assumptions were as follows:

The principal assumptions used in determining pension liability of the Association are shown below:

	2019	2018
Discount rate	**4.89%**	7.64%
Expected rate of salary increases	**5%**	5%

19. Revenue

This account consists of:

	2019	2018
Gross member's contribution	**₱37,145,309**	₱35,916,179
Gross premium	**14,510,315**	9,493,697
Membership fees	**1,346,100**	1,156,090
Miscellaneous income	**465,539**	643,204
Other income	**132,481**	–
	₱53,599,744	₱47,209,170

Miscellaneous income is composed of other income from K-Kalinga and income other than contribution, premiums and membership fees.

Breakdown of revenue recognized at a point in time and over a period of time follow:

	2019	2018
A point in time	**₱51,601,594**	₱45,135,035
Over a period of time	**1,998,150**	2,074,135
	₱53,599,744	₱47,209,170

20. Operating Expenses

This account consists of:

	Note	2019	2018
Salaries, wages and benefits		₱5,361,930	₱3,760,341
Office supplies		868,347	587,968
Meals		753,436	569,349
Depreciation	*11*	677,893	290,346
Representation and entertainment		618,586	781,111
Transportation and travel allowance		531,900	807,405
Technical and professional fees		409,802	438,902
Meeting and conferences		232,483	187,622
Rental	*21*	232,404	441,478
Repairs and maintenance		215,278	81,183
Retirement benefit cost	*18*	199,197	225,365
Utilities		188,941	139,380
Communication expense		171,485	–
Taxes, licenses and fees		167,515	135,536
Research and development		150,558	242,020
Amortization	*12*	133,176	122,083
MBA Dues		71,084	–
Service fee		63,802	–
Dues and subscription		52,075	31,702
Gasoline expense		42,631	–
Insurance		34,673	63,537
Reinsurance premium		34,000	47,534
Building supplies		31,627	–
Marketing, advertising and promotions		20,400	–
Annual general assembly		18,514	107,232
Medicine		17,546	4,222
Bank and other charges		9,641	9,164
Professional and technical development		–	264,465
Investment Management Fees		–	12,000
Donations and contributions		–	5,000
Miscellaneous		22,786	37,463
		₱11,331,710	₱9,392,408

21. Lease Agreement

The Association entered into two operating lease agreements for the lease of Units 501 and 504 for the period of two (2) years from February 1, 2016 to January 31, 2018 and from May 1, 2016 to April 30, 2018, respectively. Total monthly rentals of ₱30,315 for both units shall be paid on the first year of the lease agreement and shall increase to ₱33,346 on the second year.

In 2018, the Association entered into a new lease of agreement for the lease of Units 501 and 504 for the period of one (1) year from February 1, 2018 to January 31, 2019 and from May 1, 2018 to April 30, 2019, respectively. Total monthly rentals of ₱34,006 for both units shall be paid during the period of the lease agreement.

Relative to the lease agreements, the Association paid security deposit amounting to ₱2,079 and ₱102,020 as at December 31, 2019 and 2018, respectively.

Rent expense recognized in 2019 and 2018 amounted to ₱232,404 and ₱441,478, respectively (Note 20).

The future lease payments under the operating lease will be as follows:

	2019	2018
Not later than one year	**₱–**	₱94,446
Later than one year but not later than five years	**–**	–
	₱–	₱94,446

22. Income Tax Exemption

The Association is exempted from income tax under Section 30 (c) of the National Internal Revenue Code as a non-stock association organized and operated exclusively for charitable and cultural purposes and no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person. Interest earned from the placement of Association funds are, however, subject to final tax. The interest income shown in the financial statement is net of final tax.

23. Financial Risk Management Objectives and Policies

The main risks arising from the Association's financial instruments are credit risk, liquidity risk and price risk. There is no change in the financial risk management objectives and policies of the Association.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The receivable balances are monitored on an ongoing basis with the result that the Association's exposure to impairment is not significant.

Member credit risk is managed by managing and analyzing the credit risk for each new member before standard payment and delivery terms and conditions are offered. Outstanding receivables are regularly monitored. The credit quality of the Association's financial assets that are neither past due nor impaired is considered to be good quality and expected to be collectible without incurring any credit losses.

Credit risk from balances with banks is managed by ensuring that the Association's deposit arrangements are with reputable and financially sound counterparties.

The Association's exposure to credit risk arises from default of other counterparties, with a maximum exposure equal to the carrying amounts as follows:

	Note	**2019**	2018
Cash and cash equivalents*	*5*	**₱23,743,512**	₱39,560,662
Receivables	*6*	**4,307,661**	11,773,126
Short term investment	*7*	**5,000,000**	6,051,351
Rental deposit		**2,079**	102,020
Other funds and deposits		**328,757**	246,867
Financial assets at FVOCI	*8*	**40,018,363**	18,000,729
Investments in debt securities	*9*	**84,178,366**	86,678,366
		₱157,578,738	₱162,413,121

**Cash and cash equivalents exclude cash on hand amounting to ₱12,000 and ₱7,000 in 2019 and 2018, respectively.*

The following table provides an analysis of the age of the financial assets that are past due but not impaired and those financial assets that are individually determined to be impaired as at the end of the reporting period:

	December 31, 2019						
		Neither impaired nor past due	**Past due but not yet impaired**				
	Total	**Current**	**1 to 60 days**	**61 to 90 days**	**91 to 120 days**	**More than 120 days**	**Impaired**
Financial assets at amortized cost							
Cash in banks	**₱23,743,512**	**₱23,743,512**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables	**4,307,661**	**4,307,661**					
Short term investment	**5,000,000**	**5,000,000**	–	–	–	–	–
Rental deposit	**2,079**	**2,079**	–	–	–	–	–
Other funds and deposits	**328,757**	**328,757**	–	–	–	–	–
Investments in debt securities	**84,178,366**	**84,178,366**	–	–	–	–	–
Financial assets at FVOCI	**39,990,341**	**39,990,341**	–	–	–	–	–
	₱157,550,716	**₱157,550,716**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

	December 31, 2018						
		Neither impaired nor past due	Past due but not yet impaired				
	Total	Current	1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Impaired
Financial assets at amortized cost							
Cash in banks	₱39,560,662	₱39,560,662	₱–	₱–	₱–	₱–	₱–
Receivables	11,773,126	7,421,592	4,315,977	35,557	–	–	–
Short term investment	6,051,351	6,051,351	–	–	–	–	–
Rental deposit	102,020	102,020	–	–	–	–	–
Other funds and deposits	246,867	246,867	–	–	–	–	–
Investments in debt securities	86,678,366	86,678,366	–	–	–	–	–
Financial assets at FVOCI	18,000,729	18,000,729	–	–	–	–	–
	₱162,413,121	₱158,061,587	₱4,315,977	₱35,557	₱–	₱–	₱–

The credit quality of the Association's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counter parties are not expected to default in settling their obligations, thus, credit risk exposure is minimal. These counter parties include banks, related parties and members who pay on or before due date.

Credit quality per class of financial assets

The Association's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - These are receivables that can be collected provided the Association makes persistent effort to collect them.

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Association based on their historical experience with the corresponding third parties as of December 31, 2019 and 2018:

	2019						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due but Not Impaired	Impaired	Total
Financial assets at amortized cost							
Cash and cash equivalents	₱23,755,512	₱–	₱–	₱–	₱–	₱–	₱23,755,512
Receivables	4,307,661	–	–	–	–	–	4,307,661
Short term investment	5,000,000	–	–	–	–	–	5,000,000
Rental deposit	2,079	–	–	–	–	–	2,079
Other funds and deposits	328,757	–	–	–	–	–	328,757
Investments in debt securities	84,178,366	–	–	–	–	–	84,178,366
Financial assets at FVOCI	39,990,341	–	–	–	–	–	39,990,341
	₱157,562,716	₱–	₱–	₱–	₱–	₱–	₱157,562,716

	2018						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due but Not Impaired	Impaired	Total
Financial assets at amortized cost							
Cash and cash equivalents	₱39,560,662	₱–	₱–	₱–	₱–	₱–	₱39,560,662
Receivables	7,421,592	–	–	–	4,351,534	–	11,773,126
Short term investment	6,051,351	–	–	–	–	–	6,051,351
Rental deposit	102,020	–	–	–	–	–	102,020
Other funds and deposits	246,867	–	–	–	–	–	246,867
Investments in debt securities	86,678,366	–	–	–	–	–	86,678,366
Financial assets at FVOCI	18,000,729	–	–	–	–	–	18,000,729
	₱158,061,587	₱–	₱–	₱–	₱4,351,534	₱–	₱162,413,121

Impairment assessment

Impairment losses are recognized based on the results of specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a presence of known difficulties in the payments of obligation by counterparties. This and other factors, either singly or in tandem with other factors, constitute observable events or data that meet the definition of objective evidence of impairment.

The Association applied specific (individual) assessment methodology in assessing and measuring impairment.

Specific (individual) assessment

The Association determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining amounts of allowances include payment and collection history, timing of expected cash flows and realizable value of collateral, if any.

The Association sets criteria for specific loan impairment testing and uses the discounted cash flow method to compute for impairment loss. Accounts subjected to specific impairment and are found to be impaired shall be excluded from the collective impairment computation.

Liquidity risk

Liquidity risk refers to the risk that the Association will not be able to meet its financial obligations as these fall due and lack of funding to finance its growth and capital expenditures and working capital requirements.

The Association's approach to manage its liquidity profile are to ensure that adequate funding is available at all times; to meet commitments as these arise without incurring unnecessary costs; and to be able to access funding when needed.

The following summarizes the maturity profile of the Association's non-derivative financial liabilities based on contractual undiscounted payments.

		December 31, 2019				
	Note	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Trade and other payables*	*13*	**₱1,213,251**	**₱–**	**₱–**	**₱–**	**₱1,213,251**
Liability on individual equity value	*14*	**10,536,399**	–	–	–	**10,536,399**
Aggregate reserve for trust liability	*14*	**8,628,054**	–	–	–	**8,628,054**
Basic contingent benefit reserve	*14*	**424,540**	–	–	–	**424,540**
Optional benefit reserve	*14*	**2,215,061**	–	–	–	**2,215,061**
Claims payable on basic contingent benefit	*15*	**580,382**	–	–	–	**580,382**
		₱23,597,687	**₱–**	**₱–**	**₱**	**₱23,597,687**

***excluding government dues**

		December 31, 2018				
	Note	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables*	*13*	₱638,416	₱–	₱–	₱–	₱638,416
Liability on individual equity value	*14*	5,562,364	–	–	–	5,562,364
Aggregate reserve for trust liability	*14*	7,026,181	–	–	–	7,026,181
Basic contingent benefit reserve	*14*	372,525	–	–	–	372,525
Optional benefit reserve	*14*	1,111,216	–	–	–	1,111,216
Claims payable on basic contingent benefit	*15*	502,499	–	–	–	502,499
		₱15,213,201	₱–	₱–	₱–	₱15,213,201

**excluding government dues*

Capital risk management

The primary objective of the Association's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Association's BOT has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Association's external environment and the risks underlying the Association's business operations and industry.

The Association monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities shown in the statement of financial position. Total equity comprises all components of equity including share capital and related earnings.

	2019	2018
Debt	**₱148,619,604**	₱135,155,314
Cash and cash equivalents	**(23,755,512)**	(39,567,662)
Net Debt	**124,864,092**	95,587,652
Equity	**74,934,602**	74,093,194
Net debt to equity ratio	**1.67:1**	1.29:1

There were no changes in the Association's approach to capital management during the year.

Margin of Solvency (MOS)

The Association is required to maintain at all times an MOS for life insurance business of ₱500,000 or ₱2.00 per thousand of the total amount of its insurance in force as of the preceding calendar year on all policies, except term insurance, whichever is higher.

The MOS shall be the excess of the value of its admitted assets (as defined under the IC Code), exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves. As at December 31, 2019 and 2018, the Association's MOS ratio based on its calculations are 127% and 139.12%, respectively. The final amount of the MOS can be determined only after the accounts of the Association have been examined by the IC specifically as to admitted and non-admitted assets as defined under the same Code.

The surplus available for MOS for the Association follows:

	2019	2018
Admitted assets	**₱219,643,575**	₱207,305,157
Admitted liabilities	**148,619,604**	135,155,314
Net worth	**₱71,023,971**	₱72,149,843

As at December 31, 2019 and 2018, the estimated non-admitted assets of the Association's life operations, as defined under the Code, which are included in the accompanying statements of financial position follows:

	2019	2018
Transportation equipment	**₱717,167**	₱948,125
Other current assets	**617,438**	547,807
Receivables	**889,423**	404,766
Office furniture and fixture	**732,130**	42,653
Software and system development	**954,473**	1,087,649
Total non-admitted assets	**₱3,910,631**	₱3,031,000

If an insurance association fails to meet the minimum required MOS, the IC is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such Association until its authority is restored by the IC.

Price risk

The *Association's* price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets. Such investment securities are subject to the price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Association's investments are regulated under the pertinent provisions of Presidential Decree No. 612, otherwise known as The Insurance Code of the Philippines. The Insurance Code generally requires all insurance companies to obtain prior approval of the IC for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may suggest or require the immediate sale or disposal of investments deemed too risky.

For equity investments, Section 200 of the Insurance Code further provides, among other things that insurance companies may only invest in shares of Philippine corporations which have prior three-year dividend payment record. Moreover, the same section limits exposure to any one institution equal to 10% of an insurer's total admitted assets.

The following table shows the equity impact of reasonable possible change in the fair values of the Association's investments as of December 31, 2019 and 2018 (all other variables held constant), respectively.

	2019		2018	
	Volatility	**Effect on Total Comprehensive Income**	Volatility	Effect on Total Comprehensive Income
Financial assets at FVOCI	**%1**	**₱22,774**	1%	₱10,238
	(%1)	**(22,775)**	(1%)	(10,238)

Guaranty fund

As a mutual benefit association, the IC also requires the Association to possess a guaranty fund of ₱5.00 million. This minimum amount shall be maintained at all times and it must be increased by an amount equivalent to 5% of the Association's gross premium collections until the guaranty fund reaches 12.5% of the minimum paid up capital for domestic life insurance companies or ₱125.00 million. As at December 31, 2019 and 2018, the Association has a total of ₱26,847,995 and ₱24,265,216 representing guaranty fund which is deposited with the IC.

24. Events After the Financial Reporting Date

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As at December 31, 2019, the management assessed that the pandemic has no material impact on its financial statements and that there is no significant doubt on the Association's ability to continue as going concern. The management continuously assesses the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, results of operations, and cash flows onwards.

25. **Supplementary Information Required by the Bureau of Internal Revenue (BIR)**

A. REVENUE REGULATIONS (RR) NO. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

1. **The amount of VAT output tax declared during the year and the account title and amount/s upon which the same was based**

   The Association's revenues were not subject to Value Added Tax for years ended December 31, 2019 and 2018.

2. **The amount of VAT Input taxes claimed**

   The Association's revenues were not subject to Value Added Tax for years ended December 31, 2019 and 2018.

3. **The landed costs of imports and the amount of custom duties and tariff fees paid or accrued thereon**

   The Association did not have any importations in 2019 and 2018 that would require for the payment of customs duties and tariff fees.

4. **The amount of excise taxes classified per major product category**

   The Association did not have any transactions in 2019 and 2018 which are subject to excise tax.

5. **Documentary stamp tax (DST)**

   The Association did not have any transactions in 2019 and 2018 which are subject to documentary stamp tax.

6. **Taxes and licenses**

Duties and taxes	₱117,655
Business Permit	28,960
Others	20,900
	₱167,515

7. Withholding taxes

The amount of withholding taxes paid/accrued for the year amounted to:

a. Withholding tax - Compensation	**₱242,618**
b. Withholding tax - Expanded	**480,928**
	₱723,546

8. Periods covered and amounts of deficiency tax assessments, whether protested or not

The Association has not yet received a final assessment notice from the Regional Office for the taxable year December 31, 2016 for deficiency income/VAT/percentage/withholding tax, which has been protested/agreed upon.